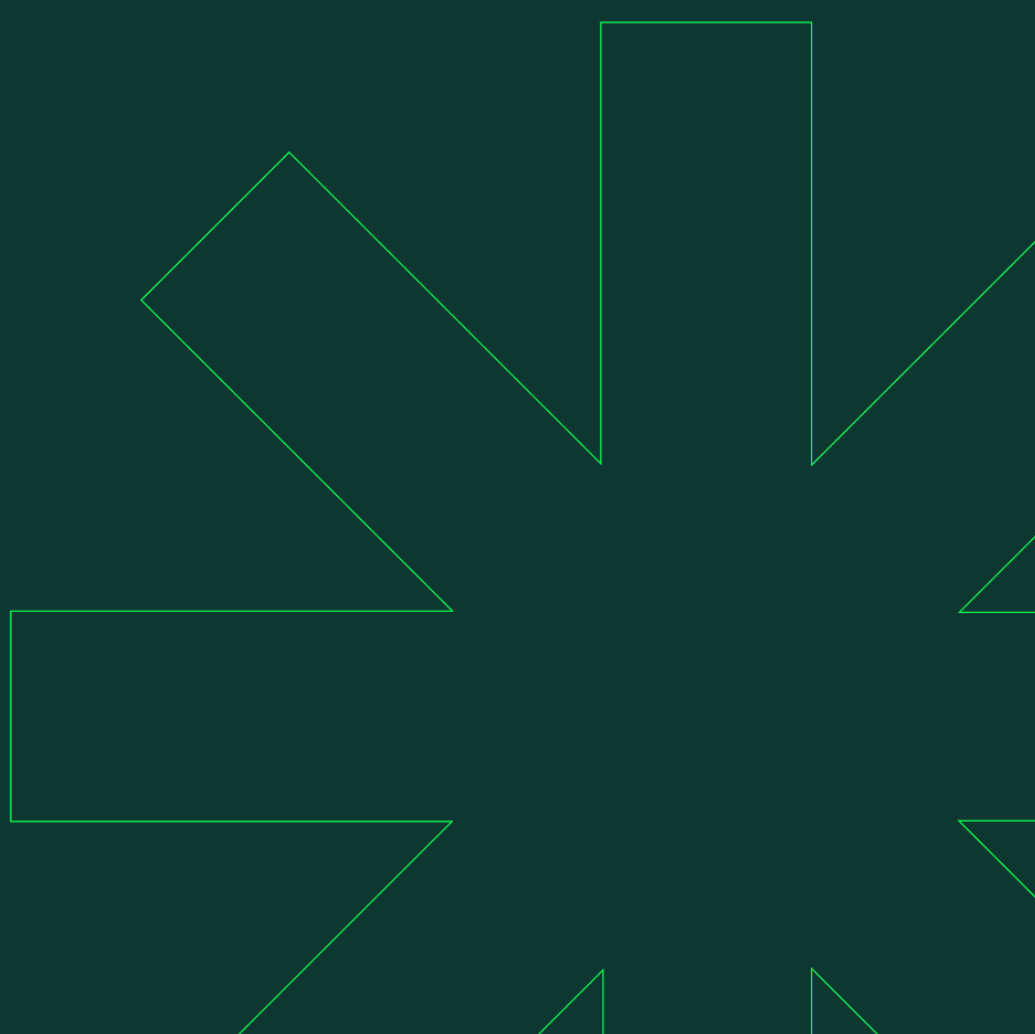


A Pro-Innovation RIO

A Driver of Economic Growth

May 2025

STARTUP
C*ALITION



Authors

Vinous Ali*Deputy Executive Director**Startup Coalition***Kir Nuthi***Head of Tech Regulation**Startup Coalition*

About Startup Coalition

The Startup Coalition is an independent advocacy group that serves as the policy voice for the UK's technology-led startups and scale-ups. We were founded in 2010 by Mike Butcher, Editor-at-Large of TechCrunch, and Jeff Lynn, Chairman and Co-Founder of online investment platform Seedrs. We fight for a policy environment that enables early-stage British tech companies to grow, scale, and compete globally.

