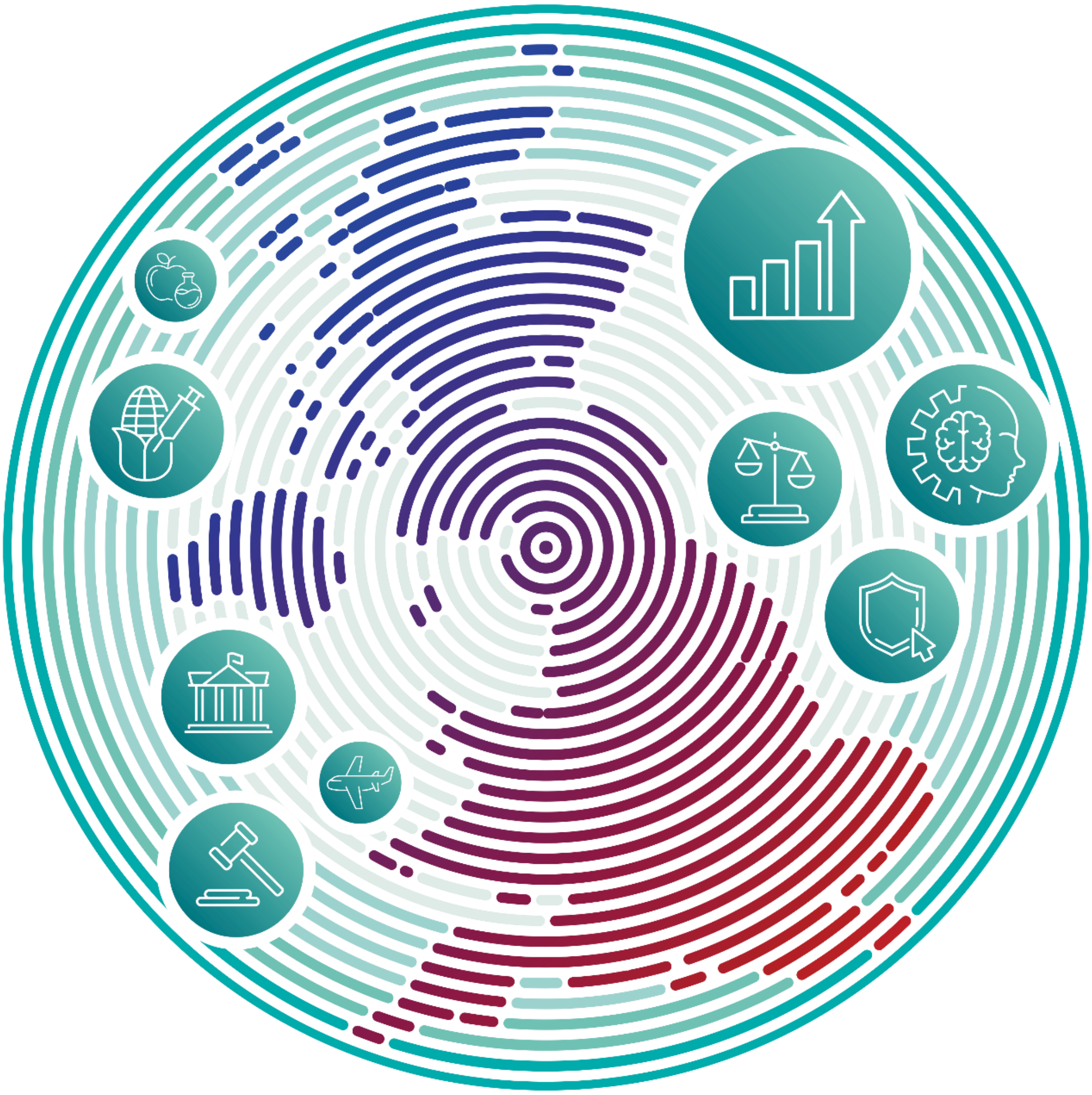


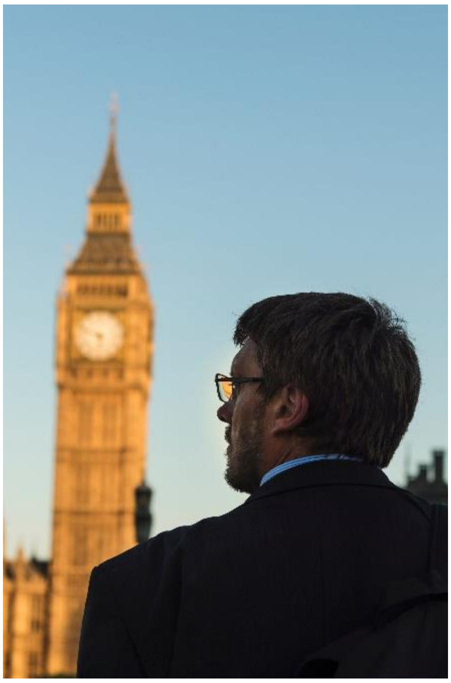
# Reimagining regulation for UK economic growth

