National Audit Office

An Overview of

Regulation

for the new Parliament 2023-24

November 2024

OVERVIEW

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1 Introduction to the National Audit Office

Welcome to our Regulation Overview, part of our series of Overviews for the New Parliament, covering government departments and cross-cutting issues.

The National Audit Office (NAO) is the UK's independent public spending watchdog and is responsible for scrutinising public spending for Parliament. We audit the financial accounts of all departments, executive agencies, arm's-length bodies, some companies and some charities, and other public bodies. We also examine and report on the value for money of how public money has been spent.

The NAO is independent of government and the civil service. The NAO's wide remit and unique access rights enables us to investigate whether taxpayers' money is being spent in line with Parliament's intention and to respond to concerns where value for money may be at risk.

We support all Members of Parliament to hold government to account and we use our insights to help those who manage and govern public bodies improve public services. In 2023, the NAO's work led to a positive financial impact through reduced costs, improved service delivery, or other benefits to citizens, of £1.59 billion.

We are funded by, and accountable to, Parliament. As an Officer of the House of Commons, I am committed to ensuring that we support you and your staff in your work as a Member of Parliament, and your scrutiny of public spending and performance.

Our dedicated Parliamentary team can offer you support and put you in touch with our experts on subjects of interest to you and your constituents. If you would like more information about our work, or to arrange a briefing with me or one of my teams, please contact our Parliamentary Relations team at parliament@nao.org.uk.

Gareth Davies

**COMPTROLLER & AUDITOR GENERAL
NATIONAL AUDIT OFFICE**

Gareth Davies was appointed Comptroller & Auditor General (C&AG) in June 2019. He was appointed by the Monarch, following the approval of the House of Commons.

The C&AG has statutory authority to examine and to report directly to Parliament on whether government departments and other public sector bodies have spent taxpayers' money in the way Parliament intended. The C&AG and his staff are totally independent of government.

Gareth is a Fellow of the Chartered Institute of Public Finance and Accountancy and a Fellow of the Institute of Chartered Accountants in England and Wales. He is a non-executive Board member of the INTOSAI Development Initiative (IDI), which supports Supreme Audit Institutions (SAIs) in developing countries to sustainably enhance their performance and capacity.

2 How the NAO can help you as a Member of Parliament

How we support Parliament

We produce reports:

- on the annual accounts of government departments and their agencies;
- on the economy, efficiency and effectiveness with which government has spent public money; and
- to establish the facts where there are concerns about public spending issues.

We do not question government policy objectives. We look at how government has spent money delivering those policies and if that money has been used in the best way to achieve the intended outcome.

What we can offer

Through our website or our Parliamentary Relations team, MPs, peers and staff can:

- request a personal briefing on areas of our work that are of interest to them;
- sign up to receive embargoed copies of our reports on subjects of interest;
- make general queries about public spending, or raise concerns with us about value for money; and
- request advice on understanding and scrutinising departments' annual reports and accounts.

Resources available on our website

- **Reports:** Reviews of public spending and how well government is delivering.
- **Insights:** Learning and best practice to help people across government and the wider public sector.
- **Overviews:** Factual overviews of government departments, sectors and services.
- **Work in progress:** Our schedule of future publications.
- **Briefings:** Background information and factual analysis to support Select Committees.

Keep up to date with our work

- Sign up to our latest report updates
- Follow us on X or LinkedIn

How to get in touch

- Via our Parliamentary email inbox: parliament@nao.org.uk.

Auditing the accounts of all government departments and public organisations, helping assure money is being spent the way Parliament intended

Reporting to Parliament on the value for money of how public money has been spent and what has been achieved

Sending you embargoed copies of our reports before they are available to the public

Providing briefings to you or a member of your team on our work

Providing advice and training on examining government departments' annual reports and accounts

Giving evidence to Select Committees

Our fortnightly newsletter with our latest reports and new work

You can write to us with any queries or concerns about the misuse of public money or behaviour in public bodies we audit

3 About this Overview

This report has been produced to provide an introduction to regulation and the NAO's examination of regulatory performance and spending across government. **It is intended to support Members of Parliament in their scrutiny of regulators and regulation. Along with the fiscal levers of taxation and spending, regulation is a key tool for the government to achieve public outcomes.**

Effective regulation protects the rights and safety of citizens, supports fair markets and ensures the delivery of public goods and services. When regulation fails, it can have serious consequences for our finances, safety, the economy as a whole or the environment.

The report includes:

- an introduction to regulation;
- information on regulators' spending and accountability;
- key themes and things to look out for; and
- an overview of key regulators.

This report updates our previous report, *Departmental Overview 2020-21: Regulation*, published in March 2022.

How we have prepared this report

The information in this report draws on the findings and recommendations from our financial audit and value-for-money work, and from publicly available sources, including the annual report and accounts of regulators.

We have cited these sources throughout the guide to enable readers to seek further information if required. Where analysis has been taken directly from our value-for-money or other reports, details of our audit approach can be found in the Appendix of each report, including any evaluative criteria and the evidence base used.

Other analysis in the guide has been directly drawn from publicly available data and includes the relevant source as well as any appropriate notes to help the reader understand our analysis.

Other relevant publications

More information about our work on regulation, as well as information about our other recent and upcoming reports, can be found on the NAO website.

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4 What do we mean by regulation?