Our network includes over 4000 startups, scale-ups, and investors. We have been instrumental in building proactive coalitions of businesses and investors on issues integral to the health of the UK's startup ecosystem. Our work has seen many successes, from the establishment of the Future Fund to the creation of the Scale-up visa.

Acknowledgements

We are grateful to all the startup founders who contributed to this report and the experts who supported us by providing insight.

Foreword

Fourteen years ago, when the Startup Coalition was founded as The Coalition for a Digital Economy, we championed policies that helped transform East London's scrappy startup ecosystem into a key driver of the UK's growth.

However, the policy landscape and environment could not be more different today.

The tech sector's trust in the Government and its regulators as enablers and partners of innovation and investment has been waning. Therefore, the Government's growth reset and HM Treasury's (HMT) regulation-focused Action Plan come not a moment too soon.

Without reform, regulatory red tape and bureaucracy threaten to make the UK a poorer choice for founders and those investing in them. We believe the Regulatory Innovation Office (RIO) could play a critical role in ensuring this doesn't happen, but for it to succeed, it will need to do things differently from the get-go.

Executive Summary

For the Regulatory Innovation Office (RIO) to add value, it will need to sit above regulators as the coordinating authority - the first amongst equals - with a bird's-eye view across the economy and out over the horizon, as well as the power to direct and guide regulators toward innovation and growth.

Early signs from the Government suggest they understand the need for drastic reform to unlock the kind of innovation that will power growth through this Parliament and beyond. The very creation of RIO so early in the Government's term is, in itself, a positive signal.

But without the mandate to spread its wings and operate across the economy - and the regulators that shape it - RIO will likely fall short of its potential. Fundamentally, we understand that regulators need to retain their full independence - it's the secret sauce that makes authorities like the Competition and Markets Authority or the Food Standards Agency the ultimate experts on their sectors. We see RIO as the vehicle to help these regulators truly go for growth, take calculated risks, and keep up with the changing pace of innovation.

For that reason, we believe RIO must be equipped with the authority and resources to:

- 1. Clear the way for investment** by listening to the market and tracking global leaders and regulators to get a jump on regulatory constraints brewing in the UK.
- 2. Hold regulators to account** through regular audits based on clear metrics like approval times and startup engagement, including through a £25m **'Innovation Accelerator Fund.'**
- 3. Act as the front-door for startups** that provides guidance, streamlines their routes to market, and helps remove outdated regulatory or legislative blockers.

Fundamentally, RIO needs to be the cheerleader for growth and tech adoption. Its current focus on a few immediate and high-growth sectors is a starting point, but it won't be enough to fix the pipeline for emerging technologies that have the potential to reshape the UK's economy and future.

We want RIO to be as ambitious, bold and disruptive as the innovators it's meant to support. This paper sets out tangible recommendations to make that happen.

Background

Many founders find engaging with regulators difficult, from understanding which regulators have 'jurisdiction' to knowing how and when to engage them. This is compounded by the fact that regulation itself has grown in layers over time, often without coordination. The result is a complex maze for UK startups to navigate. In truth, it is not just the bureaucracy holding things back. Many rules are simply outdated, created for a very different technological era. In short, change is long overdue.

The Regulatory Innovation Office

The 2024 Labour Manifesto succinctly defined the problem: "regulators are currently ill-equipped to deal with the dramatic development of new technologies, which often cut across traditional industries and sectors."¹ RIO was established as the answer.

Created within the Department of Science Innovation and Technology (DSIT) in October 2024, RIO has been tasked with accelerating innovation, reducing regulatory barriers, and modernising how the Government oversees the development and diffusion of emerging technologies.²

RIO's mission centres on three pillars: enhancing regulatory knowledge, setting strategic priorities, and building regulatory capacity. It will collaborate with various departments and regulators to identify and resolve regulatory burdens constraining innovation. Additionally, RIO plans to manage strategic grant funding to help regulators balance rapid technological deployment with maintaining safety standards.³

For now, its immediate efforts remain concentrated on a handful of high-growth technologies with substantial economic potential. This focus aligns with the government's broader industrial strategy to promote growth and encourage investment.⁴

We accept that everything has to start somewhere, but RIO's long-term success will depend on whether it can create a more agile and innovation-friendly regulatory landscape right across the entire economy, wherever investment and innovation are burgeoning.