**September 2025**

# Table of contents



# Introduction



## The role and nature of current regulatory activities is changing amidst a backdrop of rapid innovation and the drive for economic growth.

The UK Government's Industrial Strategy and Spending Review have reiterated that economic growth is a key 'north star' policy. Maximising the economic impact of innovation across key high-growth sectors (healthcare and life sciences, defence, financial services and digital technology)[1] is cited as a core route to achieving this. Regulatory failure can have catastrophic economic impacts: The BSE crisis led to the slaughter of 3.3 million cattle and an economic loss of £3.7bn.[2] More recently, financial regulatory failings led to hundreds of millions in lost savings and censure for regulators. Getting it wrong has serious consequences and understandably there is often an intensification of regulation in the wake of a crisis. However, the need to prevent harm cannot be a regulator's only response to the economic growth agenda – regulators need to proactively consider how they can enable economic growth.

Enabling innovation to thrive while keeping the public safe and maintaining business confidence requires effective regulation. The UK government's March policy paper, "New approach to ensure regulators and regulation support growth", outlines a vision for a regulatory environment that actively fosters a dynamic economy, ensuring the UK 'regains its global competitive leadership' by going 'further and faster to secure and sustain growth.'[3]. One reason for the governmental focus on regulators is to encourage firms to stay in the UK after their inception. Recent articles have focussed on the inability to retain challenger banks after key innovations were pioneered locally.[4] It remains crucial to the UK's growth agenda that start-ups are able to stay in the UK and develop further without the perception of being dragged back by legislation or a lack of understanding from regulators. Future-proofed, intelligent risk management will help balance the competing needs of safeguarding the public and economic growth.

To enable growth regulators need to regulate in a way that goes "with the grain" of the industry. We see several ways in which regulators can drive growth:

1. **Embracing and encouraging innovation** in priority sectors/product areas where the Government will realise the biggest 'bang for buck' in removing barriers to development of new products and services and scaling these across the UK and international economies. This could include, for instance, expediting the development of AI to enhance genomic sequencing technology to transform treatments across the NHS and healthcare systems across the world.
2. **Reducing regulatory burden** for business through streamlined processes for authorization, supervision and enforcement improves the attractiveness of

[1] The industrial strategy will provide certainty for business
[2] Public Administration, Science, and Risk Assessment: A Case Study of the U.K. Bovine Spongiform Encephalopathy Crisis on JSTOR
[3] New approach to ensure regulators and regulation support growth (HTML) - GOV.UK
[4] Why Britain's fintech dream is faltering

the environment in which businesses operate and aligns to the Government's ask of reducing this burden by 25%.[5]

3. **Greater co-operation** between regulators. The UK has a plethora of independent regulators and many of these frequently have a role to play in the setup and operation of a single business. Making it easier for businesses to navigate this landscape and co-operating to deliver efficiencies is a key contributor to growth.

Despite the Government's clear narrative that regulators have a role to play in the growth agenda, our growth and innovation survey of regulators at this year's Institute of Regulation (IoR) annual conference exposed a challenged backdrop of constrained budgets, staff fatigued by change and outdated systems. We found that:

1. The biggest potential enablers of innovation were considered to be increased funding and more adaptive legislative frameworks – and yet, Spending Review settlements for many Regulators and Arm's-Length Bodies have not provided additional funding to drive innovation.
2. Almost two thirds of respondents didn't think they were currently innovating successfully – and yet, innovating internally is a core step in effectively regulating market innovation.
3. Regulators that are innovating are divided in their approach. Almost half disagreed that their innovations were guided as a main reason by supporting wider UK economic growth – and yet, policy is clear in the need to enable innovation to achieve growth.[6]

Given these financial, legislative, and operational constraints, UK regulators need to effectively utilise all levers at their disposal to support economic growth and drive innovation while upholding their core duties. We believe that regulators could achieve the above by modifying their models, processes and culture to use resources more efficiently without sacrificing safety.