Regulation is characterised by a set of rules and activity that, together, incentivise people and organisations to meet expected behaviours.

A common aim of regulation is to correct market failure, meaning to intervene to protect market users where they do not have the ability to make free choices on the services or products they use. But the purpose of regulation is usually broader, and regulations have been described as "indispensable to the proper function of economies and societies". They create the rules of the game for citizens, business, government and civil society. They underpin markets, protect the rights and safety of citizens and ensure the delivery of public goods and services.[1]

Regulators work to achieve a number of aims.

- Protecting citizens by ensuring the quality of public goods and services. For example, regulators work to ensure that health and social care services are safe, effective, and of high quality, and that education services raise standards and keep children safe.
- Protecting citizens from harm arising from the wider consequences of market activity. For example, regulators protect public health and the environment by restricting emissions which affect air and water quality, and setting and enforcing standards for the safe management of waste.
- Protecting consumers' rights in markets where there is limited competition. For example, regulators set standards for operators in the water and energy sectors, and regulate the prices companies can charge consumers.
- Protecting consumer safety in markets where they do not have all the information they need to make informed choices. For example, regulators play a role in ensuring that food is safe to eat and products are safe to use.
- Protecting the economy as whole. For example, regulators of financial services work to protect consumers from fraud and support healthy, competitive markets, helping to encourage trust and investment in the economy.

1 Organisation for Economic Co-operation and Development (OECD), *Regulatory Policy and Governance: Supporting Economic Growth and Serving the Public Interest*, October 2011.

5 How is regulation developed?

Regulations and regulatory powers derive from primary and secondary legislation, usually written by the government of the day and passed by Parliament to achieve policy objectives. Secondary legislation can occasionally be introduced by a wider range of organisations – for example, Ofcom has powers to make secondary legislation under the Communications Act 2003.

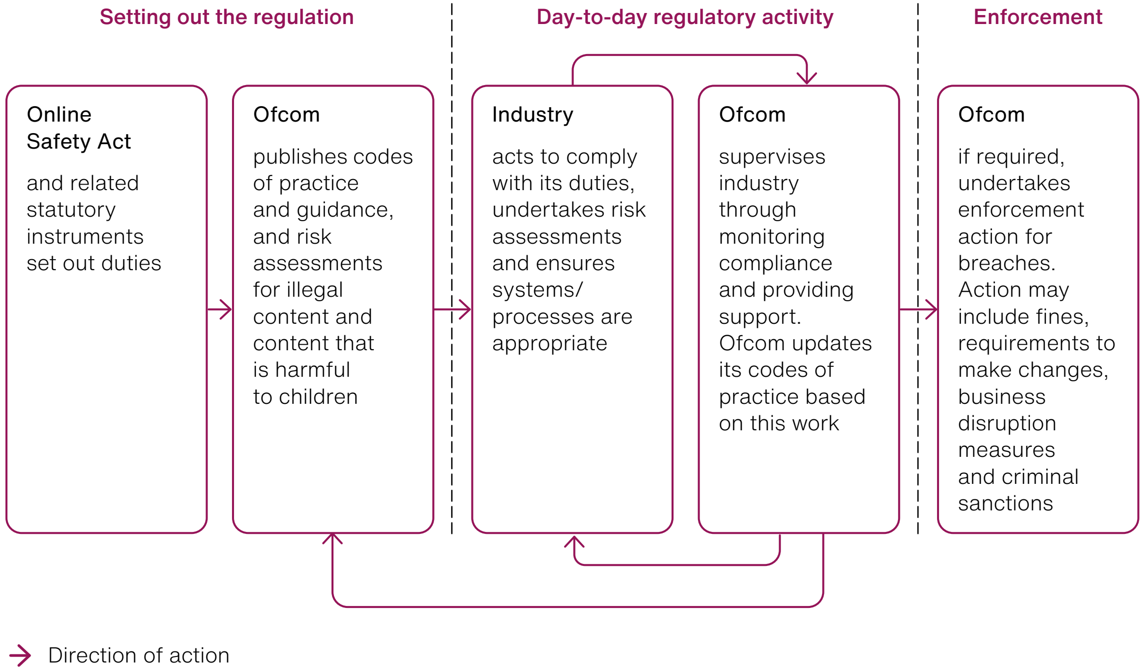
Good regulation starts with a clear purpose and responds to a clear need. Both in design and execution, regulation should be transparent, accountable, proportionate, consistent and targeted.[2] A good system is clear on what every part of the regulatory framework does, and provides incentives to encourage the behaviours that will deliver policy outcomes. The regulatory framework spans:

- **government departments,** which have overall responsibility for the policy area, and may have policy tools working alongside the regulation, to deliver the outcomes they want to achieve;
- **regulators,** which are responsible, within their legislative frameworks, for the development and implementation of regulation and overseeing compliance; their actions may range from offering guidance and support, monitoring, responding to whistleblowing, inspecting, and taking enforcement action when a business breaches the law;
- the **regulated sector** (businesses, organisations or individuals) which is regulated, and must take action to comply with regulations; and
- the **public,** which benefits from regulation, either directly as a customer of the sector or more broadly.

The figure on the right uses the online safety regulatory regime to illustrate the process of designing regulation through to executing enforcement powers.

Outline of the the online safety regulatory regime

Regulation of online safety will involve industry acting to comply with the regime, with monitoring and supervision by Ofcom



Source: National Audit Office analysis of Ofcom documents, originally presented in our July 2023 report *Preparedness for online safety regulation*

2 *Legislative and Regulatory Reform Act* 2006, chapter 51.