¹ <https://labour.org.uk/change/kickstart-economic-growth/>

² <https://www.gov.uk/government/news/game-changing-tech-to-reach-the-public-faster-as-dedicated-new-unit-launched-to-curb-red-tape>

³ <https://questions-statements.parliament.uk/written-statements/detail/2024-10-08/hcws111>

⁴ <https://www.gov.uk/government/publications/engineering-biology-sandbox-fund>

The Regulation Action Plan

RIO is supported by a broader government push to cut red tape, having finally accepted what the startup ecosystem has been shouting about for ages: over-complicated, risk-averse regulation is strangling growth.

Driven by calls from No. 10 and No. 11 for regulators to go for growth, the Government introduced its Regulation Action Plan, the *New Approach to Ensure Regulators and Regulation Support Growth*, in March 2025.⁵ This new Action Plan is aimed squarely at rebooting Britain's entire regulatory setup - so it actually spurs innovation and investment, rather than puts the brakes on.

At its core is a recognition that excessive red tape, unclear mandates, and overlapping jurisdictions drag down UK innovation. The plan underscores how regulation, when crafted and enforced effectively, is meant to enable economic growth.

The goal is to reduce administrative costs for businesses by 25% by the end of the current Parliament. To get there, the government envisages cuts or mergers to remove redundant rules and regulators; clearer duties that push regulators to publish time-bound targets; and a trimming of duplicative demands. Of particular interest to our ecosystem is the plan's insistence on proportionality for emerging technologies.

On top of all this, the Action Plan formalises RIO's role in convening and auditing regulators, positioning it as the single entity that can spot overlapping or contradictory mandates and champion sandbox programmes to reduce time-to-market. It is now up to RIO to put this into action and deliver.

⁵ <https://www.gov.uk/government/publications/a-new-approach-to-ensure-regulators-and-regulation-support-growth>

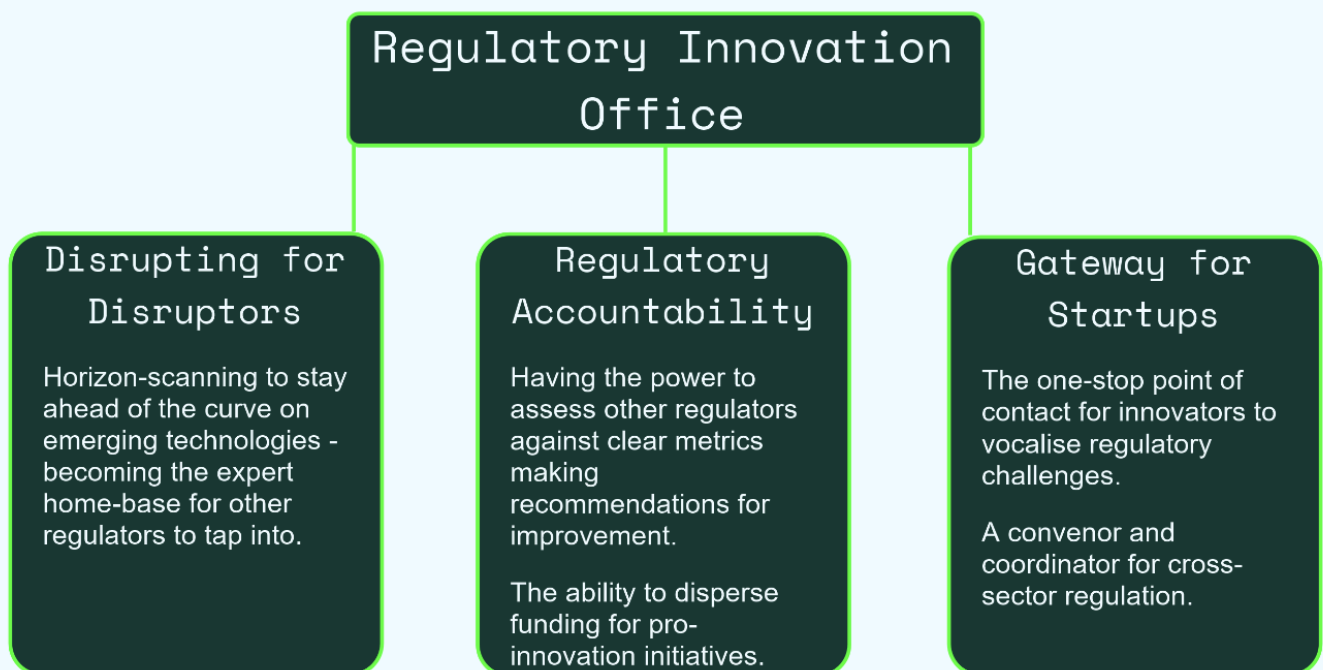
Our Proposal for RIO:

Shaping A Vehicle for Growth

For it to succeed, RIO must be very clearly on the side of those at the frontier of innovation: a quasi-independent authority that feels genuinely different to anything that currently exists in the UK. It should take proactive steps to help innovators bring new technologies to market in the UK for the benefit of business and the public.

Harnessing RIO as a true vehicle for growth requires more than incremental reform; it demands systemic change. That means supporting regulators to modernise how they work, streamlining approvals, fostering collaboration between regulatory bodies, and holding them to account.

We see this work falling under three core pillars:



Pillar One: Disrupting for Disruptors

The Opportunity for RIO:

Clear the way for investment by listening to the market and tracking global leaders and regulators to get a jump on regulatory constraints brewing in the UK.

1. Target Action According To What Unlocks Investment

The Invest 2035 Industrial Strategy and the Government's current plans for RIO share a common focus: identifying high-potential sectors and addressing their barriers to growth.⁶ Given the economic state of the UK, this is a solid starting point, but it cannot stop there.

RIO should have ambitions to expand beyond this to target any area identified as problematic by those working at the frontier and those who invest in them.

Recent developments highlight how regulatory uncertainty can discourage UK markets from fully seizing the potential of emerging technologies. For example, the CMA's workstream on AI partnerships has raised consistent concerns from investors and generative AI founders.⁷ While the CMA says it will focus on the breadth and diversity of AI as it investigates, the CMA has come across to investors as nitpicking investment and partnership deals between AI foundation models and big tech companies.⁸

With one eye on the horizon, we believe RIO should anticipate the impact of emerging technologies and seek to build deep expertise that regulators can then draw on. By tracking where investment is flowing and where ecosystems are forming, RIO can help lay the groundwork to unlock growth, ensuring the UK regulatory system keeps pace and helps unlock investment and innovation opportunities.

Moreover, instead of having a swathe of regulators examine the impacts of emerging technology through the narrow lens their remit allows, RIO can take a more holistic look at the broader impacts emerging technologies might have and provide guidance on how regulators should think about engaging.

This could include producing the economic analysis, explainers on how the market is developing, and even providing technical expertise, ensuring vertical regulators have a whole-picture view before making any 'targeted' interventions that may have unintended consequences.

2. Factor In Exceptional and Post-Implementation Reviews and Responses

RIO's scanning powers only matter if they come with the ability to act. For example, if RIO, in conducting these scans, identifies outdated regulations, it must have the power to review their efficacy and relevance, and recommend potential repeal before those rules become barriers to innovation.

⁶ <https://www.gov.uk/government/consultations/invest-2035-the-uks-modern-industrial-strategy/invest-2035-the-uks-modern-industrial-strategy>

⁷ <https://competitionandmarkets.blog.gov.uk/category/data-and-technology/>

⁸ https://assets.publishing.service.gov.uk/media/661e5a4c7469198185bd3d62/AI_Foundation_Models_technical_update_report.pdf

Regulation, like regulators, can become easily outdated, but there is no easy mechanism currently to spot these blockers and remove them. For example, many founders in the Built Environment space regularly cite two major regulation-based hurdles. First, the underlying Energy Performance metrics (EPCs) on which government policy is built incentivise the wrong behaviours and lock in gas-powered heating. This makes it harder for innovators to push for switching to other sources that are more environmentally friendly and often cheaper. Second, to become eligible vendors on domestic retrofit schemes, firms must adhere to an existing “building type”, which can mean that novel technologies struggle to comply.