Our recommendations are evidenced through case studies and underpinned by the concept of 'anticipatory regulation', outlined by Nesta, which aims to shift engagement upstream to engage regulated companies and innovators earlier in the regulatory lifecycle and applying a risk-based approach to better allocate limited resource.[7]

---

[5] New approach to ensure regulators and regulation support growth (HTML) - GOV.UK
[6] Institute of Regulation Annual Conference 2025 Deloitte Survey, unpublished.
[7] Anticipatory regulation | Nesta

# Embrace and encourage innovation

## Move from "Cannot Do" to "How To"

This represents a significant mindset shift. Regulators should transition from dictating and enforcing the rules ("cannot do") to guiding innovators to achieving desired outcomes safely ("how to"). The FCA's AI Sprint uses this thinking; it unites industry representatives, academics, regulators, technologists, and consumer representatives to guide regulatory approaches to financial AI that fosters growth and innovation. It is complemented by data collected through the AI Input Zone, a long-term project designed to gather online feedback from various stakeholder groups on the most transformative AI use cases in finance.[8] By helping innovators focus on well-defined goals within a safe environment, the FCA created a collaborative and enabling regulatory environment that stimulates economic growth. This partnering behaviour needs to spread across all regulatory functions, rather than in isolated instances for "new" products or services.

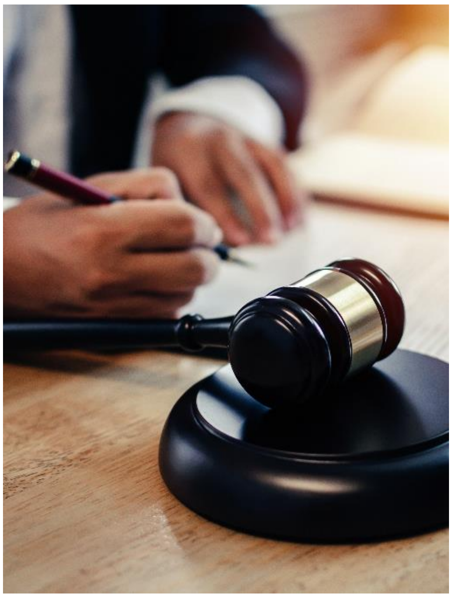
## Embrace regulatory sandboxes

Some regulators feel that sandboxes are outside of their legal remit and legislation but challenging this orthodoxy is vital, as they have proved successful when carefully curated with industry. These initiatives give firms the opportunity

[8] AI Lab | FCA

to test innovative propositions for real consumers in a controlled environment, with adjusted oversight. DSIT launched regulatory sandboxes for a range of

innovative technologies, such as telecommunications spectrum sharing, engineering biology, and space to attract investment and pioneer the latest science in a controlled environment.[9]



In other contexts, this might mean testing an innovative business model, new technology or safeguards. This approach supports developing sectors and develops understanding while maintaining high standards. Multiple other industries are also experimenting with sandboxes and offer tailored propositions for different types of consumer testing.[10]

## Embed a mindset of curiosity and partnership

Horizon scanning is crucial for anticipating future trends and pre-empting concerns. Once again, embedding this into regular business process is key to success. By working with industry experts and panels, regulators develop a deeper understanding of industry trends and motivations; in return, organisations gain clarity when preparing novel applications. Making the transition to a proactive culture enables closer collaboration between regulators and organisations and helps position regulators as the forward-thinking partner in innovation, not an obstacle that stifles growth. This can also lead to effective 'forward guidance' encouraging and helping to shape the market before excessive costs are sunk by innovators. Regulators themselves can, and should, also successfully collaborate in new or novel areas or where there is a cross over in jurisdiction – for example space flight and collaboration between the Health and Safety Executive and the Civil Aviation Authority.[11]

Parochial thinking should not hold back regulators – there is a need to collaborate nationally and globally with other regulators and industry to gain the widest knowledge base. The MHRA joining the HealthAI Global Regulatory Network is an example of this, together with the UK-based Institute of Regulation acting as a convener for regulators.[12] The FSA maintain their high regulatory threshold by drawing on a sustainable, global understanding for novel food safety.[13] Not only does this augment the FSA's abilities, but they also encourage new organisations to enter the UK market from elsewhere, thus promoting further economic growth. This can be used to build reciprocal arrangements and agreements for medicines and healthcare technology and accelerate time to market by reducing international duplication of authorisation.[14]

