



10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

31 March 2025

Dear Dame Meg,

Thank you for your letter of 18 March about the Government's approach to ensuring regulators and regulations support growth.

When I appeared before the Committee in December, I explained how and why growth is the priority in the Plan for Change. Cutting unnecessary regulation will make it easier for businesses to invest, grow and create jobs. That is why before Christmas, the Chancellor, the Business and Trade Secretary and I wrote to regulators asking for their proposals to prioritise growth and attract investment, working with the Government.

Please find their responses enclosed. I am very pleased that select committees want to collaborate and work with the Government to increase economic growth.

I look forward to discussing this with the Committee on 8 April.

All best wishes,

Dame Meg Hillier DBE MP



Making a positive difference
for energy consumers

To: Rt Hon Keir Starmer, MP, Prime Minister
Rt Hon Rachel Reeves, MP, Chancellor of the Exchequer
Rt Hon Jonathan Reynolds, MP, Secretary of State for Business and Trade
CC: Rt Hon Ed Miliband, MP, Secretary of State for Energy Security and Net Zero

BY EMAIL ONLY

15 January 2025

Dear Prime Minister, Chancellor of the Exchequer, and Secretary of State for Business and Trade,

Thank you for your letter of the 24th December.

As Britain's Energy Regulator we recognise the fundamental importance of the Growth Mission. We want to play a big part in supporting its delivery, and see strong synergies between economic growth and our core role of protecting consumers and supporting the transition to Net Zero. As a result we have reformed our infrastructure regulation to dramatically increase the pace of investment in the sector, and would like to work with government to maximise the economic opportunities this presents for the UK. We want the UK to be a destination of choice for international investors, and want to work with your government to tackle high costs for industry and reduce the time it takes for new projects to get connected to the electricity grid. These changes will need to be made while maintaining the stability and predictability that international investors highly value.

The proposals below set out three key areas where Ofgem can act. Alongside this letter we attach a more detailed pack that outlines our actions, their impact, and what we will need from government to succeed.

Supporting investment into the sector and maximising the consequential growth opportunities:

1. Ofgem will facilitate over £170bn of new investment in electricity networks and wider energy infrastructure to support the transition to Clean Power 2030. To achieve this we will approve funding for network projects, set up a new regime to support long duration electricity storage, and finance 5 new electricity interconnectors with European countries. Working with the Clean Power Mission Board, we will set up a database to monitor progress and hold companies to account for delivery.

The Office of Gas and Electricity Markets

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www.ofgem.gov.uk

2. Ofgem is working with DESNZ and the system operator to accelerate the connection of qualifying projects to the electricity grid – principally by prioritising those that are ready to build and critical for Clean Power 2030. This, combined with the network development outlined above, will significantly speed up connection times for critical generation projects. When implemented this will allow for £74bn additional investment in new generation and batteries.
3. Given the scale and pace of investment in energy over the next 5 years, we want to maximise the positive impact on our economy. This will mean locating the relevant supply chain and new manufacturing in the UK. We have already allowed network companies to integrate their 'order book' to provide greater scale and impact on their supply chains. Working with the National Wealth Fund, government and GB Energy, we would like to consider how public investment and guarantees could be combined alongside any further adaptation to our regulations to support new UK entrants and/or inward investments in manufacturing. This could include stronger 'local content' commitments from network companies (as is done with renewables investors).

Building innovative, sustainable customer services:

4. The UK has world leading energy suppliers, but more needs to be done to build a vibrant and sustainable retail sector in the future which can drive innovation, reduce costs and support economic growth. Ofgem would like to introduce a package of reforms to the retail market to achieve this:
 - a. Adapting the price cap so that it creates more room for suppliers to innovate their offers to consumers while protecting those who are not able or willing to engage in the retail market.
 - b. Offering flexibility in retail rules to allow new entrants or existing companies to try new commercial approaches.
 - c. Revamping the smart meter rollout and making better use of energy market data.
 - d. Working with government to develop ways of stimulating demand flexibility – so customers can get rewarded for using energy at times when it is cheapest to produce.

We believe that these reforms can be made while better protecting those on lower incomes from high energy prices.

Building an energy sector that enables growth and investment in the wider economy:

5. The role the energy sector plays in the wider economy is vital for business and for growth. This is particularly true for those investments that are energy-intensive and globally mobile, including AI / data centres. Today, UK industrial electricity prices are high and large industrial projects face potentially significant connection delays. In my view, it will take significant reform to increase the competitiveness of the UK energy system, but it is vital to do so if we are to successfully deliver the AI Action Plan and grow energy-dependent industry.

Specifically:

- a. We need further reform to the connections process and network investment - facilitated by government - to bring forward connection dates and prioritise strategic economic and industrial demand in the same way we are prioritising power generation in (2) above.
- b. We would like to work with government to determine how to further bring down electricity costs for industry, particularly for those investments that are globally mobile. This may involve a reallocation of costs between customers and/or extending existing support that is offered to energy-intensive industries.
- c. We are keen to work with government on the proposed AI Growth Zones, and want to explore whether a similar approach could be extended to other major energy-dependent industries.
- d. We are implementing a series of reforms that are improving market conditions for all businesses, including working with DESNZ to introduce new oversight of energy brokers, some of whom had a highly detrimental impact on small businesses during the energy crisis.

To drive change, reduce costs and increase inward investment these actions need to be accompanied by reforms to our electricity market. We are supportive of a move to zonal pricing in the UK, and believe that this could unlock further savings for industry that is able to locate close to new generation (for example in Scotland).

We will need help from government to deliver these goals, for example: joint work on monitoring major investments in energy; legislative change to allow Ofgem to adapt our existing charging regime, regulation and connections processes; and sufficient resourcing. We will also need to establish consensus with government on the proposed measures, and alignment on the trade-offs that will be involved.

We believe that Ofgem can take this package of measures forward under our existing framework, but we are limited in what can be done by our current statutory duties. Through the Ofgem Review, we would welcome further work on whether our statutory framework



Options for driving economic growth

January 2025

Ofgem recognises the important role that we can play in supporting economic growth. This slide deck provides additional detail on the five areas that Ofgem can, with government, promote growth:

Supporting investment into the sector and maximising the consequential growth opportunities

1. Enable over £170bn of investment for new energy infrastructure including network projects, carbon capture and storage, long-term electricity storage, and new interconnectors.
2. Reduce connection queue times from 5 years to 6 months for projects critical to Clean Power 2030.
3. Collaborate with government, GB Energy and National Wealth Fund to boost UK manufacturing and supply chains, combining public investment and regulatory changes to attract new investment to the UK.

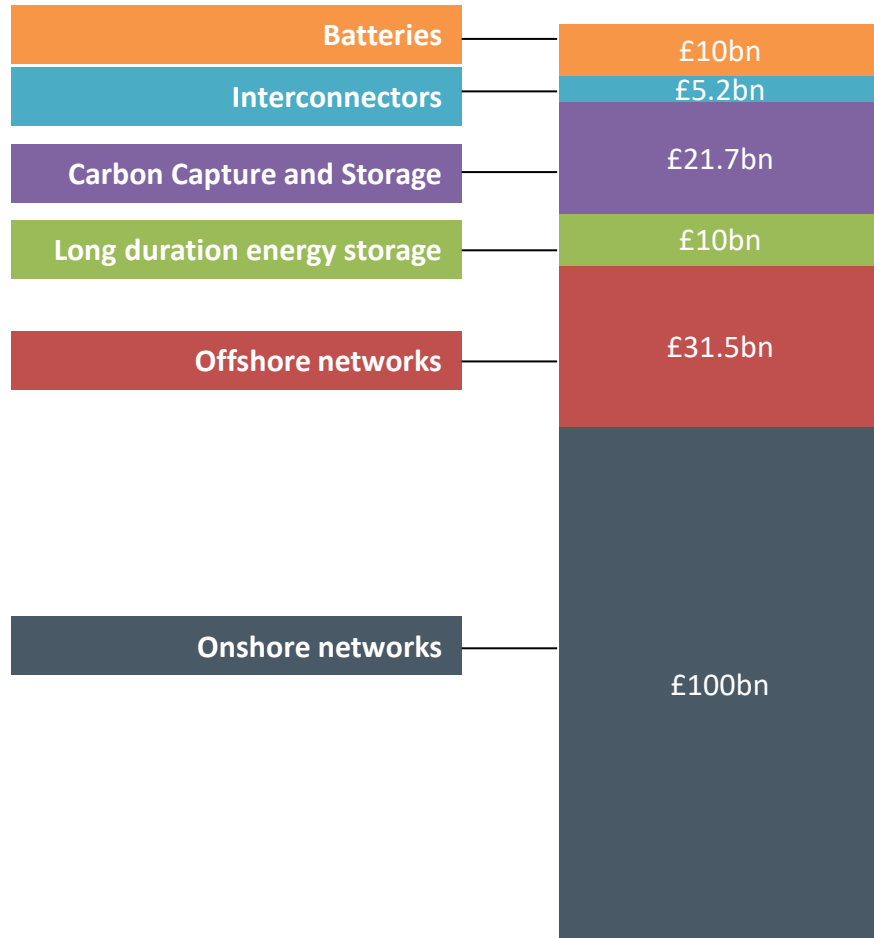
Building innovative, sustainable customer services

4. A package of measures to capitalise on the growth and innovation potential in the consumer energy market, including reform of the Price Cap, while better protecting lower income consumers.

Building an energy sector that enables growth and investment in the wider economy

5. Improve overall industrial competitiveness: develop better mechanisms for ensuring economically important grid connections are prioritised and reforms to reduce energy costs for high-intensity industrial users and AI/data centres.

1. Ofgem will enable over £170bn of new investment to meet government's Clean Power 2030 goal and beyond

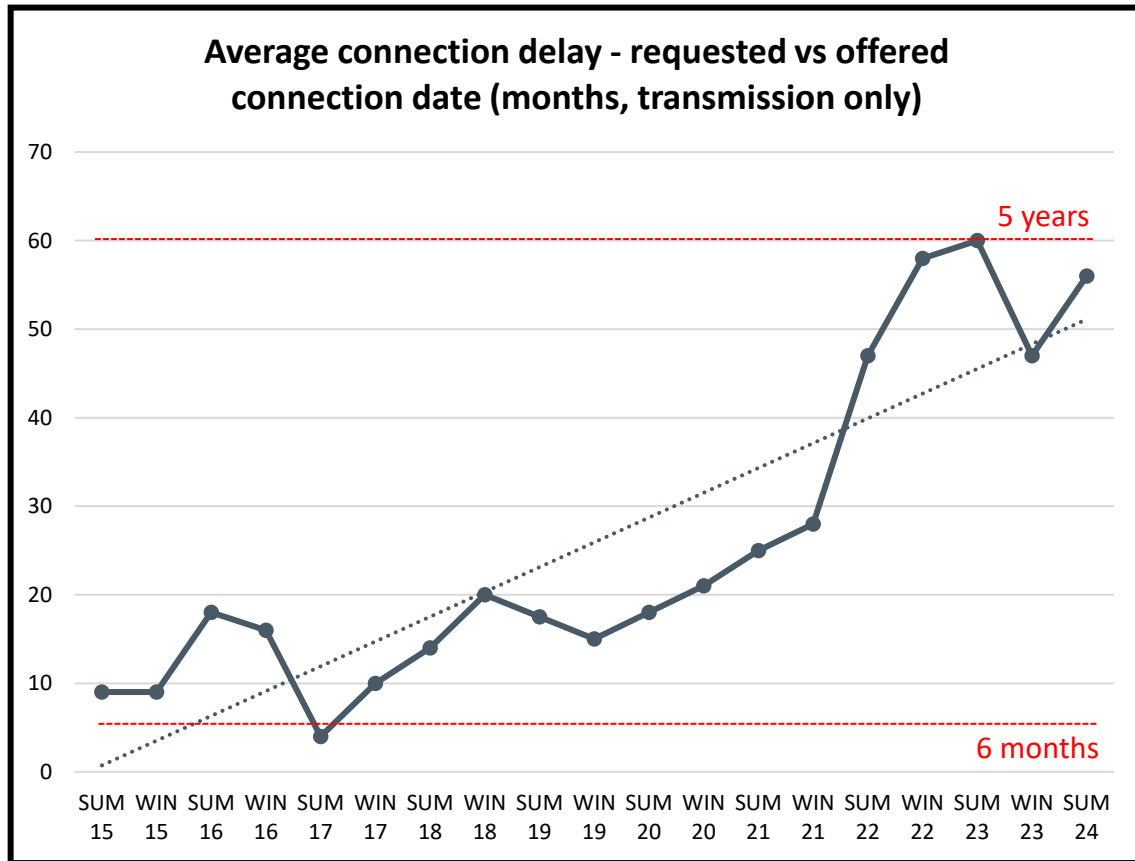


Ofgem will secure the investment needed by using existing regulation and by creating new mechanisms for emerging technologies

- Since 2022, we have taken action to unlock ~£60bn investment in new electricity transmission infrastructure, and are developing a new regime to drive investment in local networks
- We will set up a new cap and floor regime to support development of long duration storage
- We will with the energy system operator (NESO) ensure battery developers have access to markets, including growing demand for flexibly dispatched electricity
- We will enable financing of CCS infrastructure, and make decisions on future network expansion

Government help needed to deliver: Planning reform, co-development of monitoring tools to drive delivery, potentially legislation to allow us to fund new regulatory schemes

2. Ofgem, with the system operator, is reforming the connections regime to accelerate access to the grid for Clean Power projects



The current queue for grid connections is ~740GW, 2-3 times more than GB needs to meet future demand.

Ofgem is working with NESO to reform the connections process to remove projects that are not yet viable and to prioritise those that contribute to Clean Power 2030.

This will remove an estimated 460GW, ~60% of the current queue which will shorten connection times. Our aim to get connection delays down from 5 years (current level) to 6 months max (see left)

Key milestones:

- Q1 2025 – Ofgem decision on reforms
- Q2-Q4 2025 – Existing queue is reordered against new criteria / networks replan necessary build
- End Q4 2025 – revised, improved offers issued to qualifying projects

Government help needed to deliver: Firm political support when projects that lose out raise concerns, legislative backstop (in case of successful legal challenge)

3. Given the investment in the sector, we want to work with government and companies to maximise UK economic benefit

Maximising the economic impact of the Net Zero Transition:

Ofgem will facilitate over £170bn investment into networks and wider energy assets.

If we want to deliver the full growth potential from this investment, then we need to work to secure the location of the supporting supply chain and manufacturing in the UK.

There are at least 3 proposals for new cable factories to be located in the UK, with the greatest potential for investment if government, Ofgem and the energy sector work together on this.

Ofgem has already adapted our network regulation to allow companies to combine their orders, which increases their collective purchasing power to boost the supply chain. This has already facilitated one new cable factory in Scotland, built by Sumitomo.

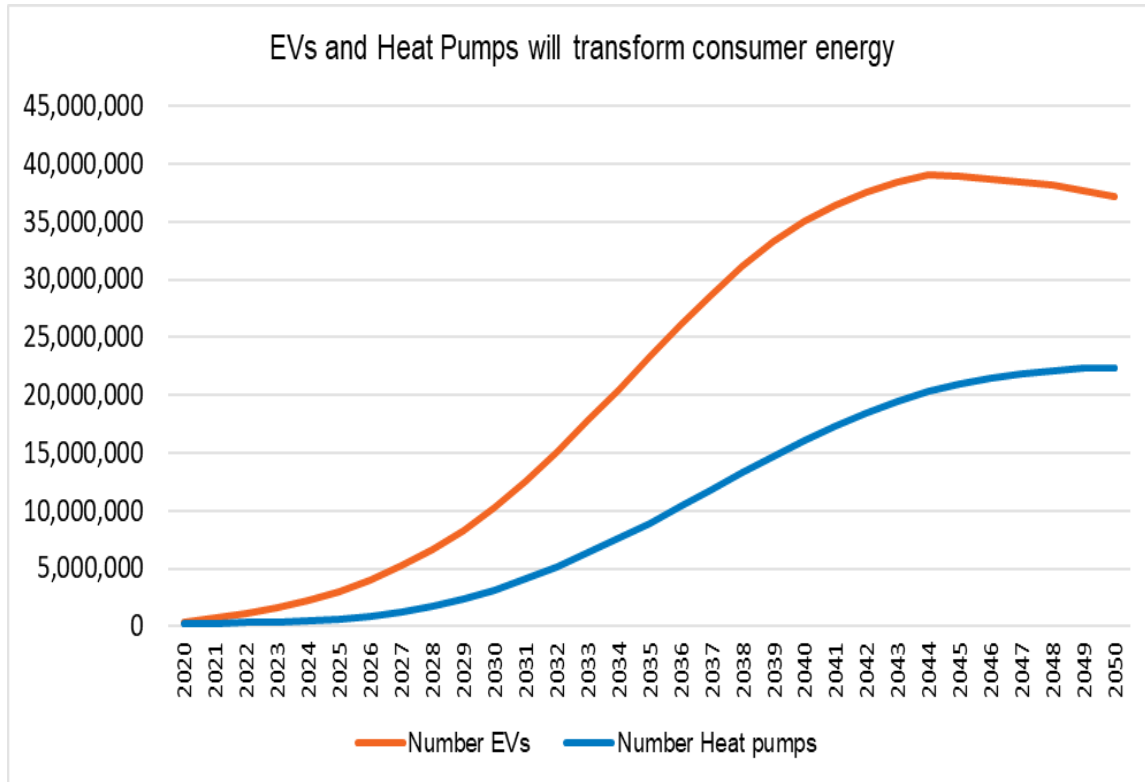
Further projects will potentially need:

- Investment by GB Energy/ National Wealth Fund in early stage projects.
- Planning/ development support.
- Changes in procurement by energy companies to allow new entrants to bid.
- Risk sharing between government, Ofgem and the industry to support the development of new manufacturers

This could be integrated with wider sector initiatives, such as 'local content' measures in offshore wind.

Government help needed to deliver: Develop measures that support expansion of UK supply chain, working with companies and Ofgem. Similar co-operation to develop the required local skills.

4. Creating a retail market that drive innovation and is sustainable in the longer term



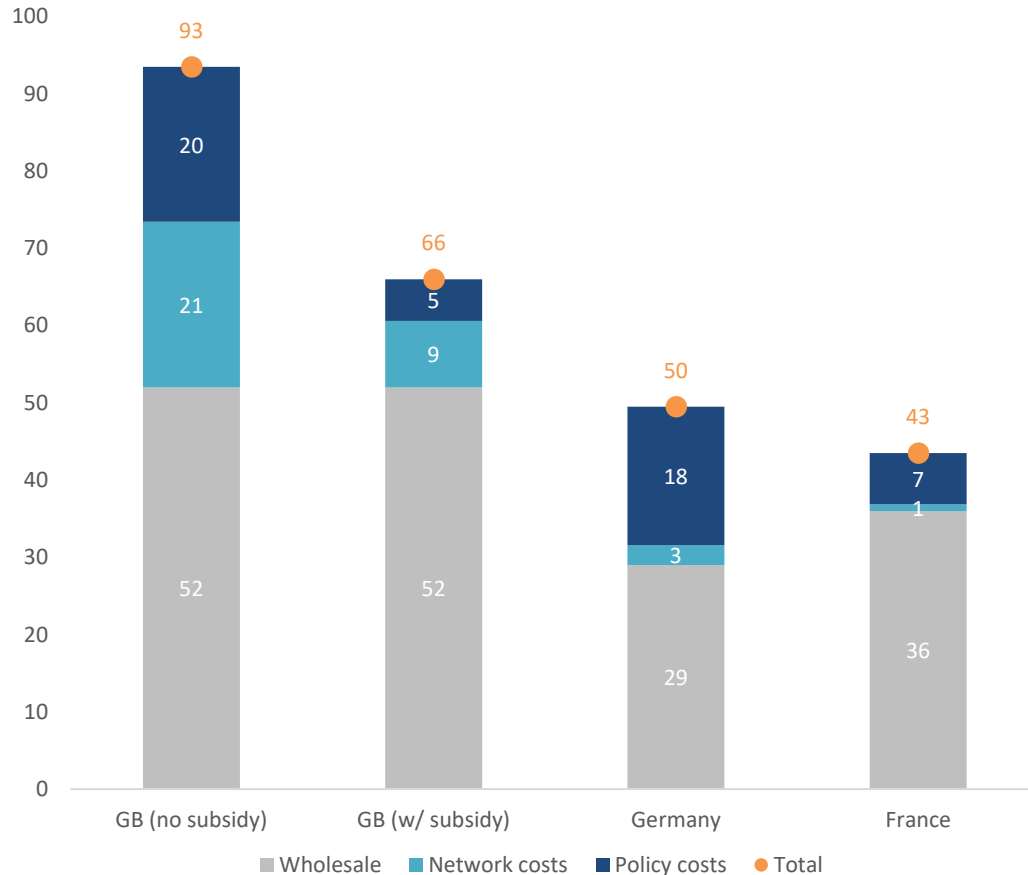
Source: NESO Future energy Scenario 2024

- The consumer energy market will change radically with the spread of low carbon tech (heat pumps, EVs), and new business models (flexible tariffs/ zero-bills homes)
- This will save consumers money, accelerate decarbonisation, and create new export opportunities. Octopus Energy is an example of an innovative UK supplier expanding into other markets.
- We can maximise this opportunity by:
 - Lowering barriers to innovation, eg through applying derogations to license conditions
 - Revamping the smart meter rollout, and making better use of energy market data
 - Supporting flexible tariffs by 'pump priming' the new market
 - Reforming the price cap, whilst strengthening protections for those most in need

Government help needed to deliver: Reform the price cap to encourage innovation, joint work to stimulate the market for flexible energy, support for smart meter reform.

5. We need to speed up industrial connections and reduce costs to allow the UK to better compete for investment

Electricity prices for a steel maker in 2024/25, GBP per MWh (nominal prices)



Industrial investment in the UK is currently hindered by high electricity prices. We need to co-develop a response to attract globally mobile investments. For relevant businesses Ofgem would like to work with government to:

- Speed up grid connections for key industrial / commercial projects, by allowing Ofgem/ NESO to prioritise these projects if needed.
- Reduce industrial costs by revisiting how these costs are allocated across the energy system and/or expanding existing government schemes to offset some of these costs (currently covers ~300 firms)
- Embed prospective AI Zones into wider strategic planning by the energy system operator – to take advantage of areas that will have high amounts of renewable generation (e.g. Scotland) and extend this approach to wider industry

Government help needed: Set clear policy/ direction that allows Ofgem/ NESO to prioritise commercial connections. Co-design policy/ charging arrangements that would offset or reallocate costs applied to energy dependent/ globally mobile industry.

Longer term to support delivery, we need reform of the electricity market and further reform of our own legislative framework

Longer term market reform

Update Ofgem's mandate/
operations

Deliver Warm Homes delivery
body

Zonal pricing could deliver amongst the lowest electricity prices in Europe in areas that have high renewables generation, enabling them to attract mobile investment

Ofgem's statutory duties limit our ability to drive economic growth.

Through the Ofgem Review we would welcome a discussion about what government wants from the energy regulator and how to adapt our statutory goals and powers to achieve this.

DESNZ exploring bringing Ofgem heat pump + energy efficiency schemes and other orgs into a new delivery body.

We are strongly supportive of this approach which could drive a step change in energy efficiency delivery and the consequential economic benefits.

Rt Hon Sir Keir Starmer MP
Prime Minister

Rt Hon Rachel Reeves MP
Chancellor of the Exchequer

Rt Hon Jonathan Reynolds MP
Secretary of State for Business and Trade

From:
Marcus Bokkerink
Chair

Sarah Cardell
Chief Executive

13 January 2025

Dear Prime Minister, Chancellor and Secretary of State,

Many thanks for your letter of 24th December: *A new approach to ensure regulators and regulations support growth*. The CMA is fully supportive of the government's focus on driving economic growth and stands with you in this critical shared endeavour. The CMA has an important role to help deliver the growth mission. We welcome this opportunity to share what the CMA has been, is and will be doing to drive productive, sustainable economic growth across the UK.

Promoting competition and protecting consumers to drive growth, opportunity and prosperity across the UK

In your letter you asked that we set out five measurable commitments or changes that we intend to implement in the next year which will significantly boost business confidence, improve the investment climate, and foster sustainable economic growth. Your letter is timely as the CMA has today published for consultation our draft 2025/26 Annual Plan: *Promoting Competition and Protecting Consumers to Drive Growth, Opportunity and Prosperity for the UK*. A full copy of the draft Plan is provided alongside this response.

The draft Plan lays out in full our proposed priorities and actions for the coming year to drive economic growth, opportunity and prosperity across the UK as we exercise our statutory functions. This includes new responsibilities under the Digital Markets, Competition and Consumers Act 2024 to promote competition in digital market and to enforce consumer protection. As such, the draft Plan provides the most comprehensive response to your request for concrete proposals on how the CMA intends to prioritise growth and facilitate investment over the coming 12 months.

We have been pro-actively discussing and updating a wide range of Departments (including meetings with relevant Ministers) as the draft Plan has developed, to ensure we are offering value in areas of priority for the government. We would very much welcome the opportunity to meet directly to discuss the draft Plan at your earliest convenience.

An overview of our proposed priority areas of action for the medium term and for the next 12 months is provided below. These are set out against the long-term outcomes our work aims to achieve, for:

- The whole UK economy to grow productively and sustainably.
- People to be confident they are getting great choices and fair deals.
- Competitive, fair-dealing businesses to be able to innovate and thrive.

The whole UK economy can grow productively and sustainably

Medium-Term Priorities

- Help sectors that offer the greatest potential impact on the UK's innovation, productivity and growth to develop competitively, and to their full potential
- Protect economic resilience through effective competition
- Support the flow of pro-competitive investment into the UK, for the benefit of consumers and businesses across the economy
- Help accelerate the UK's clean energy transition
- Resolutely deter restrictive, exclusionary and exploitative anti-competitive practices

Areas of Focus for 2025/26

- Implement the new digital markets competition regime to drive opportunities for sustained innovation, investment, and growth
- Target markets work on 'enabling' sectors that drive growth across the economy, for example where there are barriers to infrastructure investment or opportunities to raise workforce participation
- Support UK government Industrial Strategy by applying our statutory functions in prioritised sectors and providing expert advice
- Encourage competitive markets for green technology, for example, through our Green Agreements Guidance and potential work on green heating and energy efficiency
- Continue to support the harnessing of competition for more effective public procurement



People can be confident they are getting great choices and fair deals

Medium-Term Priorities

- Consistently focus action on the areas where consumers spend the most money and time, particularly for people who need help the most or who are otherwise vulnerable
- Enable people to make their own choices, without being misled or put under pressure
- Resolutely deter restrictive, exclusionary and exploitative anti-competitive practices

Areas of Focus for 2025/26

- Act in areas such as drip and dynamic pricing, travel, housing, online entertainment; and where the CMA has previously set expectations for responsible businesses, such as unregulated legal services and trader recommendation sites
- Enforce competition law in public procurement (including businesses serving the education sector)
- Complete our market investigation into veterinary services



Competitive, fair-dealing businesses can innovate and thrive

Medium-Term Priorities

- Enable fair and open access to markets for innovating businesses
- Help emergent sectors to develop into high growth, innovative and competitive markets
- Support market conditions that enable businesses to scale without using restrictive, exclusionary or exploitative practices that undermine open and effective competition
- Resolutely deter restrictive, exclusionary and exploitative anti-competitive practices

Areas of Focus for 2025/26

- Conduct first investigations under the new digital markets competition regime potentially leading to Strategic Market Status designations, to expand opportunities for innovation, investment and scaling for businesses across the UK
- Complete our market investigation into cloud infrastructure services
- Encourage customer choice, investment, and sustained innovation through fair, open, effective competition in emergent markets, for example throughout the AI value chain
- Continue to enforce competition law in online advertising



In Annex 1 to this letter, we provide a fuller explanation of how the proposed actions set out in our draft 2025/26 Annual Plan will concretely and tangibly contribute to the UK's growth, building on the work we have already delivered over the past two years. More detail is available in the full draft Plan.

We also recognise the importance of regularly evaluating and reporting on the impact of our work (on growth and more broadly), and the way in which we carry it out. This year, our draft Annual Plan consultation invites comment on our intention to specifically review and report on how our work has contributed to economic growth in our Annual Report and Accounts going forward.

Whilst the draft Annual Plan contains a comprehensive and mutually reinforcing package of proposed actions to help drive confidence, investment and growth for the coming year, we would like to highlight 5 specific actions within it that will particularly benefit the growth mission. These are:

- Action 1: Target markets work on 'enabling' sectors that drive growth across the whole UK economy.
- Action 2: Drive innovation, investment and growth in digital markets through the implementation of the new digital markets competition regime for the benefit of UK businesses and consumers.
- Action 3: Support public sector savings and productivity gains by rooting out illegal bid-rigging in public procurement, including through use of our AI and data science capability.
- Action 4: Provide direct advice to government to support the development and implementation of its Industrial Strategy.
- Action 5: Implement a package of cross-cutting actions to ensure the way we work supports the CMA's contribution to economic growth.

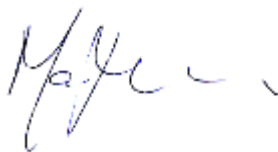
We have laid out further detail on these actions, and how we intend to measure and report against them, in Annex 2.

We are grateful for the support expressed in your letter to tackle obstacles that might prevent action to unlock growth and investment. The Digital Markets, Competition and Consumers Act closely reflected previous CMA advice to government on legislative reform to deliver pro-growth competition and consumer protection regimes, and we welcome the government's continued support now that the Act has commenced.

We will continue to engage closely with your officials, including in the context of a new Strategic Steer to the CMA, to consider whether there are obstacles that stand in the way of delivering on the actions set out in this letter, or contributing more broadly to the government's economic priorities.

We would welcome a meeting at your earliest convenience to discuss these proposals further and look forward to continuing our productive work together.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'M. Bokkerink'.

Marcus Bokkerink
Chair

A handwritten signature in black ink, appearing to read 'S. Cardell'.

Sarah Cardell
Chief Executive

Annex 1

The CMA's draft Annual Plan for 2025/26: promoting competition and protecting consumers to drive economic growth, opportunity and prosperity for the UK

2025/26 will be the third year of the CMA's fresh strategic approach as we continue to drive an explicit programme of change that began at the start of 2023, shortly after we took up our roles as Chair and Chief Executive, when we set out a new strategy for the CMA. That strategy unambiguously focused the CMA's work on the fundamental outcomes the UK's competition and consumer protection laws are intended to help achieve for:

- **people** to be confident they are getting great choices and fair deals;
- competitive, fair-dealing **businesses** to be able to innovate and thrive; and
- the whole UK **economy** to grow productively and sustainably.

Spurring and sustaining broad-based economic growth requires three things to work together:

- a step-up in innovation, with those innovations diffusing across the economy;
- a step-up in investment, with that investment flowing across sectors and regions;
- a step-up in productivity, with the benefits of productivity gains accruing to consumers (through prices and quality), businesses and their investors (through returns), and employees (through wages).

This is where the UK's competition and consumer protection regimes, and the CMA, play a vital role. In the UK and internationally, evidence shows that the benefits from greater innovation, productivity growth, and investment are only achieved, diffused and sustained when the foundational conditions of effective competition and empowered consumers are in place.

Strong competition and consumer protection operate in a mutually reinforcing way to:

- spur **innovation, investment** and **productive growth** across the whole UK economy;
- create **opportunities** for UK **businesses** and their **investors** to innovate and thrive, with the confidence that they will be competing on a level playing field;
- **build confidence** for **people** to engage with the markets that matter to them most, free to make choices and free from exploitation;
- and through these, foster long-term **prosperity** for the benefit of everyone in the UK.

Over the last 2 years, we have been laser-focussed on delivering tangible, positive outcomes against this strategy for the people and businesses we serve. For example, the CMA has acted to open up and safeguard genuine choice and a fair deal in a wide range of markets that really matter to people's daily lives – from buying or renting a home, to

groceries, road fuel, and veterinary services, to shopping online and medicines that the NHS buys on people's behalf. We have also acted to open up markets, unlock innovation and create a level playing-field for businesses seeking to compete – from open banking and online marketplaces to construction, electric vehicle charging, gaming, cloud and mobile services. Notably, much of our work to drive effective competition involves identifying, removing or improving poorly functioning regulation – for example our recent recommendations to government to help improve the housebuilding market. Where competition works well, regulation can be kept to a minimum. Our most recent [Annual Report and Accounts](#) lays out how we have performed against this strategy over 2023/24.

Looking forward, our plan for 2025/26 signals a further step-change in this activity, with economic growth, opportunity and prosperity at the heart of all we do.

Full details are contained in the draft Annual Plan but, in short, next year, the CMA will:

- Continue to bring choice and effective competition in **areas of essential consumer spend** where people are under financial pressure.
- Broaden our work to protect consumers from **misleading or high-pressure online sales and pricing practices** – including using new consumer enforcement powers introduced by Parliament.
- **Enable innovating businesses** (both large incumbents and the UK's start-ups and scale-ups) **to invest and compete on a level playing-field**, particularly in markets with a material impact on innovation, productivity and growth across the wider economy.
- With the new digital markets competition regime now in force, **protect choice and promote effective competition in digital markets**, removing barriers to innovation and investment in a targeted, proportionate, and more effective way for the many businesses and consumers who rely on digital services.
- Work with government to **help priority sectors in the Industrial Strategy develop competitively** and to their full potential.
- Helping taxpayers by supporting **pro-competitive public procurement practices**, including the use of new AI tools to aid detection of illegal bid rigging.
- Continuing to **improve the way the CMA works** including through its merger remedies review, enhancing the public reporting of work, integrating principles of best practice across all its work, as well as developing engagement with business and investors.
- **Deepen our work with the consumers and businesses we serve** to bring about solutions that drive long-term growth, opportunity and prosperity across the UK. This includes the launch of the **CMA Growth and Investment Council**, bringing together representatives from a wide range of business groups, as well as from public and private capital. The Council will identify potential pro-competition, pro-

innovation policies to support productive, sustainable growth, and bring insights and recommendations to support the CMA's effectiveness across all our work.

- We also look forward to continuing to strengthen our transparency and accountability to Parliament. This includes working with the re-formed **Business and Trade Select Committee** and encouraging more regular, strategic oversight of our work.

Annex 2

Spotlight on five areas of action contained within the CMA's draft 2025/26 Annual Plan that are particularly pertinent to the growth mission

Action 1: target markets work on 'enabling' sectors that drive growth across the whole UK economy

The CMA's markets work can unlock opportunities for innovators, entrepreneurs, and inward investors. In recent years, we have made recommendations to government across several 'enabling' markets that are foundational to long-term growth across the whole economy. These have included housebuilding (which spurs investment and supports productivity through improved labour mobility and skills) and electric vehicle charging infrastructure (the backbone of sustainable transport). We are currently investigating the market for cloud infrastructure services, which are increasingly critical for UK businesses, including startups and scale-ups.