To do so, we recommend that it is in RIO’s remit to evaluate the impact of new rules and regulations: through audits, post-implementation reviews and, where necessary, exceptional reviews, ensuring that regulations that aren’t working are identified quickly and quickly resolved. Further, it would enable RIO to review incoming legislation from the get-go, by monitoring their outcomes after 12 months from implementation to ensure the regulation is acting as it was intended.

3. Reciprocal Arrangements with International Markets

During Brexit, the UK introduced a streamlined process through the Medicines and Healthcare Products Regulatory Agency (MHRA) for when the European Commission approved new medicines.⁹ This agreement developed into a way to authorise products for the market based on the authorisation of ‘reference regulators’ and thus enabled the potential for products to enter the market if they were approved by regulators in Australia, Canada, Switzerland, Singapore, Japan, the United States, or the European Union.¹⁰ This does not mean that products can skip the line entirely. The MHRA must still adjudicate a product’s entrance into the UK market and still has the authority to reject the application. However, there is a clear bias towards accepting.¹¹

RIO, in conjunction with the regulators, should have the authority to create a similar economy-wide model: identifying trusted, like-minded countries as reference regulators and allowing products approved to enter those markets to also fast-track their entry into the UK.

This goal is the same as our current reciprocal agreements. We should rely on trusted partners to help us speed up the ex-ante adjudication, while also maintaining ex-post review processes. That would help startups that have already done the legwork in places like the US or Singapore establish themselves here without having to burn through precious resources.

⁹ <https://www.gov.uk/guidance/european-commission-ec-decision-reliance-procedure#contents>

¹⁰ <https://www.gov.uk/government/publications/international-recognition-procedure/international-recognition-procedure>

¹¹ Ibid.

Pillar Two: Regulatory Accountability

The Opportunity for RIO:

Hold regulators to account through regular audits based on clear metrics, including approval times and startup engagement.

Startups have traditionally seen regulators as barriers to innovation, with complex, outdated, and inflexible processes. To change that perception and make it easier for startups to navigate the fragmented landscape that has developed over time, RIO should step in as both auditor and enforcer of modern regulatory standards.

This pillar is about making regulators more effective, more transparent, and better aligned with the needs of an innovation-driven economy. We understand that regulators need to retain their full independence, as it is what makes them the best experts on their sectors and how to interpret legislative vehicles and regulations. But we see RIO as the vehicle to help these regulators truly go for growth, take calculated risks, and keep up with the changing pace of innovation, especially if it holds regulators to account on process and engagement, not on the subject matter.

4. Hold Regulators to Account

Complex compliance and redundant processes hinder innovation. To prevent regulators from perpetuating that cycle for emerging technologies, we propose that RIO works to establish performance metrics for regulators tied to innovation outcomes. These could include metrics like the number of approvals, time to market, startup engagement, and economic impact.

Specifically, these assessments should:

- Monitor regulator performance against key metrics;
- Provide public accountability by publishing the results of these assessments; and,
- Make recommendations for improvement.

This would build on the recommendation in the *AI Opportunities Action Plan* that would “require all regulators to publish annually how they have enabled innovation and growth driven by AI in their sector”.¹² It also complements HMT’s regulation-focused action plan and its commitment to explicitly address regulatory risk aversion. In this plan, HMT pledges to scrutinise statutory duties to ensure regulators adopt proportionate strategies to handle risk. All of this aligns squarely with the RIO’s mission of accelerating innovation while balancing consumer and societal protections.

¹² <https://www.gov.uk/government/publications/ai-opportunities-action-plan/ai-opportunities-action-plan>

Example: The Australian Productivity Commission

What the UK Can Mimic and Adapt: A model to potentially build off of is Australia's Productivity Commission.¹³ It has regularly been tasked with benchmarking and reviewing the burdens on business caused by bad regulation.¹⁴ In doing so, it has provided the Australian Government with a transparent and accountable mechanism for defining what areas need legislative reform most urgently, as well as a way to standardise how it reports on regulatory burdens moving forward.

What We Can Learn From This For RIO: Australia's Reviews of Regulatory Burdens are ad hoc and not regular, but they are comprehensive and focus on recommending improvements that make Australia's regulation efficient and effective. Producing a similar review process but making it more regular would ensure that all UK regulation, either of current or emerging markets, improves outcomes for businesses and UK residents.