## Create revenue streams for differentiated value-add services

Regulators looking to diversify revenue streams could offer differentiated services for organisations with different needs for a fee while ensuring access to regulation remains fair across industries – for instance, the FCA could shift to charging for access to their dedicated case managers in their Sandbox.[15] This would provide a sustainable financial foundation for these services and help to ensure they aren't reduced or ceased when there are pressures on levies. Other

---

[9] Science, Innovation and Technology backed in Chancellor's 2023 Autumn Statement - GOV.UK
[10] AI Airlock: the regulatory sandbox for AIaMD - GOV.UK
[11] CAP1484: CAA/HSE/HSENI Memorandum of Understanding guidance | UK Civil Aviation Authority
[12] UK MHRA leads safe use of AI in healthcare as first country in new global network - GOV.UK
[13] Novel Foods Regulatory Framework Review: Executive Summary | Food Standards Agency
[14] MHRA announces a proposed framework for international recognition of medical devices - GOV.UK
[15] Regulatory Sandbox | FCA

regulators have monetised their knowledge and capability to help fund ongoing business-as-usual such as the General Medical Council setting up a wholly owned consulting subsidiary.[16]

## Develop skills for innovation engagement

Analysis of the IoR survey showed that improving access to different skills and talents was one of the most popular ways regulators sought to improve their ability to manage innovation.[17] Investing in skills to understand innovation processes, emerging technologies, and the specific needs and challenges of SMEs and start-ups is fundamental for regulatory success and futureproofing. Importantly, this doesn't have to involve large hiring processes – creating expert panels or knowledge sharing with other regulators who have Subject Matter Experts are less resource intensive.

With enough time, internal development is important. The Office of Communications (Ofcom) addressed this challenge following the Online Safety Act 2023. Ofcom had two years to prepare for a significant expansion in regulatory scope, prompting rapid development and identification of relevant areas of expertise. Ofcom then identified areas to build competency in and established new teams and directorates dedicated specifically to online safety. They also launched the Online Safety Technology Lab – an in-house service for "investigating, testing, and evaluating different technical approaches to online trust and safety." Their upskilling was informed by widespread engagement with civil society group, academics, and expert bodies - they held over 300 meetings, roundtables and workshops to create updated working practices enriched by best practice.[18] By adapting to new circumstances pragmatically and at pace, Ofcom has been able to provide clear guidance on new regulatory requirements ahead of the act coming into effect. By developing internally, Ofcom addressed concerns around the cost of expertise and talent retention, while providing structure for organisation to hit the ground running when the bill took effect.

---

[16] https://www.gmc-uk.org/about/what-we-do-and-why/consultancy-and-advisory-services
[17] Institute of Regulation Annual Conference 2025 Deloitte Survey, unpublished.
[18] Implementing the Online Safety Act: progress update

# Reduce regulatory burden

## Ditch the "One Size Fits All" approach

The increasing market variety and speed doesn't suit a traditional, often rigid, regulatory model. Our work with the FSA to review their regulatory framework for novel foods focused on key criteria: evidence-led and safety-based; collaborative and transparent; user centred; efficient; and future proofed.[19] The outputs of our evaluation demonstrated how application processes can be streamlined to unlock greater efficiency whilst maintaining robust safety standards. We identified the need for a tailored authorisation model which incorporated risk-based and proportionate supervision of authorised products, drawing on enhanced data capture. This approach enables regulators to group similar applications together, fast track demonstrably low-risk products and improve overall time to market. This framework provides a replicable blueprint for regulatory transformation across sectors. Whether applied to financial services, healthcare, or emerging technologies, the core principles – proportionate risk assessment, data-driven decision making, and streamlined processes – offer other regulators a proven pathway to enhance efficiency while strengthening their capacity for future harm prevention.

[19] Novel Foods Regulatory Framework Review: Executive Summary | Food Standards Agency

## Provide a clear "Front Door"

Regulatory complexity hinders innovation. Regulators should provide a clear point of access for innovators seeking support and guidance. An example of this

is the Civil Aviation Authority's (CAA) approach to emerging areas such as drones and Future Flight technologies. Guidelines are separated by level of current understanding ("Getting Started" through to "Advanced Flying"), providing a clear point of access for interested parties on their website. The Care Quality Commission has taken a similar approach by providing clear guidance, case

studies on successful organisations, regular events on specific regulator issues and offering an open invitation to organisations to book CQC advisors for talks on specific regulatory topics.[20] Both evidence a commitment to simplicity and accessibility, enabling innovators to quickly develop new products.

