

Regulation in a changing world

How to meet the needs of the future?



About this report

This report summarises a half-day conference held on Wednesday 15 July 2026 at the Institute for Government, kindly supported by Water UK. The event brought together experts from across government, industry and civil society to discuss the future of regulation in the UK.

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The conference programme

Wednesday, 15 July 2026

Welcome

- **Dr Hannah White OBE**, Director and CEO of the Institute for Government

Keynote speech by Blair McDougall MP

- **Blair McDougall MP**, Minister for Small Business and Economic Transformation, delivered a keynote speech and was then in conversation with:
- **Jill Rutter**, Senior Fellow at the Institute for Government (chair)
- **David Henderson**, Chief Executive Officer of Water UK

Delivering government policy through regulation

- **Caleb Deeks**, Director General for Competition, Markets and Regulatory Reform at the Department for Business and Trade
- **Lord Michael Gove**, Editor of *The Spectator* and former Secretary of State for Environment, Food and Rural Affairs (2017-19)
- **Dame Clare Moriarty**, Chief Executive Officer at Citizens' Advice
- **Natalie Prosser**, Chief Executive Officer at the Office for Environmental Protection

Chaired by **Dr Matthew Gill**, Programme Director at the Institute for Government

Creating a regulatory system that attracts investment

- **Rt Hon George Eustice**, former Secretary of State for Environment, Food and Rural Affairs (2020-22)
- **Mark McAllister**, Chair of Ofgem
- **Stephanie Voelz**, Senior Credit Officer at Moody's

Chaired by **Giles Wilkes**, Senior Fellow at the Institute for Government

Closing remarks

- **Rt Hon Ruth Kelly**, Chair of Water UK
- **Dr Matthew Gill**, Programme Director at the Institute for Government

Evening reception

- **John Fingleton CBE**, Executive Chair of Fingleton

Introduction

On 15 July 2026, the Institute for Government, kindly supported by Water UK, welcomed experts from across government, industry and civil society to a half-day conference titled 'Regulation in a changing world'. The event brought together regulators, policy makers and investors to discuss the topical issue of the future of regulation in the UK.

The conference took place at a moment of political transition. Regulation minister Blair McDougall's keynote, which kicked the day off, came as Westminster was anticipating a change of prime minister, with Andy Burnham expected to replace Keir Starmer. This political backdrop gave the day's discussions a sharper edge.

Regulation's role in supporting growth came up repeatedly as a topical issue. Regulators across sectors are being asked to balance growth with lowering bills, attracting investment, and protecting the environment and consumers. These objectives may all be desirable – and may even contribute to growth in different ways – but they do not always point in the same direction.

Speakers returned to these tensions throughout the day. Regulation is often presented only in technocratic terms, but the conference repeatedly showed that regulation is also about politics: who makes trade-offs, who bears costs, and who takes the blame when things go wrong. Regulation can be controversial, in other words, because different people want different things from it:

- Government wants regulation to deliver a range of policy outcomes – particularly, in recent years, economic growth. But ministers are also rightly concerned that it should do so in a way that remains accountable to them.
- The public wants to be protected in an uncertain world – but can also be sceptical of technocrats making decisions for them.
- Regulated industries want to see clearer and more proportionate regulation (and sometimes just less regulation) but also need stability and certainty to plan for the future.
- And regulators themselves want to meet their objectives, and be seen to do so, without controversy.

In this context, and at a moment of economic constraint and rapid change, the conference offered a timely opportunity to probe the ways government can best enable regulators to adapt to the range of expectations placed on them.

We hope that this report will give government, regulators and the public an overview of these live and important debates: links to video and audio recordings are found at www.instituteforgovernment.org.uk/event/regulation-changing-world

Key takeaways from the conference

Keynote speech by Blair MacDougall MP

- **Good regulation is more than just a burden on business.** In his opening speech, the regulation minister quickly explained that while regulation can be a burden it can also support growth by creating confidence in markets and enabling competition. Government's aim is not simply to cut regulation, therefore, but to harness it for national prosperity.
- **Political choices are for politicians to make.** Throughout the afternoon, the division of labour between regulators and politicians emerged as a key theme. Regulators need the delegated authority to meet their objectives, but politicians must take responsibility for political trade-offs between them.
- **Regulators need resources, as well as powers, to encourage innovation.** Keeping pace with technological change requires not only legislative flexibility but the resources to build and run sandboxes, for example.