In 2025/26, we will continue to target work in enabling sectors, for example where there are barriers to infrastructure investment, to support the use of key technologies (like smart data and artificial intelligence), or to improve workforce participation. We have held multiple constructive discussions with your officials regarding prospective areas of focus for this work and would welcome the opportunity to discuss with you directly.

Measurement and transparency

As with all our work, the CMA is properly held to account for delivery against our prioritisation choices, which we report on openly and transparently (see 'Measurement and Reporting' below, including our proposed reporting on contribution to economic growth).

Action 2: drive innovation, investment and growth in digital markets through the implementation of the new digital markets competition regime for the benefit of UK businesses and consumers

A landmark new digital markets competition regime commenced on 1 January 2025. We expect this to facilitate a step-change in the CMA's ability to tackle harms and create

opportunities for growth, investment and innovation in the UK tech sector – and more broadly across the UK economy.

The regime offers a unique opportunity to harness the benefits of investment and innovation from the largest digital firms, whilst ensuring a fair shot at success for businesses across the UK tech sector. At the same time, the multitude of UK businesses and consumers across the broader UK economy, who depend on digital markets for critical products and services, will benefit from more innovation, more choice and more competitive prices – all critical components of enhanced productivity, growth and long-term prosperity for the UK.

The regime is carefully designed to ensure that the UK keeps pace with the future, while maximising its international attractiveness as a home for innovation and investment in these dynamic markets. The CMA is committed to implementing the regime in an open, transparent, proportionate and predictable way – moving at pace, whilst ensuring a fair process. It is grounded in the ethos of a “participative” process which will ensure ongoing engagement with key stakeholders, operating on a “no surprises” basis to instil businesses and investors with confidence in the new regime.

Measurement and transparency

The CMA will regularly report on, and should be held publicly accountable for, the implementation of the new regime in a way that delivers enhanced growth and investment opportunities across the UK tech sector and more broadly for the UK economy.

Action 3: support public sector savings and productivity gains by rooting out illegal bid-rigging in public procurement, including through use of our AI and data science capability

Public procurement represents roughly a third of UK public expenditure (over £300bn per year). However, anti-competitive behaviour, such as illegal bid rigging, can inflate prices and severely compromise the value of public investments.

The CMA has a strong track record of work in public procurement, including direct enforcement action and advice to government (national and regional) on the design of competitive procurement processes. We will apply a sharp focus here this year, as the government pursues essential programmes to improve public services and invest in economic infrastructure.

However, there is an opportunity to scale up the impact of this work. By combining our deep bid rigging identification expertise with extensive AI and data science capability, the CMA can help public sector organisations identify anomalies in bidding data, rooting out illegal conduct and potentially unlocking considerable productivity gains and public sector savings for the benefit of UK taxpayers. Deploying this capability strategically as part of a

targeted industrial strategy (for example in critical enabling markets like construction) could be a powerful tool to support growth. This requires collaboration between the CMA, government and other public bodies to ensure the relevant bidding data is collected and retained. We have initiated several discussions on this topic with officials and Ministers but would welcome your support to drive this forward and deliver considerable productivity gains across the public sector.

Measurement and transparency

Our Annual Impact Assessment will report on the direct financial benefits of our competition enforcement activity, including action to tackle illegal bid rigging. We will report as appropriate on progress with public sector organisations in developing data-driven capabilities to identify bid rigging.

Action 4: provide direct advice to government to support the development and implementation of its Industrial Strategy

The CMA has a statutory function to advise government on designing and implementing policies which promote consumer interests and harness the power of competition to deliver long-term growth and prosperity for the UK. In November 2024 we published our response to the government's Industrial Strategy Green Paper. We set out how the CMA can support the Industrial Strategy through our advocacy function, as well as through targeting specific growth sectors. More broadly, we explained the role of competition in driving investment and discussed measures to create a pro-business environment. We stand ready to support the government as the Industrial Strategy is developed and implemented.

As part of our wider advisory function, the CMA's Microeconomics Unit (MU) provides critical expertise, analysis and primary research for our engagement and advice to government. In 2024, the MU launched valuable new research around the benefits of well-functioning labour markets, widely recognised as an important driver of economic growth and productivity. It also led development of the CMA's third State of Competition report, which reinforces the importance to the UK economy of continued action to keep markets open, competitive and dynamic.

In the year ahead, the CMA will progress the MU's Growth Programme (announced in October 2024), designed to support the UK government's growth mission and Industrial Strategy. The Programme focuses on critical drivers and blockers of growth, including how easily (or not) new technology spreads across the economy; the impact of upstream market power on economic performance and supply chain resilience; and how competition impacts investment. The Programme will also produce evidence on pro-growth industrial policy interventions, as part of the CMA's broader support for the government's Industrial Strategy.

Measurement and transparency

We will report to government on this work as it develops, publishing outputs from the Microeconomics Unit growth programme, and where appropriate, specific advice to government.

Action 5: Implement a package of cross-cutting actions to ensure the way we work supports our contribution to economic growth

Playing our part in delivering positive outcomes for the UK, including ensuring this is a globally attractive place to invest and do business, is not only about the work the CMA does. It must also encompass the way we go about it. That is why, since we launched our new strategy in early 2023, the CMA has and will continue to evolve the way we work. This has included (for example) a focus on rigorous prioritisation in line with our strategy; a more open, constructive approach to stakeholder engagement; a refreshed Executive team and Board, representing a broad range of competition, consumer and deep corporate expertise; a surge in our digital and technology capability; and a landmark overhaul of our phase 2 mergers process, just now coming into effect.

Much has been achieved in a short space of time. We know that the benefits of many of positive changes from our actions over the last two years will take time to be felt by all stakeholders. Equally, we are conscious that perceptions of how the CMA operates matter today. We therefore highlight below three cross-cutting actions related to the way in which we work, which we believe will further strengthen our ability to contribute to growth.

(i) Evolving how we work

We are committed to delivering a best-in-class competition and consumer protection regime. This includes incorporating best practice into everything we do, as well as ensuring that every business dealing with the CMA feels they have been treated fairly and consistently, regardless of the outcome.

For example, in support of our goal to deliver a best-in-class experience for parties in a merger review, we are now implementing a major overhaul of our phase 2 investigation process. We believe this will deliver a more transparent, collaborative, less adversarial approach, with better opportunities for constructive engagement. We also recently raised de minimis thresholds from £15m to £30m, helping us concentrate on mergers that truly require our attention. We will continue to evolve our approach in the year ahead, launching a more focused review of merger remedies to ensure the regime works as well as it can, while protecting UK consumers and businesses from the harms of anti-competitive mergers. We will also continue to explore ways to further enhance direct engagement between the CMA and parties to a merger, to set clear expectations for the process and receive direct feedback.

More broadly, stakeholders tell us that four aspects of how the competition regime operates really matter. Although the feedback relates particularly to merger control, these best practice principles are applicable to other areas of our work, such as the new digital markets competition regime, as well as market studies and market investigations.

The principles are: **proportionality** (for example, how interventionist the CMA is, including compared to other authorities); **predictability** (particularly around our jurisdiction but more broadly in terms of operating on a 'no surprises' basis); **process** (how transparent, streamlined, open, and consistent we are); and **pace** (executing our work as rapidly as possible, consistent with rigour and procedural fairness).

The CMA is committed to integrating these principles of best practice across everything we do, including seeking and acting upon direct stakeholder feedback. Further detail on this is included in our draft Annual Plan.

(ii) Stakeholder engagement

Stepping up our efforts to pro-actively listen, learn, explain, and incorporate insights has been one of the hallmarks of the CMA under our joint leadership. We are determined to continue listening and responding to feedback on how we work, particularly where this shores up business and investor confidence and enhances the UK's attractiveness as a destination for investment.

We will redouble these efforts this year, including continuing to deepen relationships with the UK's vibrant start-up and investment community through a new, tailored CMA outreach series, with a particular focus on mergers. We hope this will help us continue to learn from these communities, whilst further strengthening their understanding and confidence in the CMA and our work.

In a similar vein, we are today announcing a new CMA Growth and Investment Council. The Council brings together senior representatives from the UK's leading business and investor bodies in service of a common goal: to help identify opportunities for competition to unlock growth and investment. In addition to the CMA, the Council is formed of 11 members representing a broad cross-section of business and financial interests. The Council will bring insights and recommendations to support the CMA's effectiveness across all our work. The first meeting is set to take place later this month, where members will provide feedback on the CMA's draft Annual Plan.

(iii) Measurement and reporting

We recognise the importance of regularly evaluating and reporting on the impact of our work (on growth and more broadly), and the way in which we carry it out. We do this through our annual Impact Assessment, Annual Report and Accounts and broader communications throughout the year; Mid-Year and End-of-Year reviews with our sponsor department; and appearances before parliamentary Select Committees.

This year, our draft Annual Plan consultation invites comment on our intention to specifically review and report on how our work has contributed to economic growth in our Annual Report and Accounts going forward. We have also said we will use our regular stakeholder engagement to seek clear feedback on how we work (including in relation to the '4Ps' outlined above), reporting on this annually. This will enable us to play back in a more consistent, transparent way what we have heard and how we have acted on it.

Competition and Markets Authority Draft Annual Plan 2025 to 2026

**Promoting Competition and Protecting Consumers to Drive
Growth, Opportunity, and Prosperity for the UK**

13 January 2025



Competition and Markets Authority Draft Annual Plan 2025 to 2026

**Promoting Competition and Protecting Consumers to Drive
Growth, Opportunity, and Prosperity for the UK**

Presented to Parliament, the Scottish Parliament, Senedd Cymru, and the Northern Ireland Assembly pursuant to paragraph 13(2) of Schedule 4 to the Enterprise and Regulatory Reform Act 2013 (as amended by section 40(3) of the United Kingdom Internal Market Act 2020)



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Consultation information page

Scope of this consultation

This consultation gives stakeholders and interested parties the opportunity to provide views on the Competition and Markets Authority's (CMA) draft Annual Plan for 2025/26: Promoting Competition and Protecting Consumers to Drive Economic Growth, Opportunity, and Prosperity for the UK.

Questions for consultation

All consultation questions are set out at the end of the relevant section of this draft Annual Plan, as follows:

Competition and Consumer Protection to drive economic growth, opportunity, and prosperity for the UK

- In which sectors or markets are pro-competitive interventions most needed to unlock long-term growth and prosperity?
- How could the CMA use our statutory functions most effectively to help realise these opportunities?
- How can the power of competition, and the work of the CMA, be most effectively applied in support of the UK government's Industrial Strategy?

Updating our Strategic and Annual Plan

- Do you agree with the CMA's proposed Medium-Term Priorities and Areas of Focus for 2025/26?
- Are there any other areas that we should prioritise during 2025/26?
- What medium to long-term trends or forces should we consider as we review our strategy?

Evolving the way we work

- What aspects of the CMA's processes do you believe work well? What areas do you believe need improving, and how?
- Do you see opportunities for the CMA to further strengthen the proportionality, predictability, procedural effectiveness, and pace of our work, consistent with meeting our statutory obligations?
- What relevant examples of international best practice in merger control, competition enforcement or other areas could we learn from (bearing in mind legal and operational differences in regimes around the world)?
- What options should we consider as we monitor, evidence, and report on our positive impact on economic growth, including in our Annual Report and Accounts?

Duration

13 January 2025 – 31 January 2025

How to respond

When responding, please state whether you are responding as an individual or representing the views of an organisation.

Responses should be submitted in writing via CMA Connect or by email to general.enquiries@cma.gov.uk by 31 January 2025 at the latest. The CMA will be undertaking stakeholder engagement across the UK during the consultation period – particularly across the business, investor and consumer advocacy communities.

After the consultation

We will consider all responses and publish a final version of the Annual Plan by the end of March 2025. We will publish a summary of responses and feedback received through our stakeholder engagement. Publication of this summary will happen within the timescales set out in the Cabinet Office Consultation Principles (see below). We may also publish non-confidential versions of received responses.

Compliance with the Cabinet Office Consultation Principles

This consultation is compliant with the latest Cabinet Office Consultation Principles. The Cabinet Office Consultation Principles criteria can be found at www.gov.uk/government/publications/consultation-principles-guidance.

Data Protection and confidentiality

Any personal data that you supply will be processed by us in line with data protection legislation.¹ We will only retain and use your personal data for the purposes of our work (to ensure that we take your response into account) and we will then securely delete it. We will not share your personal data with any third party. For more information about how the CMA processes personal data, please see our [Privacy Notice](#).²

We will summarise all responses and publish a summary of responses received. The summary will include a list of organisations that responded, but not people's names, addresses, or other contact details. Before publishing information, we will have regard to any restrictions placed on us by the law (for example, regarding confidential information). If you consider that your response contains information which is commercially sensitive or confidential for some other reason, please identify it, mark it as commercially sensitive or confidential and explain why.³

¹ In responding to the consultation, you will be supplying us with personal data (your email contact details, for example). Personal data is information which relates to a living individual who may be identifiable from it.

² It includes information about your rights in relation to your personal data, including how to contact us and how to complain.

³ See Transparency and Disclosure: Statement of the CMA's policy and approach ([CMA6](#)).

Unless an exemption applies, we may disclose the fact that you have provided information to us, and the information you have provided, in accordance with our obligations under the Freedom of Information Act 2000 (FOIA).⁴

Feedback about this consultation

If you wish to comment on the conduct of this consultation or make a complaint about the way this consultation has been conducted, please send an email to:
general.enquiries@cma.gov.uk.

⁴ In responding to such requests, we will take into account any comments you have made about confidentiality. See also [CMA6](#) (see footnote 3 above) about the CMA's approach to FOIA requests.

1. Foreword

At the start of 2023, shortly after we took up our roles as Chair and Chief Executive, we set out a new Purpose, Ambitions and strategy for the CMA. These unambiguously focused the CMA's work on the fundamental outcomes the UK's competition and consumer protection laws are intended to help achieve for:

- **People** to be confident they are getting great choices and fair deals;
- Competitive, fair-dealing **businesses** to be able to innovate and thrive; and
- The whole UK **economy** to grow productively and sustainably.

2025/26 will be the third year of this fresh strategic approach. With a renewed government focus on economic growth, we have an opportunity to drive these positive outcomes further and faster to achieve growth, opportunity and prosperity across the UK. This Annual Plan sets out how we intend to do so.

Achieving the kind of growth that fosters opportunity and prosperity for all means ensuring the benefits of that growth are broad-based, long-lasting, and tangibly felt by people and businesses across the UK. The formula for achieving this is well-known. The results of adopting that formula, and of failing to adopt it, have played out repeatedly and consistently in economies around the world.

Spurring and sustaining broad-based economic growth requires three things to work together:

- A step-up in innovation, with those innovations diffusing across the economy;
- A step-up in investment, with that investment flowing across sectors and regions; and
- A step-up in productivity, with the benefits of productivity gains accruing to consumers (through prices and quality), businesses and their investors (through returns), and employees (through wages).

This is where the UK's competition and consumer protection regimes, and the CMA, play a vital role. In the UK and internationally, evidence shows that the benefits from greater innovation, productivity growth, and investment are only achieved, diffused and sustained when the foundational conditions of effective competition and empowered consumers are in place. The CMA works to safeguard these conditions every day, and to restore them where they have been eroded.

How does the CMA do this in practice?

- First, we act to promote choice: ensuring that – except in a handful of natural monopoly markets – consumers and business customers always have alternatives and are free to make choices without being misled or manipulated.
- Second, we act to promote effective competition, so that all businesses (large or small, incumbent or challenger), are free to compete, innovate, offer the customer a different solution, and get a fair shot at success based on merit.
- Finally, we act to promote a level playing-field in markets, giving investors confidence that the businesses they back can bring their innovations, improvements, higher productivity and breakthrough solutions to the customer and into the economy, free from anti-competitive barriers or restrictions.

Two years ago, as a then-new leadership team, we recognised that these foundational conditions should not be taken for granted, particularly in an increasingly volatile macro-economic environment. They need to be fostered and safeguarded in an open and even-

handed way – for the benefit of all market participants, large and small, business and consumer. We therefore put the positive outcomes they bring for people, businesses and the economy explicitly at the centre of the CMA's Purpose and strategy. We also launched a programme of reforms to enable the CMA to bring them about more effectively – particularly in markets with the greatest potential to drive productive, sustainable growth across the whole UK economy.

Since then, the CMA has acted to open up and safeguard genuine choice and a fair deal in a wide range of markets that really matter to people's daily lives – from buying or renting a home, to groceries, road fuel, and veterinary services, to shopping online and medicines that the NHS buys on people's behalf. We have also acted to open up markets, unlock innovation and create a level playing-field for businesses seeking to compete – from open banking and online marketplaces to construction, electric vehicle charging, gaming, cloud and mobile services.

In parallel, we have made transparency and openness hallmarks of the CMA under our leadership, including engaging more directly and frequently with consumer groups and businesses – listening to their insights and feedback, and using it to improve how we work.

Looking ahead to 2025/26, the environment is characterised by uncertainty. Much attention is naturally focused on the major geopolitical shifts, macroeconomic volatility and political change unfolding around us. What remains constant in this uncertain landscape is the fundamentals of what works – and what doesn't work – to propel the growth, economic opportunity and long-term prosperity we all wish to see for the UK. That is: genuine choice, effective competition, and a level playing-field, delivered by an independent, impartial competition and consumer protection authority working for the benefit of people and businesses across the UK.

In our 2025/26 Annual Plan, we maintain those fundamental drivers of growth, opportunity, and prosperity at the heart of our prioritisation and decision-making. In the pages that follow, we lay out for consultation the areas we propose to focus on, over the medium-term and during the next 12 months.

Next year, the CMA will:

- Continue to bring choice and effective competition in **areas of essential consumer spend** where people are under financial pressure;
- Broaden our work to protect consumers from **misleading or high-pressure online sales and pricing practices** – including using new consumer enforcement powers introduced by Parliament;
- **Enable innovating businesses** (both large incumbents and the UK's start-ups and scale-ups) **to invest and compete on a level playing-field**, particularly in markets with a material impact on innovation, productivity and growth across the wider economy;
- With the new digital markets competition regime now in force, **protect choice and promote effective competition in digital markets**, removing barriers to innovation and investment in a targeted, proportionate, and more effective way for the many businesses and consumers who rely on digital services;
- Work with government to **help priority sectors in the Industrial Strategy develop competitively** and to their full potential;
- **Deepen our work with the consumers and businesses we serve** to bring about solutions that drive long-term growth, opportunity and prosperity across the UK. This includes the recently launched **CMA Growth and Investment Council**, bringing

together representatives from a wide range of business groups, as well as from public and private capital. The Council will identify potential pro-competition, pro-innovation policies to support productive, sustainable growth, and bring insights and recommendations to support the CMA's effectiveness across all our work;

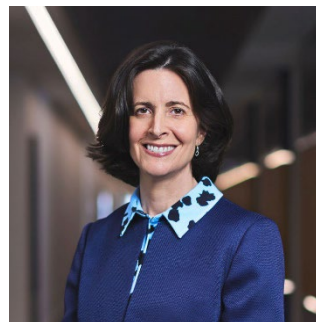
- We also look forward to continuing to strengthen our transparency and accountability to Parliament. This includes working with the re-formed **Business and Trade Select Committee** and encouraging more regular, strategic oversight of our work.

We look forward to your input and feedback on our draft Annual Plan.



**Marcus
Bokkerink**

Chair



**Sarah
Cardell**

CEO

2. About the CMA

The CMA is an independent non-ministerial UK government department, and is the UK's principal competition and consumer protection authority. We help people, businesses, and the UK economy by promoting competitive markets and tackling unfair behaviour.

We derive our powers from the Enterprise and Regulatory Reform Act 2013.⁵

The CMA is overseen by a Board, to which a number of new appointments have recently been made. These have included several new non-executive directors with deep backgrounds in business, digital business models, innovation and investment. We are led by the Chief Executive and, as of this year, an almost entirely new senior executive team with a strong mix of competition, consumer and corporate expertise.

Decisions in some investigations, including phase 2 merger investigations, are made by members of the CMA's independent Panel.

The CMA has a UK-wide remit, with offices in Belfast, Cardiff, Edinburgh, London, and Manchester, in addition to the Microeconomics Unit (MU) based in Darlington. We adopt an evidence-based, integrated approach to our work, selecting the tools we believe will achieve maximum positive impact for people and businesses (wherever they live and operate in the four nations), as well as for the UK economy.

Functions

The CMA's statutory duty under the Enterprise and Regulatory Reform Act is to promote competition, both within and outside the UK, for the benefit of consumers.

Our main functions are:

- **Investigating mergers that have the potential to lead to a substantial lessening of competition.** If a merger is likely to reduce competition substantially, the CMA can accept remedies to address concerns or, in the absence of effective remedies, prohibit the transaction. The CMA performs this function in a targeted and proportionate way, enabling the vast majority of deals to go ahead, whilst looking more closely at the small number of cases which are truly problematic for UK consumers and businesses from a competition perspective.
- **Investigating businesses to determine whether they have breached UK competition law,** ending and deterring breaches by fining businesses and, where appropriate, seeking the disqualification of the company directors involved. Illegal anti-competitive conduct subverts the proper functioning of fair, open, and effective competition. Tackling it can bring down barriers to entry and scaling for fair-dealing businesses, as well as boosting productivity and incentives for investment.
- **Enforcing consumer protection legislation,** including through a new administrative enforcement model for consumer protection expected to commence later this year under the Digital Markets, Competition and Consumer Act 2024 (DMCCA). The CMA operates alongside several other bodies across the UK with consumer enforcement

⁵ The powers of the Office for the Internal Market are set out in the UK Internal Market Act 2020. The CMA has powers linked to the Subsidy Advice Unit which derive from the Subsidy Control Act 2022.

responsibilities. Strong consumer enforcement by the CMA helps put money back in people's pockets and ensures they are treated fairly, so they can engage actively and confidently in markets.

- **Conducting studies, investigations, or other pieces of work into why particular markets are not working well.** The CMA can take action – and recommend action be taken by others – to help markets work better. Interventions can be designed to (for example) improve price and quality for consumers, tackle barriers to success for small and scaling businesses, support economic growth, and build trust in markets for the benefit of all participants.
- **Operating a new regime to promote competition in digital markets** under the DMCCA. The new regime is targeted, proportionate and uniquely designed to unlock opportunities for growth, innovation, and investment in the UK tech sector (and more broadly across the economy).
- **Giving information or advice on matters related to any CMA functions to governments and public bodies across the UK.** This includes advice on how policy can be designed and implemented to promote the interests of consumers and harness the power of competition to deliver long-term growth and prosperity for the UK.
- **Providing information and advice to people and businesses** about their rights and obligations under competition and consumer law. This ensures consumers can make well-informed decisions and receive fair treatment, as well as encouraging and facilitating companies to stay the right side of the law.
- **Promoting stronger competition and consumer protection in the regulated industries** (gas, electricity, water, aviation, rail, communications, and financial services), working with the sector regulators to do so.
- **Conducting regulatory appeals and references** in relation to price controls, terms of licences or other regulatory arrangements under sector-specific legislation, being prepared to offer advice and support to government on any potential longer-term changes to the regulatory appeals system.
- **Through the Office for the Internal Market (OIM),** providing advice, reporting, and monitoring in relation to intra-UK trade.
- **Through the Subsidy Advice Unit (SAU),** providing advice, reporting, and monitoring in relation to government subsidies that support important policy objectives.
- **Through the Microeconomics Unit (MU),** providing deep expert analysis and research on issues relevant to growth, innovation, productivity, and supply-side reforms.

The impact of our work

Delivering positive outcomes for people, businesses and the UK economy is integral to the CMA's work. We recognise the importance of evaluating and reporting on both the impact of our work, and the way in which we carry it out.

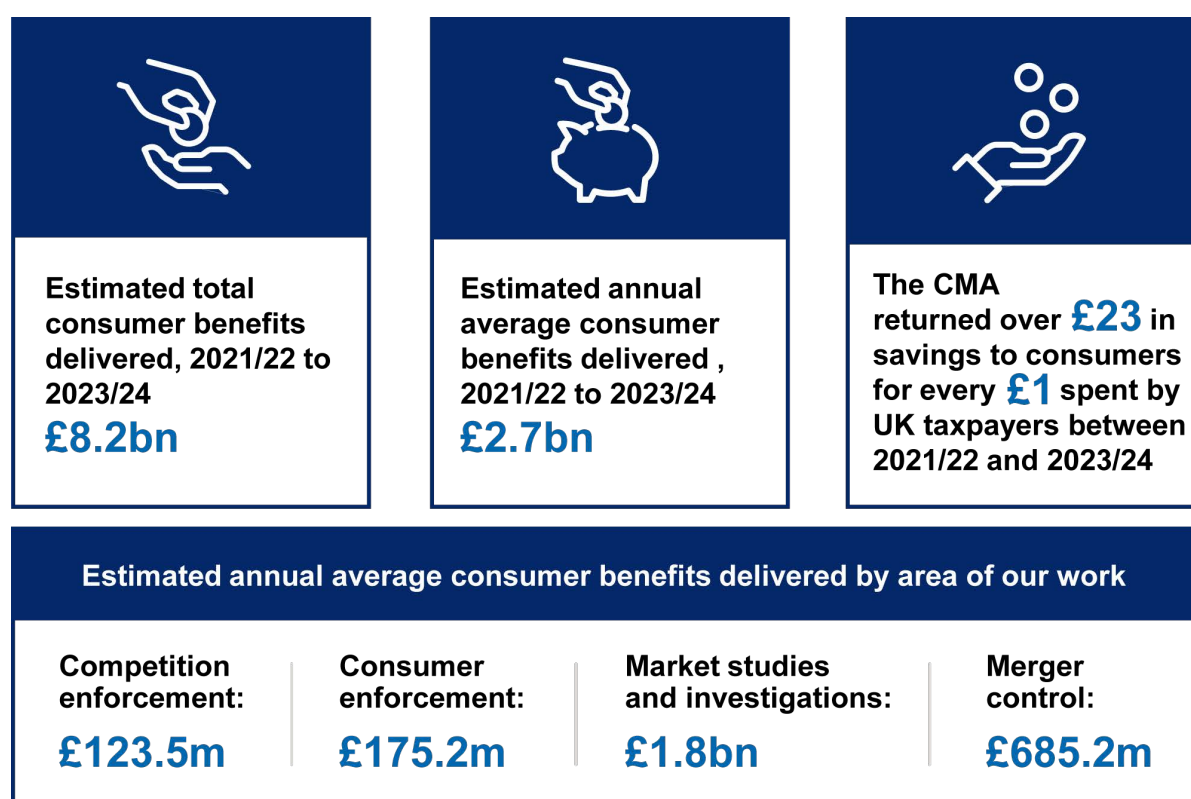
We do this regularly, including through our annual Impact Assessment, Annual Report and Accounts and broader communications throughout the year; Mid-Year and End of Year reviews with the Department for Business and Trade (our sponsor department) (DBT); and appearances in front of Parliamentary Select Committees (including the Business and Trade Committee, to whom we are accountable as our sponsoring Committee).

As signalled in our [Annual Plan 2024/25](#), over the course of the last year we have been working on a programme to enhance the evaluation and reporting of the CMA's work. We will also report annually on the impact of the CMA's work on economic growth, through our

future Annual Report and Accounts. This year's Annual Plan consultation seeks feedback on how we might best evolve our evaluation and reporting of our impact (see section 6).

Direct and indirect financial benefit

- Each year, the CMA estimates, based on conservative assumptions, the direct financial benefit of our work for consumers.
- Our [most recent Impact Assessment](#) demonstrated that we returned an average of over £23 in savings to UK consumers for every £1 of taxpayer money spent in the three years to 2023/24. This is against the target of £10:1 set by the UK government. Over the first 10 years of the CMA's operation, we delivered more than £20bn in direct consumer benefits.



This annual Impact Assessment excludes many important, wider indirect benefits from the CMA's activities – notably the deterrent effect of our work, which is likely to be substantial. For example, evidence indicates that between 5 and 28 cartels are deterred for every one that is caught, making a significant indirect contribution to the level playing-field that provides confidence to fair-dealing businesses and their investors.

Alongside this Annual Plan, we have published a new CMA [literature review](#) synthesising key insights from recent studies on the wider impacts of competition policy and enforcement. The body of evidence indicates strong competition enforcement has significant wider economic benefits, including on innovation, productivity and consumer welfare.

3. Competition and Consumer Protection to drive Economic Growth, Opportunity, and Prosperity for the UK

The CMA's Purpose is to help people, businesses, and the UK economy by promoting competitive markets and tackling unfair behaviour. We do this by harnessing the power of competition and consumer protection in the interests of UK consumers and businesses.

Strong competition and consumer protection:

- Spur **innovation**, **investment**, and **productive growth** across the whole UK economy;
- Create **opportunities** for UK **businesses** and their **investors** to innovate and thrive, with the confidence that they will be competing on a level playing-field;
- **Build confidence** for **people** to engage with the markets that matter to them most, free to make choices and free from exploitation;
- And through these, foster long-term **prosperity** for the benefit of everyone in the UK.

Competition and consumer protection drive growth

Effective competition is a proven route to a higher growth economy. Evidence and history show that where competition is stronger, innovation and – crucially for the UK – productivity and wage growth, will be higher.⁶ Business dynamism improves as more efficient firms increase their market share and low productivity firms exit the market.

The CMA has seen firsthand through our casework that competition and market contestability are catalysts to unlock opportunities for firms of all shapes and sizes. Time and again, benefits have flowed in the form of innovation, technological advancement, and the promotion of the entrepreneurial environment which sits at the heart of sustained growth for any modern economy. In an increasingly uncertain and volatile world, competition is also vital to shore up economic resilience and self-reliance, through greater diversity of supply and strengthened incentives for firms to build robust operations.

We know that investment is a key driver of growth, and that competition supports investment. A dynamic economy that rewards innovation and productivity is a magnet for entrepreneurs with a keen eye for opportunities to found and grow businesses, and for the investors and capital that back them.

Firms competing on a level playing-field are spurred to invest so they can out-perform rivals. Where markets are not contestable and incumbents are safe from challenge, everyone's incentives to invest are reduced. Nor will firms and entrepreneurs invest to enter markets with new products and services without being confident of a fair chance of success. Indeed, evidence suggests that the deterrent effect of strong competition enforcement not only

⁶ The CMA's recent [response](#) to the UK government's Green Paper on Industrial Strategy cites a range of empirical evidence. The CMA's literature review on the indirect effects of competition policy and enforcement summarises the most recent evidence on the positive relationship between competition, innovation, productivity, and welfare.

supports downward pressure on prices, but has a positive macroeconomic impact on innovation, productivity and growth across the economy.⁷

How and where investment flows through our economy also matters; particularly how it translates into value for money and real benefits experienced by people and businesses in this country, today and in the future. Investment may flow despite weak competition. But investment into competitive markets drives more equitable and longer-lasting benefits – not just economic growth, but opportunities and prosperity felt by all.

Effective consumer protection plays a critical reinforcing role. Every consumer in the UK deserves to feel that the CMA is actively and determinedly standing up for their interests – and that this benefits them in their daily lives. We see from estimates of the direct financial benefits of our consumer work (as set out in our annual Impact Assessment) that tackling exploitative or deceptive practices by a minority of businesses helps put millions of pounds a year back in people's pockets, shoring up household finances.

But consumer protection drives even more widespread benefits for growth, innovation, investment, and productivity. When consumers feel protected, they are more likely to take up opportunities to participate actively in the economy – making informed choices, taking up or switching between new products and services. Trust in fair treatment, along with better prices, higher quality, and greater choice, encourages spending. Demand is fuelled and economic activity surges.

Companies are incentivised to become more productive and innovative, rather than relying on unfair practices; and resources flow to reward these fair-dealing businesses. As with competition enforcement, business and investor confidence in the level playing-field is strengthened. Once again, competition and consumer protection play a vital, interlinked role in the relationship between growth, opportunity and prosperity for all.

Economic growth as a central pillar of the CMA's strategy

For all of these reasons, productive and sustainable growth was made a core pillar of the CMA's strategy, launched under new leadership in early 2023. Over the last two years, we have been laser-focused on delivering tangible, positive outcomes against this strategy for those we serve.

The CMA's work to support growth can have even greater impact in the context of the UK government's national growth mission, and its long-term vision for a more stable, prosperous future for the country. We know the benefits from our work are profound and far-reaching – not just lower prices, but more innovation, choice, quality, security of supply, productivity, investment, and economic dynamism.

This is reflected in our Annual Plan for 2025/26, including the Medium-Term Priorities and Areas of Focus set out in section 4 below.

⁷ The CMA's recent literature review on the indirect effects of competition policy and enforcement summarises this.

How the CMA uses its statutory functions to drive growth, opportunity, and prosperity for UK businesses and consumers

The functions entrusted to the CMA by Parliament enable us to promote open, competitive markets and to protect consumers from harm.

1 The CMA's **markets work** opens up opportunities for innovators, entrepreneurs, and inward investors, and in so doing generates considerable direct benefits for consumers.⁸ For example, our retail banking market investigation paved the way for the UK's Open Banking revolution, with startups and challenger firms powering a host of new fintech services worth over £4bn to the UK economy each year. Through our strategy, we consciously prioritise 'enabling' markets that are foundational to growth across the economy. We have made recommendations to government across a number of these, including [housebuilding](#) (which spurs investment and supports productivity through improved labour mobility and skills) and [electric vehicle charging infrastructure](#) (the backbone of sustainable transport). We are currently [investigating the market for cloud infrastructure services](#) (which are increasingly critical for UK businesses, from startups and scale-ups to long established firms, across all sectors in the economy).

This year, we will continue to target work in enabling markets with a multiplier effect for sectors across the whole UK economy. For example, we will look to identify opportunities to unlock investment in critical infrastructure, support the use of key enabling technologies (like smart data), or improve workforce participation.

2 We deploy our **competition enforcement** powers to robustly tackle illegal practices, supporting the level playing-field that empowers fair-dealing businesses to compete and grow. Our enforcement action can reduce prices for consumers and helps relieve pressure on public finances.⁹ For example, our work to tackle excessive pricing for vital drugs by pharmaceutical firms has saved the NHS tens of millions of pounds. Our detection and prevention of illegal cartels in the construction sector helps support key public services and infrastructure, including schools, hospitals, housing, and roads. Over the course of 2023, [investigatory work](#) by the CMA in this sector led to almost £60m worth of fines for 10 firms involved in bid rigging for public and private sector contracts.

This year, we will apply a sharp focus on public procurement, particularly as government pursues essential programmes to improve public services and invest in economic infrastructure. We will use our extensive AI and data science capability to assist public sector organisations (both nationally and regionally) to identify anomalies in bidding data, rooting out potential illegal conduct which drives up the cost of procurement and diminishes taxpayer value.

3 **Merger control** acts as an engine of innovation and productivity, keeping markets open and contestable, while safeguarding consumer interests in lower prices, better quality goods

⁸ In financial terms, our market studies and investigations saved people in the UK £1.76 billion per year on average in the three financial years from 2021/22 to 2023/24.