5. Align Regulators' Missions Around Pro-Growth Innovation

To ensure these assessments don't just gather dust, we propose creating a mandate requiring regulators to engage with RIO, engage with its recommendations, and report on their progress.

This is critical to embedding RIO's influence across the regulatory system. It prevents regulators from sidelining or deprioritising RIO's guidance. A mandate also ensures that all regulatory bodies are aligned with innovation-driven goals from the outset, regardless of whether there is a clear, direct duty in every use case. More importantly, it signals to innovators and investors that the UK is serious about reducing regulatory friction and boosting confidence in the UK as a destination for tech investment.

Recognising that unpicking old regulations and finding new ways to promote growth and innovation can require upfront investment, **we propose the creation of a new 'Innovation Accelerator Fund' administered by RIO with a budget of £25m.** This would allow regulators to put forward proposals for targeted investments that they believe would unlock growth or reduce barriers in line with RIO's assessment and recommendations.

¹³ <https://www.pc.gov.au/inquiries/completed/regulatory-burdens>

¹⁴ <https://www.pc.gov.au/inquiries/completed/regulation-benchmarking>

Pillar Three: Gateway for Startups

The Opportunity for RIO:

Act as the front-door for startups that provides guidance, streamlines their routes to market, and helps remove outdated regulatory or legislative blockers.

Example: Japan's Sakigake Shinsa Scheme

What the UK Can Mimic and Adapt: In Japan, the Sakigake Shinsa Scheme is a fast-track program for medical devices that reduced approval times by 50% by consulting on the devices at the earlier clinical trial stages.¹⁵ This boosted domestic innovation and market entry as devices could only enter the scheme if their manufacturer had ensured they were “developed firstly in Japan and [were] anticipating an application for approvals.”¹⁶ This scheme decreased the time waiting for the early application of innovative medical products at the consultation and review phases. The waiting time was reduced by one month, and the review period by six.

What We Can Learn From This For RIO: Japan's goal was clear: “to achieve the early practical application originated from Japan ahead of other countries.”¹⁷ The UK, with the right interventions, could match or even outpace this model, especially given assets like the MHRA AI-Airlock already in place. RIO would be best suited to facilitate fast tracks by embedding this style of principles into existing institutions, essentially creating early-stage mechanisms to shrink approval times and accelerate market entry. A way to one-up this system would be to seek reciprocal agreements with international regulators, ensuring that products fast-tracked here are also recognised by peers like the US FDA. That would make the UK a launchpad, not just for adoption at home, but for global rollout.

6. Foster Regulatory Coordination and Collaboration

Disjointed regulatory approaches fail to address the needs of cross-sector innovation - think AI in healthcare or the Internet of Things in smart cities - where technologies don't fall neatly into one bucket. Many startups are then faced with the reality of being bounced around between different regulators, which significantly slows down their progress.

Digital regulators have sought to address this, for example, through the creation of the Digital Regulation Cooperation Forum or the AI Hub. But this coordination does not extend to the problems startups face when disrupting more traditional markets, where they're often interfacing with less digitally-native regulators like the Driver and Vehicle Licensing Agency or the Food Standards Authority.

RIO should step in as a convening force, bringing together regulators to explore the impact of emerging technologies across their domains. It should create ad-hoc working groups where necessary to iron out

¹⁵

<https://www.qualtechs.com/en-gb/japan-fasttrack-approval-scheme-is-implemented-in-september-2020-to-speed-up-receiving-approval-for-designated-devices#:~:text=With%20the%20fast%2Dtrack%2C%20medical,clinical%20trial%20and%20reviewed%20faster.>

¹⁶ <https://www.mhlw.go.jp/english/policy/health-medical/pharmaceuticals/dl/140729-01-01.pdf>

¹⁷ Ibid.

cross-jurisdictional issues and establish clear processes. This would ensure startups have a clearer path to navigate, rather than having to lay out the steps as they go, as is too often the case now.