Delivering government policy through regulation

- **Regulation is not the answer to everything.** While regulation is an attractive policy tool, it can be slow to introduce and to change. Policymakers should carefully consider whether regulation is justified as a means to achieve their aims.
- **Outcomes should come before process.** Good regulation should solve real-world problems – and a rigorous process can even be counterproductive if it leads to overall detriment (for example where nature-based solutions are discounted in the environmental sphere).
- **Expectations of regulators should be consistent over time.** In the water sector, for example, former ministers recognised that priorities had varied and that an emphasis on low consumer bills had undermined delivery against other priorities like resilience of supply.
- **A generic growth duty won't work – regulators need specificity.** Regulators need to know what outcomes in their specific sectors would be consistent with the government's wider growth policy.
- **The public wants a system that works for them.** Consumers expect the government to use regulation to address imbalances of power that would otherwise exist between them and business interests, encouraging fairness and providing recourse when things go wrong.
- **Greater collaboration could improve regulation.** Regulators and policymakers can collaborate to share risks, reduce harms more efficiently and make the regulatory landscape easier to navigate.

Creating a regulatory system that attracts investment

- **Investment is key to growth.** But the lack of investment is a longstanding weakness of the UK economy, and regulation is being looked to as a solution.
- **Price controls alone are not enough.** Controlling utility prices too closely has led to under-investment. A more holistic long-term approach is needed to protect systems – and consumers – over time.
- **Investors hate surprises.** Investment is discouraged to the extent that the regulatory framework is unpredictable over investors' time horizons. Uncertainty around the future of utilities regulation, therefore, makes investment more expensive and harder to secure.
- **Political direction is not the same as political interference.** Investors expect a political direction to be set, but they do not expect direct interference in decisions.
- **Highly geared companies may invest less.** Debt-funded companies are particularly reliant on a stable and predictable regime and so their investment decisions may be disproportionately affected when this does not exist, or even when unfounded expectations of regulatory change are allowed to develop.
- **Regulators should be bold in publicising success.** Both investors and the public will have more confidence in a sector if they understand that it is well regulated.

Closing remarks

- **Utilities investment is a huge challenge.** The more than £100bn of investment committed in the water sector by the end of this decade, for example, can only be delivered if the regulatory framework reflects clear strategic direction for the long term.
- **The hard choices must not be fudged.** It is easy to talk about good regulation but delivering it requires tough challenges to be explicitly addressed and resolved.



Keynote speech by Blair McDougall MP

Dr Hannah White OBE, Director and CEO at the Institute for Government, welcomed delegates to the conference.

Blair McDougall MP, Minister for Small Business and Economic Transformation, then delivered a keynote address setting out the government's vision for regulation.

The session was chaired by **Jill Rutter**, Senior Fellow at the Institute for Government, who put some follow-up questions to the minister.

The session concluded with an audience question and answer session with **David Henderson**, Chief Executive Officer of Water UK.



Regulation is more than just a burden on business

The Minister for Small Business and Economic Transformation, Blair McDougall, argued in his speech that governments have too often treated regulation in overly simplistic terms. If growth is the goal, then government tends to assume that regulation should be cut; or if standards fall, that it should be strengthened. But such a simplistic approach is not fit for a global economy defined by periods of rapid change. The government's aim, he said, is not to slash regulation across the board, but to "harness" it for growth and treat it as a tool of national prosperity.

"The world has changed. It is continuing to change and that isn't going to change any time soon. My kids are going to be ... working in industries that don't exist right now and will sound to us like science fiction. So the best thing we can do for them is to think about regulation not as something that's opposed to growth but something that can be harnessed for growth." **Blair MacDougall MP**

McDougall linked this approach to regulation to the government's industrial strategy, with its estimate of £384 billion of investment commitments secured for the UK, and to the forthcoming Regulating for Growth Bill, which he said would include new sandboxing powers and a strengthened growth duty for leading regulators.