Regulation can range from light-touch (for example, guidance or warning notices) to direct actions such as fines or revocation of licences. They can also vary in how they work from being prescriptive and rules-based to being more outcomes focused.

Rules-based, or prescriptive, regulation requires those being regulated to take specific action to achieve an outcome. For example, food safety regulation that requires food businesses to register with their local authority and demonstrate staff have been appropriately trained in food hygiene.

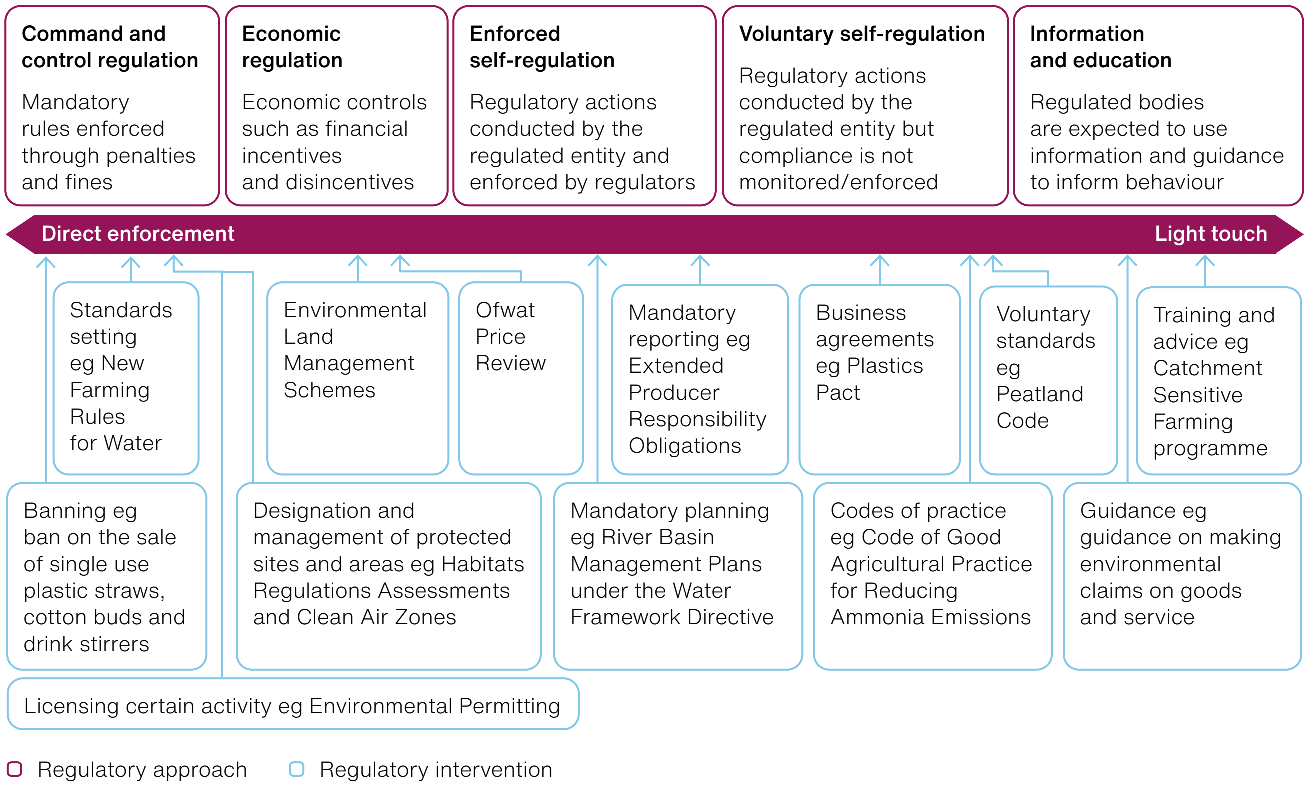
Outcome-based regulation involves setting results but allowing businesses greater freedoms in how to achieve those targets. For example, the conduct of financial services companies, regulated by the Financial Conduct Authority, requires financial services companies "to act to deliver good outcomes for retail customers" but does not specify exactly how companies should meet the duty.[3]

Policy-makers and regulators should consider a range of alternatives when planning how to achieve desired outcomes. The form of the regulation will depend on the particular issues facing government, and many areas of regulation will use more than one approach. In addition, businesses can voluntarily follow industry set standards without government involvement. In our 2023 report *Regulating to achieve environmental outcomes* we set out how the Department for Environment, Food & Rural Affairs (Defra) and its regulators used a wide range of interventions to regulate the environmental landscape (see figure to the right).

3 Financial Conduct Authority, *A new Consumer Duty: Feedback to CP21/36 and final rules*, July 2022.

Approaches and interventions used within the environmental regulatory landscape

There are a wide range of interventions used to regulate the environmental landscape, from directly enforced interventions to lighter touch approaches



Notes

1 National Audit Office analysis did not measure the prevalence of interventions.

2 Minor updates were made to the original chart published in April 2023 to add detail on licensing.

Source: National Audit Office analysis of publicly available information, originally published in our April 2023 report, *Regulating to achieve environmental outcomes*

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Who regulates?

There is no single agreed definition of a regulator, and many public bodies have some regulatory responsibilities.