## Make it accessible

Regulatory advice can be difficult to find and interpret. In regulatory grey areas, it can even be difficult to know which regulator to refer to. It is up to regulators to make finding and interpreting information as easy as possible. The "AI and Digital Regulations Service for health and social care" collaboration between the National Institute for Health and Care Excellence (NICE) and other UK healthcare regulators, provides an example. It is a centralised information platform designed to be the "go-to resource for regulations and guidelines relating to AI and digital health technologies in the UK."[21] This provides accessible information on regulations, case studies, expert commentary and a glossary, empowering innovators to navigate the regulatory landscape confidently. By using 'norm engineering', a process which aims to simplify and explain complex legislation with standardised and simple language, regulators build the predictable environment and trust crucial for enabling innovation and economic growth.[22] Pre-application advice for businesses looking to authorise a new product can also increase accessibility and lower barriers to entry for new market entrants; additionally, there is potential for regulators to charge for this differentiated service as mentioned above.

## Assess AI readiness

Our IoR survey exposed the fact that the third most popular area for investment over the coming year is AI. Already hailed throughout the business world for its powerful productivity potential, the increasing sophistication of agentic AI tools will see AI take over more complex tasks from its human counterparts. Additionally, using scalable technology to address this need makes it easier to flex capacity at peak times. Mature regulators should be building a data inventory to understand where they might be able to apply AI already or which processes may need redesigning to harness its full potential. Working these up into testable Proofs of Concepts can then help to understand the benefits and challenges before big bang implementation.

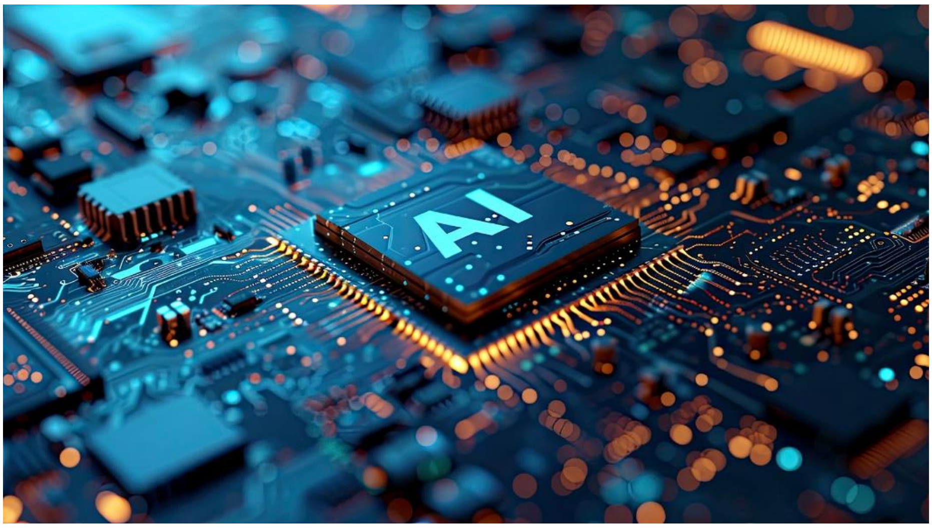
## Streamline existing processes

Regulators have a role in making internal processes more efficient to reduce the burden for businesses with whom they interact. For instance, greater

[20] Request a speaker for your event - Care Quality Commission
[21] Using this service - AI and Digital Regulations Service for health and social care
[22] Deloitte | A New Era for Regulation - The Rise of GenAI | Norm Engineering

automation of currently manual steps around authorisation of new products can help to reduce time taken from application to authorisation. Other initiatives such as gathering data from third parties to avoid regulated entities having to collate information themselves and joining the dots with datapoints already submitted to and held by Government to avoid duplication can reduce the burden. For instance, GOV.UK One Login enables UK citizens to prove identity for a range of Government digital services through a single sign on, this platform could be adopted for regulated individuals submitting information to public bodies, avoiding unnecessary additional identity checks.[23] Over time the continual expansion of regulatory responsibilities create operational complexity for both regulated entities and the regulator itself. Regular reviews of regulatory responsibilities should be carried out to ensure that this complexity is managed, with unnecessary and duplicated activity being reduced and processes simplified wherever possible.