Example: US Unmanned Aircraft System Traffic Management

What the UK Can Mimic and Adapt: In the US, the Federal Aviation Administration (FAA) worked with NASA, other agencies, and private companies to accelerate drone regulations and create a management protocol that enables safe, low-altitude drone operations without the provision of air traffic services.¹⁸ They are also continuing to work as part of a consortium on enabling routine drone operations safely and figuring out how service providers and operators will have to work together to deploy in shared airspace. Both are efforts that require multi-stakeholder input and a high degree of coordination, lest the US risk its citizenry to random drone crashes and projectiles from accidents.

What We Can Learn From This For RIO: While we have one regulator for both here, we should still harness the benefits of co-regulation and public-private partnerships in various sectors. The US multi-stakeholder input on drone operations had to be agile but rigorous to avoid requiring new air traffic services. Their use of a consortium has been key, as it offers a forum for agencies and private companies to continue adapting to the new approach as drone technology evolves.

7. RIO as the Front Door to Startups and Innovators

To enhance its impact, RIO should emulate Estonia's regulation-as-a-service model by becoming a one-stop complaint and support centre for startups navigating outdated or conflicting regulations.

RIO should also provide a similar centralised support hub where businesses can report regulatory barriers, seek guidance, and access compliance resources.

Example: Estonia's One-Stop Shop

What the UK Can Mimic and Adapt: Estonia's regulation-as-a-service model, Accelerate Estonia, is seen as a one-stop complaint and support centre for startups navigating outdated regulations. Its mission is simple: "We create policy recommendations for the Estonian Government that help companies overcome regulatory barriers and bring innovative solutions to the market."¹⁹ It allows businesses to report regulatory issues directly to the government, and startups feel it offers the potential for swift reforms and updates. This is because it offers a pathway from validating the need for regulatory change to proof of concept for a proposed legislative change and follow-through that can take less than 1 year from start to finish.²⁰

How We Can Adapt It for RIO: RIO could replicate this model, creating an agile feedback mechanism for addressing entrepreneurs' challenges. Mimicking Estonia would also foster real-time resolution of regulatory complaints and reduce delays caused by outdated or conflicting regulations. If done right, RIO could become the partner of the private sector, the solutions provider for the public sector, and the driver of legislative change. In doing so, it would become one of the most powerful tools the UK has to bring emerging technologies to market safely, swiftly, and at scale.

¹⁸

https://www.faa.gov/uas/advanced_operations/traffic_management#:~:text=The%20FAA%20and%20NASA%20are,share%20data%20and%20manage%20operations.

¹⁹ <https://accelerate.ee/>

²⁰ Ibid.

Conclusion

The Government has accurately diagnosed the problems startups face when navigating the UK's regulatory landscape. They have also created the shape of an institution in RIO that could be the right antidote. The proof will be in the delivery.

For regulators, RIO must take the position as the coordinating force - the first amongst equals - able to steer, prod, and direct as needed to ensure innovation becomes part of every regulator's DNA. And it must provide the funding and support that allows regulators to take risks, as seen through our recommendation of the £25m 'Innovation Accelerator Fund'.

For startups, a successful RIO will be judged on whether it can grease the wheels to ensure that startups that engage with the regulatory system have a fast, clear, and positive experience. Founders should feel the system understands their needs and the technology they are bringing forward, and is on their side as a partner.

For example, when a founder is developing a new fintech product that needs regulatory approval, a strong RIO could help them get answers in weeks instead of months. Rather than wandering through a maze of agencies and unclear rules, the founder would have a single, friendly point of contact that rapidly connects them to the right regulators and guidance. Every day-to-day hurdle - from confusing forms to slow approvals - would be eased by a proactive RIO that clears roadblocks and answers questions in plain language.

The result is that innovators spend less time fighting red tape and more time building their business.

Founders would directly feel the difference as their startups would no longer burn through precious cash, having to hire or contract lawyers or compliance experts. Instead, they would get quick, predictable regulatory outcomes that let them plan with confidence. A healthcare startup can launch a novel medical device knowing RIO will coordinate with regulators and even set up sandboxes or fast-track routes to shorten any approval delays. Small teams that used to be shut out now would have access to policymaking; even a two-person startup can flag an outdated rule and trust that RIO will champion a fix.

In short, a well-designed RIO puts innovators in the driver's seat of the future economy: founders can move faster, seize market opportunities, and focus their resources on innovation rather than paperwork.

STARTUP
C*ALITION