⁹ In financial terms, competition enforcement saved people in the UK £123.5 million per year on average in the three financial years from 2021/22 to 2023/24

and services, and greater innovation.¹⁰ We have seen these benefits across any number of markets in recent years – from DNA-sequencing and software, to building supplies and rail transport. We have also seen how effective merger control can improve incentives for investment, following decisions in cases like [Experian/Clearscore](#) and [Footasylum/JD Sports](#).

The CMA is targeted and proportionate in exercising our merger control function, enabling the vast majority of mergers to go ahead – either unconditionally or with remedies to mitigate the harmful effects of a substantial lessening of competition on UK consumers and businesses. We recently raised de minimis thresholds from £15m to £30m, helping us concentrate on mergers that truly require our attention. In support of our goal to deliver a best-in-class experience for parties involved in a merger review, we are now implementing a major overhaul of our phase 2 investigation process. We believe this will deliver a more transparent, collaborative, less adversarial approach, with better opportunities for constructive engagement.

We will continue to evolve our approach in the year ahead. As our phase 2 reforms bed in, we will launch a more focused review of our approach to merger remedies to ensure the regime works as well as it can, while protecting UK consumers and businesses from the harms of anti-competitive mergers. Building on stakeholder feedback, we will continue to improve the experience we deliver for parties whose deals are subject to review, based on four key principles (proportionality, predictability, process and pace – see section 6).

4 The CMA enforces consumer protection law to safeguard people from harmful and unfair treatment, ensuring they can engage confidently in markets. Our new strategy has consciously prioritised areas of essential spend to help people struggling with pressure on household budgets, building on extensive work in this area.¹¹

Last year, we made recommendations to government to improve [unit pricing information](#) that helps people shop around for good deals and genuine savings. We tackled issues around mis-selling and problematic contract terms related to [leasehold homes](#); and we supported sustainable growth through our work on [misleading green claims](#). We have also been relentless in raising consumer awareness and taking enforcement action around pressure selling, fake reviews, and exploitative [online choice architecture](#) in retail markets.

This year represents a watershed moment for the CMA's ability to tackle rip-offs, misleading sales practices, and unfair terms, as we begin to leverage enhanced consumer enforcement powers under the DMCCA. For the first time, our enforcement of competition law and consumer protection law will stand on an equivalent footing, with a clear signal to businesses that they should treat them with equal importance. We are prepared to take even more direct and decisive action to protect UK consumers, with commensurate benefits in terms of growth and prosperity across the whole economy.

¹⁰ In financial terms, merger control saved people in the UK £685.2 million per year on average in the three financial years from 2021/22 to 2023/24.

¹¹ In financial terms, consumer enforcement saved people in the UK £175.2 million per year on average in the three financial years from 2021/22 to 2023/24.

To inform this work, we will incorporate insights from the 2024 Consumer Detriment Survey, to be published in the Spring, which the CMA has led on behalf of the Consumer Protection Partnership (see section 4).

5 We provide **independent and expert advice** to government and policymakers at UK, devolved and regional levels.

- **Through our statutory advocacy function**, we provide information and advice to help identify pro-competitive policy reforms, and to understand the impact that different policies will have on competition in particular markets.

The CMA undertakes much pro-active work in this space, aligning our efforts to our strategic priorities and working closely with government to ensure that our advice and recommendations can be acted on and balanced, as appropriate, with the broader range of policy objectives being pursued. We are also regularly called upon (including by Parliamentary select committees, individual parliamentarians, government, and other public authorities) to look into issues of interest or concern. For example, our extensive work in the road fuels market resulted in recommendations that the UK government confirmed, in October 2024, it would implement: a statutory monitoring body, with functions conferred on the CMA through the DMCCA, and a statutory open data scheme for fuel prices ('Fuel Finder').

- **The CMA's Microeconomics Unit (MU)** provides a critical source of expertise, analysis and primary research for our engagement and advice, working particularly closely with HM Treasury and DBT. The MU spearheaded the CMA's 2024 work on UK labour markets, launching valuable new research around the benefits of well-functioning labour markets, which are widely recognised as an important driver of economic growth and productivity. It also led development of the CMA's third State of Competition report, which reinforces the importance to the UK economy of continued action to keep markets open, competitive, and dynamic.

This year, we will continue to provide expert advice and fresh thinking to government on important policy areas – many with a strong focus on growth – including infrastructure, planning reform, transport, smart data and artificial intelligence (AI). We will build on foundational work, begun in 2024, harnessing the power of competition to support government industrial strategy (see Section 4 below). Our work with government over the next year will be supported by our [MU Growth Programme](#) which is focused on critical drivers and blockers of growth (see also Section 4).

6 The CMA houses specialist **subsidy advice (SAU) and UK internal market (OIM) functions**, which provide valuable reporting, monitoring and advice to all levels of government. The SAU's work supports UK, devolved, and local government in delivering important activity to achieve growth and other public policy objectives through subsidy mechanisms. The OIM's work supports national governments seeking to provide regulatory stability for businesses to invest, grow and innovate.

This year, the SAU will conduct research and information-gathering to support its periodic report on the operation and impact of the subsidy control regime. The OIM will carry out its statutory functions, including publishing its data strategy roadmap update (in the context of a UK government review of the UK Internal Market Act).

7 Over recent years the CMA has taken forward a range of actions to promote competition in **digital markets**, helping ensure that the enormous benefits these can deliver are realised for UK consumers and businesses across the economy.

The CMA recognises the important part the largest technology firms play in the UK economy, supporting innovation, investment, and talent development. At the same time, key to our role is fostering a level playing-field for all UK businesses to succeed, including opportunities for millions of small businesses, scaleups and challengers. Commitments we secured in relation to [online marketplaces](#) have helped UK businesses access the customers and inputs they need to grow on fair terms, reducing the scope for large firms to give themselves an unfair advantage over rivals. We have also looked extensively at core markets like search, mobile ecosystems, digital advertising and cloud services, where anti-competitive practices and barriers to entry have the potential to stunt innovation, investment and growth.

We have challenged ourselves on how the CMA can support a vibrant UK AI ecosystem – one with opportunities for diverse businesses of all shapes and sizes to thrive. We know that heavy-handed, sweeping regulation can stymie innovation and growth. This is the opposite of what the UK needs and the CMA seeks to achieve through our promotion of competition. We have published a set of principles for powerful AI foundation models, helping to guide these markets toward the potentially profound benefits they could generate for UK consumers and businesses.

This year, a landmark new digital markets competition regime has come into force, offering a unique opportunity to harness the benefits of investment and innovation from the largest digital firms, whilst ensuring a fair shot at success for businesses across the UK tech sector. At the same time, the multitude of UK businesses and consumers who depend on the largest tech firms for critical products and services will benefit from more innovation, more choice and more competitive prices. The regime is carefully designed to ensure that the UK keeps pace with the future, and to maximise its international attractiveness as a home for innovation and investment in these dynamic markets. The CMA is committed to implementing the new regime in an open, transparent, proportionate and predictable way – moving at pace whilst ensuring a fair process.

In relation to AI, we will seek continued opportunities to leverage the power of competition to unlock barriers to investment and innovation across the AI value chain – from infrastructure development and deployment, to the diffusion of talent and new AI-powered products and services across the economy.

Supporting the UK government's Industrial Strategy in the year ahead

Just as skills, trade, tax, or energy policy are key levers to support sectoral growth, so too is competition policy. The CMA has welcomed the UK government's vision for a modern industrial strategy as a central pillar of the national growth mission. Our published response to the Industrial Strategy Green Paper (summarised in the Annex to this Annual Plan), lays out the critical role competition can play in the success of this strategy.

Effective competition not only supports economic growth and investment – it helps to ensure the benefits of these are more widely and equitably diffused to people and businesses across the UK economy, now and in the future. An industrial strategy which creates and captures maximum long-term value for the UK will have competition as a core component.

The CMA will support the Industrial Strategy by:

- Providing advice to government when it acts to drive growth in particular sectors, including around how pro-competitive principles can maximise the long-term impact of those interventions across the economy, whilst minimising the risk of unintended consequences;

- Using our powers directly to promote growth in strategically important sectors, removing barriers to the flow of capital, innovation, and the scaling of businesses. This may include undertaking market studies and investigations, enforcement action against illegal anticompetitive conduct and breaches of consumer protection law, and through our approach to mergers.

As noted in the Green Paper, and as the CMA has also heard directly through our engagement with businesses and investors, a broad set of conditions drive the investment required for a successful industrial strategy. Competition and a level playing-field are critical, but not sufficient. Political and policy stability, access to quality infrastructure and workers with the right skills, deep capital markets, and an appropriate risk appetite from institutional investors; all of these play a role. Competitive rivalry alone cannot overcome barriers such as skills shortages or planning delays. But when coupled with the wider set of conditions, competition works to ensure that higher investment leads not only to short-term growth but to long-term prosperity.

Competition should be a core component of government industrial strategy; but in pursuing growth, competition can be balanced with other policy objectives. This applies to considerations around any area of government policy, though it is important to emphasise in relation to industrial strategy, where a tension has sometimes been suggested between the goals of competition policy and the potential to scale businesses able to compete in global markets. The CMA's view is that a strategy of building UK champions is not inherently anti-competitive, provided this strength does not result in harms to UK consumers from weak competition at home.

More broadly, within the competition regime itself, the statutory framework gives the CMA several levers to take account of wider factors. The Competition Act prohibits anti-competitive agreements but allows cooperation to drive innovation or other economic benefits in certain circumstances. The CMA has been pro-active in supporting businesses to make their own assessments, for example through our [Green Agreements Guidance](#) on lawful collaboration to achieve environmental sustainability goals. In other cases, the CMA has taken a public position not to prioritise enforcement action against particular agreements, such as those related to [cutting-edge cancer therapies](#). We have heard feedback from businesses and investors that the CMA's support and facilitation of legal cooperation between firms can help drive significant benefits for all concerned. In the year ahead, we will carefully consider where further initiatives to support lawful collaboration could be targeted, particularly in critical areas of need for the UK economy, such as skills.

Flexibility also exists in the merger regime. There, the statutory question is whether a merger is likely to substantially lessen competition. As part of our assessment, we can evaluate whether the merger is likely to result in competition-enhancing efficiencies (for the ultimate benefit of consumers) that might offset immediate concerns. Examples include efficiencies flowing from long-term infrastructure or technology investments (such as those identified in relation to the recent merger decision in [Vodafone/3](#)).

Whether in relation to competition enforcement or mergers, the CMA's actions are based on evidence about where such flexibilities are justified and are taken in strict accordance with the relevant legal frameworks and our statutory functions.

Consultation questions relevant to this section

- In which sectors or markets are pro-competitive interventions most needed to unlock long-term growth and prosperity?
- How could the CMA use our statutory functions most effectively to help realise these opportunities?
- How can the power of competition, and the work of the CMA, be most effectively applied in support of the UK government's Industrial Strategy?



4. Updating our Strategic and Annual Plan

Clarity and stability of approach

In 2023/24, under new leadership, we set out a new strategy for the next three years, with a clear **Purpose, Ambitions, Medium-Term Priorities**, and annual **Areas of Focus**.

This approach was designed to ensure that the CMA delivers the best outcomes for those we serve, while providing important transparency and stability for all our stakeholders.

The CMA's **Purpose** is to help people, businesses, and the UK economy by promoting competitive markets and tackling unfair behaviour. Our **Ambitions** describe the tangible longer-term outcomes we seek to achieve for those we serve. These are that:

- **People** can be confident they are getting great choices and fair deals;
- Competitive, fair-dealing **businesses** can innovate and thrive; and
- The whole **UK economy** can grow productively and sustainably.

Our **Medium-Term Priorities** identify where the CMA will act over the medium-term to achieve these outcomes. They inform our annual **Areas of Focus** which underpin our work for the year, as set out in our Annual Plan.

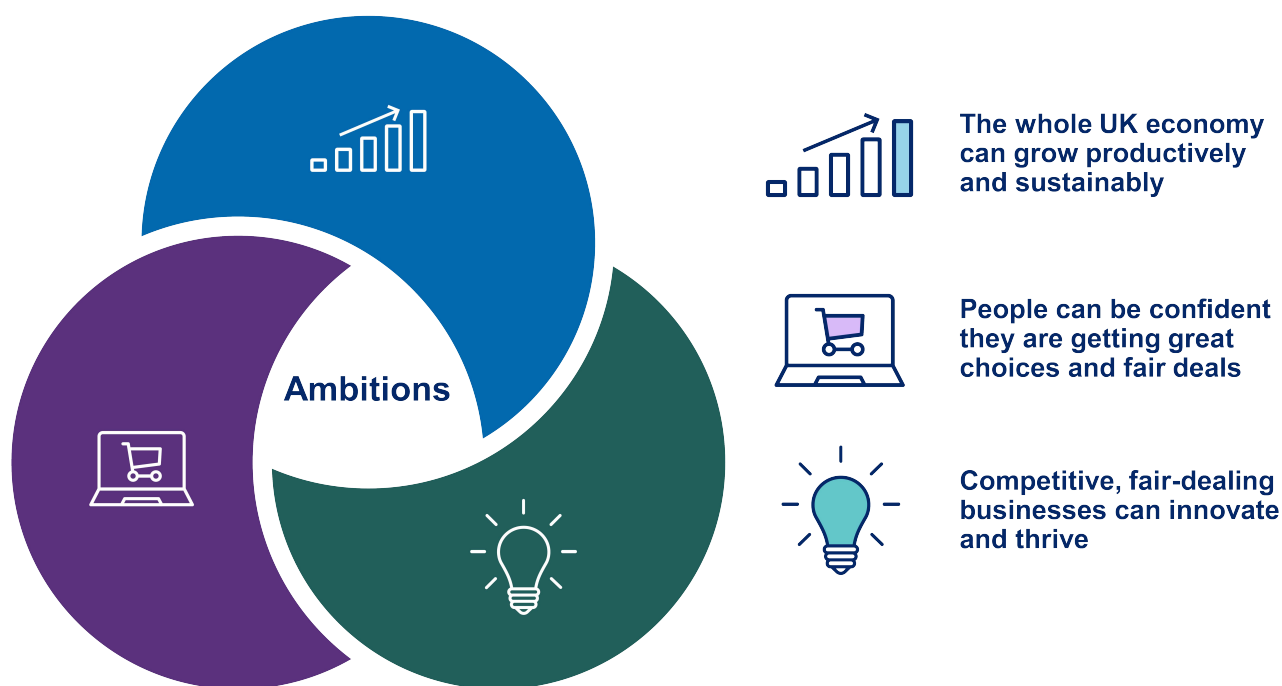
Our strategy also includes our **Core Enablers**, which help ensure we are on a path of continuous improvement in how we work. These are:

- To adapt our businesses model;
- To build and reinforce critical capabilities; and
- To upgrade our employee value proposition.

Through our **Foundational Requirements**, we constantly challenge ourselves to ensure that our work:

- Delivers tangible, demonstrable benefits;
- Is executed as rapidly as possible, consistent with rigour and procedural fairness; and
- Uses the full range of our toolkit.

Purpose: help people, businesses, and the UK economy by promoting competitive markets and tackling unfair behaviour



This year's Strategic and Annual Plan updates our Medium-Term Priorities (for the next three years) and our near-term Areas of Focus (for the coming 12 months). This reflects changes both in our external operating environment and in our assessment of where the CMA can add most value – particularly as we begin to discharge new responsibilities under the DMCCA. We will continue to develop our near-term Areas of Focus over the coming months as we finalise our Annual Plan and launch further projects and investigations. The areas outlined below are therefore indicative at this stage.

We are committed to using our statutory functions to drive growth, opportunity, and prosperity for all and this will continue to be a central focus of our work over the medium to long-term.

Broadly speaking, our 2025/26 Annual Plan reflects the power of competition and robust consumer protection to:

- Spur **innovation, investment, and productive growth** across the whole UK economy;
- Create **opportunities** for UK **businesses** and their **investors** to innovate and thrive, with the confidence that they will be competing on a level playing-field;
- **Build confidence** for **people** to engage with the markets that matter to them most, free to make choices and free from exploitation;
- And through these, foster long-term **prosperity** for the benefit of everyone in the UK.

Medium-Term Priorities

The whole UK economy can grow productively and sustainably

- Help sectors that offer the greatest potential impact on the UK's innovation, productivity and growth to develop competitively, and to their full potential
- Protect economic resilience through effective competition
- Support the flow of pro-competitive investment into the UK, for the benefit of consumers and businesses across the economy
- Help accelerate the UK's clean energy transition
- Resolutely deter restrictive, exclusionary and exploitative anti-competitive practices



People can be confident they are getting great choices and fair deals

- Consistently focus action on the areas where consumers spend the most money and time, particularly for people who need help the most or who are otherwise vulnerable
- Enable people to make their own choices, without being misled or put under pressure
- Resolutely deter restrictive, exclusionary and exploitative anti-competitive practices



Competitive, fair-dealing businesses can innovate and thrive

- Enable fair and open access to markets for innovating businesses
- Help emergent sectors to develop into high growth, innovative and competitive markets
- Support market conditions that enable businesses to scale without using restrictive, exclusionary or exploitative practices that undermine open and effective competition
- Resolutely deter restrictive, exclusionary and exploitative anti-competitive practices



The whole UK economy can grow productively and sustainably

Medium-Term Priorities

- Help sectors that offer the greatest potential impact on the UK's innovation, productivity and growth to develop competitively, and to their full potential
- Protect economic resilience through effective competition
- Support the flow of pro-competitive investment into the UK, for the benefit of consumers and businesses across the economy
- Help accelerate the UK's clean energy transition
- Resolutely deter restrictive, exclusionary and exploitative anti-competitive practices

Indicative Areas of Focus for 2025/26

- Implement the new digital markets competition regime to drive opportunities for sustained innovation, investment, and growth
- Target markets work on 'enabling' sectors that drive growth across the economy, for example where there are barriers to infrastructure investment or opportunities to raise workforce participation
- Support UK government Industrial Strategy by applying our statutory functions in prioritised sectors and providing expert advice
- Encourage competitive markets for green technology, for example, through our Green Agreements Guidance and potential work on green heating and energy efficiency
- Continue to support the harnessing of competition for more effective public procurement



People can be confident they are getting great choices and fair deals

Medium-Term Priorities

- Consistently focus action on the areas where consumers spend the most money and time, particularly for people who need help the most or who are otherwise vulnerable
- Enable people to make their own choices, without being misled or put under pressure
- Resolutely deter restrictive, exclusionary and exploitative anti-competitive practices

Indicative Areas of Focus for 2025/26

- Act in areas such as drip and dynamic pricing, travel, housing, online entertainment; and where the CMA has previously set expectations for responsible businesses, such as unregulated legal services and trader recommendation sites
- Continue competition investigations in relation to public procurement (including businesses serving the education sector)
- Complete our market investigation into veterinary services



Competitive, fair-dealing businesses can innovate and thrive

Medium-Term Priorities

- Enable fair and open access to markets for innovating businesses
- Help emergent sectors to develop into high growth, innovative and competitive markets
- Support market conditions that enable businesses to scale without using restrictive, exclusionary or exploitative practices that undermine open and effective competition
- Resolutely deter restrictive, exclusionary and exploitative anti-competitive practices

Indicative Areas of Focus for 2025/26

- Conduct first investigations under the new digital markets competition regime potentially leading to Strategic Market Status designations, to expand opportunities for innovation, investment and scaling for businesses across the UK
- Complete our market investigation into cloud infrastructure services
- Encourage customer choice, investment, and sustained innovation through fair, open, effective competition in emergent markets, for example throughout the AI value chain
- Continue competition investigation in relation to online advertising



Businesses

Spotlight on the digital markets competition regime



The new digital markets competition regime under the DMCCA commenced on 1 January 2025. We expect it to facilitate a step change in the CMA's ability to tackle harms and create opportunities for growth in the UK tech sector – and across the UK economy more broadly – in a way that benefits all companies, large and small, as well as their investors and customers.

These include:

- Opportunities to harness the benefits of continued investment and innovation by the very largest firms;
- Expanded opportunities for investment and innovation by creating a level playing-field for start-ups and scale-ups (many UK-based) to succeed. For example, by ensuring they can access key inputs, infrastructure and ecosystems on fair and reasonable terms, maximising their ability to bring forward innovative challenge to existing products and services; and
- Strengthened opportunities for UK consumers and business customers, who rely on these digital ecosystems, to get great products and services on fair terms. The benefits, including greater choice, more innovation, and lower prices, will generate valuable savings and productivity gains diffused across the whole economy.

We know that the way we design and implement any interventions in digital markets is critical if the UK is to keep pace with future developments and maximise its international attractiveness for innovation and investment in these dynamic markets. The new digital markets competition regime has been uniquely and consciously created with this in mind, representing a combination of 'best-in-class' regulatory design features.

The heart of the new regime is **proportionality**. It has been carefully calibrated to apply only to the very largest companies, those with the most power in digital markets. These firms may be designated as having Strategic Market Status (SMS), depending on an assessment of whether they have substantial and entrenched market power in a particular digital activity. Only once a firm is designated as having SMS in respect of a particular digital activity can the CMA intervene.

Once a designation has been made, rather than imposing blanket rules, the CMA will take a highly tailored, bespoke approach to identifying and addressing specific harms. The **process** for designing any intervention will be collaborative and transparent, aimed at keeping innovation-led markets open and bringing firms on the journey with us. To achieve this, we will work with the designated companies – and broader stakeholders from the digital ecosystem – in an iterative, participative process.

The new regime is also uniquely tailored to fast-moving digital markets, with interventions developed through consultation and engagement on a forward-looking basis to provide the **predictability** that is critically important in these dynamic sectors. Designations are time-limited to five years, unless the CMA decides to revoke the designation during that time, enabling us to take account of technological and broader market evolution.

Pace has also been consciously considered and the CMA is committed to taking a solutions-first approach wherever possible, whilst respecting due process. Each designation investigation has a timeline of nine months, with the CMA able to consult on conduct requirements in parallel to the investigation, minimising the time taken to achieve positive outcomes. The DMCCA also provides for a new general duty of expedition for the CMA.

These principles – proportionality, process, predictability and pace – are equally applicable to the way the CMA carries out all our work. We look forward to bringing the benefits of learnings from our operation of the new digital markets competition regime to the rest of our work.

The CMA has prepared intensively to ensure that we are in a strong position to operate the new digital markets competition regime effectively from the point of commencement at the start of this year. We have recently published our finalised guidance on the digital markets competition regime and have set out our initial plans to launch SMS designation investigations in respect of three areas of digital activity in the first six months of the new regime.

People

Spotlight on DMCCA consumer protection powers



As the UK's principal consumer protection authority, it is the CMA's job to protect the interests of people in this country as they buy goods and services – keeping them safe from unfair and misleading practices and taking action where we believe companies have broken the rules.

Effective consumer protection gives people the trust and confidence to be active participants in markets. It puts money back in their pockets, supporting resilient household finances and the diffusion of capital across the economy. Taking action against the minority of firms which the CMA believes have broken the law also supports a level playing-field for the millions of businesses who do play by the rules. Our most recent Impact Assessment estimated that consumer enforcement activity by the CMA delivered an annual average of £175.2m in direct financial benefits to consumers.

The DMCCA will equip the CMA with new tools to take more direct and decisive action, marking a step change in our ability to safeguard people from unscrupulous and illegal

practices as quickly as possible. For the first time, the CMA will be able to decide whether certain key consumer protection legislation has been breached without having to take businesses to court. Where the law has been broken, the CMA will be able to impose fines up to 10% of annual worldwide turnover, as well as directly enforcing undertakings agreed with firms to resolve a problem affecting consumers.

By empowering the CMA to tackle unlawful practices more quickly and directly, and to issue meaningful penalties, the reforms will enable the CMA to issue precedent-setting decisions with an important deterrent effect. These decisions should incentivise and guide businesses to comply with consumer protection law, driving better outcomes for consumers and fair-dealing businesses. New fining and enforcement powers sit alongside more established tools (such as guidance and campaigns). We will continue to assess problems based on the evidence at hand, acting in an agile and flexible way to deploy whichever interventions may be most appropriate.

The DMCCA also allows other enforcers of consumer protection law, such as Trading Standards Services and sector regulators, to apply to civil courts for the same monetary penalties issuable by the CMA. This puts significant financial penalties at the disposal of wider public enforcers of consumer protection law, providing a stronger deterrent against consumer law breaches across the board. We are working with consumer protection partners to ensure a joined-up approach which helps them maximise use of their own powers alongside the CMA's enhanced toolkit.

In preparation for our new responsibilities, the CMA has been widening our intelligence gathering to help identify areas where we, and others across the consumer protection landscape, can make the greatest impact. Our action in the year ahead will be informed by this year's Consumer Detriment Survey (CDS), which we have led on behalf of the Consumer Protection Partnership. We expect this to be published in the coming months, alongside more in-depth analysis by our MU, and we will update the final version of our Annual Plan accordingly.

The CDS is a comprehensive investigation into the prevalence and impact of consumer detriment across the UK. 'Detriment' here means a problem people have faced with a product they bought or used which caused them stress, cost them money, or took up their time. The survey looks at the total cost of consumer detriment, as well as how this is distributed across markets, nations, and different groups of consumers. Results of the last CDS were published in 2022 and showed a total consumer detriment of £54.2bn, with many people feeling not just the financial costs but consequences on their mental and physical wellbeing too.¹²

The CMA is resolutely committed to using our new powers to tackle this drain on consumer confidence and household finances, helping to put money back where it belongs – in the pockets of empowered consumers, to use across the economy. As always, we will work closely with partners across the consumer protection landscape who may be responsible for addressing some of these areas of detriment, either solely or concurrently with the CMA.

¹² Dept for Business, Energy and Industrial Strategy (2022), [Consumer protection study 2022](#)

Cross-cutting

Spotlight on public procurement



Public procurement represents around a third of UK public expenditure, equating to approximately £300m per year. However, the value of public investments can be severely compromised by anti-competitive behaviour, such as bid rigging. Procurement is highly vulnerable to this illegal practice in which competing parties collude to determine the winner of a bidding process. Evidence suggests that the presence of bid rigging may inflate prices by 20% or more.¹³

The CMA has carried out enforcement in a number of procurement cases. In 2023 alone, we issued fines totalling almost £60m to firms involved in rigging bids for both public and private sector projects in the construction sector and secured the disqualification of four directors for a combined total of 25 years. In December 2024, we launched an [investigation](#) into suspected bid rigging in relation to a key government fund for improving the condition of school buildings.

In addition to the direct action we have taken, the CMA works closely with public procurers to help potential 'victims' of cartel activity spot and report suspicious behaviour. So far, this enforcement communications and engagement activity has reached approximately 80,000 public sector officials, resulting in a growing number of approaches to the CMA regarding suspicious activity. We also provide advice to government and public authorities across the UK on the design of competitive procurement processes, including publishing a [policy paper](#) in 2021 proposing that 'effective competition' be included as a legal principle of public procurement, to drive better value for money and reduce the risk of illegal bid rigging.

When the Procurement Act comes into force (expected later in 2025), those found to have infringed competition law will face the prospect of being added to the new central debarment register and excluded from all public procurement for up to five years. As the stakes for those involved in illegal bid rigging activity increases, the CMA will build on our strong track record of work in this area.

In particular, the CMA is uniquely positioned to combine deep bid rigging identification expertise with extensive AI and data science capability. Bringing together these strengths, we will assist public sector organisations (both nationally and regionally) to identify anomalies in bidding data and indicators of potential illegal conduct. Using the right tools, and with access to the right data, we can increase the prospect of detecting unlawful

¹³ Government Counter Fraud Profession (2024), [Bid-Rigging Risk in all Procurement: Practice Note](#).

conduct, potentially unlocking considerable productivity gains and public sector savings for the benefit of UK taxpayers. As laid out in our response to the UK government's Industrial Strategy Green Paper, deploying this capability strategically in targeted parts of the economy could be a powerful tool to support growth, particularly in critical markets like construction that enable our economy to function.

UK economy

Spotlight on Microeconomics Unit



The CMA has a statutory responsibility to provide advice to government. Our advisory capabilities draw on substantial economic expertise, including within our specialised MU. Established in 2022, the MU provides research, analysis and expertise on competition, consumer outcomes, innovation, productivity, and supply-side reforms. The MU helps the CMA keep pace with emerging issues and the latest methods in industrial economics, supporting the analysis conducted in our core casework. Importantly, the MU also functions as an open-access, collaborative centre of microeconomic research expertise for government more broadly, focusing on areas of pressing need – such as the ‘productivity puzzle’ (which the UK faces in common with many other developed economies), as well as identifying potential opportunities for growth.

Last year, the MU produced a flagship report on ‘Competition and Market Power in UK Labour Markets’. The research supports and advances the robust body of evidence around the benefits of well-functioning labour markets, which are widely recognised as an important driver of economic growth and increased productivity. This work has informed ongoing competition enforcement by the CMA in potential cases of anti-competitive behaviour in UK labour markets. It is also of practical use as government seeks to deliver a successful Industrial Strategy. For example, as highlighted in the CMA’s response to the UK government’s Industrial Strategy Green Paper, policymakers may wish to consider how the use of non-competes affects UK labour markets, as well as how other issues (such as transport infrastructure or skills policies) may contribute to labour market frictions.

In the year ahead, the CMA will progress the MU’s Growth Programme announced in October 2024, designed to support the UK government’s growth mission and Industrial Strategy. The Programme is broadly focused on critical drivers and blockers of growth, including:

- A review of the evidence on the role of competition in driving and directing investment towards productive uses, and subsequent empirical analysis to address any evidence gaps identified;
- Barriers to the spread of new technology and knowledge across the economy. As set out in the UK government’s Industrial Strategy Green Paper, increasing the adoption and

diffusion of ideas, technologies, and processes is an essential step for growing the productivity of the UK's growth-driving sectors. This research will support targeting policies to promote faster adoption and diffusion;

- The strength of competition along supply chains, and the impact of 'upstream' market power on downstream sectors – reflecting the importance of competitive markets for key inputs to UK economic performance and resilience;
- Evidence on pro-growth industrial policy interventions, and lessons from past experience and other countries, to help inform the UK's strategy.

The Programme is directly informed by the CMA's third State of Competition Report, which is the most comprehensive assessment to date of how competition is working in the UK. The Report found that levels of effective competition in the UK have weakened slightly over time, although by less than in other economies. It also found that levels of business dynamism have fallen, reinforcing the important role of effective competition enforcement to drive greater business dynamism and sustained innovation, productivity, and growth across the whole economy.

Process

We are seeking feedback on our proposed Medium-Term Priorities and Areas of Focus for 2025/26 through our Annual Plan consultation.

We are publishing this draft Annual Plan three months before the start of the 2025/26 year on 1 April 2025. As such, whilst we have laid out our indicative Areas of Focus for the year, these will (where possible) be expanded on in the final Annual Plan that will be published in March 2025. Some of the work we will do over 2025/26 cannot be announced in advance, in order to ensure maximum effectiveness in the exercise of our enforcement powers and retain flexibility to act where we can have the greatest impact. We would equally welcome any feedback on additional areas that stakeholders consider we should prioritise as we implement our Annual Plan.

As indicated above, we are already thinking ahead to our next strategy cycle and expect to update the CMA's medium-term strategy over the course of 2025 (in advance of our 2026/27 Annual Plan). To help inform development of this strategy, we also welcome input from stakeholders on trends and forces that might be particularly relevant to the CMA in the coming years. This might include any anticipated future developments that would affect the UK consumers and businesses, including political, economic, social, technological, legal, and environmental developments.

Consultation questions relevant to this section

- Do you agree with the CMA's proposed Medium-Term Priorities and Areas of Focus for 2025/26?
- Are there any other areas that we should prioritise during 2025/26?
- What medium to long-term trends or forces should we consider as we review our strategy?

5. How the CMA decides when and where to act

In any given year, the CMA undertakes a considerable amount of work to deliver our core statutory functions. Across all of these, we make rigorous prioritisation decisions to ensure we can achieve positive outcomes for people, businesses, and the UK economy, as outlined in our strategy.

Some of our functions – for example, our markets, consumer and competition enforcement work – provide more flexibility for the CMA to make considered choices about how to prioritise our resources. In other areas, such as the mergers we review in any given year, the CMA has less discretion.

We apply published [prioritisation principles](#) to carefully direct our attention and resource:

- Strategic significance: does action in this area fit with the CMA's objectives and strategy?
- Impact: how substantial is the likely positive impact of CMA action?
- Is the CMA best placed to act: is there an appropriate alternative to CMA action?
- Resources: does the CMA have the right capacity in place to act effectively?
- Risk: what types of risks are associated with CMA action, and how significant are they?

The CMA will apply these same principles to inform decisions in relation to the new digital markets competition regime, as set out in recently published guidance. Separate prioritisation principles inform decisions made in relation to some work undertaken by the [OIM](#) and [SAU](#). These are set out in specific guidance on the CMA's approach to these functions.

The UK government issues a Strategic Steer setting out its priorities for the CMA and expectations for how we should approach our work. We have regard to this steer when we set our strategy and when we prioritise our work, although the final decisions on individual cases are taken by the CMA, in accordance with the applicable statutory framework. We welcome the UK government's expressed intention to consult on a new Strategic Steer for the CMA this year.

6. Evolving the way we work

As an independent competition and consumer protection authority, the CMA is set up to provide long-term stability for those we serve. To that end, we will continue to ensure that our work to promote competition and tackle unfair behaviour drives the innovation, growth and prosperity we all wish to see, with the benefits (both short and long-term) felt by UK consumers and businesses.

Playing our part in delivering these outcomes, including ensuring the UK is a globally attractive place to invest and do business, is not only about the work we do. It must also encompass the way we go about it. That is why, since we launched our new strategy in early 2023, the CMA has and will continue to evolve the way that we work.

This has included a renewed focus on how we prioritise our activities, in line with our strategy, to ensure we deliver tangible, demonstrable benefits where they are most needed. More than ever, we deploy the full range of our toolkit; engage openly and constructively with stakeholders; and leverage our advocacy function to advise and support governments and policymakers across all four nations of the UK. We have taken strides to become more open and transparent to those we serve, including enhancing our accountability to Parliament, with a four-fold increase in CMA appearances at Parliamentary committees between 2019 and last year.

There has been a surge in our digital and technology capability: implementing cloud enterprise architecture and services, advancing digital transformation, and investing heavily in digital, data science, and AI expertise to keep pace with complex, fast-moving markets. The technical skillsets and assets of our interdisciplinary Data, Technology and Insights (DTI) directorate are leveraged strategically across the CMA's full portfolio – not least by the CMA's Digital Markets Unit (DMU), now fully operational and discharging its responsibilities under the DMCCA. Also sitting within DTI is a new strategic, business, and financial analysis team to ground our work in commercial realities.