Political choices are for politicians to make

The discussion that followed the minister's speech probed some of the difficult decisions at the heart of the government's intended approach – if regulation is to be “harnessed” for growth, who decides what gets deprioritised if objectives conflict? David Henderson, CEO of Water UK, responded to the minister by welcoming the framing of regulation as a means for increasing prosperity, but pointed to the water industry as an example of the difficulties of balancing competing priorities.

Henderson remarked that in sectors where prices are set by regulators, the historic tendency has been to squeeze ever more efficiencies from assets inherited at the point of privatisation. That model is now coming under strain as utilities are entering a “construction era” in which major capital investment is required to upgrade infrastructure, improve resilience and deliver on environmental protections.

While the government's focus on growth was welcome, Henderson also drew attention to the fact that “more and more strategy duties” (of which growth is another) have been imposed on regulators, which often contradict each other. Henderson argued that ministers, and not regulators, ought to be making the political decisions about how to balance requirements to keep bills down, encourage growth, attract investment and protect the environment.

“Especially for those sectors where prices are set by regulators, the historic tendency has been to squeeze ever more efficiency out of what were moribund assets when they were privatised thirty or forty years ago. Now we are very much in a construction era, and I think it's fair to say that regulation has simply not adapted.” **David Henderson**

Jill Rutter, IfG Senior Fellow, put this to the minister, pointing to the fact that it may be politically convenient for the government to push difficult trade-offs onto regulators. McDougall accepted this challenge but explained that the strengthened growth duty would be accompanied by sector-specific strategic steers and performance reviews, helping to define what growth looks like in each sector and to clarify what is expected of regulators.

Regulators need resources, as well as powers, to encourage innovation

Another theme of this session was innovation. McDougall advocated more widespread use of “regulatory sandboxes”, which enable firms to test new products with real customers in safe but more flexible regulatory environments. These are important tools to enable legislation and regulation to keep pace with technological change.

Guy Thompson, of Aldersgate Group, welcomed the planned sandboxing powers but warned that they will only work if regulators have the resources, skills and risk appetite to use those powers well. Katie Pettifer, Chief Executive of the Food Standards Agency, reinforced this from practical experience, explaining that the FSA had not needed new powers to run a sandbox on engineering biology technologies in food production, but had needed ring-fenced resource from government to focus properly on the technology and to engage with businesses.

Taken together, the opening session established a clear agenda for the remainder of the conference. The themes of balancing trade-offs, attracting investment and using regulation to pursue policy objectives were returned to in greater depth in the subsequent panel sessions.



Delivering government policy through regulation

An expert panel explored the purpose of regulation, and particularly its relationship to government policy. How can strategic direction from government, regulatory independence and consistency across sectors be balanced in a period of rapid change?

- **Caleb Deeks**, Director General for Competition, Markets and Regulatory Reform at the Department for Business and Trade
- **Lord Michael Gove**, Editor of *The Spectator* and former Secretary of State for Environment, Food and Rural Affairs (2017-19)
- **Dame Clare Moriarty**, Chief Executive Officer at Citizens' Advice
- **Natalie Prosser**, Chief Executive Officer at the Office for Environmental Protection

This session was chaired by **Dr Matthew Gill**, Programme Director at the Institute.



This session was the first of two panel discussions. Our expert speakers delved into questions about the purpose of regulation in general, its relationship to policy and central government, and how competing priorities should be balanced against each other.

The chair, Matthew Gill, opened by noting that growth is only one of the outcomes that government might want regulation to help deliver. Other objectives, like competitive markets, fair treatment of consumers, environmental sustainability and resilience to shocks may also support growth – but might sometimes run counter to it. The discussion that followed showed that the challenge is not simply to make regulators more pro-growth, but to clarify in precise terms how they can support growth, innovation and more while also maintaining the statutory protections they were established to provide.

Regulation is not the answer to everything

Caleb Deeks, Director General for Competition, Markets and Regulatory Reform at DBT, began by stressing that regulation has no single purpose. It is one of the fundamental tools available to government, alongside tax, spending and providing services.

