
FAO the Industry and Regulators Committee

House of Lords
London
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By email only: HLIndustryRegulators@parliament.uk

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Dear Members of the Committee

UK Regulators Network (UKRN) – Response to call for evidence on the UK Regulators inquiry

Thank you for the opportunity to respond to the call for evidence on the inquiry into UK Regulators. I am responding as CEO of the UK Regulators' Network (UKRN) with support in the drafting of this letter from Paul Arnold, Deputy CEO and COO of the Information Commissioner's Office and Chair of UKRN Regulators Accountability Sub-Group.

UKRN is a members' organisation, formed by a community of UK regulators, to support their work through facilitating collaboration. UKRN was established by founding regulator members in March 2014 as a collaboration network for the largest economic regulators. It was set up to provide effective co-operation between the regulators on important issues and to encourage greater efficiency and better results for businesses, consumers and the economy. Since 2014, UKRN has expanded, and we now have a broad and diverse membership across 16 different regulator members and sectors.

As such, this response is high-level, and we are expecting that a number of our member regulators will submit their own, more detailed, responses. This response focuses on regulator independence and accountability.

The value of independent regulation

Independent regulation plays a critical role in guiding and supporting businesses across the economy to ensure – amongst other aims – fair competition, consumer protection, and the public interest. Independent regulators operate at arm's length from the government, and they are tasked with delivering long-term duties and goals through legislation and steers from elected government.

One of the main purposes of independence is to ensure that regulators can plan and act in timescales longer than the electoral cycle, in order to make optimal decisions for long-term issues, such as infrastructure investment. This underpins market stability and certainty, which leads to lower cost of capital and ultimately lower consumer bills for essential services. It is well evidenced that a clear and stable regulatory framework is a key ingredient to encourage private investment, new market entrants and innovation.

Independent regulators work within a legal and statutory framework as set-out by government and often have additional duties that require interpretation. It is no secret that more is being continually asked of regulators. To meet this challenge regulators are adapting to become more efficient, nimble and are adopting new ways of regulating. For example, a number of our members have introduced teams to support innovation in the economy through advice and regulatory adjustments. Since their launches in 2014 in the case of the FCA, and 2018 for the ICO, their Innovation Hubs have supported a diverse range of firms, from incumbents to start-ups, allowing firms to test innovative products or services in a live market through their Regulatory Sandboxes or helping firms resolve regulatory questions through Innovation Pathways.

Another example is from The Pensions Regulator (TPR) and the authorisation and supervision of Superfunds. In advance of planned legislation, the TPR operates an interim regime working with the Department for Work and Pensions on their guidance and framework. This has allowed market innovation to progress until legislative time allows for the arrangements to be formalised.

And Ofgem is working with the government through the joint Connections Action Plan to achieve the ambition of halving the time to build new transmission infrastructure from 14 to 7 years. This involves innovative new approaches to ensure that viable projects are fast-tracked, and to accelerate new infrastructure to meet our target to decarbonise the electricity network by 2035 and for it to play a full role in meeting government's legal obligation to get to net zero by 2050.

Accountability is crucial to the legitimacy of independent regulators

With independence comes the responsibility for regulators to be accountable for what they do, and to explain why they do what that do. The regulatory community feels a shared responsibility for explaining this, which is why this is a core objective of the next UKRN Strategy 2024-27. Ultimately, accountability is vital for the legitimacy of independent regulators.

UKRN members undertake a wide range of practices to build their accountability – both in response to statutory accountability mechanisms and those which they may do on a voluntary basis. This includes proactive engagement with Parliamentary Committees and representatives to help build understanding, production of easy-to-read annual reports and accounts, and public outreach and engagement – ranging for town hall events to Board members engaging with the media.

We recognise there is always scope to learn and improve – which can be seen through the evolution of our members engagement on social media platforms. Members proactively and voluntarily strive to support greater understanding of their role and what they do. For example, our members publish strategies which include information on what they do and don't regulate and sometimes describes what they see around their perimeter/remit and action they are planning to take in response.