The CMA has an almost entirely refreshed executive team, representing a broad range of competition, consumer and corporate expertise. The breadth of experience and perspectives on our Board has never been stronger, with the appointment last year of five new non-executive directors with deep backgrounds in business, innovation and investment. Reforms to our phase 2 merger process are now being implemented, marking a significant milestone on the path to the best-in-class experience we want to offer businesses and others who engage with the CMA.

Much has been achieved in a short space of time. But we continue to develop. At this critical moment for the UK's economic growth and long-term prosperity, the CMA must deliver a regime that is swift yet rigorous; robust but pragmatic; agile yet predictable; collaborative yet independent. We must determinedly focus on the best outcomes for UK consumers, UK businesses and the UK economy; and always be open and transparent.

We must do all this whilst remaining true to CMA's statutory duty and Parliament's intent: to help realise for the UK all the benefits that flow from effective competition and robust consumer protection.

The remainder of this section highlights some key elements of our plans to enhance key aspects of how we work – although these continue to evolve. We know that the benefits of many of the positive changes from our actions over the last 18 months will take time to be felt by all stakeholders. Equally, we are conscious that perceptions of how the CMA operates matter today. We are therefore particularly appreciative of feedback from businesses who

have, or who may, engage with the CMA. We are committed to taking this feedback on board through both our Annual Plan consultation and continued constructive engagement.

External engagement

Stepping up our efforts to meaningfully listen, learn, explain, and incorporate insights has been one of the hallmarks of the CMA under new leadership over the past two years. More than ever before, we engage pro-actively with our stakeholders and we are determined that this openness becomes increasingly part of our organisational DNA.

This includes regular engagement with diverse industry bodies across the UK economy, as well as critical dialogue with consumer groups, civil society, academia, and the third sector. We have consciously ramped up our direct engagement with businesses of all shapes and sizes – from the largest global firms to challengers, new entrants, entrepreneurs, and investors.

We know that listening and responding to feedback on how we work is important to business confidence, and to the relative attractiveness of the UK as a destination for investment. The value of this direct engagement with firms themselves (distinct from engagement through advisory firms), has been notable. Many businesses we met with expressed a shared goal between themselves and the CMA to strengthen the UK economy and drive success for UK companies. We have been told clearly and consistently by businesses that they welcome the opportunity to be heard and are keen for further constructive conversations, including to better understand and gauge for themselves relevant aspects of our approach and processes.

This engagement has helped the CMA gather useful feedback on aspects of our approach and processes, including the ‘4Ps’ below. It has also provided an opportunity to reassure businesses directly in areas where a gap between perception and reality has caused concern or uncertainty (for example around intervention rates on mergers).

We will continue these efforts this year, including considering what more we can do to ensure that the reality of evolving CMA practice is communicated clearly, and directly, to stakeholders. In particular:

- Taking forward our new **CMA outreach series for investors and startups**, with a particular focus on mergers. Given the critical role of investment in spurring growth, and the enormous potential of the UK’s vibrant start-up community, we have been steadily ramping up our engagement with these stakeholders. We welcome and share their appetite for more regular, structured, direct engagement and will be designing a tailored programme in collaboration with businesses and representative groups (like Founders Forum and the StartUp Coalition). We hope this will help us continue to learn from these communities, whilst further strengthening their understanding and confidence in the CMA and our work. We intend for outputs from this series to be available to the broader business community.
- Embedding a truly **participative approach in the new digital markets competition regime** which is grounded in direct, ongoing and open engagement both with prospective SMS firms and the full set of interested stakeholders from the outset. We expect to draw lessons from this regime that can be applied across other areas of the CMA’s work.

- Establishing a new CMA **Growth and Investment Council**, which will bring together senior representatives from the UK's leading business and investor bodies in service of a common goal: to ensure effective competition and consumer protection drive innovation, investment, and growth, with long-term benefits across the UK economy. Including the CMA, the Council is formed of 12 members representing a broad cross-section of business and financial interests. Senior stakeholders will meet on a regular basis to discuss, agree, and track concrete recommendations (outside of individual cases) to support this objective.

Evolving the way we work: the '4Ps'

Stakeholders have told us that four aspects of how the competition regime operates really matter. Although the feedback relates particularly to merger control, it speaks more generally to best practice principles that are equally applicable to other areas of our work, such as the new digital markets competition regime, and market studies and market investigations.

Proportionality. For example, how interventionist the CMA is, including compared to other authorities. We know this matters to business and investor confidence, and we are aware there is sometimes a perception that the CMA is overly interventionist in mergers, even if this is not borne out by the facts.

Published statistics indicate the UK regime, as implemented by the CMA, is functioning as intended. For example, of the 50,000 M&A deals announced annually, over 2024, the CMA considered 1,037 transactions and conducted 38 phase 1 investigations. Of the six we took to phase 2, two were cleared unconditionally and a further two with remedies. One merger was subject to a prohibition decision at the end of phase 2. The numbers of digital mergers subject to remedies, prohibition or abandonment show these to have been no more likely to face intervention than any other type of case.

	2024	2023	2022
Total cases considered by the CMA (including cases reviewed by the CMA's Mergers Intelligence Committee and cases voluntarily notified)	1037	848	718
Phase 1 investigations carried out (all phase 1 outcomes for relevant calendar year)	38	56	48
Unconditional clearances (at phase 1)	20 (inc. 2 'de minimis')	17	15 (inc. 1 'de minimis')
Clearances with remedies (at phase 1)	5	28	14
Phase 2 investigations carried out (all phase 2 outcomes for relevant calendar year)	6	10	15
Unconditional clearances (at phase 2)	2	4	3
Clearances with remedies (at phase 2)	2	2	6
Prohibition decisions	1	2	3
Abandoned/cancelled (at phase 2)	1	2	3

Because proportionality is always front of mind in our approach, we have also recently raised our de minimis thresholds from £15m to £30m, helping us concentrate our efforts on the mergers that truly require our attention. Similarly, our briefing paper approach ahead of notification helps both the CMA and merging parties filter out deals that do not need to be reviewed by the CMA.

To assist stakeholders keep track of accurate, up-to-date CMA investigation and intervention rates for mergers, we have refreshed the way in which we report this information. In doing so, we have considered how we can make it simple for businesses and their investors (in particular) to access clear annual and monthly statistics. We welcome feedback on this during the course of our normal engagement.

Proportionality is also at the heart of the new digital markets competition regime. SMS designations are likely only to apply for a handful of firms and only to specific digital activities. Conduct requirements will be bespoke, tailored to the firm and activity in question with proportionality operating as a guiding principle for the regime as a whole.

Predictability. For every merger control jurisdiction globally, some uncertainty of outcome is inevitable as a feature of an independent, evidence-based review process. For the UK regime, we have heard from stakeholders that this can be overlaid with concerns about whether the CMA will investigate at all – in other words, our jurisdiction.

The UK merger regime, unlike many other countries, operates on a voluntary basis. Companies choose whether to file and the CMA may ‘call in’ unnotified deals if they meet the legal tests. Extensive guidance and precedent (including much recently updated material) is available to help businesses and their advisors with their assessments. The CMA has also stepped-up efforts to provide extra explanatory content around cases of particular interest, for example through additional exposition around several recent clearances of AI partnership cases. We intend to continue this approach in the year ahead.

Further comfort can often be achieved through the informal briefing paper route, which allows companies to inform us of their deal and make early, concise representations as to why it is un-concerning from a competition perspective. This process has been very popular post-Brexit, with a tripling of briefing papers received by the CMA, as well as consistent feedback from businesses and advisors that this is a simple way to achieve some certainty over whether or not the CMA will review a transaction.

The CMA considers the voluntary regime to offer advantages in terms of reducing burdens on business, particularly smaller firms. The nature of the regime means the CMA typically investigates far fewer cases annually than economies of a similar size, including far fewer phase 1 investigations in a typical year compared to several hundred investigations opened, respectively, in France and Germany (as well as investigations by the European Commission). Nonetheless, under the voluntary system there necessarily remains a degree of jurisdictional uncertainty that businesses and investors can find challenging and we would welcome further input from these stakeholders on the key areas of difficulty they experience.

Predictability is also a guiding principle for the new digital markets competition regime. That regime should operate on a “no surprises” basis. Firms will only be designated as having SMS after a thorough investigation and conduct requirements will be developed through a process of extensive stakeholder engagement. Whilst the regime is forward-looking by design, requiring the CMA to make judgements based on our assessment of likely market developments, these assessments will be supported by extensive stakeholder engagement and grounded in a careful consideration of all available evidence.

Process. We know businesses need to have confidence in the CMA’s processes – that we are transparent, streamlined, open, and consistent in the way we operate. This applies across all of the CMA’s work. However, particularly in relation to mergers, the major overhaul of our phase 2 investigation process represents one of the actions taken under our new strategy with the greatest potential impact for businesses.

These landmark reforms are just now coming into effect. We are confident they can deliver a step change in transparency, collaboration and a less adversarial approach, with better opportunities for constructive engagement between the independent CMA Inquiry Group and the parties. The success of the reforms will depend partly on the extent to which businesses engage (and are advised to engage) in good faith, for example through early direct dialogue and 'best offers' on remedies, as well as remembering that transparency is a two-way street. We are considering the best way to directly engage with businesses at the outset of our investigations to set clear expectations of the process and, after our investigations have completed, to gather feedback on how the process is working.

As we roll out the new digital markets competition regime, we are equally committed to fair and open processes that enable us to move at pace. Again, constructive engagement from parties is a key ingredient to success. Across all areas of our work, we strongly encourage direct engagement of businesses with the CMA, rather than reliance simply on professional advisors to operate as the main point of contact.

Pace. It is one of the CMA's Foundational Requirements that all our work is executed as rapidly as possible, consistent with rigour and procedural fairness. Much of our work, including merger investigations at both phase 1 and phase 2, is subject to statutory timescales. The DMCCA also introduces a general duty of expedition across all of our work. We are actively considering routes to expediting casework across our portfolio and will update on this during the course of the year.

Notably, we are aware that protracted uncertainty around a lengthy merger investigation can be challenging, especially for startups and smaller companies. We will continue to explore ways to meet our duty of expedition in merger inquiries and to minimise uncertainty for businesses by bringing our inquiries to as rapid a conclusion as is reasonably practicable, whilst respecting due process and a need to investigate potential areas of concern thoroughly.

That commitment includes not only meeting our statutory deadlines, but also tailoring our approach to the issues at hand. For example, moving as quickly as possible to remedies in appropriate cases, informed by a clear understanding of potential competition concerns and a sound appreciation of the commercial realities.

However, this commitment to deliver outcomes at pace is only achievable if we see commensurate commitment from parties to engage swiftly and constructively with the CMA.

Further action we will take this year

We are committed to delivering a best-in-class competition and consumer protection regime, making continuous progress as we reflect and respond to stakeholder feedback and lessons learned, adapting and innovating to maintain a first-class approach. This includes incorporating best practice into everything we do, as well as ensuring that every business which deals with the CMA feels they have been treated fairly and consistently, regardless of the outcome.

As part of this commitment, we will take the following further actions this year:

- We will implement a digital markets competition regime which, from the get-go, will be proportionate, participative, and solutions focused – designed to operate at pace and with proportionality at its heart. We will seek feedback on the operation of this new regime and look for opportunities to apply our learning in other areas of the CMA's work.

- We will undertake a review of our approach to merger remedies, which will consider (amongst other issues):
 - When behavioural remedies may be appropriate (including any distinction for regulated sectors);
 - The scope for remedies that lock in genuine rivalry-enhancing efficiencies;
 - The role for remedies to preserve relevant customer benefits which may offset anti-competitive effects;
 - Building on the phase 2 reforms, how to move to effective remedy discussions as quickly as possible, informed by a clear understanding of our potential competition concerns and a sound appreciation of the commercial reality of the parties' business operations.
- We will be relentless in our pursuit of the quickest possible outcomes to minimise uncertainty for business while protecting the rigour of the system, supported by a duty of expedition (conferred through the DMCCA) across all our functions.
- We will hold ourselves to account for the way we operate by proactively seeking feedback – and we will make that feedback transparent in our Annual Report and Accounts.
- We will set clear expectations for businesses in terms of the engagement they should expect from us across our different activities, and what we expect in return.

Reporting

Our Annual Plan makes clear our commitment to promote competition and tackle unfair behaviour, supporting people, businesses, and the UK economy. Fundamental to this is ensuring the CMA helps to deliver growth, opportunity, and prosperity across the UK. We will be transparent about the impact of our interventions by:

- Continuing to report on our performance against the delivery of a government target of expected direct financial benefits to consumers of at least ten times its relevant costs to the taxpayer (measured over a rolling three-year period), including breaking this down by our principal tools;
- Continuing to assess the wider benefits of our work, and delivery against our Annual Plan, through the mechanisms detailed in Section 2 (including through published governance documents and broader communications, as well as regular reporting to our sponsor department and sponsor Parliamentary committee);
- Inviting comment in this Annual Plan consultation on our intention to specifically review and report on how our work has contributed to economic growth in our Annual Report and Accounts going forward; and
- Using our regular engagement with a wide range of stakeholders to seek clear feedback on how we work (including in relation to the '4Ps' outlined above), reporting on this on an annual basis. This will enable us to play back in a more consistent, transparent way what we have heard and how we have acted on it.

The CMA is currently engaging with DBT on a refreshed performance management framework agreement. We also look forward to an updated Strategic Steer from the UK government in the coming months. We therefore anticipate being in a position to include further detail on our evaluation and reporting going forward in the final version of our Annual Plan to be published in March 2025.

Consultation questions relevant to this section

We are particularly interested in hearing from businesses and investors with experience of engaging with the CMA's processes:

- What aspects of the CMA's processes do you believe work well? What areas do you believe need improving, and how?
- Do you see opportunities for the CMA to further strengthen the proportionality, predictability, procedural effectiveness, and pace of our work, consistent with meeting our statutory obligations?
- What relevant examples of international best practice in merger control, competition enforcement or other areas could we learn from (bearing in mind legal and operational differences in regimes around the world)?
- What options should we consider as we monitor, evidence, and report on our positive impact on economic growth, including in our Annual Report and Accounts?

7. How the CMA works with partners

The CMA shares important responsibilities across both the competition and consumer protection aspects of our role. Our decisions about when and where to act are often informed by these shared responsibilities. We work proactively and collaboratively with partners across the regulatory landscape, advising, guiding, and collaborating, to help ensure the best outcomes for UK consumers and businesses.

Some examples include:

Regulated sectors

The regulated sectors are critical for people, businesses, and the UK economy. From energy to insurance, broadband to trains, we all rely on essential services in these sectors in day-to-day life, and they form around 20% of household spending.

The CMA plays two clearly defined roles in relation to these sectors. Firstly, we share concurrent competition and consumer powers with sector regulators. Secondly, we oversee regulatory appeals for certain sectors.

Effective competition in regulated sectors can drive firms to meet their customers' needs, charge lower prices, operate more efficiently, invest and innovate.¹⁴ There is also a critical interdependence between effective competition and effective consumer protection. We know that for retail markets to work well, rivalry between firms needs to be complemented by consumers empowered to choose between offers. More than that, support for the investments needed in these sectors will depend on both businesses and consumers having confidence and being treated fairly in these markets.

The CMA exercises our statutory functions to the best of our ability. At the same time, we recognise that in some sectors there are legitimate questions about how regulation operates and the outcomes it has delivered for consumers and the wider economy. Whether in relation to service quality, network resilience or customer satisfaction, in many instances there is a feeling that the UK could, and should, be doing better. Doing better will also be vital to delivering on the UK government's growth mission; the provision of high-quality, efficient infrastructure underpins the performance of businesses in every part of the economy, reducing costs and increasing productivity. Getting regulation right will be essential to achieving this.

Our recently published review of concurrency – 10 years on from government's reforms – recommends that the CMA dial-up our co-operation with sector regulators when looking at competition and consumer issues which are broader than illegal anticompetitive conduct. We welcome the opportunity to work with sector regulators to take forward this recommendation, alongside several others in our report.

¹⁴ In many sectors, whether due to natural monopoly or market failure, normal competitive pressures do not apply. Regulators are key to filling the gap: setting and enforcing standards on services, enabling access to infrastructure, and mandating investments for the future. Competition policy nonetheless has a role to play in the regulated sectors. Even where it is not the most significant factor, it needs to work alongside, and be supported by, regulation to deliver the best outcomes.

Together, we can further strengthen the operation of the competition concurrency arrangements and develop new approaches to our shared consumer law powers under the reformed regime. This will be particularly important in the coming year, where the DMCCA will also strengthen sector regulators' hand in discharging their responsibility to promote consumer protection in their sectors, including by enabling them to apply to court to impose penalties.

More broadly, at a moment when government is considering wider reforms to sector regulation (for example, the ongoing Cunliffe Review of the water sector and its regulation), the CMA stands ready to provide advice and support, including on potential longer-term changes to the system of regulatory appeals and our role within it.

Digital regulation

Designing and implementing digital regulation to address the unique challenges and opportunities of this complex, cross-economy ecosystem requires a coherent, collaborative approach. This is the core purpose of the Digital Regulation Cooperation Forum (DRCF), of which the CMA is a member, alongside the Financial Conduct Authority, the Information Commissioner's Office and Ofcom.

Clarity and alignment of digital regulation, as well as streamlined access to regulatory advice and support, are key to fostering business confidence, innovation and growth in the UK tech sector. The DRCF's coordinated approach has much to contribute in this regard and the CMA has played an active role in the DRCF's efforts. Over the last year, for example, we have contributed to joint publications, including on algorithms, quantum computing, and immersive technologies; these topics are of strategic relevance to the UK's leadership in digital markets. We are also assisting UK tech firms to bring new products and services to market faster through the newly launched [AI and Digital Hub](#). This expert, informal advice service provides a one-stop-shop, via the DRCF website, to innovators with complex, cross-regulatory questions.

The CMA will continue to champion the DRCF's mission objectives in the year ahead, including assuming the role of DRCF rotational Chair. Alongside our DRCF partners, we will continue to strive for regulatory cohesion and cooperation, while ensuring UK consumers and businesses gain maximum benefit from innovation and growth in digital markets.

International cooperation

In a world of interconnected, increasingly borderless markets and uncertainty over shifting trade dynamics, the CMA recognises the importance of working collaboratively with international partners on both competition and consumer protection issues.

Our ability to deliver value for UK consumers and businesses is enhanced by effective international cooperation where markets have cross-country or global dynamics; or where anti-competitive conduct or unfair treatment of consumers extends across borders. For businesses navigating complex international frameworks, this cooperation can support greater certainty, clarity, and expediency of process. Particularly in relation to merger control, there are often procedural benefits in aligning (as far as possible) on process and timing in the small number of cases subject to parallel review by different competition agencies. For agencies, shared learning and cooperation on casework continue to yield strong outcomes across jurisdictions, as well as advancing knowledge and best practice.

The CMA therefore seeks to maximise opportunities presented by active participation in major international networks, such as the Organisation for Economic Co-operation and Development (OECD), the International Consumer Protection and Enforcement Network (ICPEN), the G7, the United Nations Conference on Trade and Development (UNCTAD) and the International Competition Network (ICN).

The CMA also supports government in the negotiation of cooperation and trade agreements, in relation to sections relevant to competition and consumer policy. In October 2024, the UK and EU formally concluded negotiations on a UK-EU Competition Cooperation Agreement. Barring unforeseen circumstances, the proposed agreement is expected to enter into force in 2025.

Authorities around the world continue to implement new regimes, and undertake significant investigations and casework, across digital markets and AI. While varying approaches are being taken by different jurisdictions, global alignment around principles applicable to these borderless markets is particularly important, given their potential to drive economic growth and long-term societal value. In 2024, the CMA undertook sustained engagement with international counterparts in relation to AI. In July we published a [joint statement on AI](#), together with the US Department of Justice, Federal Trade Commission, and European Commission. The statement affirmed our shared view of opportunities for innovation and growth presented by AI, as well as establishing principles to protect consumers and competition in the AI ecosystem. In October, we co-signed a [G7 Joint Communiqué](#) outlining a shared commitment to safeguarding open, fair, and contestable AI markets.

The CMA will continue to engage closely in international dialogue this year. In particular, we look forward to hosting the ICN Annual Conference in Edinburgh in May 2025, alongside a meeting of the ICN Technologists Forum. We will use these events to share and understand the latest developments in competition law globally, with a particular focus on the role of competition in driving growth and unlocking technology innovation.

8. Operating model and resources

Building on recent internal change programmes, and the implementation of the Core Enablers in our strategy, we are putting in place a targeted three-year organisational transformation plan to support delivery of the CMA's ambitious programme of work within our funding envelope.

This plan will ensure the CMA continues to work as effectively and efficiently as possible across all our functions, harnessing digital transformation, developing our people and capability, and optimising our business operations.

We expect to provide fuller details of this 2025-2028 transformation plan in the final published version of our Annual Plan.

Annex: Summary of CMA response to Industrial Strategy Green Paper

Introduction

Our response to the Industrial Strategy Green Paper is under-scored by our commitment to working with government on an industrial strategy that achieves the most productive and sustainable growth across the UK economy. We will support the industrial strategy by:

- Providing advice to government on how it can harness the power of competitive rivalry to maximise the long-term impact and value of its industrial strategy across the whole UK economy.
- Using our powers directly to promote growth, including through market studies and investigations, enforcement against illegal anticompetitive conduct and breaches of consumer protection law, and our approach to mergers.

Effective competition is a proven route to a higher growth economy. Evidence and history show us that where competition is stronger, innovation productivity and wage growth will be higher. We have also seen firsthand through our case work that competition and contestability are catalysts for innovation and promoting an entrepreneurial environment – which is at the heart of growth for any modern economy.

Successful long-term industrial strategy should have competition policy at its core. Just as skills, trade, tax or energy policy are key levers to support sectoral growth, so too is competition policy.

This document summarises the CMA's views on industrial strategy, as set out in our full response to the government's Green Paper. It focusses on driving investment, the role of the CMA, the sectoral focus of the industrial strategy and creating a pro-business environment.

Driving Investment

A dynamic economy, which rewards innovation and productivity, is a magnet for entrepreneurs with a keen eye for opportunities to found and grow businesses, and for the investors and capital which back them. When competing on a level playing-field, firms are spurred on to invest so that they can out-perform their rivals. Where markets are not contestable, incumbents are safe from challenge, and everyone's incentives are reduced. Incumbents worry less about losing their position, so invest less to improve their offer. Firms and entrepreneurs will not invest to enter new markets with innovative new products, if they don't have a fair chance of success.

The government's focus on increasing investment to drive economic growth is well founded. Evidence shows that the most important contributor to the UK's recent low productivity growth relative to other countries is weaker investment.

Competition is a critical requirement, but not sufficient on its own; investment ultimately depends upon a broad set of conditions. This is reinforced through our engagement with business and investors, who describe cross-economy and sector specific barriers to investment. To make investments, businesses need not only a level playing-field, but access to workers with the right skills and quality infrastructure. They need a degree of policy certainty, so they can plan ahead. They also need clear and proportionate regulation. Competitive rivalry alone cannot overcome barriers such as skills shortages or planning

delays. But when coupled with the wider set of conditions, competition works to ensure that higher investment leads to long-term growth.

In some markets, weak competition is the major barrier to investment and needs to be addressed. Levelling the playing-field for all firms can make a major contribution. We have seen in practice the transformative effect of competition, including in the fintech sector following the introduction of Open Banking, or through actions to promote competition in the airport sector, which resulted in a more dynamic and innovative market.

The CMA plays a key proactive role in providing an environment which encourages investment. We work to promote investor confidence in the UK, including as the UK's merger review body, through proportionate, evidence-based decision making, and through engagement and dialogue so we can understand, and address, concerns where they arise.

The CMA's role in the industrial strategy

The CMA contributes to the industrial strategy in two broad ways:

- We will provide advice to government and public authorities, to help ensure that policies, investment support, and procurement harness the power of competition.
- We will use our powers directly to promote open, competitive markets, to drive innovation, productivity and investment and therefore long-term economic growth.

As an adviser to government, we support the integration of pro-competitive principles into the industrial strategy. Through a pro-competitive industrial strategy government can:

- Design policies to maximise the ability and incentives for firms to compete.
- Use competitive processes to drive efficiency and value in the use of public resources, including through procurement.
- Better target interventions to promote competition to unlock productivity and growth, such as through measures focused on smaller and younger firms.

We can also play a direct role in supporting the industrial strategy through targeted action to address barriers to competition using our competition and consumer protection powers:

- We carry out in-depth reviews when particular markets are not working well, to open up opportunities for innovation and growth.
- We tackle illegal practices that undermine competition, empowering fair-dealing businesses to compete and grow.
- We enforce consumer protection law, so that consumers can engage confidently in markets, spurring innovation and growth.
- We perform the UK's merger control function in a highly targeted way, enabling the vast majority of M&A to go ahead, whilst looking more closely at the small number of cases which present a risk for competition and growth.

We recognise that competition is part of a wider policy landscape. Our approach, including through our advice to government and our casework, is shaped by seeing competition in context. We are strong advocates for the benefits competition can bring, but also recognise that competition is a means to an end. In pursuing long-term growth, it needs to be considered alongside other policy considerations. Parliament has designed the competition regime around exactly that principle. The legislative framework provides levers for the CMA to balance competition objectives alongside other considerations.

Targeting growth driving sectors

The CMA welcomes the government's strategic focus on eight key sectors. We agree with the proposal in the Green Paper for the industrial strategy to take a targeted approach, focussing on the specific subsectors where the evidence is strongest that policy can address barriers to long-term growth.

The CMA can support government in assessing competition in specific sectors and markets. Our State of Competition report analyses trends in competition across the economy, at broad industry levels. The CMA's Microeconomics Unit will be building on the analysis in this report through its programme of work focused on growth and industrial strategy, which will support and inform the government as it looks to address long-standing challenges holding back the UK's economic performance.

We welcome the government's focus on supply chain dependencies for the key sectors. Addressing supply chain dependencies are key to building resilience. The CMA will be carrying out further work to examine the impact of upstream market power on downstream markets, as part of our wider programme of research on growth and industrial strategy.

Creating a pro-business environment

Competition policy is one of many important levers that will have a bearing on the policy areas identified by the Green Paper as important for growth. Our views on some of these areas are set out below.

Innovation policies

Different market structures will incentivise different levels and types of innovation. Support which is focused only on larger incumbents may have a lower propensity to bring about more disruptive innovations or sustain innovation over a longer period of time.

The adoption and diffusion of ideas across the economy is key to innovation, growth and productivity. Our State of Competition report identified evidence that productivity improvements may not be spreading as quickly through the economy. We are therefore taking forward research on the factors affecting the diffusion and adoption of technologies across different industries, as part of our programme of our work on growth and industrial strategy.

People and skills

Well-functioning labour markets are key to a dynamic economy. Well-functioning labour markets support workers to realise the full value of their work and ensure that they can easily move to more productive firms, speeding up the process of productivity growth across the economy. As highlighted in our work on labour markets, the government may wish to consider how the use of non-competes affects labour markets in the UK, as well as how other issues such as transport infrastructure or skills policies may contribute to labour market frictions.

Data in the industrial strategy

Access to data is crucial to enable businesses to innovate and grow into new and adjacent markets. This is particularly important in the growth of AI. Our work on foundation models

identified key market conditions required for business in the AI space to prosper, including access, diversity, choice, transparency and accountability.

Smart data schemes can harness data to promote competition, support consumers and create new markets. We are well placed to continue providing the government with practical advice on how to design effective smart data schemes, based on our experience with Open Banking.

Energy and infrastructure

We welcome the government's focus on planning as part of the industrial strategy. Our housebuilding market study observed issues in the planning process as barrier to the delivery of new housing and better economic outcomes, placing a disproportionate burden on SME housebuilders.

Infrastructure investments require a long-term commitment of very significant capital. This can result in sole providers, rather than a normal competitive market. However, there are opportunities to ensure that public investments in infrastructure use competition to get the best value from investments, and that the terms of investment help drive competitive market structures in the long-term, including in upstream or downstream markets.

Pro-competitive public procurement offers major opportunities for efficiency and resilience. We will continue to support the harnessing of competition for more effective public procurement. This includes through the use of new AI tools to aid detection of illegal bid rigging, which drives the cost of procurement up and diminishes value for the taxpayer.

Next steps

The clarity of government's wider growth mission aligns squarely with the purpose of the CMA. We promote competition, innovation and an entrepreneurial environment which are engines for growth; and we protect consumers and businesses alike, which helps to ensure fairness and opportunity for everyone.

Our response to the Green Paper is under-scored by our commitment to working with government on an industrial strategy that achieves the most productive and sustainable growth across the UK economy. We will support the industrial strategy by:

- Providing advice to government on how it can harness the power of competitive rivalry to maximise the long-term impact and value of its industrial strategy across the whole UK economy.
- Using our powers directly to promote growth, including through market studies and investigations, enforcement against illegal anticompetitive conduct and breaches of consumer protection law, and our approach to mergers.

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should be adapted to better reflect the role government wishes Ofgem to play in driving economic growth. We are also reviewing the way we operate to improve our overall efficiency, skills and use of technology to better serve customers and industry participants.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'JBearley', written in a cursive style.

Jonathan Brearley
Chief Executive

Rt Hon Keir Starmer MP
Prime Minister

Date: 16 January 2025

Rt Hon Rachel Reeves MP
Chancellor of the Exchequer

Rt Hon Jonathan Reynolds MP
Secretary Of State for Business and Trade

10 Downing Street
London SW1A 2AA

Dear Prime Minister, Chancellor, and Secretary of State,

**A NEW APPROACH TO ENSURE REGULATORS AND REGULATIONS SUPPORT
GROWTH**

Thank you for your letter of 24 December 2024.

The Environment Agency was created in 1995 with a dual mission to protect the environment whilst supporting sustainable development. Helping the Government sustainably deliver its mission-driven approach to growth is core to our purpose.

We welcome this opportunity to contribute to the Government's growth mission. Close collaboration between policy and operational experts will be essential to driving progress. There are three main channels through which our work can contribute to growth:

- We can play a key role in driving the acceleration of private sector investment by providing a more certain and predictable investment environment with lower transaction costs whilst maintaining high standards of environmental protection. Whether you want a permit for an industrial installation or planning consent for a new home, we are committed to ensuring our processes are clear, fast and responsive. As part of that we can help Government steer investments to places where there is clear environmental capacity, such as sufficient water availability. We will continue working closely with other regulators, including Natural England and Ofwat, to create simpler, more consistent regulation for business.
- We can be instrumental in transforming the UK into a centre for the technologies of tomorrow – particularly in areas such as clean energy and the circular economy – by setting out flexible and transparent regulatory regimes that can make the UK the best place globally for innovators. Our track record of working with partners on new approaches to carbon capture and storage and hydrogen production demonstrates how we can support this exciting opportunity.
- We can continue to keep people, businesses and property safe and help reduce the worst economic impacts which arise from climate change. The average insurance

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claim following Storms Clara and Dennis in 2020 was £32,000; and we estimate that across the winter floods that year, flood defences prevented over £9 billion in damages.

There are also three areas where Government can help us to better support growth:

- Increased flexibility, agility and a reduction of the complexity of the legislation we implement. We would never advocate any lowering of environmental standards. But we could streamline our approach to deliver outcomes for both the environment and the economy. There are opportunities to reduce barriers where there are competing demands and to act more quickly to support the innovations needed to meet the challenges of net zero, circular economy and growth. We would welcome the opportunity to work on this together.
- Strong support as we reform the current delivery model for many of our services, which rely on outdated systems and manual processes. We need to continue to work collaboratively with HM Treasury and DEFRA officials on the steps needed to resolve this. We cannot deliver the economy of the future with IT systems that have not kept pace with technological change - some of our systems date back to the 1990s.
- Your help to put our funding on a more certain footing through enabling cost recovery for our activities.

Over the next 12 months, our organisation is committed to driving sustainable growth in five key areas. We commit to:

1. Improving our land use planning services
2. Making our permitting services more efficient and effective for key growth sectors, such as water, net zero, and waste
3. Creating a more transparent data system for our regulation
4. Supporting the Government's approach to strategic spatial planning
5. Working with Government to reform the regulatory framework

To support sustainable growth in 2025, the Environment Agency commits to:

1. Improving our land use planning services

As the Environment Agency, we recognise the vital importance of the Government's ambitious target for building 1,500,000 new homes in the next four years. We support this by inputting into more than 10,000 proposed developments each year, ensuring new homes are built with adequate flood risk protection, supply of drinking water and sewerage services. We estimate that for every pound we invest in our planning advice on flood risk, we avoid at least £12 of future flood damages. Last year we also responded to over 350 consultations about nationally significant infrastructure projects.

We will take the following steps to improve the timeliness of our advice and respond to 95% of planning applications within 21 days from September 2025 onwards.

Firstly, we will invest in the development of a replacement for our legacy planning IT system "DPS3", which currently undermines our capacity to meet our target timescales.

Secondly, our newly created National Infrastructure Team will support key priority sites contributing to housing and clean energy priorities. They will provide dedicated senior input

to help unblock some of the thorniest issues, cascading learning quickly and assuring delivery.

Finally, we also need to put our funding on a more certain footing. Our ability to improve our planning performance would be enhanced by being able to cost recover for planning advice for applications made under the Town and Country Planning Act. We would be grateful for your support on this in 2025.

2. Making our permitting services more efficient and effective for key growth sectors, such as water, net zero, and waste

Our permitting services have an important role to play in supporting developments for water, waste and net zero. Every year, we determine around 12,000 permits. Good permitting provides clarity to operators on expectations, reduces legal risk and helps drive long-term outcomes. It is a vital tool for environmental and social protection. There are five steps we intend to take this year to improve matters, building on progress over the last year.

Firstly, we are going to introduce bespoke “tracked” services for the most complex applications, starting with a trial in the first quarter for applicants for major projects (nationally significant infrastructure projects but also major growth sites).

Secondly, and with benefits for the simpler permit applications, we will continue to enhance our digital services for applicants. In 2025, we intend to roll out our Permitting Portal to cover paper, cardboard and plastics; waste mattresses; healthcare and medical waste; materials recycling; waste transfer stations; tyre shredding and chipping; end of life tyres; and dredging.

Thirdly, to support innovation we have – with support from DESNZ – established a Hydrogen and Carbon Capture Utilisation and Storage Programme to provide projects in this sector with better guidance and advice to ensure that permitting is not delaying roll out.

Fourthly, we will launch a “standard rules” approach for research and development work at industrial installations in 2025. This will make trialling and scale up of new technologies easier and should help boost investment and productivity. It is the closest equivalent to a “sandbox” in our regimes.

Finally, we will continue to work with Government on reform in the environmental permitting regulations and charging mechanisms. This will help to resolve issues and unintended consequences for growth and the environment, across all sectors.

3. Creating a more transparent data system for our regulation

A key priority for the EA is achieving greater structural levels of data and information transparency. Greater transparency helps regulated businesses understand our decision making; reduces uncertainty; promotes consistency; and enables communities to understand their local environment and take appropriate action. It also helps us save money as we receive around 45,000 FOI requests a year, many of which could be resolved if the data was proactively published. We will take two steps this year to achieve progress.