In 2020, the Cabinet Office's list of public bodies identified 58 bodies (not including ministerial departments) with a regulatory function. In 2024, the Institute for Government identified 116 regulators that should be subject to Parliamentary scrutiny.[4] Local authorities also often carry out regulatory roles, for example, via Trading Standards or Environmental Health teams.

How much does regulation cost?

The figure to the right sets out the 2022-23 expenditure of some of the largest regulators. Regulators are funded in a range of ways, including the following.

- **Fees and charges** paid by those they regulate. For example, the Financial Conduct Authority and Ofgem are largely funded from fees. Regulated industries may pass these costs on to consumers.
- **Government funding.** The Food Standards Agency and the Health and Safety Executive are both majority-funded by the government, although they also have income from fees.

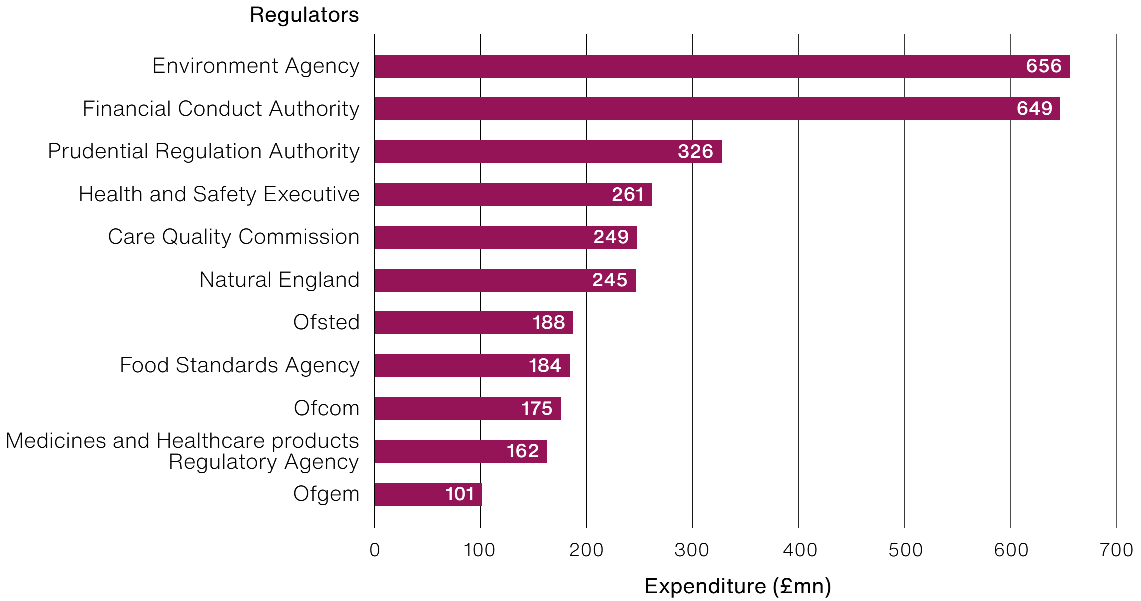
The cost of regulators is usually small compared with the value of the sector being regulated. For example, in 2023 the finance and insurance sector was worth an estimated £209 billion to the UK economy and the health and social care sector was worth an estimated £185 billion.

The full costs of regulation include both the operating costs of regulators and the cost to service providers of compliance with regulations. Regulators are required to estimate the impact on businesses of any significant new regulation, and the government shares these impact assessments with Parliament alongside the legislation needed to create new regulations.

4 Institute for Government, *Parliament and regulators: How select committees can better hold regulators to account*, April 2024.

Some of the larger UK regulators' expenditure 2022-23

Twelve of the largest regulators each spent over £100 million



Notes

1 The Environment Agency (EA) expenditure figure includes regulatory work funded by fees and charges for water resources, environment protection, fisheries and navigation, and grant-in-aid expenditure funded by the Department for Environment, Food & Rural Affairs in environment protection, fisheries, and navigation. This may include some non-regulatory expenditure which cannot be split out. The figure excludes expenditure on EA's activities on flood risk management.

2 The Ofgem expenditure figure excludes spending on non-regulatory activities such as delivery of renewable heat incentives and other environmental and social schemes.

3 The Financial Conduct Authority expenditure figure excludes expenditure related to the Payment Systems Regulator.

4 Because there is no single agreed definition of a regulator, this figure provides an illustration of a range of the larger regulators and their expenditure.

Source: National Audit Office analysis of regulators' annual reports and accounts