However, this does not mean that regulation should be the default answer to every policy problem. Regulation, Deeks argued, can be slow to introduce, slow to change and inflexible once layered on top of existing requirements. The first question for policy makers should therefore be whether regulation is really the best way of achieving an objective. Where regulation is justified, it should be proportionate, targeted and consistent.

Deeks also set out three ways good regulation can support growth: by removing unnecessary burdens, by creating confidence in markets and by supporting dynamic competition. His example of limited liability in corporate law was a useful reminder that regulation can be foundational to economic activity rather than a blocker of it.

"If you take one of my favourite bits of regulation, which is limited liability, the whole modern economic system is built on that bit of regulation. Of course we've got to keep on challenging it and seeing if it's modern and works well, but it gives companies and others the confidence to invest, to lend, to do business with each other. It's fundamentally important and it's unlocked a huge amount of growth."

Caleb Deeks

Outcomes should come before process

Natalie Prosser, CEO of the Office for Environmental Protection (OEP), brought the perspective of a regulator operating across a complex environmental system. For the OEP, she said, the link between regulation and growth is not difficult to make since the environment and the economy are closely linked. "Green infrastructure is a national asset," she argued, pointing to clean water and air, biodiversity and safe food as essential for prosperity.

Prosser's strongest message was the need for an "unrelenting focus on outcomes". The OEP's work starts from real-world questions: why are rivers and seas polluted, why are bird populations declining? This focus on outcomes led her to prioritise reform of regulation like that which, for example, holds back investment in nature recovery programmes that would be consistent with both resilience and growth. She also emphasised the potential for regulation to create new nature markets that would enable the investment needed to achieve good outcomes.

"Nature markets would exist to bring in huge amounts of potential private finance into nature recovery. But in many respects ... you need regulation to set up the market. ... There is a huge opportunity for regulation to create a market [in biodiversity net gain] that would allow something that's investable and will deliver serious public goods for our nation." **Natalie Prosser**

Expectations of regulators should be consistent over time

Michael Gove returned the discussion to political responsibility for trade-offs. Strikingly, he offered “an apology on behalf of all governments to water companies” for having asked them to do conflicting things at conflicting times. Successive governments, he argued, had signalled that the priority was to keep bills low, but had not been clear enough with the public about what that meant for investment in infrastructure, leaks and wastewater treatment.

“The overall priority that was felt by the regulator was ‘keep those bills down’ and politicians weren’t clear enough with the public about what those trade-offs might involve. That’s not to absolve Ofwat or for that matter the Environment Agency or others of some operational failures, but ultimately it’s ministerial responsibility – in arguably being clear about a priority but not clear about the trade-off.”

Michael Gove

Gove’s broader point was that ministers must be clear about priorities and the trade-offs they imply. Regulators can apply rules independently, but they should not be left to make decisions that are essentially political. He contrasted this with his experience of Ofqual, where ministers established an independent regulator of exams and then stood behind it when its operational decisions were politically uncomfortable.

A generic growth duty won’t work – regulators need specificity

Returning to the topic of growth, Deeks, like the minister in the previous session, pointed to the forthcoming Regulating for Growth Bill, which includes sandboxing powers and a strengthened growth duty. He emphasised that growth goals need to be defined specifically for individual regulators, rather than laid over existing duties in a generic manner across the board.

Gove agreed, describing a generic growth duty as a “motherhood and apple pie duty” unless ministers specify how a regulator’s remit is meant to contribute to growth and how that objective should be balanced against others.

“There are different theories about how growth is achieved. It’s the responsibility of government to be more specific about how the remit that it gives to a regulator will contribute to growth and how that balances against other considerations. So just a simple amorphous growth duty is a motherhood and apple pie duty – but it’s better that politicians are thinking about it than not.” **Michael Gove**

Clare Moriarty brought the perspective of the consumer to the discussion. She cautioned particularly against rhetoric that pits growth against protection, arguing that a healthy economy needs confident consumers who are willing to engage with markets.

The public wants a system that works for them

Moriarty noted that members of the public do not generally think about the “wiring of the regulatory landscape”. Mainly, they want things to work, not to be overcharged or taken advantage of, and to have somewhere to go when things go wrong – and their life experience does not always map directly onto regulatory concerns.