Firstly, we commit to start proactively publishing online Compliance Assessment Reports (CAR) for the sectors we regulate under the Environmental Permitting Regulations 2016.

Secondly, we will continue to build data platforms modelled on our recent work on water data that can provide geospatially-mapped, interactive access to environmental and regulatory information.

4. Supporting the Government's approach to strategic spatial planning

A key barrier for many high-profile growth projects is failure to consider environmental limits and solutions from the outset. The Government has learned lessons from the past and is seeking to proactively avoid this. We want to support that effort. There are three specific next steps for 2025.

Firstly, we will deliver a fully updated "Check My Flood Risk" online service to the public, using our newly released modelling. Later this year we will publish our next Long Term Investment Scenarios, setting out where the nation will need to invest if it wants to keep losses from flooding to homes and businesses constant.

Secondly, we will be proactive in helping the Government identify the best growth and housing sites. That includes the work we are already doing to support MHCLG's key priority projects: Sir Michael Lyons' work on New Towns; the Housing Accelerator Programme and developments in the Oxford to Cambridge Arc. In all three projects we strongly advocate early identification of solutions, particularly to provide drinking water and sewerage for new homes in catchments under particular pressure. We would welcome your support in reaching constructive agreements.

Thirdly, with DESNZ-funding, we are providing technical advice on the environmental capacity for growth in industrial clusters, namely Humberside, Teesside and Merseyside, and are recommending a more strategic approach to long-term industrial planning. More joined-up planning, environmental infrastructure such as water supply, wastewater treatment and waste management can create the services and headroom for investment and innovation. We believe injecting that expertise into local and regional strategic spatial and growth plans as well as the forthcoming work on the National Infrastructure Strategy will create real, tangible benefits.

5. Working to reform the regulatory framework

2025 will be a critical year in the development of environmental law in the UK. As your statutory advisor on pollution, there are several upcoming changes where our expertise and knowledge can add value.

The 2021 Environment Act creates a framework for considering outcomes as the objectives for environmental regulation. But as the Office for Environmental Protection (OEP) has found, mapping activity to deliver those outcomes can be challenging. The OEP is publishing today their latest assessment of progress towards the goals of the 25 Year Environment Plan. There are a number of changes that the EA would advocate to strengthen the regulatory framework.

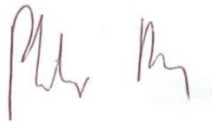
Firstly, we are expecting the findings of Sir Jon Cunliffe's independent review of water regulation. We are providing evidence and technical input to Sir Jon's work. This will build on work we are already doing to enable growth through the next Water Industry National Environment Programme, which requires water companies to invest significantly in UK infrastructure, for example, through upgrades to sewage systems.

Secondly, we are looking forward to the findings from the Circular Economy Taskforce. We are providing evidence and technical input to the Taskforce. For example, the regulatory framework currently acts as a barrier to brownfield redevelopment with little environmental benefits. Regulatory reform could unlock this and drive sustainable growth.

Finally, across several areas of the regulatory system there is scope to enable more strategic assessments between competing objectives, including tackling climate change and protecting particular ecosystems. We would welcome discussions with you on how we might resolve this with greater clarity.

I look forward to discussing our commitments with you further.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'Philip Duffy', with a stylized, cursive script.

Philip Duffy
Chief Executive, Environment Agency

Rt Hon Keir Starmer KCB KC MP
The Prime Minister
10 Downing Street
London, SW1A 2AA

16 January 2025

Dear Prime Minister, Chancellor, and Secretary of State,

RE: A NEW APPROACH TO ENSURE REGULATORS AND REGULATIONS SUPPORT GROWTH

I welcome your letter of 24 December 2024, along with the Chancellor's recommendations on growth. We want to collaborate with you in a fundamentally different way to support the growth mission. To achieve the deep reforms necessary, your acceptance that we will take greater risks and rigorously prioritise resources is crucial.

I have appreciated your backing for our work on growth. This includes reforming listings rules, bolstering investment research, revolutionising provision of financial advice, launching long term asset funds, reforming the value for money framework for pensions targeting better long-term returns, and reforms to fixed income and commodity markets to sustain UK market leadership. With the Prudential Regulation Authority (PRA) we removed the bonus cap and proposed pro-competitiveness changes to the remuneration regime. Record financial crime prosecutions also contribute, given crime impedes growth and drives compensation levies.

Growth will be a cornerstone of our strategy, through to 2030.

We already had significant work in train for this year which I set out below, along with new proposals which go further. We have listed ideas to test with you and through wider consultation, which we would do as quickly as possible, including with our statutory panels. This will be supported by academic research we have commissioned to better understand the links between financial regulation and growth. As you suggested, we have also set out areas where further Government action could enhance our collective efforts.

Unlocking capital investment and liquidity

We already planned ambitious reform of wholesale markets this year to:

- Implement a new prospectus regime, with shifts in thresholds and liability. We will ease retail access to corporate bonds and enable a new market for private companies.
- Enable savers to invest more effectively, improving access to help and simplifying product information.
- Reduce conduct requirements for wholesale insurers.
- Streamline regulatory requirements on the asset management sector.
- Launch a consolidated tape so fixed income data is accessible.

We will go further by accelerating a review of capital requirements for specialised trading firms to improve liquidity.

Accelerating digital innovation to enhance productivity

As other countries pull ahead, we need a UK financial services digital infrastructure plan, to dovetail with your ambitious AI plan. We stand ready to play a leading role, embracing a

digital first approach, and with our work spearheaded by a new Executive Director for Payments and Digital Finance who will also lead the Payment Systems Regulator. Accelerating adoption of securities settlement in one day (T+1) and a bold approach to move to an electronic form of securities will make markets more efficient.

This year, we already planned to:

- Progress a digital securities sandbox and a roadmap for digital assets starting in asset management.
- Improve credit information with changes to industry governance.
- Reform online tools explaining pensions, improving pension transfer times, and finalise next steps on pension dashboards.
- Avoid additional regulations for AI by relying on existing frameworks.

Alongside delivery of the National Payments Vision, in 2025, we will go further and:

- With the PSR, introduce a new open banking payment method – variable recurring payments - increasing competition and choice.
- Use powers anticipated under the Data (Use and Access) Bill to develop open finance, potentially prioritising SME lending.

We could also:

- Remove the £100 contactless limit, allowing firms and customers greater flexibility, drawing on US experience, and levelling the playing field with digital wallets.
- Set new digital service standards, for example requiring firms to accept electronic verification of death to speed up bereavement claims in insurance.

Government action in three areas could help: digital identity authentication/verification could unlock huge gains; enhancing the quality of the Companies House database would reduce costs for business; and digitisation of court systems should reduce delays.

Reducing the regulatory burden

We are already working to remove unnecessary regulation and reduce how much data some firms must provide, and planned in 2025 to:

- Streamline our handbook following industry input on rules which could be removed or simplified; and improve accessibility and efficiency with a machine-readable version.
- With the Bank of England/PRA, continue reducing reporting burdens for firms.
- Make the Senior Managers and Certification Regime more flexible.

We will now go further and:

- Remove the need for a Consumer Duty Board Champion now the Duty is in effect.
- Ensure future consultations on consumer protection ask if the Consumer Duty is sufficient rather than new rules.
- Begin simplifying responsible lending and advice rules for mortgages, supporting home ownership and opening a discussion on the balance between access to lending and levels of defaults.
- Consult on removing maturing interest-only mortgage and other outdated guidance.
- Work with Government to remove overlapping standards, e.g. the Mortgage Charter.
- Review the proportionality of reporting requirements and remove redundant returns, initially expected to benefit 16,000 firms.

We could go even further and, with Government support, reduce costs of anti-money laundering measures, relaxing know your customer requirements on small transactions. The Treasury also commenced modernisation of the Consumer Credit Act in 2022. If accelerated, we could reduce burdens further and faster.

Making it easier for firms to start up and grow

The process and speed to authorise a firm can affect how quickly they start up and grow. We meet statutory timelines in 98.5% of cases and will continue to improve our service. We already intended to do more to digitise our authorisations process to reduce timescales and cost and we will go further and:

- Provide a dedicated case officer to every firm in our regulatory sandbox.
- Support more early and high growth firms, with 50% more dedicated supervisors.
- Extend pre-application support to all wholesale, payments and crypto firms.
- Indicate more frequently that we are 'minded to approve' promising start-ups to help them secure funding.

Some innovative start-ups find it hard to meet all the threshold conditions immediately and therefore don't secure our approval to operate. We want to work with the Treasury to create a legislative framework that enables relevant firms to conduct limited regulated activities with streamlined conditions.

Improving exports and inward investment

We will continue our leadership in international fora and we will work with the Government, City of London Corporation and others to promote the UK – both for firms seeking authorisation and for firms exporting. We recognise that major international investors want easier access to us and so we are establishing a presence in the United States. We will now go further and do this in Asia too.

Certainty and predictability

Certainty and predictability underpin business and investor confidence. Subject to Supreme Court and other legal timetables, we will provide clarity on potential motor finance redress this year. We can never rule out firms having to pay redress for serious misconduct. However, through proactive management of issues, and improved coordination with the Financial Ombudsman Service, we aim to prevent further significant FCA-led consumer redress exercises. As part of that, we are considering reforms to the redress framework which may need legislation.

Enabling more informed risk-taking requires enduring acceptance, as the Chancellor has recognised, that we need to prioritise resources and that there will be failures. This acceptance needs to be shared across all our accountability mechanisms, including in Parliament. We will not stop all harm when making risk-based choices about the cases and intelligence we pursue, and we increasingly deploy technology to make those choices with speed and at scale. Metrics for tolerable failures within the overall system could help to support this.

I trust this letter underlines our continued strong commitment to support growth, alongside our primary objectives of consumer protection, market integrity and competition in the interests of consumers. We look forward to working with the Government and partners to rapidly progress this work.

Yours sincerely,



Nikhil Rathi
Chief Executive

Sarah Albon CB
Chief Executive

Health & Safety Executive
Redgrave Court
Merton Road
Bootle
L20 7HS

The Rt. Hon. Sir Keir Starmer KC MP
Prime Minister

The Rt. Hon. Rachel Reeves MP
Chancellor of the Exchequer

The Rt. Hon. Jonathan Reynolds MP
Secretary of State for Business and Trade

By Email:

16th January 2025

Dear Prime Minister, Chancellor, Secretary of State

Thank you for your letter of 24th December 2024. Before getting into the detail of changes that we believe would support the growth of UK business, I think it would be helpful to provide some background on HSE's functions: as we operate a number of distinctly different regulatory regimes, all of which fit within our core mission to Protect People and Places.

The three primary areas for which we have responsibility are as follows:

1. Health and Safety at work – governed by the Health and Safety at Work Act (HSWA) and regulations made under it. In this area policy also rests with the HSE and DWP is the sponsoring Department.
2. Chemicals regulation -the chemicals regime that HSE has policy responsibility for consists of the GB Biocidal Products Regulation (GB BPR), the Classification, Labelling and Packaging of substances and mixtures (GB CLP) Regulation, and the export and import of hazardous chemicals (GB PIC) Regulation. These regulations are direct-acting EU legislation assimilated into GB law). HSE has the policy and operational lead in these areas. HSE is also responsible for operational delivery of pesticides and registration, evaluation, authorisation and restriction of chemicals (REACH), Defra policy led areas.

3. Building safety – this activity is governed by The Building Safety Act (BSA) 2022 which made HSE the new Building Safety Regulator (BSR) and both policy responsibility and sponsorship sit with MHCLG.

We believe that each of these regimes can be improved, to better support business growth, and I have addressed each, below, in turn.

1. Health and Safety at Work:

Our legislation in this area is goal setting, meaning that there is very little in the way of prescriptive rules and regulations that most businesses “have” to follow, and little to no interaction with the HSE for the vast majority of businesses unless they have to report an incident or accident at work which has resulted in harm to an employee or other individual.

The exception to this is for the most hazardous industries, where a loss of control of the substances with which they work could prove catastrophic for their employees, for those who live or work near to their places of business and for wider society more generally. For that kind of business they may be required to inform, or even to seek our agreement, before operations can commence and are subject to continuing supervision during production. Some areas of our net zero activity are caught by this.

Innovation & Collaboration:

A key objective of HSE’s strategy is to enable industry to innovate safely to prevent major incidents, supporting the move towards net zero which chimes with growth that is aligned with the government’s net zero and environmental objectives. HSE also supports the emphasis placed, by the industrial strategy, on the importance of innovation and the essential role that research and development have to play in developing the UK’s growth-driving sectors. From the point of view of major hazard regimes, HSE believes investment in regulatory capacity improves responsiveness to growth, particularly in net zero, because regulators can engage earlier in the design and standard setting process, thereby providing businesses with more certainty.

Investors and businesses rely on the existence of regulatory capacity to underpin public confidence in innovation. Where that capacity is absent, public fears act as a limitation to growth.

With the assistance of strategic steers from government and a rationalising of objectives, HSE is well-placed to create an industry innovation portal and associated approach to help businesses better understand processes and make progress with new, potentially hazardous technologies. This could include an early engagement Hub for Net Zero projects – bringing together a group of operational, science, communications and policy experts, allowing them to work together to optimise industry’s experience of working with HSE.

This proactive approach would facilitate HSE, key stakeholders and technology companies working collaboratively to explore the potential of new technologies to address a set of defined health and safety risks in a structured way. It will also allow for early exploration of joint challenges, through investigative studies, and for the identification of the practicalities required to overcome barriers to adoption of industrial Safetytech.

Hydrogen:

HSE plans to submit a bid, through the spending review process, to develop the liquid hydrogen testing facilities at our Buxton experimental site. These globally unique facilities assist industry in undertaking targeted, applied research activities in partnership with HSE and also facilitates conducting “science at scale”, in a sandbox environment, with innovators and industry.

These activities help industry and government to fill critical evidence gaps that, in turn, support the deployment of green technologies, including hydrogen as an alternative fuel and energy storage.

Land use planning:

The Industrial Strategy reflects the view that an effective planning system is a fundamental enabler for business investment in the UK’s growth-driving sectors. The land use planning (LUP) and hazardous substance consent (HSC) regimes require HSE to provide statutory advice to the planning systems in England, Scotland and Wales.

HSE believes that current planning systems are not set up to support innovation and would welcome the support of government in establishing a funding mechanism that would enable HSE to maintain its role in the system and facilitate improved, and quicker, turnaround of applications in this space. Proposed improvements include:

- Investing in upgrading legacy LUP digital systems, enabling HSE to continue to provide statutory advice on majority of planning applications and pre-application enquiries from developers, within minutes.
- Maintaining government department and local planning authority access to HSE’s public safety experts, who are in high demand across many sectors (e.g. Net Zero, Energy and chemical manufacturing), to support and enable decision making on complex, novel (e.g. Net Zero), LUP and HSC proposals;
- Being resourced to deliver HSE’s Statutory advice, as regards hazardous substance consent applications, within agreed deadlines; and

- Building resource to allow for the provision of pre-application services to operators looking to obtain a HSC to ensure appropriate options are selected and a valid application is developed.

Review of legislation

Some of the more prescriptive areas of health and safety regulation could be reviewed with a view to reducing business burdens and making processes more user friendly and efficient, for example the process by which incidents and injuries are reported to HSE.

There is potential to make significant improvements to the Reporting of Injuries, Diseases, Dangerous Occurrences Regulations (RIDDOR), under which businesses are required to report certain matters to HSE. These would focus upon revised definitions, providing greater clarity to businesses, and also practical changes, making it easier to report and providing for improved data extraction and analysis.

In addition, there is also an opportunity to review additional areas of regulation, which although already light-touch, cover areas where technology has developed resulting in equipment lasting longer and leading to the potential for changes to testing regimes, for example those applying to lifting equipment and pressure systems. Such changes would have potential cost and time savings for business, although consideration is required in the context of UK-EU reset discussions. It should be noted that given the already light touch nature of this part of the regime, further improvements are likely only to have a marginal impact on growth.

2. Chemicals:

HSE assumed the role of independent regulator for chemical regulation following EU exit. To facilitate the transition, the chemicals regulatory framework was replicated, in its entirety, from the EU giving rise to a GB version. This ensured continuity to the chemicals industry at the end of the transition period.

Since the implementation of this regime it has been recognised, by both HSE and industry partners, that reform is needed to optimise the GB framework to provide more predictability and certainty for the British chemicals industry. In effect, to craft a regulatory system more suited to GB needs.

HSE's experience is that it is becoming increasingly difficult, as a single country outside of the EU, to efficiently regulate these regimes. As a member of the EU, the UK had access to EU-wide resources, such as the European Chemicals Agency, and was part of a joint work programme by the EU Member States on biocidal active substances. HSE no longer has access to these technical resources. As a result, HSE is unable to regulate as effectively as it would like in the absence of complete packages of information and data.

HSE would like to consider amendments to Biocides Regulations, allowing for the use of evaluations undertaken by foreign regulatory authorities in support of applications for active substance approval in GB. The evaluation and conclusions reached by foreign regulatory authorities would be scrutinised by HSE and appropriate parts of the evaluation would be adopted by HSE where they are suitably robust, rather than a new full assessment of the data being required as is currently the position. This has potential to reduce costs to business, improve timeliness and reduce HSE's workload.

We propose to deliver these amendments, subject to collective agreement, via the powers in the REUL Act 2023, and plan to formally consult later this year. These reforms are planned for delivery by June 2026.

Similarly, we would support reform of the assimilated chemicals and pesticides regulations, which HSE delivers operationally and which face many of the challenges outlined above. Policy for these areas sits with Defra and we would support, in particular, Defra reforming their pesticides and REACH legislation, which would in turn support improvements to HSE's regulatory delivery, drive lower costs to industry and build confidence in the UK as a market for investment.

3. Building Safety Regulator (BSR)

The majority of the BSR's regulatory services were introduced over the last 12-18 months. In operationalising the requirements of the Building Safety Act 2022 and its relevant statutory provisions, HSE has identified a number of areas where improvements could be made, in particular:

- The removal of fire consultations altogether for High Rise Buildings (HRBs), where a fire expert has been part of the regulatory multidisciplinary team assessing a building control application.
- The removal of fire consultations on applications for building control on smaller work known as Cat B applications.

We believe these two changes could be delivered quickly and would deliver a measurable reduction in the time it takes to approve a building control application, improving the experience for property developers and speeding up the construction of new buildings.

In addition, to support the Government's broader commitments to both ensure the remediation of unsafe cladding and facilitate the building new homes, HSE believes that greater investment is required to increase the capacity of Building Control Inspectors and Fire Safety Inspector capacity across England. The existing lack of capacity is having an impact on time it is taking to approve building control applications; whether it is for major new developments, citizens upgrading their homes or delivering on various green deal initiatives to improve the warmth of homes.

There is also scope to improve the way in which the building control process is undertaken, with greater automation allowing for the speeding-up of the assessment process

Conclusion:

Given time constraints HSE has not yet discussed these proposals, in detail, with colleagues in central Government departments or had an opportunity to present these to our full non-Executive board.

These proposals have the support of HSE's Chair and we feel that our board will be in support of any changes proposed, as long as they improve our services without compromising safety. HSE's Board is made up of industry and Trade Union representatives as well as those with experience in safety and local government and their support is very helpful in securing understanding and support for any changes with stakeholders.

I appreciate not all of the above could be completed within 1 year but wanted to fully expose potential for improvement.

A handwritten signature in black ink, appearing to read 'Sarah Albon', with a stylized, cursive script.

SARAH ALBON
Chief Executive

CC: Sarah Newton, HSE Board Chair
David Clinton. HM Treasury
Daniel Gaffney. HM Treasury
Rebecca Hall. Department of Business & Trade
Henry Phillips. Department of Business & Trade
Jack McLuckie. Department of Business & Trade

Rt Hon Keir Starmer MP
Prime Minister

Rt Hon Rachel Reeves MP
Chancellor of the Exchequer

Rt Hon Jonathan Reynolds MP
Secretary of State for Business and Trade

Our reference: ICO/O/JE/L/RTL/0758

16 January 2025

Dear Prime Minister, Chancellor, and Secretary of State,

Thank you for your letter of 24 December. I welcome the opportunity to set out the Information Commissioner's Office's (ICO) continuing commitment to promoting sustainable economic growth and encouraging international trade and investment across the United Kingdom, building upon our [strong track record in this area](#).

At 7.4 per cent of GDP, the UK data economy is larger as a fraction of the total economy than any European country except Estonia. Its continued growth depends on strong information rights, ensuring public trust and consumer confidence, and offering businesses security and certainty upon which to build for the future.

From Meta to Microsoft, multinational tech firms are already rolling out products in the UK ahead of the EU due to the more predictable and pragmatic regulatory environment we offer. To build on this, I am making the following commitments to drive confidence in the UK as an attractive place to launch and invest in innovative projects and businesses that will grow the economy.

1/ Giving businesses regulatory certainty on AI

Artificial intelligence (AI) has the potential to add £47bn to the UK economy each year. But regulatory uncertainty risks being a barrier to businesses investing in and adopting transformational technology.

We will produce a single set of rules for those developing or using AI products, to make it easier for them to innovate and invest responsibly while safeguarding people's information rights. We would support the government in legislating for such rules to become a statutory Code of Practice on AI, to provide further regulatory certainty to businesses wanting to invest in AI in the UK.

We support businesses and innovators to navigate the UK's regulatory landscape in their development and deployment of new technologies. We will progress our pipeline of new and refreshed innovation-focused guidance, including on neurotech, cloud computing, and Internet of Things (IoT) devices. We will also support government in the rollout of AI across the public sector, to encourage public trust in these new technologies, and drive improved efficiency and productivity in public services.

2/ Cutting costs for small and medium-sized enterprises (SMEs)

We know that SMEs can find it hard to navigate the digital regulatory landscape. Our digital content and Business Advice Services already help tens of thousands of businesses each month. We are working to enhance these further through improving navigation and user experience, and introducing more personalised and interactive content, including looking at ways we can use generative AI to create tailored advice for businesses.

We will launch a Data Essentials training and assurance programme for SMEs during 2025/26. This will reduce costs to businesses (with a target of £9.1m savings to businesses over 3 years), increase customer trust, and grow SMEs' confidence in using personal data responsibly, to grow their businesses.

3/ Enabling more innovation through our Regulatory Sandbox and Innovation Advice services

From homegrown tech talent like Yoti, through to multinationals such as Meta, our Regulatory Sandbox and Innovation Advice services have supported businesses to innovate with confidence for the last five years – to the benefit of the whole economy as outcomes are rolled out across sectors.

We will seek to implement an experimentation regime to give businesses a time-limited derogation from specific regulatory requirements to test their new ideas, under strict governance controls supervised by the ICO. Findings from such experiments could be used to inform future regulatory reforms, ensuring that data protection law keeps pace with technology.

Such experimentation regimes already exist in Japan and South Korea and are a recommendation of the AI Opportunities Action Plan. We would support the government in legislating for such an experimentation regime to encourage innovation, investment and continuous regulatory improvement in the UK.

We welcome the establishment of the Regulatory Innovation Office (RIO) and commit to working closely with it on its aims of reducing red tape and speeding up access to new technologies.

4/ Unlocking privacy-preserving online advertising

Digital advertising contributes £129bn of gross value added (GVA) per year to the UK economy. It enables businesses to reach new customers and markets and helps fund the digital economy, including the great online content, products and services we all enjoy today. However, there are aspects of the digital advertising regulatory landscape that businesses find difficult or burdensome to navigate.

We will review where Privacy and Electronic Communications Regulations (PECR) consent requirements are preventing an industry-wide shift towards more privacy-friendly forms of online advertising, such as contextual models, and publish a statement outlining low-risk processing purposes (such as privacy-preserving ad measurement) which are unlikely to result in damage or distress or be a priority for enforcement action by the ICO.

This will enable publishers to more easily deploy privacy-friendly forms of online advertising: reducing the burden on both businesses and customers alike. We would support the government in introducing secondary legislation to remove such consent requirements following the passage of the Data (Use and Access) Bill ('the DUA Bill').

We will also publish our public facing online tracking strategy, to set out our approach to regulating digital advertising. This will complement our growing pipeline of guidance in this area, including on “consent or pay” service access models, recognising the online publishing industry’s increased reliance on these models to ensure the economic viability of their services.

5/ Making it quicker and easier to transfer data internationally

International transfers of data underpin around 40 per cent of UK exports and 20 per cent of imports. These flows of data provide UK businesses with access to new markets and partners which can boost trade and drive innovation, investment, competition and growth.

To facilitate this, we will publish new and updated guidance on international data transfers, making it quicker and easier for businesses to transfer data safely. We will work through international fora, including the G7 and the Global Privacy Assembly, to build international agreement on increasing mechanisms for trusted free flows of data, and we will work with government to review adequacy assessments for key trading partners.

These commitments complement our existing and evolving suite of products and services that support international data transfers. These include the [UK binding corporate rules \(BCR\) addendum](#), which has transformed the process for approving BCR applications and made it faster and more efficient for businesses to transfer data.

6/ Cutting the cost of engaging with multiple regulators

Engaging with multiple digital regulators is prohibitively resource-intensive for all but the largest firms. Companies often have to navigate complex interactions between regulatory regimes to ensure they remain legally compliant on multiple fronts.

To address this, we will continue to work with the UK’s other digital regulators, including through the Digital Regulation Cooperation Forum (DRCF). We would support the government in simplifying legislation on information-sharing between regulators, to promote the efficiency of regulation and ease the burden on digital industry.

With our DRCF partners, we are delivering the [AI and Digital Hub](#), which provides joined-up advice to businesses: reducing the compliance burden and encouraging innovation and investment. If desired, the government could invest in continuation of this service beyond its current pilot, which is due to end this year.

Beyond DRCF we will continue to support the development of the AI Safety Institute (AISI), as set out in the AI Opportunities Action Plan. We will also continue to support the introduction of smart data schemes, which enhance competition and growth by helping customers port their data between services - starting with the rollout of Open Finance with the FCA.

7/ Working in partnership with government

In addition to these commitments there are a number of important areas of intersection between my remit and government that will foster growth and investment.

- A programme of legislative reform is being undertaken that has a direct impact on the ICO's remit, including the DUA Bill. The provisions in this Bill will enable the ICO to continue to be a modern agile regulator. We will produce guidance after the passage of the Bill to give businesses continued clarity and certainty.
- Plans for the National Data Library have the potential to unlock the power of data, while plans to create a data-rich experimentation environment for AI development announced in the AI Opportunities Action Plan could turbocharge technological development. The ICO looks forward to working with government on facilitating safe and responsible data-sharing to produce better outcomes across all sectors of the economy.
- Security and protection from cyber-attacks is fundamental to businesses and giving them confidence to grow. The Cyber Security and Resilience Bill will expand the scope of regulation to protect more digital services and supply chains. Enabled by the Bill, the ICO will take a bigger role in ensuring the UK's critical assets are protected from cyber-attacks, helping businesses we regulate under the Network and Information Systems (NIS) Regulations take effective, proportionate and risk-based protective action.

Conclusion

We have robust processes in place to [measure our impacts](#) and report on our contributions to economic growth, as demonstrated in our previous submissions to DBT and publications including our [Enabling Businesses](#) report.

My team and I look forward to engaging with officials further on the details of our commitments above and the other work we are undertaking to unlock the power of data to drive growth and innovation.

Yours sincerely,



John Edwards
UK Information Commissioner



Medicines & Healthcare products Regulatory Agency

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The Prime Minister
10 Downing Street
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SW1A 2AA

16 January 2025

Dear Prime Minister, Chancellor of the Exchequer and Secretary of State for Business and Trade

A NEW APPROACH TO ENSURE REGULATORS AND REGULATIONS SUPPORT GROWTH

Thank you for your letter of 24 December 2024 inviting the Medicines and Healthcare products Regulatory Agency (MHRA) to outline concrete proposals on how we can go further to prioritise sustainable economic growth and facilitate investment.

The MHRA is the United Kingdom (UK) regulator of medicines, medical devices and blood components for transfusion. We put patients first in everything we do, across the lifecycle of the products we regulate. We use science and data to inform our decisions, enable medical innovation and to make sure that medicines and healthcare products available in the UK are safe and effective. We have long sought to promote growth and investment in our role as a public and patient safety regulator, as it is that very investment and growth which brings benefit to the public and patient health we exist to serve. We have a strong history of recognising the interplay of regulation that protects safety with that which stimulates growth, and ultimately, access to medicines and treatments.

We work with both patients and industry and have a good understanding of what they want from us. The core ask of our stakeholders is that we are a predictable, reliable and transparent regulator which puts safety first. Over the last year, we have taken significant steps to address performance challenges and eliminate backlogs. We are committed to delivering predictable, optimised, and sustainable services, across all functions. Our approach to addressing underperformance has been to redesign our processes and better utilise technology and Artificial Intelligence (AI) in our work. We have taken a risk-proportionate approach to delivering our statutory functions, with our expert resource focussed most on those products which pose higher risk. These improvements have been embedded into standard working practice and have been recognised and welcomed by our stakeholders.

We have considered feedback from our stakeholders in developing our proposals set out below. We know that the life sciences industry is keen to see support for the development of new products and help to navigate the regulatory system. This can be most important for Small- and Medium-sized Enterprises (SMEs), which are often the developers of new therapies and products, especially those utilising AI. The life sciences industry is attracted to the UK by the promise of access to a single purchaser, the National Health Service (NHS), with whom we work in partnership. Clear pathways from product development, through regulatory approval and consideration by bodies such as National Institute for Health and Care Excellence (NICE), then introduction in the NHS is a very positive offer.

The life sciences industry also stresses the need for clear regulation which anticipates new technological developments and is easy to navigate. Within this letter, we do not propose new legislation given the timeframes involved but are already active in developing new regulatory proposals. New legislation on Point of Care (POC) manufacture is at the final stages of approval before being made law, providing a world-first, tailored regulatory framework for the manufacture of personalised medicines often made “at the bedside”. New regulations streamlining clinical trials will shortly be debated in Parliament, introducing modernised, risk-proportionate approval processes.

We are also overhauling the regulation of medical devices, creating new frameworks for AI and software as a medical device and diagnostics, learning from experience both here and in Europe, starting with improving safety monitoring. These developments have been welcomed by patients and industry. We are now considering what new legislation might be needed and will make proposals to Health Ministers over the coming months.

Throughout the development of our proposals for legislative overhaul, we have worked with colleagues in Department of Health and Social Care, Office for Life Sciences, Department for Business and Trade and others to pursue objectives that deliver growth and economic and health benefit alongside protecting patients and the public. Our proposals below, in response to your ask for five measurable commitments, build on that legacy and go further, within a tolerable level of risk, to support growth in both innovative and established medicines and medical devices sectors, to the benefit of the economy, the NHS and the health of the UK population.

Commitment one: streamlined innovation pathway for medicines and medical devices

Based on the opportunities identified in the recent McLean report *Pro-innovation Regulation of Technologies Review: Life Sciences and the government response*, **we will bring together our separate product innovation pathways**, simplifying and modernising the current approach to deliver rapid and ongoing support and assessment of the most transformative technologies.

This offer is to identify the most promising medicines and medical device technologies and support them from early-stage development through to uptake in the NHS and access for patients. We are developing pathways for this working across the different regulatory systems and organisations involved – the Health Research Authority (HRA), NICE, NHS England and their counterparts in Scotland, Wales and Northern Ireland. Our aim is to integrate different processes into a single pathway, streamlining requirements and assessments, and significantly decreasing the time from trial to use.

To do so, we will leverage expertise through our new Centres of Expertise for Regulatory Science and Innovation where appropriate, along with accessing the knowledge of the UK scientific community (see second commitment below) to pull innovation through to the point of approval.

This will be a critical point of competition with other international regulators, particularly the European Union, and will serve to increase the attractiveness of the investment environment in the UK, although health technology assessment, pricing and uptake in the NHS are also major factors for investment decisions. We will continue to work with colleagues in those organisations on the co-ordination of assessments but suggest this may be an area for consideration within this programme.

Commitment two: Enhanced scientific advice

Scientific advice is a unique service offered by MHRA to the life sciences industry which provides access to world-class regulatory knowledge, expertise and experience from within the MHRA. Scientific advice can be sought at any stage of the initial development of a medicine or medical device, before an application for a product licence (marketing authorisation) has been submitted. Scientific advice is highly valued by developers and is a fee funded service.

Ensuring the availability of scientific advice is an area that has been challenging to appropriately resource within the MHRA, particularly given the rapid pace of cutting-edge technology development in both the medicines and medical device sectors. The same experts within MHRA are called on to offer regulatory advice, as well as undertake core regulatory functions and maintain high performance levels. In addition, as technology developments become increasingly specialised, it can be difficult to ensure that we have specific cutting-edge expertise that is needed to give high quality, actionable advice.

We propose that we introduce **a new model for access to scientific advice** which allows us to harness the expertise of the world-leading UK scientific community through convening independent experts in academia and the NHS alongside our own regulatory insight. We will therefore establish a group of independent experts within one year to provide this service. The benefit of the scientific advice offered will be maximised with the involvement of other regulators, particularly in relation to new areas of science and technology where there can frequently be overlap across regulation.

Initiatives such as the Regulatory Advice Service for Regenerative Medicines (RASRM) offer a 'one stop shop' for research and development professionals across academia, industry, and the NHS to obtain cross-regulatory advice and guidance. This service is supported by MHRA, HRA, Human Tissue Authority and Human Fertilisation and Embryology Authority amongst others, offering a single point of access to free, clear, expert responses to queries. Building on the success of initiatives such as the RASRM, we will identify key areas of product development where taking a similar approach would better support those developing innovative products that are likely to challenge the UK regulatory and access pathways, such as personalised medicine or drug-device combinations.

This will dramatically increase the speed and breadth of early development and regulatory advice we can offer, working with the UK science community and healthcare partners, boosting confidence and knowledge of relevant regulations, and in turn improving investment potential. Furthermore, there is a positive impact in cross-functional knowledge enrichment and regulatory upskilling which will be put to good use to stimulate private sector investment and growth.

Access to appropriate regulatory and scientific advice from an accessible regulator early in the development process is, we know, a key consideration in the investment decisions of developers and manufacturers. This is particularly acute in new entrants to the market and SMEs. Enhancing the UK's pre-market scientific advice service to dramatically increase the speed and breadth of early development and regulatory advice we can offer will boost confidence, creating a strong global offer for UK life sciences and drive inward investment for the development of new and innovative products.

Commitment three: Proactive biosimilar and new generic approvals

Biosimilar and generic products are those which have the same characteristics as an original drug, and can be manufactured, approved and marketed when data and market exclusivity periods end. These products tend to be cheaper than novel products, making them more affordable to the NHS, and therefore more available to patients. Unfortunately, generic manufacturers do not always come forward to take advantage of the expiry of market exclusivity periods. Use of generic medicines is estimated to save the NHS around £500m per year currently, with generic competition saving the NHS more than £13bn a year¹.