8 How are regulators held to account?

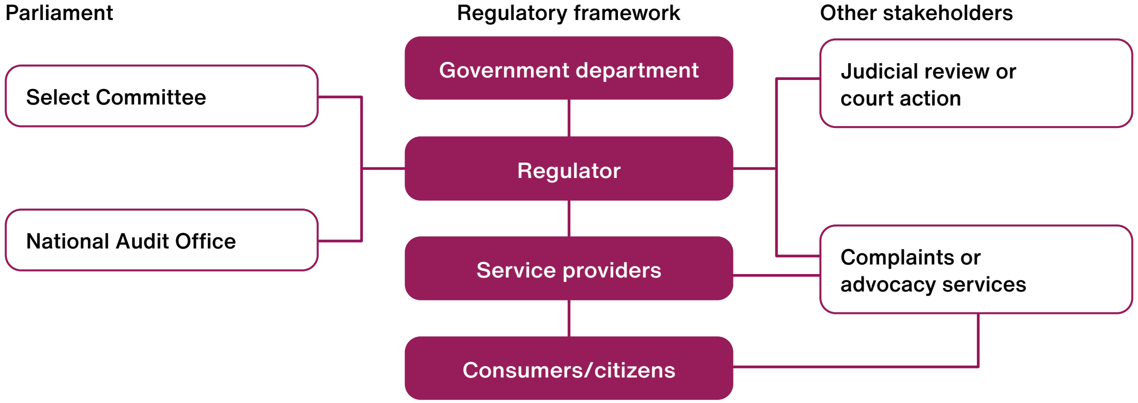
Accountability arrangements

Robust accountability arrangements help to ensure regulators are held to account for their efficiency and effectiveness. The figure to the right illustrates common accountability arrangements. Key parts of the accountability system include the following.

- **Parliament:** Parliamentary accountability includes scrutiny by Select Committees, debates and oral and written questions. Most regulators are directly accountable to Parliament through their own accounting officer, who must personally "be able to assure Parliament and the public of high standards of probity in the management of public funds".
- **The National Audit Office (NAO):** The NAO supports Parliament by auditing regulators' financial accounts and examining and reporting on the value for money of their activities.
- **Government departments:** Regulators are often sponsored by a government department and accountable to its secretary of state. The secretary of state may have a role in appointing the regulator's chair and non-executive board members, or providing a strategic direction to the regulator. The level of involvement will depend on the level of statutory independence the regulator has and the type of body it is.
- **Regulator boards:** Regulators are held to account internally by their boards, often including a publicly appointed chair and non-executive board members.
- **Citizens and consumers:** Citizens hold regulators to account by seeking redress for poor service, such as through ombudsman services or advocacy bodies.
- **Judicial review:** Companies and citizens may be able to hold the regulator to account through court action.

Illustrative example of accountability arrangements

Regulators can be held to account in a range of ways, including by Parliament, sponsor departments and other stakeholders



Note

1 Minor updates were made to the chart originally published in March 2020 to include the role of judicial review or court action.

Source: National Audit Office analysis, originally published in *Regulation Overview 2019*, with minor updates

9 What to look out for

Strengthening digital regulation

Digital markets competition regime

The Digital Markets, Competition and Consumers Act received royal assent in May 2024. It gives the Competition and Markets Authority (CMA) new powers to designate powerful digital firms with 'strategic market status' and intervene to promote competition and fair behaviour.

Look out for: How the CMA implements the new regime, including designating firms as having Strategic Market Status.

Online safety regulation

The Online Safety Act 2023 will be implemented in three phases from 2023 to 2026. It imposes new duties on online service providers to minimise the extent of illegal content and content that is harmful to children.

Providers will be accountable to Ofcom, the UK's communications regulator. Our 2023 report *Preparedness for online safety regulation* concluded that Ofcom had made a good start to its preparations for its new role as the UK's online safety regulator, but going forward it also faced significant challenges, including securing funding for extra staff, obtaining good-quality data to monitor compliance, and regulating a large number of services, the majority of which have no UK corporate or economic presence.

Look out for: How Ofcom addresses the challenges of its new role, including its capacity and capability.

New regulatory bodies and new duties

Football governance reform

The government has committed to reforming football governance and establishing an independent regulator to ensure financial sustainability of football clubs in England and Wales.

Look out for: Progress of the Football Governance Bill, announced in the King's Speech, that will introduce an independent football regulator.

Regulatory Innovation Office

The government has announced its intention to set up a Regulatory Innovation Office to help regulators update regulation, speed up approval timelines, and coordinate issues that span existing boundaries.

The office will support the work of the Regulatory Horizons Council, established in 2019 to provide independent expert advice to government on technological innovation, and the regulatory reform required to support its introduction.

Look out for: The set-up, objectives, and priorities of the new office.

Key regulatory activities in 2024-25

Regulating the water industry

Every five years, Ofwat sets the price, investment and service package that customers receive from water and sewerage companies in England and Wales. The price review for the period 2025–2030 is expected to be finalised by Ofwat in December 2024.

The government's Water (Special Measures) Bill will give Ofwat powers intended to prevent the payment of bonuses by water companies under certain circumstances, and will introduce additional monitoring requirements.

Look out for: Ofwat's publication of price review determinations, and passage of the Bill.

New national lottery operator

The Gambling Commission has awarded a 10-year licence to a new national lottery operator, which runs from 1 February 2024 to January 2034.

The Gambling Commission has introduced a new outcome based regulatory framework to oversee the licence, which is intended to give the licensee more freedom to innovate and use its commercial judgement but also greater responsibility and accountability for its performance and delivery against outcomes.

Look out for: How the Gambling Commission implements its new outcome-based regulatory approach.

10 Key themes

Capacity and capability

Regulators must have sufficient capacity and skills to identify and respond to emerging challenges in their sectors. They need to identify skills gaps and secure the resources to build expertise.

We have repeatedly found regulators struggling to recruit specialist skills. For example, our 2022 report *Regulating after EU exit* found that both the Health and Safety Executive (HSE) and Food Standards Agency (FSA) were facing difficulties recruiting staff with toxicology expertise.