“At Citizens’ Advice, we’re very holistic, we deal with people as people and there is no part of government that looks at people as people. In every part of government – and I say this having spent several decades exactly in this environment – you look down your lens at the portion of a person that intersects with the sector that you’re dealing with. ... I guess my simple advice would often be ‘talk to civil society’, because we are often the intercostal muscles joining things up across different areas.” **Clare Moriarty**

Citizens Advice sees regulation through the problems people bring to it, often in essential markets such as utilities and financial services. Moriarty shared polling evidence showing that only 8% of consumers thought that the government does enough to protect them in their dealings with large businesses, while 71% thought that in a dispute between a customer and a company, the company has the stronger position. Regulation, by her account, is partly about redressing this balance.

“The vast majority of what we deal with at Citizens’ Advice is about people on the wrong sides of imbalances of power. Those are structural in all sorts of ways in the way that our markets work and regulation can be one of the things that helps rebalance that power.” **Clare Moriarty**

Greater collaboration could improve regulation

Prosser claimed that regulators are in the “harm reduction business”: if they succeed in their roles, “no one will notice you at all”, but if something goes wrong, they may face public blame or parliamentary scrutiny. In that context, if government wants regulators to take on more risk to enable growth, it must be willing to offer political cover when things do go wrong.

“I think there’s an opportunity missed for policymakers and regulators to be a bit more sleeves rolled up in how they work together to solve what are quite difficult problems. ... There is a definite lack of risk sharing and I think there is a real opportunity there if government wants regulators to take more risk – and I think they do need to in reality, to be really really clear about that – and for regulators to get some top cover from government when things inevitably go wrong, which they will.” **Natalie Prosser**

The session closed on a constructive note about regulatory collaboration and professionalisation. Deeks saw opportunities for regulators to work in a more place-based way, consistent with the renewed emphasis on place expected from Andy Burnham, and to create more joined up “digital front doors” that could make regulation easier for businesses to navigate across different regulators’ domains.

Prosser concluded that while regulation has still not been fully recognised in government as a profession, bodies such as the Institute of Regulation can help build a community of practice across sectors. She reiterated that regulation is a fascinating and important discipline, and that it is an exciting time for the field.

Creating a regulatory system that attracts investment

Panellists discussed how the design of a regulatory system can best build investor confidence and encourage good long-term outcomes, with a particular focus on informing current reforms in the water industry.

- **Rt Hon George Eustice**, former Secretary of State for Environment, Food and Rural Affairs (2020-22)
- **Mark McAllister**, Chair of Ofgem
- **Stephanie Voelz**, Senior Credit Officer at Moody's

This session was chaired by **Giles Wilkes**, Senior Fellow at the Institute.



The final panel of the afternoon narrowed the conference's focus onto the kind of regulatory system that is needed to attract investment in infrastructure. What can government and regulators do to maintain investor confidence over the long term – or to what extent do political and policy instability just have to be priced into investment decisions?

The chair, Giles Wilkes, opened by noting that investment is the “most important ingredient” of growth, but that the lack of it is also one of the UK economy's longstanding weaknesses. With public finances constrained and the country needing reservoirs, roads, energy infrastructure and other long-term assets, the regulatory system is being asked to do more of the work of mobilising private capital. But this cannot simply mean putting up bills. The cost-of-living crisis means that this is harder to make politically and socially sustainable.

Price controls alone are not enough

George Eustice argued that it is important to align the policy outcomes being sought with the funding arrangements surrounding them – or at least to acknowledge and address discrepancies, particularly with respect to the time horizons involved. He made the case for long-term targets, such as those in the Environment Act, being backed by a cross-party consensus that gives investors confidence about the direction of travel across multiple parliaments. However, he argued that water has suffered from a gap between long-term planning and short-term funding.

Under current arrangements, Eustice argued, the sector has “lots and lots of plans”, including water resource management and wastewater plans, but investment is still largely governed through five-year price control periods. By contrast, he pointed to the Thames Tideway Tunnel model as an example that has given investors greater confidence through longer-term funding commitments.