To maximise growth in this sub-sector, **we will ease and facilitate the regulatory requirements for approval of biosimilar and generic products**, through proactive identification of reference products that generic products must reproduce. We will also standardise regulatory requirements through risk management templates and enable manufacture through the timely production of monographs ('recipes' for individual products). Taken together, these actions will lower development costs, speed up approvals and stimulate additional entrants to the market. The reduced time and cost to develop generic medicines will significantly improve the investment climate.

The UK has a strong generics industry and given exclusivity periods are often common worldwide, optimisation of these periods has the potential to capitalise on our existing strengths. Our commitment will boost investment potential in the UK, while simultaneously reducing costs for the NHS, providing greater access to generic medicines, and addressing supply shortages. Our ambition is for the UK to be the 'First off patent' regulatory jurisdiction world-wide.

Commitment four: Establish a Diagnostics Task Force

A new era of preventative healthcare is being driven by diagnostics and AI. The UK is a net exporter of diagnostic devices and as such, there is significant potential for the UK diagnostic devices market to expand, attract global investment and foster sustainable economic growth. The use of AI and machine learning through accessible tools such as smart phones is opening up new opportunities in preventive health.

While innovative diagnostic technologies are being developed in the UK through ongoing private and public investment sources, these technologies are not being used in standard care settings, limiting the incentive for additional investment and/ or growth. Effort is needed to bring these cutting-edge technologies into real-world use so they can support early warnings, bring efficiencies to the NHS and drive preventative healthcare. The UK has unique advantages in the accessible data sources reflecting clinical care and the NHS as a research environment.

¹ <https://www.britishgenerics.co.uk/about-us/our-core-focus/patients.html>

Building on the experience of the COVID-19 pandemic, where public health need drove innovation, the MHRA will establish a **multi-disciplinary Diagnostics Task Force**, emulating the success of the Vaccines Task Force. The Task Force will comprise scientific, technological and manufacturing expertise, government, industry, patients and academia and will focus on the “current” pandemics² of cancer, heart disease, obesity, mental health and dementia. It will spotlight the convergence of genomics, AI and diagnostics in the cutting-edge science of today.

A current example of the benefit this focus could bring is the Better Matched Blood Programme, based on a new blood type genotype test for blood donors and patients with sickle cell disease, a common genetic disorder in the UK. The use of such diagnostics to improve routine care for large elements of the population can directly incentivise investment in increased research and bio-production capability in the UK.

The first step for the Task Force to complete will be a gap analysis to identify actions that can be taken to support new entrants to the market, particularly technology firms less familiar with healthcare regulation. This will grow effective use and uptake across the NHS, bolster the supply chain to grow confidence in the sector and strengthen the case for investment. The Task Force will identify concrete actions within the next twelve months that can be rapidly progressed to realise benefit over the following years. The key outcome will be the growth of the diagnostics industry in the UK, supporting the shift to prevention in line with the Government’s healthcare priorities.

Commitment five: Modernising manufacture initiative

We will implement our world-first regulatory **modernising manufacture framework**, taking as the priority POC manufacture, making the UK a choice location for investment in the manufacture and deployment of products that can be delivered closer to the patient, such as cancer vaccines and personalised medicines.

Effective and efficient regulatory service is a prerequisite to building confidence to attract investment in this area. As such, we will integrate our regulatory oversight with fellow UK regulators in key areas of manufacturing innovation through closer coordination of inspections of sites and manufacturing cell and gene therapies. Our ability to regulate creatively and adapt our quality and safety standards to new technologies will support the UK to become the destination for manufacture of innovative products.

Taken with the single unified gateway described under commitment two, this will also promote a greater shift to the emerging technology of continuous manufacturing, encouraging flexible production and rapid commercialisation in the sector. Building on this, within twelve months, we will assess where we can move away from subjective timeframes for inspections of manufacturing sites which do not add to our ability to meaningfully protect patient safety. This simplification agenda will reduce regulatory burden, particularly in relation to ground-breaking new products, supporting high quality life sciences manufacturing to blossom in the UK, promoting growth and simultaneously bringing significant patient benefit.

² [Life Sciences Vision - GOV.UK](#)

Delivering our commitments

The MHRA always seeks to continuously improve regulation in the UK for the benefit of patients and the public, which means recognising the impact of regulation on the environment for investment and growth. In order to enact the above five commitments, we will build upon our already strong partnerships across the healthcare system.

It is our assessment that we can deliver these proposals within one year, though impacts may take longer to realise. There will need to be investment in our development capacity and capability, to further develop partnerships, design regulatory pathways and processes, explore delivery models and ensure the underpinning digital infrastructure is in place.

The MHRA is partly fee funded by statutory fees paid by industry for regulatory services or charges for non-statutory goods and services. New services developed will be designed to become self-funding over time. However, our fee funding model means our current capacity is restricted to delivery of our core services, and development of significant innovation would require additional resource.

In conclusion, we welcome this opportunity to further develop our regulatory services to benefit UK patients through enabling investment from the life sciences sector. The proposals we put forward stand to make the UK a more attractive place for the UK pharmaceutical and medical technology industries, in turn reaping benefits for UK patients, through agile and enabling regulation. This together contributes to the improved health of the UK population which, as the Secretary of State for Health emphasises, is central to the health of the UK economy.

We welcome the opportunity to discuss and further develop our proposals with you and your advisors over the coming weeks, and to rapidly bring on board all those whose collaboration we will need in order to deliver on our commitments.

Yours sincerely,

A handwritten signature in blue ink that reads "June M. Raine".

Dr June Raine, DBE
Chief Executive
Medicines and Healthcare products Regulatory Agency
E: June.Raine@mhra.gov.uk

NICE Support for Economic Growth

16th January 2025

Dear Prime Minister, Chancellor of the Exchequer and Secretary of State for
Business and Trade,

cc Secretary of State for Health

NICE's mission is to get the best care to people, fast, while ensuring value for the taxpayer. We do this by providing relevant, timely and usable guidance for the NHS and wider health and care system. We know that the best care is only available if our economy is healthy enough to pay for it, and the Government's growth mission is therefore among our very highest priorities.

We already support economic growth by giving businesses predictable, timely entry to the English market. For instance, NICE's Technology Appraisal programme gives England among the fastest and most extensive access to new medicines in Europe¹, while ensuring that all recommended expenditure is good value for money. This is good for business and good for patients.

We also support economic growth by issuing guidance that makes our workforce healthier. For instance, we recently approved tirzepatide (a weight loss drug with an eligible population of 3.4 million) which has potentially transformative consequences for its recipients. Improved health is good for the economic activity of working-age people, and good for their wellbeing and productivity.

There are five primary actions we can take to go further. They do *not* include inflationary changes to the way NICE calculates value, as these would be a cost pressure for the NHS whilst delivering some health gains. However, we would welcome a conversation about whether the Government would like us to consider solutions in this space as well as those outlined below, since they are likely to be broadly welcomed by industry.

¹ According to [analysis by EFPIA](#), England has the 5th quickest time from central approval to availability out of 36 European nations

1. Reimburse the use of health technologies (diagnostics, devices and digital technologies including AI) that are proven to be clinically and cost effective

The health technology sector is critical for the UK economy; it contributes £28bn in annual turnover, £5bn in exports, 138k jobs, and 1 in 12 patents². However, it can be very difficult for clinically and cost-effective technologies to be systematically adopted in the NHS because there is a fragmented innovation ecosystem, multiple complex commissioning and reimbursement routes, and a lack of dedicated funding and accountability for the uptake of NICE recommended health technologies. Many of the most promising companies leave our shores in search of more reliable markets elsewhere; in fact, DBT officials estimate that roughly half the pre-market MedTech SMEs they engage with have no desire to launch in the UK. This is not the case for medicines, where the NHS is required to fund medicines that NICE evaluates as both clinically and cost effective. Ensuring clear reimbursement for the use of clinically and cost-effective health technologies could cement the UK as the first-to-market country for scaling innovation and a critical base for this strategically important sector. Addressing the issues described was a core part of the [Rules Based Pathway consultation](#) we ran last year with NHSE, and No10, HMT. DBT could support DHSC to consider its inclusion in the NHS 10 Year Plan. We should lead on the implementation of this in 2025/26 with funding and support from NHS England. To deliver this, NICE would need to expand the current multi-tech guidance portfolio by 20 products and develop a commercial function for HealthTech, which would cost an estimated £3 million. We are also dependent upon funding being made available to procure technologies with positive NICE appraisals from within the existing £10bn MedTech budget.

2. Support health technologies (diagnostics, devices and digital technologies, including AI) to develop the evidence they need to scale

England could be a leading testbed for late-stage innovations if industry is supported to generate the real-world evidence required to achieve full recommended NICE guidance, and if uptake within the NHS is enabled and accelerated. This would result in faster benefits for patients and service users, and

² [DHSC Medical Technology Strategy \(2023\)](#)

a larger, more productive domestic health technology sector. We already do this for medicines through our [Managed Access](#) programme. This would require both the continuation of the [NIHR/OLS Real World Evidence Programme](#), and funding for the limited rollout of promising technologies identified through NICE's [Early Value Assessment](#) approach. We could feasibly launch a scheme in 2025/26 with funding and support from NHS England, OLS and NIHR.

3. Develop new service delivery models for large population innovations

There is a requirement to enhance service model pathway mapping and evidence generation for new ways of delivering innovations, such as the rollout of medicines for large populations. The medicines pipeline increasingly includes innovative treatments for large populations that may have significant growth impacts, such as weight loss treatments. If the system is not optimally prepared to implement and deliver these innovations until after NICE has approved them, patients and the nation's health and economy will suffer. Failure to optimally establish service delivery models in advance of NICE Technology Appraisals increases the likelihood of delayed implementation, as observed with the [12-year rollout of a highly effective weight loss drug](#) (tirzepatide; mentioned above). Advanced work with industry and system partners is needed to build better evidence of cost-effective service delivery models before license submission and before NICE assessments are completed. Funding and the political support to take risks is needed here, as not all innovations that we prepare for will ultimately be adopted. We could collaborate with NHS England to build a cross-functional joint analytical function that maps, tests and implements new service delivery models in advance of NICE Technology Appraisals by the end of 2025/26. This multi-disciplinary team would anchor off existing horizon scanning resource and engage with clinicians, patients and the wider NHS to undertake vital preparatory work. Assuming the need to undertake this approach for 5-8 pipeline products per annum, an estimated cost of £500k per year across NICE and NHSE would deliver the required analytical, clinical, pharmacy and modelling expertise in the new function.

4. Further improve the timeliness of our guidance

The faster we approve technologies, the faster they become accessible to the people who need them, making the UK a more attractive market to enter early and

build within. We have slashed the time we take to appraise new technologies by more than a sixth since 2023/24, and are investing in digitising and modernising our processes to improve timeliness, enhance the staff experience and increase productivity. Our target is that, by the end of 2025/26, 60% of our Technology Appraisals will be completed within 240 working days, up from 40% in 2024/25 YTD. The programme is currently funded partly through the McLean Review funding, and is dependent on its continuation in future years. It is also dependent on continued partnership working with other health system stakeholders, such as MHRA, NHS England and NIHR, whom we rely on to produce timely guidance. Beyond 2025/26, further investment in digital tools will be required to continue making improvements in our timeliness.

5. Address health-related economic inactivity

As you are aware, health related economic inactivity has increased sharply since the pandemic in 2020 and continues its seemingly inexorable rise, making the UK an outlier among other advanced economies. NICE could support the long-term reversal of this trend through:

- a) Studying the impact of health on economic activity: Despite new studies on health-related economic inactivity, significant gaps remain and there is limited evidence on which conditions and which health interventions influence economic activity at an individual level. NICE is currently working with NHS England and the ONS to expand this evidence base, including by linking NHS, DWP and HMRC datasets, and generating new evidence in testbed sites. If the evidence base is strong enough, the OBR may build these growth effects into its economic forecasts, which could expand the borrowing capacity of the state to invest further in healthcare. More could be done by directing additional research funding towards this cause, for example through the NIHR.
- b) Prioritising growth-enhancing guidance: We cannot assess every technology or produce a guideline for all topics, so we must prioritise. Some technologies or clinical guidelines will have a larger impact on economic growth than others, and we could take this into account in our prioritisation decisions, for example, by focussing on the primary and secondary prevention of long-term ill health that undermines growth and productivity.

- c) Updating guidance on innovations that help people return to work: NICE has published [guidance](#) (2019) on how to help people return to work after long-term sickness absence, reduce recurring sickness absence, and help prevent people moving from short-term to long-term sickness absence. We have also published [guidance](#) (2016) on how to improve the health and wellbeing of employees, with a focus on organisational culture and the role of line managers, and a [quality standard](#) (2021) on supporting employees to stay in or return to work. We could review these guidance products, and where appropriate commence targeted updates, during 2025/26. Once refreshed, these pieces of guidance will require implementation support across the NHS and wider workforce, which would benefit from No10's political backing and any necessary funding, in the region of £500k, to achieve large scale, sustainable improvements. This implementation support would best come from a partnership between NICE and other agencies to support implementation of evidence-based interventions by commissioners and providers of care, e.g. a joint programme between NICE and Health Education England, and between VCSE and private sector organisations.
- d) Prioritising implementation support for growth-enhancing innovations: We already have a programme of implementation support and resources that support health and care practitioners, commissioners and providers to improve uptake of NICE guidance. While this is aligned to NHS priorities, such as obesity and maternal & neonatal health, and delivered through partnerships, engagement and implementation toolkits, we could prioritise the development and roll out a targeted implementation support package for guidance that helps people return to work or stay in work. Partnerships between NICE and other agencies acting in the quality improvement part of the healthcare delivery system would be an essential. Our early estimates suggest this could be achieved with additional funding for partnerships in the region of £500k. For example, a funded partnership programme between NICE and Getting It Right First Time (GIRFT) and between NICE and Health Innovation Networks could be developed to ensure there is focus and mutually reinforcing activities through a range of agencies, prioritising activity on the innovations that will deliver the most growth impact.

Further to these NICE-led initiatives, there is an opportunity for HMT to catalyse the adoption of innovations that NICE has already deemed to be clinically and cost effective, whether molecule or device. Through the affordability mechanism built into the VPAG agreement, industry pays a rebate to DHSC when sales of branded medicine to the NHS exceeds an allowed growth level. Currently, that money flows back to NHS England and the DAs and is not directly visible to local commissioners who have incurred the costs. If the rebate was used to directly support the procurement and uptake of priority innovative medicines, depending upon how this was delivered this could help to speed up adoption – however, allocating the funding in this way could create pressures in other parts of the NHS budget currently supported by the VPAG rebate which would need to be managed.

These initiatives make full use of the breadth of levers that NICE has at its disposal to boost economic growth, although they require resource, support from the wider health system and political will to achieve their promise. They are ambitious and measurable and will ensure that NICE does everything within its power and remit to support this critical government mission. I would be delighted to meet with you or your teams to explore any of them in more detail.

Yours sincerely



Dr Sam Roberts

Chief Executive, National Institute for Health and Care Excellence

The Rt Hon Sir Keir Starmer MP
The Rt Hon Rachel Reeves MP
The Rt Hon Jonathan Reynolds MP
By email

Dame Melanie Dawes
Chief Executive

Lord Grade of Yarmouth
Chair

15 January 2024

Dear Prime Minister, Chancellor, Secretary of State,

Thank you for your letter of 24 December, asking how Ofcom is contributing to economic growth across the UK, and where we could go further including in partnership with the Government.

At Ofcom we believe that good regulation and economic growth go hand in hand. This is particularly true in times of such rapid technological innovation and our Board has dedicated considerable time to considering Ofcom's role in supporting economic growth, including as the focus of the most recent Annual Board Strategy Day. The Government's ambitious response to the AI Opportunities Plan this week highlighted that technology will be central to the UK's future growth plans and there is a really important contribution for all regulators to make to this, including Ofcom.

Ofcom's central duty – set out in the Communications Act 2003 – is to further the interests of citizens and consumers, where appropriate by promoting competition, and having regard, amongst other things, to encouraging investment and innovation. We believe that this means serving tomorrow's citizens and consumers as well as today's, right across the UK. It means we must think about the investment the country needs for the future alongside concerns of fairness and affordability in the present.

Before turning to our plans for the next few years, and how these will support economic growth, it is worth highlighting that Ofcom's work over the past few decades has been materially shaped by huge waves of technological change and innovation. This change has affected all sectors, but it has revolutionised our communications industries. In 1984 – when BT was first privatised – the only way for most people to communicate was via a copper-based landline phone call or by sending a letter. Today we communicate over multiple different technologies – cable, satellite, fibre and mobile. We use text and messaging, photos and video as well as audio. We get news and entertainment over phones, laptops, tablets and connected TVs, and from social media and streamers as well as traditional TV and radio broadcasters.

This means that businesses across the communications sector – including telecoms and media as well as tech firms running social media and search services – have long been at the cutting edge of technology and they are well-placed to embrace the new opportunities of AI. For example, telecoms companies are already using AI to enhance network planning, optimise the building of networks, and detect and prevent fraudulent behaviour, and the TV industry is using AI to create more compelling visual effects in production.

This very high degree of change has also provided multiple opportunities for Ofcom, as the regulator, to work creatively to harness innovation to deliver good outcomes for consumers

alongside economic growth. For example, in the early 2000s one of Ofcom's first acts was to open up the new and emerging home broadband market to competition, so that we did not lock in the traditional monopoly power of BT. As a direct result of our regulation, companies like Sky and TalkTalk were able to offer new services and grow. The new competition we created kept pricing competitive and has since allowed us to withdraw elements of our regulation.

This is also a good example of Ofcom's long-standing published Regulatory Principles, which are available on our website. The first of these is that Ofcom will operate with a bias against intervention, albeit with a willingness to intervene promptly and effectively where required.

Our plans for 2025 and beyond

Ofcom's work programme is always developed with a high degree of transparency. Each year we consult on our forward-looking plan of work with all our stakeholders including the industries we regulate, consumer, citizen and third sector groups, the UK Government, the devolved Governments, and other public bodies. In January we will be holding a series of consultation events in every Nation on our draft plan for 2025-26, which we published in December.

Below we have captured five important pieces of work for 2025 which will directly support growth and innovation in our sectors. Because good digital connectivity increasingly underpins the economy, they will also benefit growth more widely. All are in tune with the Government's wider industrial strategy which rightly identifies both digital and technologies, and the creative industries as two of the eight growth-driving sectors for the UK.

First, underpinning continued investment in fibre networks. In 2025 we will finalise the second half of our ten-year framework for the economic regulation of fixed telecoms. Our strategy since 2016 has been to create a thriving new wholesale market for fixed telecoms by driving competition in fixed networks and creating incentives for investment from new players, while ensuring that there are sufficient safeguards in place to manage Openreach's Significant Market Power. This has so far been highly successful. The detailed framework which we set out in 2021 is underpinning investment in full fibre of £3-6bn a year. Full fibre now reaches 69% of households compared to only 6% in 2018, and at prices that are the same or even lower than older technologies. As well as the direct value of this investment, these new services are clearly central to growth across the entire economy. We will update our regulatory framework by early 2026 for the five years to 2031, aiming to maintain the stability and incentives that we have created. This work is highly complementary to the Government's ongoing work under Project Gigabit, which provides public funding for fibre in parts of the UK where the commercial case is not sufficient to drive private sector investment. As fibre rollout increasingly reaches the hardest areas, we also support the Government's work to remove barriers to fibre deployment including looking again at planning and permits.

Second, releasing highly valuable spectrum for innovation and growth across the economy. Ofcom has run several awards of spectrum to support mobile broadband growth and has long worked with industries such as maritime, aviation, aerospace, emergency services and defence. In recent years we have supported innovation in these areas, for example collaborating with the Civil Aviation Authority to support new commercial uses for drones, and also by enabling additional resilience for positioning, navigation and timing solutions for secure tracking, an alternative to GPS. We have opened up opportunities, ahead of Europe, for new private mobile networks to support the digital transformation of sectors as varied as mining, logistic, and ports. Over the next few years, in response to market changes, we are rapidly expanding spectrum allocations for space and satellite technology; we are making spectrum available to significantly increase the capacity to offer satellite broadband services to people and businesses; and we are developing spectrum licences to support

UK Space Launch capabilities. We are opening up new opportunities for high-capacity solutions for private networks by making available high-frequency mm-wave spectrum. And we will continue to support the mobile industry in the deployment of advanced 5G, and 6G. Supporting innovation is central to spectrum management – we consciously look to allocate spectrum to new use cases even when the commercial case is not yet clear.

Third, implementing the provisions of the Media Act 2024 to underpin the health and commercial future of UK TV and radio, which is central to the wider success of the UK’s creative industries. The Media Act updates the regulatory framework to create a more level playing field between our traditional public service broadcasters and the global streamers and tech companies which now play such a central part in bringing news and entertainment to the public. This work is strongly supported by our domestic industry and in 2025 our priority is to drive implementation as rapidly and effectively as we can, to secure the benefits as quickly as possible. However, ongoing tech disruption and fierce competition for audiences from global streamers is intensifying the mounting pressure on the future sustainability of Public Service Media. It is in this context that we are, in parallel, conducting a new review of the future of public service broadcasting. Public Service Broadcasters remain the largest commissioners of content from across the UK and are particularly important to investment in production in the UK nations and regions and to continued investment in skills and talent creation. Our new review will report this summer and will identify any further policy reforms that are needed to support this economically important sector so it can continue to grow and deliver for UK audiences.

Fourth, we always pursue opportunities to tailor our regulatory approach for small businesses, particularly as we implement the landmark 2023 Online Safety Act. The Act has more than 100,000 companies in scope, in a hugely innovative and dynamic sector. Clearly, significant improvement by the industry is required to deliver a safer life online for the public, especially children. But the services we regulate vary considerably in size, resources and business models and include many small or medium-sized enterprises (SMEs), including start-ups, community/voluntary services and services that have not been regulated before. To manage the costs on these businesses we have developed a dedicated **Digital Support Service** which provides interactive guidance to help organisations understand and implement the rules. We have co-designed and tested these tools with more than 45 firms, mostly SMEs, to understand what they need and how Ofcom can help. A simple Regulation Checker is already live (six questions to decide if you're in scope) and has been used more than 3,000 times since February 2024. The first phase of this wider service will launch in beta later this month.

Finally, we recognise the need for regulators to innovate in how they operate so they can respond effectively to technological and market developments and support innovation. In 2020 we established the Digital Regulation Cooperation Forum with ICO, CMA and FCA because we saw the need to collaborate across our regulatory boundaries to join up on multiple levels. Most recently we have together piloted the DRCF AI and Digital Hub, supported with Government funding. This is a free informal advice service for tech innovators, enabling product developers to bring their products to market safely and quickly. And at Ofcom we are also trialling a new regime for spectrum licensing, granting organisations temporary access so they can test technical solutions before they launch commercially.

This provides a snapshot of five of the main areas where Ofcom’s plan for 2025-26 and beyond will directly support economic growth across the economy. There are, of course many other active projects, including our plan to put Royal Mail’s universal service obligation for postal services onto a

more sustainable footing for the future, so that it continues to support both households and businesses across the UK. We would be very happy to share further details of these if this would be of interest.

When it comes to measuring our impact, the very nature of our work – which is to support private sector decision-making – can make it very difficult to isolate the specific changes we have driven. However, we have a strong evaluation programme led by our Chief Economist and we would be happy to discuss with your officials how this works, and the main success measures that we track and monitor.

Our partnership with the Government

We have a close and collaborative relationship with our sponsor Department, DSIT, and also with DCMS on media and broadcasting, and DBT on postal industries. We welcome this, and also the work that those departments are currently doing to finalise the Government's Statements of Strategic Priorities for our industries for the new Parliament.

We are already working with DSIT and DCMS on two issues which we believe are particularly important to boosting productivity and growth, and on which we think we can all go further with Government leadership:

- **Mobile investment.** Although mobile coverage is available across most of the country, in many places it is unreliable or patchy, which limits what people can do and what they can rely upon mobile to do for them. We have supported the CMA in the Vodafone/Three merger review which has resulted in a commitment from the merging Parties to significantly improve investment in the reliability of their network, and its capacity and performance. As part of the review's outcome Ofcom will monitor and enforce against this network commitment. But there is clearly a question about where further investment by all operators may be required to provide reliable mobile coverage in parts of the UK where it is still not adequate. Ofcom is currently overhauling our mobile coverage web-checker which helps consumers understand what mobile coverage is like in their area. This will improve transparency and should drive stronger incentives amongst mobile providers. We have also recently consulted on updating our annual licence fees for mobile spectrum, which would reduce costs for operators in some areas. But Government coordination may be needed to drive further investment in mobile infrastructure in the UK, particularly to ensure that areas with the greatest potential to increase productivity – and/or where the commercial case for investment is weaker – are given due priority. One example is mobile connectivity across the rail network.
- **Digital transition.** Although new networks, including full fibre, are increasingly available to consumers, take-up lags behind and Ofcom's research shows that approximately 2.8 million adults (5%) do not use the internet at home through any means. This presents a barrier to economic inclusion and ultimately to economic growth and public service transformation. Without rapid adoption of fibre the opportunities for growth from new technologies will be constrained, and there will be ongoing costs for many public and private industries as they need to run old and new technologies together. Ofcom will soon publish new analysis so we can better understand the barriers for the remaining groups who are offline, to frame the challenge. We are already working with DCMS on the specific question of the future of TV distribution, which is highly dependent on the future take-up of modern home broadband. But we welcome Government coordination

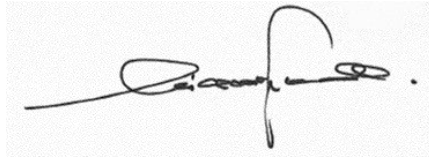
and ambition in this area and we would be very happy to support that with the levers we have at our disposal.

We would be very happy to engage with the Government in these or any other areas where you believe that Ofcom's work could support the growth and health of the UK economy.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Melanie Dawes'.

MELANIE DAWES

A handwritten signature in black ink, appearing to read 'Michael Grade'.

MICHAEL GRADE

(Lord Grade of Yarmouth)

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11 Westferry Circus, Canary Wharf, London E14 4HD

By email

Rt Hon Sir Keir Starmer MP Prime Minister

Rt Hon Rachel Reeves MP Chancellor of the Exchequer

Rt Hon Jonathan Reynolds MP Secretary of State for Business and Trade

16 January 2025

Dear Prime Minister, Chancellor and Secretary of State,

Thank you for your letter of 24 December. Ofwat welcomes the Government's interest and support for ensuring that regulation supports sustainable economic growth. Investment and improving productivity are at the core of all our regulatory activities.

As part of the 2024 price review, we have approved water companies' investing a record £44bn on enhancements to improve operational resilience, the environment and to support growth alongside £60bn in operating and maintaining water and sewage networks. In addition, Ofwat is overseeing the development and delivery of 30 major infrastructure projects including new reservoirs and major water transmission pipelines, with a total value of around £50bn over the next 15-20 years. These projects will be delivered using competitive procurement models to attract global investors and the supply chain to the UK market.

Alongside this existing investment, we are committed to working collaboratively with government and other regulators to ensure that our regulatory environment evolves to meet the government's growth agenda and provides a strong framework for securing new investment and innovation.

This letter sets out five measurable commitments that Ofwat will pursue to boost business confidence, improve the investment climate and foster sustainable growth.

1. We commit to ensuring that a record £104bn upgrade in the water system over the next five years will be spent in a way that delivers benefits for customers and the environment, creates the right climate for investment and supports economic growth.

We have approved a fourfold increase in investment in the water sector in the 2025-2030 period. It is vital that this investment is delivered to support economic growth, new business and home building. It is also important that we secure the maximum benefit from the investment for customers, environment and economic growth. We will scrutinise and monitor water company delivery of investment and work closely with Environment Agency and Drinking Water

Inspectorate to hold companies to account. Our price review determination provides strong incentives to encourage timely delivery of investment, and we have incorporated sufficient flexibility to enable companies to innovate and deliver investment in a way that will maximise benefits.

It is important that the water companies are financially resilient and are able to attract the finance to drive the transformative changes required. Throughout the PR24 process we engaged extensively with a broad range of investors and made targeted improvements to the balance of risk and return to enable financing for the record investment that we approved. We will continue to ensure the right environment for attracting responsible investors is developed – one that delivers improved service, and that enables sustainable economic growth, protects the environment, and delivers for customers. We will continue to challenge poor performing companies and those with weak financial resilience to address these issues.

Measurable deliverables:

- We will monitor companies throughout the 2025–30 delivery period on performance, expenditure and delivery against the planned investment programme. We are also developing Delivery Monitoring Framework jointly with the Environment Agency to provide strong joint oversight of environmental investment.
- We will report this performance through publications such as the Annual Performance Report and the Financial Resilience Report.
- We will track the delivery of the planned enhancement expenditure, and we will clawback money for customers if investment is not delivered and incentivise timely delivery.
- We will commit to reviewing the productivity of the water sector and its contribution to economic growth and look for opportunities to boost productivity growth across the sector.

2. We commit to overseeing major project investments, collaborating with investors and the supply chain to drive economic growth, resilience, and environmental benefits.

Around £50bn of investment in major projects is planned over the next 15–20 years. Ofwat expects construction of towards half of that total to commence in the next five years. This is a significant step up from previous price reviews, which tended to feature no more than two or three major projects. We have already committed £2bn to enable development of these major projects and we will run gated processes to release further funding. These projects will provide significant opportunities for new investors to the sector and the global supply chain, as has been seen with the £2.5 billion Haweswater Aqueduct Resilience Project Programme (HARP) in the north west of England.

We will optimise the pipeline of Major Projects to ensure a best value programme is delivered and that synergies across projects are maximised. We will also look to accelerate work where possible and collaborate with the sector to effectively anticipate and manage emerging risks. We will work to ensure that regulatory and commercial framework enables efficient risk sharing and incentivises timely and efficient delivery.

We ask the government:

- For legislative changes to amend the Specified Infrastructure Projects Regulations (SIPR) to allow more projects to be delivered using the successful licensed infrastructure provider model that delivered the Thames Tideway project.
- Continued engagement by National Wealth Fund on credit finance opportunities for major projects.
- To accelerate/streamline the Development Consent Order consenting processes for Nationally Significant Infrastructure Projects (NSIP) and ensuring the Planning Inspectorate (PINS) and other agencies are well resourced to oversee and approve an accelerated process.

Measurable Deliverables:

- Report on progress of major projects in the 2025–30 delivery period throughout consent and procurement process.

3. We commit to working with government, fellow regulators and the sector to develop a long-term framework for better decision making and infrastructure planning for the water sector

It is vital that we have the water and wastewater systems that support economic and population growth and address the challenge of adapting to climate change. There are big questions as to whether the current water company lead process can meet the complex national and regional challenges facing the sector. There is a need for scenario planning at a UK economy level when planning water infrastructure investment to aid and inform decision making. We are working with the Cunliffe Commission, Defra, and the Environment Agency to ensure that water and wastewater investment planning meets infrastructure needs for future customers, the environment, and the economy.

We commit to reviewing the design of future price reviews to ensure that they are fit for future challenges facing the water sector, including growth. We will consider, for example, how best to facilitate investment, efficiency and innovation in the long as well as short term. We will also consider how to streamline the process while continuing to provide flexibility and reflecting local and regional circumstances. We commit to undertaking this review of in 2025–26.

We ask the government

- to streamline the water planning process and align this with the wider building development planning process, as part of the implementation of the new National Planning Policy Framework.
- to streamline the price review appeal process to enable faster, more focused appeals and greater alignment with other sectors such as energy. This helps to improve predictability of regulation and reduce complexity for investors.

Measurable Deliverables

- We will review our price control process to ensure that it is fit to address the future challenges facing the water sector.
- We have been for some time actively engaged in exploring what we have learned from experience of the planning processes as they operate now to suggest innovative ways in which they might be improved and the role that Ofwat can best contribute. We will continue to lean into this work during the Cunliffe review and afterwards to best support its recommendations.

4. We commit to playing a convening role to develop the skills needed for the future in the water sector and the supply chain.

Recent analysis by Energy Utilities Skills suggests that up to 30,000 new jobs in the water sector will be created in the 2025–30 period. These jobs will be distributed nationwide, ensuring that the economic benefits from investment are not concentrated in the southeast. Moreover, the jobs will be created through a myriad of SME businesses, particularly in the field of civil engineering.

The water sector needs the right people, with the right skills in the right place to deliver the transformation. Ofwat is well placed to play a convening role to develop the skills needed for the future in the water sector and the supply chain. We have already facilitated conversations with key players in Wales to highlight the economic opportunities available through PR24. In addition to the direct growth opportunities this could deliver by supporting the acceleration of major project investments, an enhanced UK supply chain would develop considerable expertise given this big increase in investment, particularly in smart networks and metering. We commit to examining the scope for such a convening role for industry skills, as well as exploring the opportunities for wider benefits such as exporting supply chain expertise.

We ask government to include major water sector construction projects in the National Infrastructure and Construction Pipeline to help the supply chain prepare for the future. The inclusion of better modelling for water means the cross sectoral picture of industry skills is more accurate and clearer.

Measurable Deliverables:

- By convening sessions to discuss the future strategy for skills and expertise in the water sector and the supply chain, we will bring together the key players in this area. Success will be measured by the new initiatives that emerge from these sessions in terms of growing the skills and expertise within the sector, which will translate into more effective and efficient delivery of major infrastructure projects.

5. We commit to drive innovation in the water sector and productivity across the construction sector, especially through the greater use of data, analytics, collaboration and AI.

We will continue to build on our successes in driving innovation in the water sector. We have doubled the size of the water sector innovation fund to £400m. This fund helps develop a stream

of new solutions to water sector problems, boosting productivity and economic growth. This also supports the potential for UK's expertise to be exported globally. A key area of success of the innovation fund has been the involvement of companies outside of the water sector. There have been 230 non-water company partners in the 93 funded projects, many of these being SMEs.

We will continue to expand the scope and ambition to deliver in several important areas, such as knowledge sharing to improve speed of take up and more rapid benefit delivery, cross-sector working and international engagement to unlock new opportunities to drive productivity in the water sector and thereby contribute to economic growth.

A further example is in the use of open data and digitisation and Artificial Intelligence (AI). Open data is a major component of driving growth. As Ofwat, we are driving the agenda on open data, this will improve the transparency of information available to the public and enable better accountability of company performance and targeted investment. Increased digitisation and open data will also provide opportunities for new business, the development of the supply chain and skills in the water sector. We will take account of recommendations and insights from the Government AI Opportunities Action Plan to help realise potential of open data, digitisation and AI in the water sector.

Measurable Deliverables:

- Continue to drive and report on data maturity across the sector
- Delivery the innovation fund and report on its impact on the water sector

We welcome further engagement with you on these commitments and asks to government. Additionally, we would like to discuss ideas such as amending legislation on connecting new homes to water more quickly to help unblock home development schemes.

Finally, I am also Chief Executive of the UK Regulators Network, a body which supports and facilitates collaboration between regulators, which would be pleased to help with cross-cutting work by regulators to support growth. I look forward to discussing these proposals with you and your teams, and to the collaborative effort to ensure that our regulatory environment supports and enables investment, improved productivity and economic growth.

