



Department for  
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Dear Chair

**Principles of Effective Regulation, 14 June**

During this session Sir Geoffrey Clifton-Brown MP asked me the following question:

“When you are setting your regulation and talking to the regulators, how do you encourage good behaviour? How do you drive innovation, and how do you drive new firms coming into a particular sector?”

I promised to write with an answer to Sir Geoffrey’s question and propose to answer it in two parts as follows:

*Setting regulation and encouraging good practice among regulators*

As the Permanent Secretary, Chris Carr (Director of the Better Regulation Executive) and I touched on in our evidence to Committee, the Better Regulation Framework requires Departments to think carefully, when considering new regulation, about the policy problem or problems they are seeking to address. It encourages Departments to ensure that the intended benefits and/or protections sought can be achieved at least cost to business. It does this by requiring Departments to gather all the evidence of impacts and benefits and to weigh this carefully in an impact assessment. If the intended impact on business is estimated to be over £10 million per annum then the assessment of impact needs to be independently verified, currently by the Regulatory Policy Committee.

Sometimes the evidence of intended impact or benefits can be unclear. In these circumstances, the use of public consultation is an important tool to help Government construct the necessary evidence. This process brings in as wide a range of voices as possible; particularly, those of key stakeholders such as the businesses to be impacted.

As a part of that process Departments will, of course, speak to the relevant regulator or regulators as early as possible so that their delivery experience feeds into the policy considerations of deliverability, impacts, enforcement and risks – and also so that they have a clear understanding of the desired policy impacts.

Finally, Parliament itself has an important role to play in the shaping of regulation. The scrutiny that Parliament offers through the various stages of a Bill can often result in important and helpful changes to the final shape and enforceability of a new Act.

Of course, regulation is only one of a number of ways that the Government can act and the Better Regulation Executive regularly hold workshops with policy teams across Whitehall to help them to consider the alternatives to regulation. These can include the use of standards and accreditation, self-regulation, co-regulation and using economic incentives or other behavioural insights.

Indeed, BEIS acts as a sponsor Department for a number of regulators and in exercising that sponsorship function we hold regular performance discussions with the regulators. These are informed by regular management information about business delivery shared by the regulator and provide an important opportunity for the Department to discuss emerging issues with the regulator and provide an early steer about how best the regulator can respond to these, including pointing to best practice among other regulators.

### *Driving Innovation and encouraging new firms into a particular sector*

Government policy is firmly aimed at helping regulators and policy makers be able to respond to the challenges and opportunities presented by emerging technologies and to provide companies, particularly small and start-up companies, with regulatory clarity. This will be a key plank of the Government's strategy to help the UK recover from the pandemic and to build back better.

As a part of this, BEIS supports greater experimentation, testing, and trialling of innovations under regulatory supervision to support and stimulate the breakthrough of new technologies. As the Permanent Secretary mentioned in her evidence to the Committee, BEIS launched on 20 May 2021, a new £3m round of the Regulators' Pioneer Fund (RPF), after a highly successful first round of £10m. The Fund aims to keep the UK at the forefront of regulatory thinking and experimentation. UK regulators and local authorities can apply for funds of up to £200,000 to deliver initiatives that help businesses bring innovative products and services to market.

Just one example of the many successful projects supported through the RPF, as mentioned by the Permanent Secretary in her evidence, is the development of a new aviation "sandbox" by the Civil Aviation Authority to trial innovations in aviation in a safe space; such as, for example, the use of drones for freight delivery. Indeed, the UK has promoted the use of sandboxes in a wide range of applications and is seen as world leading in this regard.

Another example of how we are encouraging new firms into the market was also touched on by the Permanent Secretary when she explained that we have a project in train which is designed to put all regulation into a machine-readable format and make that code available as open source. This is our Open Regulation Platform. It is specifically aimed at tech companies and is designed to generate a whole new market in business-to-business services and apps for Government. This is a truly unique and world leading project.

Finally, BEIS have established the Regulatory Horizons Council, an independent expert committee to provide recommendations to Government on regulatory reform needed to ensure the UK can extract best value from new and emerging technologies.

The above outlines all the help and guidance we are providing to regulators to help them encourage new firms to enter new markets. Furthermore, regulators are also bound by the Growth Duty, which came into statutory effect on 29 March 2017 under the Deregulation Act 2015, and which requires regulators to have regard to the desirability of promoting economic growth, alongside the delivery of protections set out in relevant legislation.

The Growth Duty clearly establishes government's expectation that economic growth is an outcome that all regulators should be working towards. The guidance, which has been issued

under section 110(1) of the Deregulation Act 2015, has been produced to assist regulators in fulfilling their new responsibilities, both at a strategic and operational level, including the proper consideration that must be made before allocating resources, setting enforcement policies, and making sanctioning decisions.

I hope this helps to answer the question raised by Sir Geoffrey Clifton-Brown MP. I should be happy to provide further details of any of the above if that would be helpful.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Jae Samant', with a stylized initial 'J' and a horizontal line underneath the name.

Jae Samant CBE  
**Director General Market Frameworks**