We have also found regulators facing challenges with their current and future capacity. In our 2023 report *Preparedness for online safety regulation* we reported that Ofcom will require almost 350 additional staff by 2023-24 to meet its new responsibilities, an increase of more than 35% of its total staff in 2019-20.

Regulating innovation

Good regulation can support innovation by providing opportunities to explore new ideas without creating undue risks. A proactive approach to identifying new developments helps regulators respond proportionately to issues that might scale rapidly.

Our 2023 report *Financial services regulation: Adapting to change* found that the FCA has developed tools to regulate innovations in financial services markets. In 2016, the FCA introduced a regulatory sandbox, a 'safe space' for firms to test innovative products, services, business models and delivery mechanisms. This both supported firms in getting innovative products to market and helped the FCA ensure that new products had appropriate safeguards in place.

Regulating for growth

Regulators can contribute to economic growth by providing a stable environment for investment, or minimising costs to service providers and consumers.

A general Growth Duty for regulators came into effect in March 2017. This requires regulators to have regard to promoting economic growth, alongside their other duties. In 2023, the Financial Conduct Authority (FCA) and Prudential Regulation Authority were given a specific secondary objective to advance the international competitiveness and growth of the UK economy. In May 2024, the Growth Duty was extended to Ofcom, Ofgem, and Ofwat.[5]

Regulators have started to respond to their new duties. Our 2023 report *Financial services regulation: Adapting to change* found that the FCA was working to embed its new objective within its existing work.

Local delivery of regulation

National regulators often work with or alongside local regulators, such as Trading Standards or Environmental Health Teams. Local regulators have advantages, such as being able to tailor their approach to the local context and priorities.

However, local regulators must have adequate capacity to fulfil their objectives and operate effectively. Our 2023 report *Lessons learned: How to deliver effective regulation locally* found that local authority expenditure on regulatory services has fallen approximately 25% between 2010-11 and 2021-22. Our 2021 report *Regulation of private renting* and 2023 report *Investigation into supported housing* found that funding pressures may have constrained local authorities' ability to check properties proactively for non-compliance with minimum property standards.

5 The Growth Duty will not apply to the online safety functions of Ofcom under the Online Safety Act 2023 until April 2026.

11 Overview of key regulators

Regulating utilities

Ofcom

Facts and figures	
Funding	Regulatory activity 100% funded through industry fees and charges
Organisation type	Statutory corporation
Expenditure 2022-23	£175 million
Staff number 2022-23 (full-time equivalent)	1,256
Geographical remit	UK

About

The Office of Communications (Ofcom) is the regulator for the UK communications industries. It regulates the TV and radio sectors, fixed-line and mobile telecoms, video-on-demand services, postal services, and the radio spectrum used by wireless devices. It is also the UK's online safety regulator, ensuring that online service providers protect their users, including children, from illegal content and activity online.

What to look out for in 2024-25

Ofcom is implementing the new rules required by the Online Safety Act 2023 in three phases from 2023 to 2026. It will publish its codes of practice and guidance on illegal harms in December 2024, and on the protection of children in April 2025.

It is also continuing to implement the Media Act 2024, which updates the regulatory framework for TV, video-on-demand services and radio.

Ofgem

Facts and figures	
Funding	Regulatory activity 100% funded through industry fees and charges
Organisation type	Non-ministerial department
Expenditure 2022-23	£142 million[6]
Staff number 2022-23 (full-time equivalent)	1,485
Geographical remit	Great Britain

About

The Office of Gas and Electricity Markets (Ofgem) is the energy regulator. It is responsible for ensuring fair treatment for all consumers, enabling competition and innovation and supporting the government to achieve its net zero target by 2050. Its role includes setting price controls for the gas and electricity network companies and setting the energy price cap (that came into effect on 1 January 2019) for the maximum rate per unit that can be charged to customers for their energy use.

What to look out for in 2024-25

In 2024 Ofgem is consulting on the future of the energy price cap and how it should evolve to keep pace with changes to the structure of the energy market. It is also consulting on affordability and debt in the domestic retail market to inform its future policy development.

Ofwat

Facts and figures	
Funding	Regulatory activity 100% funded through industry fees and charges
Organisation type	Non-ministerial department
Expenditure 2022-23	£33 million
Staff number 2022-23 (full-time equivalent)	254
Geographical remit	England and Wales

About

The Water Services Regulation Authority (Ofwat) is the economic regulator for the water and sewerage industry in England and Wales. Its duties include protecting the interests of consumers, ensuring that the water and sewerage companies carry out their statutory functions and that they are able to finance them, and securing the resilience of the sector so that it can meet long-term water supply and wastewater needs.

What to look out for in 2024-25

Ofwat is carrying out a price review which will set the price, investment and service package that customers receive for the period 2025–2030. It expects to publish its final determination in December 2024.

6 Ofgem figure includes spending on non-regulatory activity such as delivery of renewable heat incentives and other environmental and social schemes.

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Overview of key regulators *continued*

Regulating the economy

Financial Conduct Authority

Facts and figures	
Funding	Regulatory activity 100% funded through industry fees and charges
Organisation type	Company limited by guarantee
Expenditure 2022-23	£649 million[7]
Staff number 2022-23 (full-time equivalent)	4,520[7]
Geographical remit	UK

About

The Financial Conduct Authority (FCA) regulates the financial services industry in the UK. Its role includes protecting consumers from bad conduct, protecting the integrity of the UK financial system, and promoting effective competition in the interests of consumers. It regulates the conduct of around 42,000 businesses and prudentially supervises around 41,000 firms.