Yours sincerely



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Chief Executive

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The Prime Minister, Rt Hon. Sir Keir Starmer MP
The Chancellor of the Exchequer, Rt Hon. Rachel Reeves MP
Secretary of State for Business and Trade, Rt Hon. Jonathan Reynolds MP

By email

16 January 2025

Dear Prime Minister, Chancellor and Secretary of State,

Re: A new approach to ensure regulators and regulations support growth

Thank you for your letter of 24 December 2024 in which you asked the Office of Rail and Road (ORR) to set out five measurable commitments or changes to encourage private investment and hence boost economic growth.

The rail and road industries are part of the fabric of Britain's economy, getting people to and from work and delivering freight to where it is needed in the economy. We oversee the performance and efficiency of these networks, we are a competition regulator and, for example, we have intervened in the rail signalling market to drive the benefits of competition.

As we set out in the commitments below, with government support there is much more that could be done to increase investment and improve productivity, and we are ready to agree and progress these.

That said, it would also be useful to raise two pieces of context.

First, the rail and road sectors we regulate are supported by significant public funding. Actions that other regulators might take to encourage private investment do not always work where the public sector is the marginal funder. But there are further actions that could be taken to improve the efficiency of the public sector rail operators, which would also drive growth.

Second, Government policy is to bring private sector train operators in England into the public sector. Other things being equal, this will reduce private investment, not increase it.

Our commitments are:

1. Expand existing multi-year settlements, that support business investment in the supply chain, to include TfL

We play an important role in determining five-year funding settlements for Network Rail, National Highways and High Speed 1 (HS1 – a government let concession running between St Pancras and the Channel Tunnel). We have recently concluded the five-year settlement for HS1 where we have reduced access charges, which should stimulate increased usage of the HS1 system.

We also enforce delivery of the settlements. This provides an independent and stable framework in which these companies can more efficiently plan investment and hence allows their supply chains to invest. Network Rail spends about £7bn a year on private suppliers and National Highways about £4bn and these suppliers are very clear on how this stability benefits them. The uncertainty that arose after the previous government had to defer making decisions on a new investment settlement for National Highways had a visible negative effect on the supply chain.

Over the course of the last year or so we have been working with the Department for Transport (DfT), HM Treasury and Transport for London (TfL) on options to introduce a similar multi-year ORR-regulated funding framework for TfL, which would improve the efficiency of the TfL supply chain. This is a decision for Government, not us, but we have already demonstrated our commitment to facilitating this and will commit to a timeline to implementing the change if a decision was taken.

2. Increase private sector investment in rail infrastructure

We oversee a framework for third parties to invest in Network Rail's asset base. We have an established investment framework which allows private sector returns to be achieved by levying a mark-up on the charges paid by passenger and freight trains. We have experience trying to use this framework to secure private sector improvements in the rail network, for example where a private company might want to build a rail connection to an airport and take cost risk on this. These have failed because previous governments were not prepared to provide assurances that minimum levels of train services would run.

We will commit to a review of the investment framework with the rail supply chain to see what innovations could be applied to it to encourage private sector businesses to invest directly in railway infrastructure, but we would need to be clear on the Government's appetite for this to avoid over-inflating expectations.

3. Increase railway efficiency as a driver of productivity, supporting economic growth

More efficient companies are more productive and higher productivity drives economic growth. We have challenged Network Rail hard to deliver efficiency improvements and we have seen significant progress with Network Rail delivering £4bn of efficiencies over the last five-year control period. However, we know that there is further to go on efficiency and productivity in rail, including with train

operators. For example, our recent productivity review shows that the rail sector as a whole has generally lagged behind productivity in the wider economy.

Currently in rail, we only set and monitor efficiency targets for Network Rail. The creation of Great British Railways (GBR) under the Government's reform programme will bring rail infrastructure and most rail operators together in one company. This provides an opportunity to use the Office of Rail and Road to increase the efficiency and productivity of train operators (instead of just for rail infrastructure, as now). However, the absorption of train operators into GBR will take time and, rather than wait until all DfT funded operators are absorbed into GBR, we would propose *immediately* extending our work on efficiency challenges to DfT owned train operators. This would send a strong signal that public ownership will be used to support economic growth.

4. New regulatory role in the Lower Thames road crossing

The Lower Thames Crossing is a proposed Nationally Significant Infrastructure Project with an estimated budget of over £8bn to provide additional road capacity across the Thames between Kent and Essex. We have had some initial discussions with National Highways regarding ways of funding and financing this project that do not draw on the public purse. As described above, we have a role on the nearby High Speed 1 line which demonstrates the value placed on independent regulation by private sector investors.

There are a number of models that could be explored with or without ORR involvement for the Lower Thames Crossing. We are ready, and have the existing capabilities, to assist the Government with alternative funding and financing arrangements for this project should it choose to pursue this option.

5. Repositioning ORR's role on economic growth

The four commitments above would, taken as a whole, send a strong signal about the Government's priorities. We believe this effect could be amplified by a set of measures to publicly re-position ORR as more 'open for business', including changes to our engagement with industry and our external communications. We would like to discuss these with you after a discussion on the four main commitments.

Next steps

Each of these commitments would have a positive impact on economic growth and, taken together, their impact would be substantial. We look forward to discussing these proposals further with your teams and, more broadly, to supporting the Government's mission to promote growth.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'John Larkinson', with a stylized flourish at the end.

John Larkinson
Chief Executive

Bank of England PRA

The Rt Hon Keir Starmer MP
Prime Minister
10 Downing Street
London
SW1A 2AA

Sam Woods

Deputy Governor, Prudential Regulation
CEO, Prudential Regulation Authority
sam.woods@bankofengland.co.uk

15 January 2025

Dear Prime Minister, Chancellor and Secretary of State,

Thank you for your letter of 24 December regarding the Government's approach to regulation in the UK.

The PRA recognises and strongly supports the Government's focus on delivering a higher rate of sustainable economic growth in the UK, and on encouraging responsible risk-taking in support of that goal.

All of the PRA's objectives are designed to support economic growth. However, there is a distinction between our primary objectives, to promote safety and soundness of banks and insurers and protection for policyholders, and our secondary objectives to facilitate competition, competitiveness and growth.

Our primary objectives speak mainly to stability, which is the basis for a predictable economic environment that allows households and businesses to be confident in planning ahead and making investment and hiring decisions. Financial instability can lead to severe disruptions to the ability of households and businesses to make



transactions, manage risks, and access credit, amplifying economic shocks and hindering growth.

But your letter speaks more to our secondary objectives – and in particular to our new secondary objective to facilitate the competitiveness and growth of the UK economy. I will therefore focus mainly on that aspect of our work in this response.

Actions the PRA has recently taken to advance competitiveness and growth

As you anticipate in your letter, we have already taken a number of actions in order to advance our competitiveness and growth objective since it came into operation on 29 August 2023. We have adopted a simple framework to guide our efforts in this area, in that we see our main impact on competitiveness and growth as being through three channels: the allocation of capital in the UK economy; how well UK banks and insurers are equipped to compete; and how attractive the UK is as a location for foreign banks and insurers. We have found that this framework provides a useful guide for us in thinking about how our activities can support growth.

Amongst the wide set of actions we have already taken I would highlight the following:

- We are currently in the process of implementing an update to banking regulation, known as '**Basel 3.1**', which aims to make bank capital requirements more reflective of the risks taken by firms. This is not a domestically-driven change, but an international reform in which we need to play our part in order to maintain both stability in the event of shocks and the UK's reputation as a responsible host of a very large global financial centre. These standards also provide a basis for effective international competition between banks. There is, however, scope to tailor the international rules for our market and we have used this scope to make important adjustments, including in response to industry feedback, to support competitiveness and growth – with the most material ones being changes to lower capital requirements in order to support lending to SMEs and infrastructure and to support trade finance. We have also ensured that the reform does not increase overall capital requirements for the UK banking system in any meaningful way.
- We have now implemented the new **Solvency UK prudential regime for insurers**. These reforms simplified overly complex and detailed EU requirements, while maintaining strong prudential standards. They also made material changes to the capital regime for insurers by reforming the Matching Adjustment rules in line with the legislative framework set by government, enabling the life insurance sector to play a bigger role in investing in the UK economy across a wider range of assets.¹
- **Removing the 'bonus cap' for banks**. We have worked with the FCA to remove the so-called 'bonus cap', a measure we inherited from the EU which set a fixed

¹ The Matching Adjustment is an important part of the capital regime for insurers which provide pensions.

limit on the ratio between bankers' bonuses and salaries. This had the effect of inflating banker salaries which we considered unhelpful for safety and soundness, but was particularly damaging for competitiveness – both for UK firms and for foreign firms deciding whether to locate major banking operations in the UK. Removing the cap dealt with these problems and sent a strong signal to firms here and abroad about our willingness to make changes to rules to support competitiveness and growth in the financial services sector.

- Working with the FCA and HM Treasury to **review the Senior Managers and Certification Regime (SM&CR)**. We have run an exercise in order to understand stakeholders' views on the functioning of the SM&CR and to identify ways to improve the regime and help it work better for firms and regulators, while preserving its underlying aims. Alongside steps announced by the Chancellor to replace the Certification Regime with a more proportionate approach, we will make additional changes to reduce bureaucracy and increase flexibility in the Senior Managers Regime.
- Driving improvements in our operational efficiency in order to support activity in the markets we regulate. This work had had a particular focus on the **timely handling of authorisation applications**, where we are now running consistently in line with our service standards – with 100% of cases meeting those standards across all categories in the most recent quarter, though more normally we would expect to have a few complex or difficult cases take longer and see this percentage in the high 90s.

Further actions the PRA intends to take

You asked what further actions we can take in the coming period to support growth. We are developing initiatives, in consultation with industry, in a number of areas that will contribute to growth once implemented:

- **Simplifying the prudential regime for small banks.** Since leaving the EU we have already simplified two key areas of our regime for small banks – liquidity and disclosure requirements. We are now consulting on the next leg of this package of reforms (known as 'Strong and Simple'), under which we have proposed a very material simplification of capital requirements for small banks. The aim of this work is to enhance effective competition and competitiveness by enabling a dynamic and diverse banking sector in the UK, without making the sector more fragile, thereby increasing the sector's efficiency and productivity. It will also lower costs for small firms without increasing riskiness, which will enhance their resilience and ability to support their customers and so the economy. Finalisation of the regime is dependent on the final implementation of the Basel 3.1 standards mentioned above, on which we are liaising closely with HM Treasury.

- **Increasing the ability of the insurance sector to invest in the UK economy.** As noted above, the PRA last year made policy changes to enable life insurers to play an increased role in investing in the UK economy. As part of our consultation with industry on these changes, we have identified industry appetite for a new facility to allow firms to make investments more rapidly while waiting for full regulatory permissions. To this end, we plan to consult this year on establishing a 'Matching Adjustment Investment Accelerator'. This innovation would reduce barriers to investment by insurance firms, enabling them to deliver more quickly on their commitments to make additional investments in the UK and so support economic growth. We have also been taking part in discussions with HM Treasury, the National Wealth Fund and the insurance industry to help them explore whether the NWF can generate investment opportunities with an economic profile that works for insurers.
- **Improving the UK framework for Insurance Special Purpose Vehicles (ISPVs), including simplifying and accelerating the ISPV authorisation process.** ISPVs are specialised vehicles which allow investors to provide capital to insure a variety of risks, often used to cover losses from major catastrophes such as hurricane damage (sometimes called 'catastrophe bonds'). To date, the majority of such entities have been set up in other international jurisdictions such as Bermuda. This year we plan to make changes to the UK framework for ISPVs, which should contribute to the UK's international competitiveness and growth by making it more desirable to establish UK ISPVs, and providing more diversification opportunities for investors and additional sources of capital and reinsurance capacity.
- **Making further amendments to remuneration requirements to enhance competitiveness.** In addition to the removal of the bonus cap, we are now consulting on some other major amendments to our remuneration requirements for banks, which would enhance growth and competitiveness of the banking sector while maintaining its resilience. The changes would substantially reduce the period over which senior bankers' bonuses are deferred, in which area our current rules have become something of an international outlier.
- **Simplifying regulatory data reporting from banks.** As part of our Solvency UK reforms we have already cut reporting from insurers by around a third, leading to substantial efficiency gains and supporting the sector's competitiveness. We intend this year to identify opportunities to focus our data collections from banks, cutting little-used or duplicative data collections in order to reduce the burden on firms while still meeting the needs of day-to-day supervision and policymaking. We would also like to explore further whether there is scope and industry appetite for reforms to how we collect data (as distinct from what we collect), in order to drive potentially material cost efficiencies for firms. The aim of this work is to ensure that we get the data we need at the lowest possible cost to industry, but as per our conversations with HM Treasury it will require some upfront investment funded through the PRA

levy in order to realise these benefits and we intend to discuss this with the industry and FCA.

Beyond these five areas, we would like to explore with colleagues in HM Treasury and the Department of Business and Trade whether there are wider changes which could help to simplify and rationalise the UK regulatory regime or support UK growth in other ways. At this stage our thinking on these items is less developed than those above, but we would welcome a discussion with government on them to see if they are worth pursuing further:

- **‘Concierge service’ for new inbound foreign firms.** There has at times been some interest from industry in the idea of a ‘concierge service’ to help foreign firms navigate the UK when thinking about locating new businesses here – a comparison is sometimes made with the approach of the Monetary Authority of Singapore takes in this area, which we have examined closely. We could potentially work up a proposal for such a service this year, but would need to liaise with the FCA, the Office for Investment and potentially other stakeholders in thinking about how to approach this.
- **Rationalising the UK financial services regulators’ ‘have regards’.** The number of principles that the PRA is required to ‘have regard’ to has substantially increased in recent years, increasing the complexity of the analysis required when making or amending regulation. Depending on how they are counted, the PRA currently has around 25 such ‘have regards’. Under the current framework we pay close attention to these ‘have regards’ and expect to be held to account for them when exercising our powers. However, there is scope to rationalise some of these ‘have regards’ where they form a cluster, for instance in the set of ‘have regards’ which relate to climate and the environment. By rationalising, we think there is an opportunity to simplify the length and complexity of the analysis underpinning future regulations, with consequential benefits for the cost of regulatory engagement by firms and the efficient use of resources by the PRA.
- **Looking for potential overlaps between the PRA’s governance and disclosure requirements and those of legislation or other relevant regulators.** As we review our regulatory requirements on bank reporting, we will also be alert to any potential overlap between our requirements of banks and insurers and those of legislation or other regulators. With this in mind, we could explore with government colleagues and other relevant regulators whether there are any ways in which we might join up further or reduce overlap across new financial sector reporting requirements.

We look forward to continuing to work with the Government to help it achieve its mission of driving economic growth and stand ready to discuss this important topic as required.

Yours sincerely

A handwritten signature in black ink, appearing to read 'S. Woods', with a stylized flourish at the end.

Sam Woods

Deputy Governor and CEO, Prudential Regulation Authority

Rt Hon Keir Starmer MP
Prime Minister
10 Downing Street
London
SW1A 2AA

16 January 2025

Dear Prime Minister, Chancellor of the Exchequer, and Secretary of State for Business and Trade

The PSR's approach to supporting growth

Thank you for your letter of 24 December 2024 on the role of regulators in supporting economic growth. We strongly welcome the Government's growth mission and are ready to play our full part in this shared endeavour.

Supporting growth is already at the heart of what we do. It is fundamentally embedded in our legal mandate, including our statutory objectives which require us to promote competition and innovation, and in our duty to promote the interests of service users. Building consumer trust in payments is a key foundation for growth. The desirability of sustainable growth is one of our legal regulatory principles underpinning our approach.

We are clear about the growth opportunity in payments. With over £100 trillion flowing through the UK payments infrastructure annually, payments are an essential part of our economic lives and critical to business and the wider economy. Our fintech sector is an investment magnet and major growth opportunity, with a 10% global market share and significant forecast revenue growth. Through our regulatory approach, and as set out in our strategy update, [published today](#), we are fully committed to supporting growth, enabling payment businesses to thrive alongside protecting users.

Our five steps to promote growth this year

Building on our existing growth contribution and competition mandate, we are committed to five measurable areas of work that will go further in supporting economic growth as part of an ambitious agenda for 2025. This work will be spearheaded through a new senior leadership role, joining up the PSR Managing Director role with that of a new Financial Conduct Authority (FCA) Executive Leader of Payments and Digital Assets. This will improve regulatory clarity, speed up decision-making, and reduce duplication – while ensuring that each organisation plays to its strengths.

We will:

- **Continue to build and embed an efficient and effective whole-system regulatory approach that supports growth:** We will play our role in making sure that the UK's regulatory regime remains joined up and proportionate, providing the certainty to attract talent and capital into payments. We will continue to improve our effectiveness and efficiency as a regulator. A more data-led approach to regulation will mean that we only intervene where there is strong evidence to do so, and a stronger, collaborative supervisory framework will ensure our expectations are clear. We will also confirm our approach to cost-benefit analysis, which we will use to consider growth in all our policies, where relevant. Consistent with the strong themes in the National Payments Vision (NPV), we will strengthen our relationships with other key regulators, including working with FCA and the Bank of England to revise the joint Memorandum of Understanding and developing the Payments Forward Plan, providing greater regulatory clarity and certainty.

The PSR Board is committed to considering wider changes that can support pace, efficiency and growth from within. We will continue to review how the outcomes of the PSR can best be achieved through regulatory streamlining and simplification, exploring further opportunities for greater efficiency and coherence, in particular through closer alignment with the FCA.

- **Encourage innovation:** Building on our past work, we have announced in our strategy update today, a focused innovation capability. This new capability will identify and address blockages to innovation, advise on regulation of proposed new business models, and engage with potential new competitors. It will operate alongside our horizon-scanning function, which considers relevant developments, such as the role of Artificial Intelligence in payments. We will measure our success through the impact we are having in supporting innovation, engaging with the payments innovation community to assess this.
- **Taking action on card fees:** Almost all merchants have to accept card payments to serve customers. While card payments often work well and play an important role in our economy, merchants have raised concerns about the cost of accepting cards and their limited ability to understand or negotiate fees. The resulting impact on businesses' ability to invest and grow, could lead to direct economic constraints, particularly for small retailers. Given small businesses are the growth engine of our economy, accounting for 99% of businesses, this is a concern. Evidence from our market reviews shows that cross-border interchange fees have increased more than five-fold by £150–200 million a year since the UK left the EU. We have concluded that it is necessary to cap those fees and are consulting on the appropriate levels. Domestic scheme and processing fees have also increased by over £190 million a year in real terms since 2018, and we will be publishing our findings and consulting on any proposed actions shortly. Across this work, we continue to engage closely with all parties to achieve an effective outcome.
- **Enable payments infrastructure for the future:** Payments infrastructure helps support the competition and innovation that the NPV emphasises. But the UK's payments infrastructure needs upgrading so it can let innovative businesses grow, support domestic and international investment, and increase efficiency. We will work with the Bank of England on an approach to upgrading the Faster Payments system, which processes near-instant bank transfers for millions of people. We will also assess, with the Bank, what the UK's retail payments infrastructure will need beyond this, and set out the governance to deliver it. We will set out the approach by end of Q2 of this year.
- **Realise the opportunities of open banking:** Open banking is already worth £4.1 billion, with over 11 million users, and has created around 5,000 skilled digital jobs in the UK. We support the vision of significant growth in new payment services and believe in the benefits of choice and competition for retailers. Working with the FCA, as the regulator for open banking, and with industry, we will advance work to introduce a new open banking payment method for particular payments, paving the way for more competition and choice. We will support the FCA as it broadens the use of open banking for e-commerce.



In addition to these initiatives, we will continue to embed our world-leading requirements for reimbursement of victims of authorised push payment fraud, helping to build trust amongst consumers and preventing fraud through increasing incentives to prevent fraud – which is a key barrier to economic growth. As set out in the NPV, we will commission an independently-led review of our new rules, including their impact on investment.

We are clear that delivering change in a complex sector is challenging and must be balanced with appropriate consideration of risk. We very much welcome the proactive and engaged role taken by the Government following the NPV, including through the Payments Vision Delivery Committee. That continued engaged role will be important to support delivery.

These steps will support the Government's growth mission, and we are accountable for delivering them. I look forward to discussing them with your team, to deliver opportunities for payment systems which meet the needs of people and business, and provide strong support to economic growth.

Yours sincerely

A handwritten signature in black ink, appearing to read 'David Geale', with a long horizontal flourish extending to the right.

David Geale

Managing Director

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16 January 2025

Dear Prime Minister, Chancellor, and Secretary of State,

**A NEW APPROACH TO ENSURE REGULATORS AND REGULATIONS SUPPORT
GROWTH: RESPONSE FROM THE PENSIONS REGULATOR**

Thank you for your commission.

We welcome the opportunity to engage and support growth in the interests of workplace pension savers.

UK pension savers benefit from a strong economy and we want all savers to benefit from properly diversified investments. We believe sound investment in diverse assets can not only improve outcomes for savers but could also generate growth for the UK economy. The two do not have to be in conflict.

For this to happen, as an industry and a country we must come to a collective understanding of where the barriers and opportunities are for growth in pension savers' interests and come to some consensus on a way forward. The goal must not be to eliminate all risk in the pensions system but instead to create a proportionate regulatory environment which also takes into account the wider holistic economic environment. In determining what makes a good outcome from pensions saving we therefore must take into account the wider economic environment.

Our commitments

You have asked for five measurable commitments or changes that we could implement in the next year within a tolerable level of risk. We list our commitments below under five headings and we look forward to exploring further with you. We expect to be able to deliver these commitments within our current funding envelope facilitated by our ongoing transformation. For ease of reference, a summary of the commitments, with outcome indicators, is also provided in the appendix as well as some information about our role and remit, and transformation.

These commitments aim to significantly boost business confidence, improve the investment climate, and foster sustainable economic growth consistent with our remit. We have also set out unnecessary obstacles preventing us from undertaking reforms, and how these might be addressed through legislation or other means.

1. Increasing the value of pension funds

We regulate mainly two kinds of pension schemes: defined contribution pension schemes and defined benefit pension schemes. Defined contribution schemes seek to deliver the best returns for pension savers. Defined benefit schemes seek to pay their promised benefit.

There are 15 times as many accumulating savers in defined contribution schemes, but the majority of assets (some £1.2trn) remain in defined benefit schemes. Given the volume of savers within defined contribution savers there is huge potential for productive growth, with many contributing for 30, 40 or even 50 years into the future.

We believe that all defined contribution pension savers deserve value for money. That is why we are working with the government on the outcome of its consultation *Unlocking the UK Pensions Market for Growth* and working in partnership with the FCA and government on work to develop a Value for Money Framework.

We will also continue to use our platform and position as a regulator to support the consolidation of current poorly performing schemes into a market of fewer, larger and better run schemes focussed on value through our messaging and communications, as well as through the use of our regulatory powers as we expand our interaction with the smaller schemes. As part of this we will also consider any barriers to effective consolidation of master trusts.

As the Value for Money Framework becomes operational it will bring consistent, comparable investment data into the market, shine a light on performance through transparency, and set the wheels in motion for effective competition accelerating the consolidation of the market. We will also work with you to make sure this framework can be applied to collective defined contribution schemes and help foster a dynamic emerging market.

In anticipation of this legislation through the Pensions Schemes Bill, this year we will design the process and system for active analysis of this data. As part of this we will conduct a review of open standards for data and explore how artificial intelligence and innovative technologies can enhance the processes for value for money. We will also work with master trusts to encourage voluntary sharing of investment and asset allocation data to test and learn our approach and give indicative indicators of the relationship between asset allocation and performance. This means that from implementation of the legislation we can set our supervisory approach and also publish principles around performance helping to drive growth in UK pension funds and savers pots.

For defined benefit schemes, many schemes are now better funded than ever with around 80% fully funded on a technical provisions basis. Many are considering their end-game options and we have supported a new model of provision – superfunds – ahead of legislation, to support the productive and secure use of pension schemes assets.

Open defined benefit schemes, and those that choose to run on rather than seek buy-out in the short term are more likely to invest productively. Enabling savers and employers to be rewarded for this risk-taking in the form of distribution of surplus before wind-up or buy-out would support or potentially incentivise this activity, and we have already added a section in our new Defined Benefit Funding Code to help schemes consider surplus extraction. We also intend to publish guidance to help schemes understand a wider number of alternative models for provision, many of which are more likely to invest productively, in the coming year.

TPR is committed to continuing to provide constructive input and pensions systems insight as this complex area is explored further by DWP and HMT, but any decision here would be for government.

Our commitments:

- **We will design the process and system for active analysis of investment performance data when available through the Value for Money framework and encourage voluntary sharing of asset allocation data by Master Trusts. This**

means that when the legislation is enacted we can use this analysis to set public principles which make clear our market expectations and supervisory approach towards driving growth in UK pension funds and savers pots.

- We will continue to use our platform and position as a regulator to support the consolidation of poorly performing schemes into a market of fewer, larger and better run schemes focussed on value through our messaging and communications, as well as through the use of our regulatory powers as we expand our interaction with the smaller schemes.**
- We will conduct a review and provide a report to government which provides sector insights, data and analysis to help DWP and HMT make a policy decision on the use of defined benefit surplus.**

2. Enabling productive investment

For pension schemes to invest in a broad range of opportunities they need access to attractive investment opportunities and the capability to assess and capitalise on those opportunities.

On access, the government intends to develop infrastructure to boost UK growth and meet the challenges of climate change. Its green paper, Industrial Strategy 2035, identifies that an additional £50-£60bn of capital investment will be required each year through the late 2020s and 2030s to achieve the UK's net zero ambition. The UK pensions sector is a potential source of funding for this.

Not all kinds of investments will be attractive to all schemes, based on their diverse goals and constitution. TPR can use its unique position in the sector to engage with schemes and the commercial sector to understand, and then to articulate within government, the profile of assets that would align best with the investment objectives of the various types of pension funds. This would help in identifying the 'latent demand' from the pensions sector in terms of the type, duration, equity/debt profile, investment size, etc. that schemes would find most attractive e.g. for UK infrastructure investment. As part of this engagement, we would also seek to understand any perceived tensions between trustees' fiduciary duty and longer-term investment in the transition to a climate-resilient, nature-positive and Net Zero economy. If desired, we can also use our convening power to bring together the pensions sector with parts of government that are seeking to finance investment opportunities, to engage them in this conversation.

On capability, last year we published our Single Code – setting the standards of trusteeship – and new guidance showing schemes how to invest in private markets. But as pensions have shifted towards complex financial institutions the role of trusteeship has changed. There are now higher expectations around environmental, social and governance (ESG) requirements and what it means to really act in a way consistent with fiduciary duty. We believe that means all schemes must be able to consider ESG-aligned investments which have the potential to deliver good outcomes for savers as part of the UK transition. That means implementing high standards of investment governance and understanding investment risk in the round, including those that arise from climate change, nature loss and social factors.

At the same time, the pensions landscape has radically shifted with new actors influencing the decision-making of thousands of schemes and billions of pounds of assets under management. Decision-making is now concentrated in only a few hands with just 10 professional trustee firms now governing over £1trn of assets. At the same time, public sector and local government schemes in particular are likely to be subject to significant

government reforms which means that they must have the highest standards of governance, and we would welcome continued close working on any reforms.

To make sure that all schemes have the capability to access investment opportunities which generate growth, we will develop a strategy this year to raise standards of trusteeship so that all trustees are capable of considering a diversified range of investments.

We will back this by engaging with the market to understand the investment decision schemes are making and extend our supervisory grip over wider actors in the pensions ecosystem who have an influence on outcomes including professional trustee firms. As part of this we will also generate a diagnostic of risk areas and step up our compliance activity to get low quality trustees out of the market.

Our commitments:

- **We will use our sector insights to help government understand the kinds of growth opportunities that UK pension schemes will find attractive to invest in, producing a report and sharing data and insight as appropriate.**
- **We will develop a strategy and workplan to make sure all schemes have trustees capable of considering a diversified range of investments.**

3. Reducing unnecessary regulatory burden and releasing funds for investment

As the pensions system has radically reformed, new expectations and requirements have been implemented to provide security to the system.

We believe that the goal in regulation must not be to eliminate all risk in the pensions system but to ensure that we have a proportionate system that delivers good outcomes for savers. That means we must foster a dynamic and competitive environment and consider our risk appetite in pensions relative to the holistic economic environment. That is because one is intrinsically linked to the other in terms of pensions adequacy and good saver outcomes.

As a regulator we believe reducing unnecessary burden is a fundamental part of our role. That is why over the last 12 months we have improved our data collection from employers and reduced levels of enforcement action across a number of minor compliance issues.

Some burden in the system has been created by regulations which were devised in a different context, and could now be reviewed. We believe one such area is around the regulatory capital reserving for master trusts.

The current regime was designed to ensure the orderly wind up of schemes that have failed or are in danger of failing. This rationale was pertinent to the initial authorisation of master trusts, granted in 2019 in most cases. In the intervening 5-6 years, our successful supervision of schemes and the fact that many master trusts have become profit-making entities for their financial sponsors, have made master trusts less likely to fail. This calls into question the need to maintain £350-£400m (excluding NEST) in capital reserves for a failure event, whilst also considering that the revenues of these master trusts are sufficient to meet ongoing running costs. It is within TPR's gift to allow schemes to place greater reliance on revenue offsetting, thereby releasing unproductive capital. Any capital freed up in this way could be reinvested by schemes into services for members, product and investment innovations, technology, and ultimately jobs. In considering this reform, TPR would have to be comfortable that any proposed changes to the regime would not create unintended consequences, for example, unfair treatment between schemes or cohorts of schemes.

But more broadly, we want to make sure every regulatory intervention and requirement that schemes and employers are subject to genuinely offer value. That is why we also commit to

a review of all regulatory interventions, including the existing legislation and regulations, over the next 12 months to identify any that do not drive material benefits for removal or improvement, publishing a report to this effect. In particular we will focus effort on identifying and reducing low value interventions and penalties with the ca.1 million small and micro employers, where freeing up time and resource can directly support increased productivity.

Any decisions requiring changes in legislation in both of these areas will need government action.

Our commitments:

- **We will review our regulatory capital reserving requirements for Master Trusts to ensure they are proportionate, which could unlock £100Ms for investment.**
- **We will review all our regulatory interventions, including legislation, through the prism of value to make sure we are targeting interventions in a way that deliver the greatest benefit to savers, which could in turn benefit the economy, and to propose removal of unnecessary legislation.**

4. Driving Growth through data and digital enablement

The digital, data and technology revolution taking place has the potential to transform almost every industry. For pensions and pensions regulation we believe there are huge opportunities to not only reduce regulatory burden, but also to transform the way industry operates to enable effective market competition and benefit savers through industry innovation - all of which have the potential to generate growth.

In October 2023 we launched our blueprint for the future of digital, data and technology – taking an adaptive and mission-based approach, across a five-year plan, designed to navigate the complexities of the information age and pursuing better outcomes for workplace savers. In year one we will:

- Reduce unnecessary regulatory burden – we want to become more effective, easier to work with, with better insights to drive decision-making. To make that a reality this year we will further streamline our data collection processes and identify areas of duplication in our scheme return and master trust supervisory return. We will also work with other government agencies to identify areas of data join up where we can capture data once and use it many times.
- Enable effective market competition – consulting with industry on our forthcoming data strategy has highlighted opportunities for data flow to provide the information and innovation needed to enhance the market. Initial analysis has shown that Open Pensions could add significant value to the economy, and we will explore its potential risks and opportunities in the year ahead. We will also build on our early AI work which has shown the value enhanced insight can bring, for example in understanding impact of market volatility and opportunities for growth.
- Benefit savers through industry innovation – we will support innovation and create the conditions for innovation by helping government set the right wider legislative and regulatory landscape. That means that this year we will provide government with our view on where wider data legislation could be harmonised and streamlined to benefit growth for pensions. This could enable new business models and opportunities for the economy as well as link into the government's [National Data Library](#) and wider Smart Data Council. We will also help industry to develop the data and digital skills needed to drive growth in the future. In the [government's Industrial Strategy](#) data

skills are expected to significantly boost the UK economy by enhancing productivity, fostering innovation, and creating high-quality jobs. Today the industry is relatively immature in this area, with only pockets of excellence. That is why this year we commit to setting up an industry working group to look at raising standards – working with Skills England as appropriate – for example by identifying skill gaps and producing a skills development strategy, and other areas to be agreed with industry.

Our commitments:

- **We will reduce burden through reviewing and streamlining our data requirements, so that market participants are asked once for information, in a clear format and in the right way.**
- **We will enable market competition by working with government to harmonise wider data legislation and enable new working practices to drive growth for pensions.**
- **We will enhance market innovation by setting up an industry data and digital working group seeking a sea change in the maturity of the pensions industry in digital, data and technology unlocking its transformative potential**

5. Supporting market innovation

Whilst our statutory objectives are primarily centred on protecting savers' money, we firmly believe that to deliver good outcomes we must also enhance the system and innovate in savers' interests. Market innovation is a driver of growth, and businesses need the space to experiment, learn, and iterate product ideas based on certainty of the regulatory environment. That is why we are building an innovation hub that will enable continual communication and collaboration between regulatory teams and industry innovators.

We will assess ideas and provide steers on emerging innovation products and concepts. This will provide regulatory guardrails and enable safe experimentation around new business models and pension technologies, improving market competition and value. This year the innovation hub will build processes and start engagement across:

- **Regulatory Response:** Addressing and assessing market ideas/products for compliance and regulation.
- **Stimulation Initiatives (Labs):** Facilitating experimentation and innovation through safe spaces and sandboxes for testing new ideas.
- **Implementation Support:** Guiding the integration of innovative practices into existing pensions processes.
- **Market Adaptation:** embedding new thinking and learning from innovation into TPR regulatory practice through continuous development, training and standards.

We will facilitate co-design of a framework for responsible innovation in pensions. This group will be formed of pension industry experts and technology experts as well as experts from across different sectors to cross pollinate and speed up innovation that has impact potential.

Our commitments

- **We will build an innovation hub to support industry in bringing new products to market with potential for growth**
- **We will test emerging ideas with industry, where these have potential to benefit savers and the economy.**

What we need from government

To help these commitments come to pass we would ask that government also works with us to consider joint work in five areas which could generate growth.

Government has set out its intention to legislate to create a defined contribution pension system of fewer, larger, 'mega' schemes. The current regulatory framework was not designed to facilitate orderly consolidation of the market. We would welcome close joint working to ensure that we have the powers and mechanisms to be able to enact any legislative requirements and support the market as it makes this radical transformation.

We and industry also understand and welcome government's desire to make UK investments attractive to pension schemes. However, since the publication of a definition in the work of the Productive Finance Working Group, there have been different interpretations of the kind of assets that government is seeking investment in. To help facilitate dialogue and understanding between government and industry we would welcome government providing a new definition.