Mark McAllister emphasised that regulators need to understand the different aspects of the industries they regulate. In energy, consumer protection cannot be reduced to keeping prices low because in the long term consumers also benefit from upgraded infrastructure and an energy system that supports economic growth.

“If a regulator interprets consumer protection as just prices then they’ve missed something. We need a growing economy, we need a new energy system and we need the best prices – it’s a Rubik’s cube.” **Mark McAllister**

Ofgem’s recent work on electricity transmission illustrated how regulators can create investable conditions within a price control framework. McAllister pointed to National Grid raising £7 billion before the RIIO-3* process concluded, supported by actions the regulator took to promote confidence in long-term investability – such as publishing an Advanced Strategic Transmission Investment (ASTI) framework. He argued that the challenge is to make projects “just investable enough”, using incentives that give investors a clear view of potential returns while delivering value to consumers.

Investors hate surprises

Stefanie Voelz offered a credit investor’s view of what makes a regulatory framework attractive. Moodys’ assessment of regulated utilities depends heavily on the stability and predictability of the regulatory environment. Strong frameworks include established methodologies that are applied consistently, consultation processes when changes are made, independent regulatory decisions and a clear, time-limited appeal process.

Voelz explained that Moody’s had once scored the stability and predictability of the UK water framework at the highest level (AAA), alongside energy networks, but that it had been downgraded first in 2018 and again in 2024. Reasons included late-stage changes to the price review, perceived risks of political interference, and uncertainty created by reform of the regime. Clarity from the government as to its future plans for the water sector is therefore essential to help restore certainty.

* RIIO (Revenues = Incentives + Innovation + Outputs) is Ofgem’s framework to ensure that companies have sufficient revenue to invest in and run their networks. RIIO-3 covers the period 1 April 2026 to 31 March 2031.

"We obviously now have a review of the regulatory regime, which needs to transition into something else, which creates some uncertainty as to what the new thing will look like. And then the regulatory regime is also becoming ever more complex. So all of these things featured in our assessment where we said 'this is less stable than it used to be.'" **Stefanie Voelz**

Political direction is not the same as political interference

The conversation repeatedly returned to the tension between politics and regulation, building on the previous panel discussion. McAllister noted the importance of government and regulators working together positively to secure public trust in regulated industries, by making sure that those industries are in fact trustworthy rather than demonising them.

"I was in New York a couple of weeks ago with some international regulators, and a couple of the other countries were saying, 'We've got to get the population to trust us as regulators. We do that by beating up the industry.' I said, 'Whoa, we've got to get the population to trust the industry, otherwise we're not going to make any progress. Our job is to make sure the industry is trustworthy.'" **Mark McAllister**

Eustice challenged the idea that regulators can or should be separated from politics. In practice, he said, regulators do inevitably dance to a political tune, as for example in the way Ofwat responded to historic political steers to keep bills down. Ministers already shape price reviews through strategic policy statements, and greater political accountability could, in his view, lead to better and more timely decisions, provided politicians are "grown-up enough" to own the consequences.

"It was political decisions under both the coalition government and under Gordon Brown's government to say the number one priority post the financial crisis ... was keeping bills down. And so, there was a very clear message given to Ofwat that the Secretary of State wants you to keep bills down. And that is the tune that Ofwat danced to." **George Eustice**

Voelz, however, drew an important distinction: investors do not object to government setting long-term strategic direction or clarifying priorities, but they are wary of direct interference in regulatory decisions. Political involvement should be at the level of objectives, trade-offs and public explanation.

Highly geared companies may invest less

The panel also explored why previous regimes had not delivered enough investment – and what could be done to improve the creditworthiness of the water sector.

Eustice argued that water's original privatisation model had changed significantly over time, with companies moving away from public markets, becoming more highly geared and relying increasingly on debt rather than equity.

Voelz added that leverage is not necessarily a problem in a stable, predictable regime, but can become one when risk increases and companies lack financial flexibility. Regulators also bore some responsibility, she said, not only for penalising highly geared companies but also for allowing the expectation that they might do so to grow beyond the reality. Credit downgrades were therefore, in part, caused by political and regulatory decisions.

“Both the regulatory and the political environment to some extent... led to an extreme focus on penalties and enforcement. There were significant, sizable penalties being introduced that led to significant cash flow volatility.”