What to look out for in 2024-25

The Financial Services and Markets Act 2023 (FSMA 2023) has given the FCA more responsibilities to develop regulation post EU Exit and a new secondary objective of facilitating the international competitiveness and growth of the UK economy; 2024-25 will be the FCA's first full year operating with this expanded role.

Prudential Regulation Authority

Facts and figures	
Funding	Regulatory activity 100% funded through industry fees and charges
Organisation type	Part of the Bank of England and governed by the Prudential Regulation Committee
Expenditure 2022-23	£326 million
Staff number 2022-23 (full-time equivalent)	1,449
Geographical remit	UK

About

The Prudential Regulation Authority (PRA) is part of the Bank of England and is responsible for the prudential regulation and supervision of around 1,500 financial institutions, including banks, building societies, credit unions, insurers and major investment firms.

What to look out for in 2024-25

FSMA 2023 expanded PRA's role, including giving it a new secondary objective of facilitating the international competitiveness and growth of the UK economy; new rule-making powers post EU Exit; and powers to oversee the services provided to regulated firms by 'critical third parties'; 2024-25 will be the PRA's first full year operating with this expanded role.

Competition and Markets Authority

Facts and figures	
Funding	100% government funded
Organisation type	Non-ministerial department
Expenditure 2022-23	£106 million
Staff number 2022-23 (full-time equivalent)	904
Geographical remit	UK

About

The Competition and Markets Authority (CMA) is the UK's primary competition authority. It aims to help people, businesses, and the UK economy by promoting competitive markets and tackling unfair behaviour. Its role includes investigating mergers that have the potential to lessen competition, taking action against anti-competitive behaviour, and protecting people from unfair trading practices. Since the UK left the European Union, the CMA also monitors and reports on the UK internal market and government subsidies.

What to look out for in 2024-25

The Digital Markets, Competition and Consumers Act 2024 gives the CMA new powers to designate powerful digital firms with "strategic market status" and intervene to promote competition and fair behaviour. The powers are expected to come into force in late 2024 or early 2025.

7 Figures for expenditure and number of staff exclude the Payment Systems Regulator.

Section 11:
Overview of key regulators *continued*

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Regulating public services

Care Quality Commission

Facts and figures	
Funding	Around 85% funded by fees from registered providers, with the remainder mainly funded by government
Organisation type	Non-departmental public body
Expenditure 2022-23	£249 million
Staff number 2022-23 (full-time equivalent)	3,034
Geographical remit	England

About

The Care Quality Commission (CQC) is the regulator of health and adult social care in England, including hospitals, dental services, GP services, care homes and homecare agencies. The CQC was given new powers which came into force in 2023 to assess the role of Local Authorities in carrying out their duties under the Care Act 2014, as well as powers to assess Integrated Care Systems, which are local partnerships of health and care organisations set up to develop shared plans and joined-up services.

What to look out for in 2024-25

As part of the Cabinet Office-led Public Bodies Review Programme (that examines the efficacy, governance, accountability and efficiency of arm's-length bodies), the Department for Health and Social Care is carrying out a review of the CQC. Interim findings were published in July 2024 and a final report is expected in autumn 2024.

Ofsted

Facts and figures	
Funding	Around 80% government funded, with the remainder funded from sources including industry fees and charges
Organisation type	Non-ministerial department
Expenditure 2022-23	£188 million
Staff number 2022-23 (full-time equivalent)	1,998
Geographical remit	England

About

Ofsted is the Office for Standards in Education, Children's Services and Skills. It inspects schools, further education and skills providers, childminders, nurseries, and children's social care, and provision for children with special educational needs and/or disabilities. It is also the regulator in early years and children's social care, ensuring that providers are fit to provide services.

What to look out for in 2024-25

Following the tragic death of Ruth Perry, Ofsted commissioned an independent review into its response, alongside a consultation seeking views on how Ofsted works. Ofsted's response, published in autumn 2024, included plans to reform its inspection framework, replace the single-word "overall effectiveness" grade with a report card, and place more emphasis on meeting the needs of children and young people with vulnerabilities.

Section 11:
Overview of key regulators *continued*

Regulating to protect the environment

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Environment Agency

Facts and figures	
Funding	Around 70% government funded across all activities, with the remainder funded from sources including industry fees and charges[8]
Organisation type	Non-departmental public body
Expenditure 2022-23	£1,897 million[8]
Staff number 2022-23 (full-time equivalent)	11,551[8]
Geographical remit	England

About

The Environment Agency (EA) was established in 1996 to protect and improve the environment. Its responsibilities include regulating major industry and waste; treatment of contaminated land; water quality and resources; fisheries, inland river, estuary and harbour navigations; and conservation and ecology. It is also responsible for managing the risk of flooding from main rivers, reservoirs, estuaries, and the sea.

What to look out for in 2024-25

In 2024-25 the EA's areas of focus include improving water quality, hiring additional staff and completing 4,000 inspections of wastewater and storm installations. It is also introducing the Extended Producer Responsibility for packaging, which from 2025 will require companies that produce packaging or sell packaged products in the UK to pay for the costs of collecting and sorting household packaging waste for recycling.