Core principles of accountability

The accountability of UK regulators is crucial for ensuring that they carry out their functions effectively and transparently. While the Seven Principles of Public Life (or the Nolan Principles) apply to those who work in public office, there isn't a single comprehensive set of principles that drill down into UK regulators' accountability. Several key principles are generally recognised as being applicable to UK regulators, these are outlined below.

These principles are often referenced through various legal and regulatory frameworks, including sector-specific legislation and codes of practice for regulators in the UK. Different regulatory bodies may have additional principles or guidelines specific to their areas of responsibility, but the principles below are recognised by UKRN as foundational to regulatory accountability, and regulatory legitimacy, in the UK.

1. **Independence:** Regulators in the UK are expected to operate independently from government and industry influence. This principle helps ensure that regulatory decisions are based on evidence, public interest, and statutory long-term objectives rather than political or commercial pressures.
2. **Transparency:** Regulators are expected to be transparent in their decision-making processes. This includes publishing relevant information, such as regulatory guidelines, enforcement actions, and financial reports, to provide clarity on their activities and decisions.
3. **Accountability to Parliament:** Regulators are generally accountable to Parliament through various mechanisms, including regular reporting, appearances before Parliamentary committees, and statutory requirements around reports such as Annual Reports, Public Body Reviews and NAO reviews. This allows Parliamentarians to scrutinise regulator performance and hold them accountable.
4. **Proportionality:** Regulators are expected to apply their powers in a proportionate manner. This means that regulatory actions should be tailored to the risks and circumstances they are addressing, ensuring that the regulatory burden is not excessive.
5. **Consultation and Engagement:** Regulators are encouraged to engage with the public, stakeholders, and the industries they oversee through consultation processes. This engagement helps ensure that regulatory decisions take into account diverse perspectives and potential impacts.

How regulators are held to account

In summary – our view at UKRN is that there is significant scope for Parliamentary Committees to tailor and adapt the scrutiny of regulators through existing mechanisms – without the need for recourse to the introduction of further statutory mechanisms or metrics. With this in mind, we have set out below some considerations that Parliamentary Committees may wish to bear in mind.

There are a number of formal, statutory mechanisms by which regulators in the UK are held to account and although those mechanisms are broadly similar across our membership there are

notable differences. This is particularly apparent when we look at the number of duties or statutory requirements of the financial services regulators compared to other sectors.

We also note that there is wide variation between appeals mechanisms that our members are subject to, seemingly without a clear rationale as to why. Again, this highlights that whilst similar mechanisms for accountability are in place they are often applied differently and with differing levels of scrutiny. It should be noted that this is something that was referenced (para 22-24) in the 'Recommendations' section of the 2004 House of Lords Report titled ['The Regulator State: Ensuring its Accountability' with](#) clear suggestions on improvement.

It is clear that one of the main mechanisms for holding regulators to account across our membership is Parliamentary processes, in particular Parliamentary Select Committees.

Regulators balance a range of duties and objectives and operate in different legal and regulatory frameworks. While it is true to say that there is no one-size-fits-all approach to the kinds of areas that could be explored by select committees (or the public) to hold regulators to account, there are some shared areas where it could reasonably be expected that regulators would have clear answers. These could include:

- How we protect consumers (including the most vulnerable)
- How we encourage competition that benefits consumers and sustainable economic growth
- An account of what we are not prioritising, and why? Recognising that all regulators are restricted by finite resourcing
- How are we delivering appropriate transparency?
- How do we engage and listen to government, consumers and regulated business?

These are the kind of areas that members will proactively look to address in their dealings with Parliamentarians, consumers and regulated business (as relevant), though we note there are choices to be made by Parliamentarians and committees and we understand that they are also busy and need to prioritise. Again, it should be noted that a key conclusion from the 2004 [House of Lords report](#) (para 13) called upon the need to improve Parliamentary scrutiny to ensure it is effective – our view is that this remains the case.

Future engagement with the inquiry

Whilst we hope the above provides a clear view from UKRN on the matters posed by the inquiry we would be very happy to discuss in more detail or answer any additional questions where appropriate.

Yours sincerely,



Chris Hemsley
UKRN CEO and Payment Systems Regulator Managing Director