There are also several instances where legislative duties, particularly those prescribing provision of information or requiring TPR to issue a penalty, have become outdated and now constrain our ability to reduce regulatory burden on schemes. For example, the requirement for TPR to issue a fine whenever a pensions scheme fails to publish its 'Chair's Statement' on time is no longer required to drive desired behaviours. Currently only government, and parliament, can remove these legislative duties.

Creating a delegated, proportionate, rule-making power would enable TPR to most effectively make sure that its interventions deliver value to the saver, growth to the economy and allow us to reduce unnecessary burden. At the same time, it would allow us to iteratively adapt to the technological advancements taking place in industry so that savers and the economy are protected and value maximised.

We would ask government to commit to exploring this in its widest sense, whilst working with us to amend legislation now to allow us greater flexibility to adapt our approaches and remain effective but with a lower regulatory burden in future.

We believe that ministers should also consider establishing a government-led working group on investment and growth bringing together government, regulators and industry stakeholders to look at the issues and levers for investment and growth in the round. TPR would welcome the opportunity to be part of that conversation from a pension perspective bringing the benefit of our evidence and insight as the industry regulator to the table.

So, in summary, we request the following support from government to enable us to meet our commitments:

- Sponsor a comprehensive review of the current legal framework to ensure that we have the powers and mechanisms across the regulatory landscape, including to be able to enact rapid consolidation of the defined contribution market.
- This review should be followed by legislative proposals to ensure the statutory framework is efficient in delivering good outcomes for UK savers and the economy and removes unnecessary statutory obligations.
- A definition of what government means by productive UK investments.
- Consideration of delegated rule-making powers.
- Convening a wider cross-government investment and growth group as part of its industrial strategy.

Thank you again for this commission and I look forward to working with you to support growth in the interests of pension savers.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Nausicaa Delfas', with a horizontal line underneath.

Nausicaa Delfas

Chief Executive of The Pensions Regulator

Appendix A – Our commitments and asks

Summary of TPR commitments and asks of Government	
1. Increasing the value of pension funds	
a.	We will design the process and system for active analysis of investment performance data when available through the Value for Money framework and encourage voluntary sharing of asset allocation data by Master Trusts. This means that when the legislation is enacted we can use this analysis to set public principles which make clear our market expectations and supervisory approach towards driving growth in UK pension funds and savers pots. Output(s): Data standards for Value for Money metrics. Voluntary disclosures of investment data and asset allocation. Analysis tools stood up. Indicative outcome indicator(s): Greater understanding of the interaction between asset allocation and performance.
b.	We will continue to use our platform and position as a regulator to support the consolidation of poorly performing schemes into a market of fewer, larger and better run schemes focussed on value through our messaging and communications, as well as through the use of our regulatory powers as we expand our interaction with the smaller schemes. Output(s): Regulatory initiative targeting schemes with assets under management of less than £100 million. Indicative outcome indicators: Greater consolidation of the defined contribution market. Proportion of TPR schemes engaged with that choose to consolidate.
c.	We will conduct a review and provide a report to government which provides sector insights, data and analysis to help DWP and HMT make a policy decision on the use of defined benefit surplus. Output(s): New analysis to inform government thinking and approach to safe surplus extraction. Indicative outcome indicators: Proportion of schemes choosing to run-on. Capital safely extracted for the benefit of savers and the economy. Overall DB funding levels.
2. Enabling productive investment	
a.	We will use our sector insights to help government understand the kinds of growth opportunities that UK pension schemes will find attractive to invest in, producing a report and sharing data and insight as appropriate. Output(s): A report, with enhanced data and insights, on the investment profile of UK infrastructure that may be attractive to UK pension schemes. Indicative outcome indicators: Sizing of the potential demand for UK infrastructure investment. Greater proportion of UK infrastructure projects funded by UK pension schemes.
b.	We will develop a strategy and workplan to make sure all schemes have trustees capable of considering a diversified range of investments.

	Output(s): A strategy and workplan alongside the initiation of a regulatory initiative. Indicative outcome indicators: Proportion of memberships covered by schemes with highly qualified trustees.
3. Reducing unnecessary regulatory burden and releasing funds for investment	
a.	We will review our regulatory capital reserving requirements for Master Trusts to ensure they are proportionate, which could unlock £100Ms for investment. Output(s): Report and proposal around master trust reserving. Indicative outcome indicators: Release of productive capital for investment in master trusts. Profitability of MT market.
b.	We will review all our regulatory interventions and legislation to assess their value to make sure we are targeting interventions in a way that deliver the greatest benefit to savers, which could in turn benefit the economy, and to propose removal of unnecessary legislation. Output(s): Quantification of the overall burden of workplace pension regulation and its value. Report outlining regulation that could be removed from statute. Indicative outcome indicators: Significant reduction in the cost of regulation to the market. Greater net investment returns in defined contribution schemes. Better aggregate funding levels in schemes.
4. Driving growth through digital and data enablement	
a.	We will reduce burden through reviewing and streamlining our data requirements, so that market participants are asked once for information, in a clear format in the right way. Output(s): Discoveries around our scheme return and master trust supervisory return. Indicative outcome indicators: Reduction in effort or work in compliance activities schemes and employers with activities focused on value add.
b.	We will enable market competition by working with government to harmonise wider data legislation and enable new working practices to drive growth for pensions. Output(s): A report outlining potential areas of legislation suitable for rationalisation with benefits to pension schemes. Indicative outcome indicators: Reduction in effort or work in compliance activities schemes and employers with activities focused on value add. Growth in new propositions.
c.	We will enhance market innovation by setting up an industry data and digital working group seeking a sea change in the maturity of the pensions industry in digital, data and technology unlocking its transformative potential. Output(s): A working group and workplan.

	Indicative outcome indicators: Higher data security and quality of administration/service delivery. Proportion of members benefitting from schemes with qualified data and digital development.
5. Supporting Market Innovation	
a.	We will build an innovation hub to support industry in bringing new products to market with potential for growth. Output(s): A fully operational innovation hub. Indicative outcome indicators: Growth of quality new market propositions. Reduction in costs to bring new pensions products to market.
b.	We will test emerging ideas with industry, where these have potential to benefit savers and the economy. Output(s): Working group formed. Indicative outcome indicators: Greater number of commercial propositions come to market which generate growth.
Impact in indicator outcomes and timeframe	
Many of the outcome indicators are not solely within our control as a regulator, and we would like to work with you on defining expected impacts and proximity indicators.	
Our asks of government	
a.	Sponsor a comprehensive review of the current legal framework to ensure that we have the powers and mechanisms across the regulatory landscape, including to be able to enact rapid consolidation of the defined contribution market.
b.	This review should be followed by legislative proposals to ensure the statutory framework is efficient in delivering good outcomes for UK savers and the economy and removes unnecessary statutory obligations.
c.	A definition of what government means by productive UK investments.
d.	Consideration of delegated rule-making powers.
e.	Convening a wider cross-government investment growth group as part of its industrial strategy.

Annex B – Who we are, the pensions landscape and our transformation

Who we are

Millions of people rely on a workplace pension to support them in older life. It is our job as The Pensions Regulator to protect their money, enhance the pensions system so it delivers real value, and support innovation in savers' interests.

We make sure that employers automatically put eligible workers into a workplace pension and then pay them the pension they are due, on time and in full. We do this by driving high levels of compliance at scale, targeted communications and automation, backed by a robust enforcement approach.

We also make sure that workplace pension schemes are well-run and well governed by high-quality trustees, including by setting standards, authorising the largest schemes and ensuring employers and schemes meet their legal obligations to savers.

The changing pensions landscape

Over the last decade, the pensions landscape has changed radically. Thanks to the success of automatic enrolment, we have built a nation of savers. Private pension participation has doubled and more than 8 in 10 workers now invest in a workplace pension. However, government figures show that 12.5 million people are under saving for retirement. The challenge of the next decade is to make sure that the pensions system delivers real value for money and provides the retirement income that people need.

At the same time, the market itself is transforming into a competitive market of fewer, larger pension schemes through rapid consolidation. Larger schemes can offer the benefits of economies of scale, with the power to invest in a much bigger range of assets. This has potential to not only boost the outcomes of millions of savers but benefit the UK economy too.

Most savers are within defined contribution pension schemes. High compliance alone cannot assure good outcomes for savers in this world because the benefit they receive is dependent on the growth of their investments. Good outcomes are therefore dependent on enhancing the system and innovation in savers' interests. This means there is an interdependency between the adequacy of retirement saving for the UK workforce and the sustainable growth of the UK economy.

We are transforming to make sure savers get good outcomes from pensions

Because of the radical changes in the market, we have made fundamental changes to our regulatory approach over the last 18 months. Our goal is to create a more dynamic and competitive regulatory environment.

We are scanning for a much wider range of risks wherever they arise, and targeting interventions where they offer the most value to savers, focusing on using our influence to improve outcomes over the longer term rather than tick-box regulation.

We are making greater use of data, evidence and insight to understand the complex financial ecosystem, being transparent on the outcomes we seek for savers, and fostering greater collaboration and innovation with the industry to make those outcomes a reality for all.

Chief Executive's Office

The Prime Minister
10 Downing Street
London
SW1A 2AA



Date: 15 January 2025

Dear Prime Minister,

Thank you for your letter of 24 December 2024 asking the Civil Aviation Authority to set out what it can do to further improve UK economic growth and investment.

The UK's aerospace sector is economically important to the UK, directly contributing £11bn to the UK economy, and acting as a key enabler of economic performance across other sectors, with some sources suggesting every 10% increase in connectivity leads to a 0.5% increase in GDP.

We have set out below five areas of action that would support investment and confidence in the sector, with further detail in the annex. In summary, novel technology and unlocking innovation will enhance growth in the medium term, with the most significant shorter term growth opportunities existing in enabling growth in today's commercial aviation industry, and in particular, planning decisions around new aviation infrastructure capacity. The CAA stands ready to play its full role in implementing any such decisions.

The CAA has a close and constructive relationship with the sector we regulate. This letter takes account of what we understand its priorities to be and discussions we had with some representatives in preparing our response. We understand the sector intend to engage you on their wider considerations relating to the conditions necessary to encourage further investment.

1. **Airspace Modernisation:** this programme is key to enabling growth and sustainability improvements for the existing aerospace sector as well as safely allowing new innovative sectors to use this key piece of infrastructure. Working closely with DfT, in 2025 we commit to:
 - **Establishing UK Airspace Design Service (UKADS)** to accelerate and enhance the airspace changes that are vital to achieving modernisation
 - Enabling two trials using **remotely piloted drones beyond visual line of sight** to demonstrate scalable operations
 - Consulting on **improvements to the effectiveness and proportionality of our process** for changing airspace.
2. **Improving capacity and resilience:** improving the performance and capacity of the UK's globally significant aerospace sector can contribute to growth and the confidence of passengers and investors. Timely planning decisions on airport expansion offer the largest potential short term opportunities to deliver new, multi-year investment. Specific commitments for 2025 include:
 - Progressing our regulatory reviews of two of the largest aviation entities, **Heathrow and NATS**, prioritising regulatory certainty, confidence and growth
 - Play our full role in the implementation of any **airport capacity expansion planning decisions**
 - Implement the **recommendations from the independent review of NATS air traffic failure** to improve aviation resilience and passenger confidence.

Civil Aviation Authority

Head Office, Aviation House, Beehive Ring Road, Crawley, West Sussex, RH6 0YR

London Office: CAA, 5th Floor, Westferry House, 11 Westferry Circus, Canary Wharf, London, E14 4HD

3. **Enabling aerospace innovation:** drones, air taxis, space flight and hydrogen propulsion technologies offer a wide range of potential societal and economic benefits. To support the longer-term development of these technologies, we commit in 2025 to:
 - Delivering a **digital drone licencing platform** to make it more efficient for commercial operators to scale up their plans and investment in the UK
 - Creating **more accessible drone regulatory pathways** for the emergency services, healthcare, and infrastructure surveillance, with an end goal of making the UK a centre for excellence for these types of operation
 - Making **timely regulatory licencing decisions space applications**, including on the UK's first vertical launch rocket operators
 - **Expanding significantly our sandbox safe trial activity** for the nascent hydrogen propulsion technology to help inform the regulatory framework for this technology and encourage investment.
4. **Digitising regulatory services:** improving the ease and speed of regulatory decision-making processes including through digitisation can help the sector improve its performance and ability to expand. As part of our multi-year service digitisation programme, we commit in 2025 to:
 - Delivering a **new digital service for air traffic controller licensing**
 - Concluding the initial phases of a digital transformation of **professional pilot licensing** services.
5. **International aviation:** aviation is a global sector which relies on the effectiveness of international aerospace institutions and other states confidence in each other. We will continue to support this important activity and specifically in 2025 commit to:
 - Working with our peers in the five states of the National Aviation Authorities Network to develop a **joint certification process for air taxis** (Advanced Air Mobility Aircraft).

There are two specific areas where Government could further support the CAA and the sector:

- A more agile legislative framework across CAA's safety and markets functions would enable the regulatory framework to more quickly anticipate and adapt to changes, and therefore support both safety and growth
- One of the issues we've heard regularly from the aerospace sector about is its relationship with Europe, and that further developing the Trade and Cooperation Agreement by extending mutual recognition of licences and approvals in the sector would reduce barriers to trade and therefore support growth.

We are already taking many of these issues forward with Government departments, with whom we have a strong working relationship, including our sponsor the Department for Transport, DSIT with its cross-Government space and future flight roles, the new Regulatory Innovation Office, as well as MOD, the Home Office and DBT. Globally, we also work closely with our peer regulators and international aerospace organisations to reduce barriers and promote investment to the UK.

We look forward to working with Government on these important issues.

I am copying this letter to the Chancellor of the Exchequer, and Secretaries of State for Business and Transport.

Yours sincerely



Rob Bishton
Chief Executive
UK Civil Aviation Authority

Annex: CAA 2025 commitments to support Government's growth ambitions

1. Airspace Modernisation

Airspace modernisation is a key foundation to enabling the existing sector to grow, deliver environmental improvements and give new types of airspace user such as drone, air taxi and space users access to the UK's airspace infrastructure. It is a challenging complex programme which to date has struggled to gain traction and is planned to take at least 20 years to implement.

To improve delivery confidence, we can commit during 2025 to:

- Establishing UK Airspace Design Service (UKADS): subject to ministerial approval following consultation, by the end of 2025 UKADS will be agreed and in the process of being established. This will centralise airspace design expertise and improve confidence in the delivery of airspace changes.
- In collaboration with the US Federal Aviation Agency (FAA), enabling two airspace trials using Remotely Piloted Aircraft beyond visual line of sight to demonstrate scalable operations.
- By September 2025, consult on improvements to the effectiveness and proportionality of our process for changing airspace to simplify and speed it up.

In airspace decisions, the CAA and industry sponsors must balance a number of benefits, including creating additional capacity for growth and also sustainability benefits. The underpinning legislation points towards access to airspace as being the key factor in designing airspace change (ie growth to be the priority after safety), with other factors such as the environment being other considerations. A clear Government policy steer on the hierarchy between growth and sustainability, which is the priority and whether there are any essential sustainability deliverables, would help give the modernisation programme a clearer decision-making framework and therefore move more quickly.

2. Capacity, markets and resilience

While airspace modernisation will enhance capacity in the sky, the single most fundamental lever government and the regulator have to drive growth in the largely unregulated aviation sector relates to airport capacity. Timely planning decisions on airport expansion offer the largest potential short term opportunities to deliver new, multi-year investment. The CAA stands ready to play its full role in implementing any such decisions.

As a largely economically unregulated sector, it is vital that where regulation does occur, it underpins both consumer and investor confidence in the sectors. This will support not only growth within aviation, but also inward investment and importantly enhance aviation's critical role in supporting connectivity, access to new markets and wider economic growth. Both mitigating the potential for disruption to occur, and ensuring industry is well prepared to protect their consumers if it does, will bolster confidence, and increase passenger demand.

During 2025, to support this, we commit to:

- Implementing the recommendations addressed to the CAA from the independent review of NATS 2023 failure and reporting progress to Parliament, in particular in relation to consumers and our oversight of NATS.
- Convening key industry groups to review the resilience performance of the sector as increased passengers and aircraft volumes are pushed through an increasingly capacity constrained ground and airspace infrastructure.
- 2025 will see the regulatory processes for both Heathrow and NATS' enroute business progressing. Our initial proposals for Heathrow, due to be published by the end of the year, will be informed by the airport's engagement with its users, our legal duties, and by policy steers from government such as your letter. As the world's fourth-largest airport, enabling investment and growth at Heathrow and in doing so maintaining the confidence of consumers and its international competitiveness will be one important driver of the sector's longer-term prospects.

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3. Enabling aerospace innovation

Drones

Drone operations have the potential to scale and generate economic benefits for the UK whilst driving efficiencies in key services. Our work on trials like the ongoing NHS [London Health Bridge](#) and the [National Grid survey](#) have clearly demonstrated the opportunities to save taxpayer money, improve patient outcomes and create significant employment and growth for the UK drone industry. In 2025, to further unlock the sector's potential, we commit to:

- Deliver a digital licencing platform, providing more robust risk assessment of drone operations and making it more straightforward for commercial operators such as Google and Amazon to scale up their plans and investment in the UK.
- Launch an initial implementation of the UK's drone Market Surveillance Authority, streamlining the process for companies to manufacture and identify drones that are able to pass required safety criteria, which in turn will simplify commercial operations for many UK businesses.
- Commit, as part of our on-going Future Flight programme, over the next year to creating more accessible regulatory pathways for the emergency services, healthcare, and infrastructure surveillance, with an end goal of making the UK a centre for excellence for these types of drone operation.
- Actively work with DfT and the Regulatory Innovation Office (RIO) to explore ways to accelerate the regulatory process and scale existing operations, and in doing to ensure that the requirements are proportionate to risk.

There are two specific policy areas where Government policy support for CAA proposed positions would help. First, the CAA wishes to implement a mandate requiring all aircraft in UK airspace to be electronically visible to each other; and second, to extend the duration of airspace trials to enable more operations in the busiest and most economically valuable airspace.

Hydrogen

We strongly support the Government's commitment to sustainable economic growth. The Aerospace Technology Institute's analysis shows the UK can grow its market share to nearly 18% of a potential global market for more energy efficient commercial aircraft, worth £4.3 trillion in 2050. Early development of a forward-looking regulatory regime and an open, engaged regulator will be key enablers of investment confidence and growth in this area. Delivering this will require significant financial, legislative, and strategic support from government. We are working closely with the DfT on this, but we will need cross government support and engagement in this nascent sector. With this support, during 2025 we would commit to:

- significantly expanding our hydrogen sandbox from 3 participants to 13, covering a wider variety of technologies and opportunities than initially planned.

Space

The UK's space sector has a long and successful satellite history and continues to grow under the new space flight regime, under which the CAA has issued 588 satellite licences to 20 company operators. During 2025, with ongoing Government support, we commit to:

- Make timely regulatory licencing decisions space applications, including on the UK's first vertical launch rocket operators

The space regulations are relatively new and we take a very agile approach to continually improving our approach to keep people and environments safe while supporting the sector. In doing, we welcome the creation of RIO and are committed to working closely with it on this and other areas of our work. We have raised with RIO the potential to increase growth through improving licensing efficiency through licensing orbital operators rather than individual satellites. This is one example where we need several Government departments to support the work and adapt policy to release growth potential for satellite manufacturers and hence downstream data users as well.

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4. Digitising regulatory services

As a regulator we are committed to continuously improving our services to those we regulate. Each year, we issue more than 250,000 licences to individuals (pilots, engineers, air traffic personnel and drone operators), 35,000 medicals, and over 3,000 certificates to organisations (including airlines, air operators, maintenance organisations and training organisations). Digital transformation has cut approval times for our most widely used risk assessment from weeks to an average 32-minute application time, while maintaining necessary safety standards. Delivering more of our services more swiftly will boost confidence and improve investment.

In 2025, we commit to:

- Delivering a new digital service air traffic controller licensing
- Conclude the initial phases of a digital transformation of professional pilot licensing services

5. International working

By nature, the UK regulator only has direct oversight of half of the regulation of any international flight operating in the UK. To unlock growth most effectively, we must be sufficiently aligned with our international partners and have a regulatory approach that has their confidence. One of the issues we've heard regularly from the aerospace sector on is its relationship with Europe, and whether further developing the Trade and Cooperation Agreement by extending mutual recognition of licences and approvals in the sector would reduce trading costs and cross border friction. In the main, these are political decisions around mutual recognition of licences for instance, which must also take full account of the benefit to UK plc of access to our substantial aerospace. We are committed to working with Government on considering this issue. This is one of many international agreements that we already have in place and look to derive practical benefits from.

To progress this work, this year we can commit to:

- Working with the National Aviation Authorities Network on starting to develop a joint certification process for Advanced Air Mobility Aircraft.

An agile regulatory framework

There is one important step Government could take to enable the CAA to be more agile and effective across all our regulatory functions: legislative reform. This is in two specific areas:

1. As a result of importing the underpinning legislative framework for aviation directly from Europe on exiting the EU, the current regulatory framework within which we operate is hard and slow to change, especially for a sector that is more rapidly evolving. Aviation regulation is covered by around 150 different pieces of legislation in UK law, some running to 1,000s of pages, and it often takes years to make small technical changes. As well as limiting the ability to develop our regulatory environment in readiness for new innovations and operations and making the UK less attractive to investors, this also risks divergence from more flexible international regulation, which will harm connectivity and growth. We are working with DfT and DBT to develop a new and more flexible regulatory system aligned with that used by some other UK regulators, where the principles, outcomes and priorities are set by Parliament and Government, with the CAA tasked with defining more detailed requirements to meet them. Cross government support and Parliamentary prioritisation of this reform will significantly enhance our ability to support growth over the medium to longer term.
2. Further, the CAA's market remit in relation to aviation is relatively narrowly drawn, and compared to other regulators, we have relatively limited market powers. Legislative reform – to provide new consumer protection powers and competition concurrent powers, as recently recommended by the CMA, would strengthen our ability to make sure the sector is working effectively in the interests of consumers.

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16 January 2025

The logo for Natural England, featuring the words "NATURAL" and "ENGLAND" in white, uppercase, sans-serif font, stacked vertically on a dark green rectangular background.

Submitted via email to:

Natural England
Mail Hub
Foss House, Kings
Pool,
1-2 Peasholme
Green,
York,
YO1 7PX

Dear Prime Minister

Natural England Response on a New Approach to Ensure Regulators and Regulations Support Growth

In your letter of 24 December 2024, you asked for five commitments that Natural England (NE) can implement in 2025/26 to boost business confidence, improve the investment climate and foster sustainable economic growth.

Thriving nature underpins growth and a secure economy – investing in nature will drive growth in the short term and support our economy long term. The UK's natural capital is estimated to be worth £1.4 trillion, but is declining at a rate of 2.5% per year. Changes to nature regulation are needed now to deliver growth and investment, and we are committed to making these reforms.

Spending Review 2025/26

The five commitments we make below are the foundations of a step change in our regulatory approach for the next SR period: reforming planning regulation to operate at scale; reforming data and evidence infrastructure to drive better choices, and; transforming our service to farmers.

Five commitments and changes for 2025/26

1. Planning regulation reform – securing efficient nature-positive growth

We will shift from many individual transactional applications to landscape scale regulation. The Planning and Infrastructure Bill and Nature Recovery Fund will help assess impacts and develop mitigation for habitats and species at a landscape scale. This will reduce complexity, provide investment certainty and speed up planning decisions and infrastructure delivery.

In 2025/26 we will prepare for enactment of the Bill by developing delivery plans for landscape scale solutions. We will develop up front approaches to mitigation for a range of environmental pressures to ensure future development can progress.

We need Government to progress the Bill through parliament, including the provision of necessary powers and resources for delivery bodies.

2. Supporting local growth – aligning local nature and growth strategies

We will support Local Planning Authorities (LPAs) to use Local Nature Recovery Strategies (LNRS) to enable both economic growth and nature recovery. LNRS provide spatial plans for

resilient nature. We need to link these strategies more closely with local development plans and national standards (eg Green Infrastructure Standards) to connect them to the growth that they can support.

In 2025/26 we will support local authorities to use LNRS to plan and deliver nature and climate benefits, housing and infrastructure at pace.

We need Government to establish a strong link between LNRS and planning through changes to the National Planning Policy Framework and invest in skills within LPAs.

3. Shift to more progressive use of self-regulation

We will invest in self-regulation to agreed standards, with assurance achieved through more monitoring of outcomes. We are committed to developing self-regulation to agreed standards and outcomes and will build partnerships to enable greater autonomy for trusted landowners, large organisations and trade bodies.

In 2025/26 we will expand use of Earned Recognition, accelerate organisational licensing for large scale developments, reduce administrative burdens and provide greater predictability for users.

New systems will need planned strategic investments by Defra group digital.

4. Deliver more flexible services to customers – unlocked by cost recovery

We will deliver a quicker, more responsive service for customers, enabled by cost recovery for Town and Country Planning Act advice and regulatory services.

In 2025/6 we will undertake preparations for broader cost recovery system, building on our established model for Nationally Significant Infrastructure Projects and including scoping digital, data and monitoring systems and supporting enabling legislation.

We will need secondary legislation under the Levelling Up and Regeneration Act for cost recovery.

5. Invest in nature infrastructure – eg urban greenspace, woodlands, wetlands

Protected Sites Strategies (PSS) will serve as local collectives to ***build nature infrastructure*** that sustain economic growth. PSS, along with other investments in nature and access infrastructure, can bring immediate economic benefits for local businesses and communities

In 2025/6 we will implement five pilot PSS, improving nature infrastructure to support community level growth. PSS will be implemented in partnership with Farmers and Land Managers, Government, Local Planning Authorities, the Environment Agency and Forestry Commission.

We look forward to discussing these five measurable commitments with you and developing action plans for implementation. There is huge potential for nature regulation to secure both recovery of our natural world and sustainable economic growth.

Yours sincerely



Alan Law
Chief Officer Strategy



From Professor Susan Jebb
FSA Chair

By email:

Our ref: MC2024/00628
Date: 16 January 2025

Dear Prime Minister,

Thank you for your letter of 24 December 2024. Since I was appointed as chair, I have been clear that the Food Standards Agency (FSA) must prioritise actions that improve our own efficiency and support the food sector, whilst keeping food safe. I am pleased to be able to set out in greater detail some of the work we have done to date and the further, measurable commitments we could implement to support sustainable growth across the food sector in the coming year.

The FSA's main statutory objective is to safeguard public health and protect the interests of consumers in relation to food in England, Wales and Northern Ireland. We do this in many ways. For example: we deliver regulatory checks on food safety and standards in some industries (e.g. meat production, where our checks are essential to support exports) and we oversee the local authorities who deliver these checks in others; we work with businesses and local authorities to manage food incidents and contain outbreaks of foodborne disease, we investigate and tackle serious crime in the food system, we provide trading partners with the confidence in UK food that underpins exports, we issue advice to consumers on food risks and we advise ministers on the safety of new foods for sale in, or import to, the UK.

The FSA Board is clear that doing continuing to do our job well is the best way we can contribute to growth. Our effective and highly respected regulatory regime gives consumers the confidence to trust and buy British food, and provides certainty and a level playing field to businesses. It is also critical for international trading partners, who need assurance that we have strong regulatory controls in place, which they check through inward audits. The FSA's work therefore supports the continued success of the

Read the [FSA's Privacy Policy](#) and [Privacy notice Private Office Correspondence](#).
for more information about how we handle your personal data.

sector, which contributes £148bn to national GVA, and accounts for 13% of UK employment.¹

As a regulator, the guiding principles we set out in our Strategy, published in 2022, include being risk-based and proportionate, being innovative and making it easier for businesses to do the right thing. We have already been taking action to support growth, for example we have worked closely with Defra on the future regulation of new precision breeding technologies and expect to assess the first applications for precision bred products this year. In many areas of our work, our scope for future regulatory reform will depend on the approach taken in any new agreement with the EU on sanitary and phytosanitary (SPS) matters. However, there are changes we believe can and should be made now. I have set out below five commitments we can deliver on this year within a tolerable level of risk.

Market authorisations

Certain food and feed products (e.g. animal feed additives or foods produced with novel technologies) need authorisation to ensure they are safe before they can lawfully be sold in Great Britain. Since the UK left the EU, the FSA - alongside Food Standards Scotland (FSS) - has run the process for assessing and advising ministers on these products.

Innovation and growth across the food sector will drive increasing demand for market authorisations. We are streamlining the authorisation process we have inherited and ensuring that it is proportionate by removing requirements that are unnecessary for food safety. We are introducing new secondary legislation this month to replace the unnecessary requirement for certain products to have renewal applications submitted every 10 years (while continuing to review if prompted by a substantive change in the evidence); and to shorten the process by removing the requirement to lay SIs in each country in GB to authorise each product. These reforms will negate the need for huge numbers of renewal applications (nearly 500 were due in the next three years) and improve the efficiency of the authorisation system. This will enable new products to be brought to market more quickly without compromising consumer safety.

Looking ahead there is more we can do to speed up the authorisation process. Unlike other safety regulators, the FSA and FSS do not have powers to make decisions ourselves on any authorisations, or even on certain routine steps in the process. This means that each application can involve multiple referrals to ministers who make decisions based on our advice. Since food is a devolved matter, this process is repeated in each country, adding costs and creating delays. This year, we want to explore with ministers their appetite for streamlining the process by delegating some decisions to us. If they agree, we could bring forward a consultation in summer 2025 with a view to laying legislation in early 2026.

¹ [Food statistics in your pocket - GOV.UK](#) (as at 13 January 2025)

Cell-cultivated products

Cell-cultivated products (CCPs), such as 'lab grown' meat, are one example of new foods that can be created through innovative production processes without animal slaughter or traditional agricultural practices. The UK's CCP industry is growing rapidly (receiving £77m investment over the past two years) and could be worth £2bn by 2030.²

The FSA is establishing a CCP regulatory sandbox (with DSIT funding) to support this new part of the engineering biology sector. For two years from February 2025, we will work with industry and academic bodies to identify production hazards, how to mitigate them, address outstanding regulatory questions that must be answered before any of these products can enter the market, and provide companies with bespoke support to create high quality dossiers. Through the sandbox we will help companies navigate regulation by publishing new bespoke guidance and holding 1:1 surgeries with businesses looking to enter the UK market. We will establish a cross-government network of UK and devolved departments to ensure a holistic approach toward regulation of this sector across government, and a network of international regulators through which we can learn how other jurisdictions support innovation whilst ensuring consumer safety and provide leadership for those countries not yet exploring these new technologies.

We commit to publishing the first wave of bespoke guidance this year, including how CCPs will fit within the wider regulatory landscape for existing animal products. This will provide industry with essential clarity on the safety and legal requirements for CCPs, allowing them to make critical decisions on their production processes and route to market, whilst supporting the assessment of safety data by the FSA.

The sandbox will support growth in the UK's CCP sector by demonstrating to innovators and investors that the regulatory environment in GB is predictable, transparent and navigable for these new products, while providing reassurance to consumers that products that come to market are safe. Alongside it, our aim is to complete the first two safety assessments for CCPs during those two years, though this is dependent on industry providing the necessary information to inform our decision-making.

With additional resources, we could go further in future to replicate this bespoke support to industry for other new technologies, such as novel foods created through engineering biology, in support of the Government's Industrial Strategy.

Reform of local authority regulation

Local authorities enforce food safety and standards regulations, such as food hygiene and labelling rules, across much of the food sector. Their inspections not only protect consumers and support confidence in our food industry (including through our well-known Food Hygiene Rating Scheme for shops and restaurants), they also provide an important source of advice and expertise to many small businesses. But food teams are

² [The socio-economic impact of cultivated meat in the UK | Oxford Economics](#)

stretched thin - less than 1400 local authority staff across England cover over 500,000 businesses – and are struggling to clear inspection backlogs from the pandemic.

By this spring we will have rolled out a new approach to food standards inspections across all local authorities in England, making it more risk-based and intelligence-driven. We also commit to consult by June on new approaches to food hygiene controls, including greater use of remote inspection, and to recognise new qualifications, expanding the pathways into food safety professions. This will enable officers to provide more targeted and proportionate support for businesses, which can help them to grow. Together, these changes will help to make the food regulation system more sustainable and effective, reducing the burden on many compliant businesses.

Support for international trade

The FSA works closely with Defra to deliver audits, inspections and visits between countries to provide technical expertise and facilitation for trade in food and drink. These maintain existing markets and open up new ones for imports and exports. Issues identified during an audit that raise concerns with the UK's regulatory regime will have a direct impact on export market value through restricting trade.

In 2025 we commit to prioritising our efforts on trade, to increase, the number of inward audits carried out to six (compared to five last year and four previously). This will include providing support Defra to open up a new market for poultry to Mexico (estimated to drive £4.4m over the first five years of trade) and help to preserve existing markets worth £1.5bn, including poultry to the EU (£390m), fish and live bivalve molluscs to the EU (£1.05bn) and meat exports to the US (£24m)³.

Recycled plastics

The EU has introduced a new regulatory regime for food grade recycled plastics. UK-based businesses can apply for approval under that regime but can only export to the EU if a national competent authority carries out checks to ensure the rules are met. The FSA is willing to take on this role for businesses in GB in addition to Northern Ireland (where we will already need to do so under the Windsor Framework). This would support the growth of UK producers of such materials, by enabling them to export to the EU market. However, in addition to the FSA role in checking production, new requirements would need to be introduced and monitored at waste recycling centres, which are not within our remit. The FSA would therefore be keen to work with others across the UK and devolved governments who hold responsibility for waste collection, sorting and management in order to take a coordinated approach in addressing this issue. We would welcome a clear steer and ongoing support from Ministers for this work to take place.

³ Data sourced from published HMRC Overseas Trade Data: <https://www.uktradeinfo.com/trade-data/ots-custom-table/>

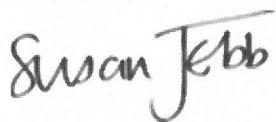
Future opportunities

The commitments set out above could be implemented by the FSA with a reasonable degree of certainty within the next year, within the resources we have. We will continue to look for opportunities to do more in the future, in collaboration with other departments and regulators.

For example, we are working with other departments, led by the Cabinet Office, on a multi-year SR bid on biosecurity innovation. We protect our food system and environment from threats to human, animal and plant health through robust monitoring and surveillance for threats present in imported food, feed and other agricultural commodities. There are opportunities to both strengthen this system and reduce detrimental impacts on business. For example, businesses currently face delays of 2-5 days awaiting test results while products are held at border control points. Remote testing technology (which we have piloted as part of the government's £24m PATH-SAFE programme) could rapidly generate results, and generic testing facilities could be used by multiple departments to generate efficiencies.

I look forward to meeting to discuss the ideas set out above, and to consider how the FSA can work with others across government to continue to drive growth, business confidence and investment without compromising the high levels of safety and trust in the UK's food sector.

Yours sincerely,



Professor Susan Jebb OBE, PhD, FRCP (Hon), FMedSci

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