Natural England

Facts and figures	
Funding	Around 90% government funded, with the remainder funded from sources including industry fees and charges
Organisation type	Non-departmental public body
Expenditure 2022-23	£245 million
Staff number 2022-23 (full-time equivalent)	2,795
Geographical remit	England

About

Natural England is the government's advisor on the natural environment. It aims to help conserve, enhance, and manage the natural environment for the benefit of present and future generations, thereby contributing to sustainable development. It has a role in delivering the *Environmental Improvement Plan 2023*, in particular objectives around climate change mitigation and adaptation, thriving marine and terrestrial wildlife and enhanced beauty, heritage and engagement with the natural environment.

What to look out for in 2024-25

Legislation came into force in 2024 requiring developers to deliver a biodiversity net gain of 10% on new developments (delivering more or better-quality natural habitats than there were before). Developers can create biodiversity on-site, off-site or as a last resort, through statutory biodiversity credits that the government will use to invest in habitat creation. Natural England is administering the statutory biodiversity credits scheme.

8 Funding and staffing figures cover all the activities that the EA delivers, including non-regulatory activity such as flood risk management.

Section 11:
Overview of key regulators *continued*

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Regulating to ensure standards and safety

Food Standards Agency

Facts and figures	
Funding	Around 75% government funded, with the remainder funded from sources including industry fees and charges
Organisation type	Non-ministerial department
Expenditure 2022-23	£184 million
Staff number 2022-23 (full-time equivalent)	2,016
Geographical remit	England, Wales and Northern Ireland

About
The Food Standards Agency (FSA) is responsible for food safety and standards in England, Wales and Northern Ireland. The FSA's main objectives are to protect public health from risks arising from the consumption of food and generally to protect the interests of consumers in relation to food. It regulates the food system, delivering controls in meat, dairy and wine production, and oversees and works with local authorities who inspect local food businesses.

What to look out for in 2024-25
The FSA is planning legislation on reforms to its regulation of food and feed products which require authorisation before they can be sold (for example, food additives, flavourings and novel foods). Expected reforms include ending the requirement to renew authorisations every 10 years and removing the requirement for legislation to authorise products, instead enabling them to come into effect by publication after ministerial decision.

Health and Safety Executive

Facts and figures	
Funding	Around 65% government funded, with the remainder funded from sources including industry fees and charges
Organisation type	Non-departmental public body
Expenditure 2022-23	£261 million
Staff number 2022-23 (full-time equivalent)	2,784
Geographical remit	Great Britain

About
The Health and Safety Executive (HSE) is Britain's national regulator for workplace health and safety. It aims to prevent work-related death, injury and ill health through its work. Following EU Exit, its role as the main regulator for chemicals in the UK has expanded, taking on responsibilities previously carried out by EU bodies and member states. It has also been appointed the Building Safety Regulator, regulating higher-risk buildings in England and assessing and monitoring the performance of building control bodies.

What to look out for in 2024-25
In 2024-25, the HSE expects to consolidate its role as the new Building Safety Regulator. This will include assessing occupied higher-risk buildings for their compliance with new duties to manage building safety risks and inspecting building control bodies.

12 More information about our work on regulation

Regulating to achieve environmental outcomes

April 2023

This report examined whether Defra and its arm's-length bodies were using regulation effectively to achieve environmental objectives.

It concluded that Defra's work to understand how its regulation supported its overall environmental objectives was still at an early stage. Key regulators were behind on aspects of their existing work, and the resource requirements for planned activity were still being estimated. Defra had started to strengthen its governance arrangements and develop a strategy for evaluation, but did not have the information it needed on the effectiveness of regulation. The gaps limited Defra's ability both to make evidence-based decisions about where to deploy its resources, and to understand wider impacts of its regulatory approach. We made recommendations around building detailed operational plans, reviewing regulations, improving governance, and assessing effectiveness of regulation.

Preparedness for online safety regulation

July 2023

In March 2022 the government introduced to Parliament the Online Safety Bill, with the aim of regulating a range of online harms. This report examined whether the preparations undertaken by the Department for Science, Innovation & Technology (and previously the Department for Culture, Media and Sport) and Ofcom for the implementation of the new online safety legislation were sufficiently advanced.

It concluded that Ofcom had made a good start to its preparations for its new role, but going forward it also faced significant challenges, including securing funding for extra staff, obtaining good-quality data to monitor compliance, introducing a fee regime to cover its costs, and regulating a large number of services, the majority of which have no UK corporate or economic presence. We made recommendations around Ofcom's external communication, financial management, skills and capacity, and monitoring and evaluation.

Lessons learned: How to deliver effective regulation locally

May 2023

Local government regulatory services play a key role in the UK's regulatory landscape, including administering and enforcing regulations set by government departments and national regulators such as the FSA and the HSE.

This 'lessons learned' report brings together insight from our work across many regulators and identifies eight areas for government departments and national regulators to consider when designing, delivering and improving regulation involving local regulatory delivery.

Financial services regulation: Adapting to change

December 2023

The FCA regulates financial services firms and financial markets in the UK. This report examined how well placed the FCA was to respond to the changes that the financial services sector is undergoing, and to support the government's ambitions for the sector.

We concluded the FCA was carrying out work to reshape the organisation and had published a multi-year strategy with a clear focus on outcomes. However, it needed to complete work on optimising its use of data, resource allocation, performance monitoring and prioritisation of its activities. We made recommendations around assessing the effectiveness of new accountability arrangements, external reporting, and key operational processes.