Stefanie Voelz

The current investment challenge, therefore, is a need for greater equity investment – but this will only come if equity investors believe the system is stable and that they can eventually earn a return.

Regulators should be bold in publicising success

A final theme was legitimacy. One audience member asked how policymakers and regulators can help sectors be seen to succeed when public narratives often focus only on failure. McAllister argued that regulators need to be courageous in setting out good practice and should work with credible consumer voices such as Citizens Advice to tell a more balanced story. Voelz similarly argued that politicians, regulators and companies all need to explain regulatory improvements better – warning, for example, that changes in how pollution incidents are counted can feed a negative public narrative if not properly contextualised.

The session ended by zooming out to the bigger picture: investment depends on public trust, political honesty and institutions capable of sustaining difficult choices over time, as well as on the design of the regulatory system itself.

Closing remarks

Representatives from the Institute for Government and Water UK each set out their reflections from the conference.

- **Rt Hon Ruth Kelly**, Chair of Water UK
- **Dr Matthew Gill**, Programme Director at the Institute for Government



Regulators cannot do it alone – water needs political leadership

Ruth Kelly's closing remarks drew together the day's discussions from the perspective of the water industry. She reflected that the UK used to see independent utility regulation as one of its great institutional strengths. It was therefore "salutary" to hear Stefanie Voelz explain how the water sector's creditworthiness had gradually deteriorated since before the financial crisis.

Kelly acknowledged that regulation is "completely vital" to the future of the sector, particularly as the industry responds to the Cunliffe review and considers upcoming legislation. She was also candid that the sector has "a long way to go" to restore trustworthiness in the eyes of the public – but noted that the afternoon's discussions had clarified the choices ahead.

For Kelly, one of the most important themes of the conference was the relationship between politics and regulation. She highlighted Michael Gove's apology for long-running political pressure to reduce bills and George Eustice's argument that early political accountability can lead to better decisions. In her view, stability and the political ownership of key trade-offs are not incompatible, and ministers can and should own difficult choices while avoiding interference in individual regulatory decisions.

"The tone from the top matters completely in this regard: do we ultimately really want to see those difficult decisions and the trade-offs made by ministers, and ministers held to account? And that is something that only one person in government can really set and that's the prime minister. So I'm very hopeful about the new regime and that we will see real political ownership of these sorts of decisions." **Ruth Kelly**

She then connected these institutional questions to the scale of the water investment challenge. The sector has committed £104 billion of investment by the end of the decade, including to achieve new reservoirs, upgraded treatment works, and more supply for new housing and data centres. Kelly argued that this "generational" programme will only be deliverable if the regulatory framework reflects clear strategic direction from government, enables long-term investment and nature-based solutions, and creates supportive conditions for private capital by planning over decades rather than only over five-year price review cycles.



The hard choices cannot be fudged

Matthew Gill closed by reflecting on the conference as a whole. He noted that the afternoon had showcased examples of good regulation but had also exposed difficult questions: how to make independent regulation politically sustainable, whether politicians are prepared to articulate risk appetite and own trade-offs, what can be done to reduce burdens without reductive "bonfires of red tape", and how to support innovation across regulators rather than just mitigating specific risks.

Of course, the questions could just be fudged. It is possible for regulators to talk about innovation but not really do it, for government to talk about collaboration but not facilitate it, for politicians to talk about priorities but not make real choices, or for those regulated to complain about burdens without taking responsibility for risks. But the key lesson from the conference was that such approaches, while easy in the moment, are counterproductive over time. Improving regulation in support of growth, sustainability, investment and public trust instead requires these difficult and sometimes technical challenges to be addressed head on.

Matthew concluded by thanking everyone who had attended the conference, Water UK for their support, all of the speakers and chairs, and the excellent IfG team behind the scenes who made the event such a success.

Evening reception

The conference concluded with an evening reception in the Institute's rose garden. Guest speaker **John Fingleton CBE**, Executive Chair of Fingleton, gave his private reflections on the conference themes. His remarks drew on his recent review of nuclear regulation, prompting further reflection on how the government could develop its broader regulatory approach to meet the needs of the future.



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