



National Audit Office

Summary note

Regulation in a changing world –From Covid-19 to Net Zero: How can regulation respond to change?

On the 21st September 2021 the NAO hosted a webinar building on the publication of its good practice guide *Principles of Effective Regulation*. The full video of the event is now streaming to watch here: [From COVID-19 to Net Zero: How can regulation respond to change](#)

This note provides a summary of the event.

The event was headlined by two keynote speakers – **Gareth Davies** (Comptroller and Auditor General and head of the NAO) and **Dame Glenys Stacy** (Chair of the Office for Environmental Protection); they were followed by a panel of regulation experts and practitioners. All the speakers reflected on how regulators and regulatory policymakers (and the NAO) could respond to change, and provided insights and perspectives from their own work and regulatory experience.

Keynote speakers

Gareth Davies, underlined the NAO's strategic aim to distil and share knowledge from our work as widely as possible, and highlighted the NAO's [Principles of Effective Regulation](#) as an example of how to draw together the lessons from our work to achieve a greater impact. At its core is the idea of the learning cycle for regulators, when thinking about how to respond to change. Gareth also reflected on the high degree of change at pace we are all facing, with huge and systemic impacts across the whole of the economy and globally, and how the Covid-19 pandemic has led to an 'inflection point' for regulation as well as government policy more widely. The government's response to the Covid pandemic, environmental and net zero issues, and EU Exit are all themes that the NAO has covered in depth in its work, and from which it has tried to extract learnings both positive and negative. He used the current issues with the energy market as an example of how organisations' forward assessments that may try to compartmentalise risks can be dangerous, as it risks missing the interaction of data, technology, climate change, globalisation and other factors.

In her opening remarks, Dame Glenys Stacey emphasised how EU Exit and the Covid-19 pandemic have changed the context in which regulators operate. They have shown UK regulators can change, innovate and work in new ways, and she noted government's increasing interest in regulatory reform. However, in her view, all regulators need to take a fresh look at their purpose and priorities in a wider societal context to assess whether their stated purpose is fit for the context of today. This includes the need to find a way of making a positive difference to the environment – she emphasised that climate change is not 'something for the risk register' but is already happening.

Dame Glenys emphasised that the public expects more of regulators and expects them to be aware of the wider context in which they operate. If regulators are perceived to be out of touch, there is a real risk of losing the public's confidence, and in the volatile times in which we live there is a greater risk of this happening. Building on this theme, her view was that there is also an increasing need for regulators to engage widely, not only with the public, to listen actively and not reject new ideas, and to stimulate a meaningful debate with policy colleagues in government that takes account of the wider context. She recognised that this may create tensions with the 'settled view' of how things are

done, but argued that by acting in this way regulators are more likely to tailor and develop good solutions that strike a better balance between consistency and local approaches, and that provide space and support for innovation. She also raised the need for regulators to be of a sufficient size and capacity so they have the skills and capabilities that are needed to be self-learning and reflective organisations, capable of making well-informed decisions.

Panel discussion

Part Two of the event brought together five senior representatives from government, regulatory bodies and academia who spoke across a range of topics on the theme of responding to change.

Chris Carr, Director of Better Regulation at the Department for Business, Energy and Industrial Strategy, talked about Net Zero as the ‘largest ever government commitment in peacetime’, and the crucial importance of measuring impact correctly to control where the impacts fall. He also outlined the increasing need to unlock the benefits of technology by enabling innovation and the work of the Regulatory Horizons Council.

Rachel Arrundale, Deputy Policy Director at the Medicines and Healthcare products Regulatory Agency (MHRA), provided insights into how the MHRA adapted during the Covid pandemic where existing regulations wouldn’t work in pandemic conditions, taking a proportionate and flexible approach while maintaining safety as a watchword.

Will Hayter, Head of the Digital Markets Unit at the Competition and Markets Authority (CMA), described how the CMA is developing its approach in order to deal with new types of technology markets, such as social media, which tend towards small numbers of companies with large market power.

Tim Johnson, Policy Director at the Civil Aviation Authority, shared his thoughts on using sector understanding to try to reach a view on what the most likely developments, potential events and new technologies will be in the sector, and to put the right regulatory frameworks and mechanisms in place. He also talked about regulators having the courage to (safely) try new things, learn and adapt, and not rely on having all of the information before making any decisions.

Finally, **Martin Lodge**, Professor of Political Science and Public Policy at the London School of Economics, discussed how the regulatory landscape would respond to increasing political polarisation, and whether regulatory approaches needed updating. This included asking to what extent regulators should determine their own mandate in tackling Net Zero priorities, how this might be influenced by political incentives, and whether regulators can handle the burden of decentralised expectations with more discretion to reflect local priorities.

Final reflections

The event helped to demonstrate that much can be achieved by collaboration and strong communication across regulatory bodies and other stakeholders – all sharing insights and working towards addressing the common challenges we face on regulation.

It also helped NAO colleagues consider how we can use our unique cross-government position to contribute to the debate, by drawing out learning and lessons from across our work and convene discussions with and between key stakeholders.