## Utilise technology where you can




Simple, often low cost, use of technology to improve process and the "feel" of regulation can go a long way. For example, Deloitte is working with multiple regulators to use AI to identify opportunities to drive efficiency in high volume inbound customer processes, increasing throughput, increasing efficiency and allowing staff to focus on increased value-add activity and respond to queries quicker to prevent unnecessary delays. Other UK regulators have changed their web presence to personalised journeys for those under regulation and their digital journey for regulated organisations through rethinking how technology can help to reduce the burden of compliance, continuously learning from data and customer insights to improve services.

[23] Using your GOV.UK One Login: Proving your identity with GOV.UK One Login - GOV.UK

# Greater co-operation

## Clarify responsible bodies

As new sectors, projects and innovations break forth, regulators should convene panels and cross-industry bodies to decide upon an approach, identifying a lead 'responsible' regulator. This may also involve bodies which are not traditionally regulators – the HS2 bat tunnel evidenced struggles with development and delays due to environmental legislation and local planning laws.[24] This is increasingly important as innovation becomes more complex. For example, as tools like AI become deployed in sector specific areas for tasks like novel medicine creation, it's important to have a principle-led approach to act as a generic umbrella against AI misuse and ethics, with medical experts able to determine if the application itself is valid and safe, and data protection experts to understand what patient data may be necessary or appropriate for development. This could allow for innovative sanction dialogues as collective regulatory bargaining may prove more effective to hold larger organisations to account.

A clear point of access is especially important where the regulatory journey spans multiple regulators. Developers for Nationally Significant Infrastructure Projects (NSIPs) were blighted by the need to juggle multiple regulatory submissions with the Planning Inspectorate (PINS), Environmental Agency (EA), Health and Safety Executive (HSE), National Highways, local authorities, and more. The introduction of a standard submission framework and single PINS submission helped radically reduce the regulatory burden for developers and improved the time to market for development propositions. The Independent Water Commission review (Cunliffe Review) identified similar findings and a

[24] Bat safety barrier will cost £100m, says HS2 chairman - BBC News

requirement for an empowered, 'lead' regulator to better manage water companies.[25]

## Consider the end-to-end journey

For many years the Government Digital Service Standard and gov.uk have been advocating a user-centred approach, helping citizens and businesses to navigate government processes. Whilst regulators frequently do adopt this approach, their materials are focussed on the scope of their own organisation, rather than the full journey for individuals and businesses that frequently involves multiple regulators – consider the entrepreneur that wants to make use of the UK's new spaceport and has to navigate not only the Civil Aviation Authority's spaceflight regulator but also the Health and Safety Executive, local authorities, police forces, and other countries' Aviation Authorities on the proposed flightpath.

To make a true impact this type of thinking needs to be embraced by regulators themselves – recognising that it will have operational benefits for them as well (for example fewer queries outside of their remit). Regulatory re-engineering tools can accelerate this cross-organisation work using Generative AI to provide (and maintain) a view across the UK's regulation and guidance from the perspective of a specific actor/role.

## Co-operate to reduce the cost of regulation

Regulators are showing interest in sharing services – a recent roundtable we ran had almost twenty regulators who are interested in the potential of sharing services to enable their resources to be focussed on critical regulatory issues, with the Institute of Regulation keen to explore the potential for facilitating this collaboration. Potential areas of sharing include 'classic' back-office functions such as HR and finance, but also the potential to look at "middle office" functions such as legal teams, tribunals, and Fitness to Practice panels in healthcare regulators. While many regulators rightly identify the need to be truly independent, especially from parent organisations, sharing services with other regulators presents an opportunity to reduce cost without compromising independence, freeing up resources to focus on what they are uniquely placed to do.

[25] Independent Water Commission: review of the water sector - GOV.UK

# Conclusion: The call to action for regulators

Supporting economic growth and innovation does not require compromising safety and fairness. By embracing anticipatory regulation and implementing targeted changes to delivery models, processes and culture, UK regulators can effectively reduce barriers for businesses and foster a more dynamic growth economy. These changes, often incremental and achievable within existing remits and resources, can make a substantial impact, allowing regulators to concentrate resources effectively with a risk-based approach, balancing safeguarding with growth, and truly enabling the UK to thrive.

# Meet the team


**Sam Walsh**
**Partner**
UK Public Sector Regulation Lead
Email: sjwalsh@deloitte.com



**Dan Donaghy**
**Director**
Healthcare and Regulation Consulting
Email: dsdonaghy@deloitte.com



**Thomas Graham**
**Director**
Government and Regulation Consulting
Email: thgraham@deloitte.com



**Frances Gallagher**
**Assistant Director**
Healthcare and Regulation Consulting
Email: fgallagher@deloitte.com