HM Treasury

Technical Annex – 25% Target Methodology (Annex A)

October 2025

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Summary

This annex sets out the methodology, assumptions and data sources underpinning the government's approach to estimating the baseline of administrative burdens on business from regulation. This has resulted in an estimated administrative burden baseline of £22.4bn in 2024 prices and associated 25% target to cut this by £5.6bn by the end of Parliament. This central point estimate for the baseline is based on an underlying range of estimates of £19.0bn to £25.9bn.

We have adopted a pragmatic and 'top-down' approach to estimating the baseline, drawing on a range of existing data sources – including previous baselining exercises and ongoing business surveys. This will allow government resources to focus on regulatory reform and delivery against the target. This pragmatic approach is aligned with international best practice, such as the European Union (EU) 'Simplification' exercise[1] and Organisation for Economic Co-operation and Development (OECD) findings.[2] The approach takes into account lessons learnt from a National Audit Office (NAO) study on the previous 2005-2010 'Simplifying Regulation' exercise, which suggested that a detailed, statistically representative assessment would be expensive and difficult to achieve.[3]

The 2005-10 'Simplifying Regulation' exercise saw departments achieve savings equivalent to £5.7bn in 2024 prices[4] – similar to the £5.6bn target for this exercise.

Methodology and Data Sources

To estimate the baseline of administrative burdens of regulation to businesses we draw from the following sources:

- The Department for Business and Trade's (DBT's) regular Business Perceptions Survey (BPS)[5] provides valuable time-series evidence directly from businesses, including on perceived time spent dealing with regulation.
- The 2005-2010 Simplifying Regulation[6] exercise, which includes a baseline for administrative burden of regulation in 2010.

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1 EU (2025), Simplification: burden reduction measures

2 OECD (2010), Why Is Administrative Simplification So Complicated?

3 National Audit Office (2008), The Administrative Burdens Reduction Programme p.7

4 DBT analysis of HMG (2010), Simplifying regulation and administration of businesses: final report; and HMT (2025), GDP deflators at market prices, and money GDP

5 DBT (2025), Business Perceptions Survey and historic BPS data from DBT (2024), Businesses' perception of regulation in the UK.

6 HMG (2010), Simplifying regulation and administration of businesses: final report

- Office for National Statistics (ONS) Annual Survey of Hours and Earnings (ASHE) wage data[7], a non-wage uplift based on ONS Index of Labour Costs[8] per hour and DBT business population estimates[9] are used to estimate the total time cost to business of administrative burdens.

We also adjust all estimates for inflation using ONS Consumer Price Index (CPI) and His Majesty's Treasury (HMT) Gross Domestic Product (GDP) deflator data.[10]

We estimate the direct administrative burden of regulation, such as time businesses spend filling in forms related to regulation and other administrative activities discussed in the Standard Cost Model.[11] We do not include second order effects, such as behaviour change or a 'cooling effect' of regulation admin burdens.

To estimate the lower end of the range, we follow the Standard Cost Model formula[12] to estimate opportunity cost of time spent on admin activities. We use data on time spent 'dealing with regulation' from BPS question B2[13] multiplied by 2024 ONS median wage data to estimate average 'unit administrative burden' for each business.[14] We multiply this by business population estimates[15] to estimate the economy-wide figure.

To inform the upper estimate in the range, we uplift the total admin burden identified in 2010 from the 'Simplifying Regulation' exercise to account for both inflation and the implied time-trend in administrative burden from the BPS and wage data. We (i) multiply results from BPS waves 2016-2024 on time spent 'dealing with regulation' by the relevant year of ONS ASHE wage data (adjusted for inflation) and then (ii)

7 ONS (2024), Earnings and hours worked, occupation by four-digit SOC: ASHE Table 14 Table 14.9a for hours in a working day and Table 14.5a for wages. Uses years 2016, 2018, 2020, 2022, 2024

8 ONS (2020), Index of Labour Costs per hour. This includes employers' National Insurance contributions, to ensure that the full cost to the employer of an employee's time is accounted for. Data ends in 2020, so we take an average of all years in the data (2011 – 2020).

9 DBT (2024), Business population estimates 2024

10 ONS (2025), Consumer price inflation tables; HMT (2025), GDP deflators at market prices, and money GDP

11 Cabinet Office (2005), Standard Cost Model Manual p.51

12 Cabinet Office (2005), Standard Cost Model Manual p.13. Activity Cost = Price x Quantity = (*tariff* x *time*) x (*population* x *frequency*)

13 DBT (2025), Business Perceptions Survey (p.36 figure 9). Question B2 is "On average, how many days in total do you or other staff spend per month dealing with all regulation?". We assume this is a good proxy for level and trend of admin burdens, giving a consistent and reliable estimate of time spent dealing with regulation across a representative sample.

14 We use ONS data on median hours worked per week, mean pay for all employees and mean number of days spent dealing with regulation across all businesses from the BPS. Estimates are not sensitive to changes in these assumptions.

15 We multiply by businesses with employees to align with the BPS sample, so we cannot assume the time spent dealing with regulation is representative of the situation businesses without employees face. We understand the baseline estimated in the previous 2005-10 baseline included businesses without employees and drives the higher end of our range.

estimate the line of best fit across the derived 2016-2024 data. We assume this trend extends back to 2010 to uplift the 2010 baseline.[16,17,18]

Building Safety measures will be exempt from this exercise. This covers provisions relating to the safety of tenants, residents and occupants in buildings. This will enable government's response to the Grenfell tragedy and is in line with the policy exemption in place in the Better Regulation Framework.[19] We have estimated the baseline of the administrative burden of building safety by estimating the percentage of what is now the Ministry of Housing, Communities and Local Government (MHCLG) admin burden related to building safety during the 2005-2010 exercise, adjusting to 2024 prices, and adding estimates of admin burden to business from impact assessments for the Building Safety Bill[20] and Fire Safety Bill.[21] A range is generated by varying the assumed reduction of Building Safety admin burdens between 2005-10. We take the mid-point of these estimates and subtract this from the total His Majesty's Government (HMG) baseline estimate.

The BPS fieldwork was completed between October 2024 to January 2025[22], so these estimates are accurate as at end of 2024. Given the pragmatic approach and range we have developed, there is some flexibility within the margin of error around the exact date of when the baseline applies up to. To align with the launch of the Regulation Action Plan[23], we assume the baseline and target apply from the start of April 2025.

Finally, as the point estimate for the baseline and target, we take the mid-point of the overall £19.0-£25.9bn baseline range to reflect the balance of data and evidence across sources of evidence and approaches.

Methodology and Data Sources for Reforms

This section sets out data sources and methodology for reforms set out in the main body of the paper. All estimates of the administrative burden impacts of reforms are presented on a like-for-like basis in relation to their gross contribution to the target. They are discounted

16 We estimate the line of best fit equation for 2016-24 as

$y=0.7757x-1529.5y=0.7757x-1529.5$

This equation has an R^(2)=0.4867, with explanatory power likely down to the low number of data points.

17 When we vary this to assume positive growth, a flat trend or negative growth across the period 2010-2016, overall estimates are not sensitive to this and fall within the overall baseline range.

18 As a sensitivity, we also uplift by the average annual growth (rather than line of best fit). This approach provides estimates which fall within the overall baseline range.

19 DBT (2023), Better regulation framework p.47

20 MHCLG (2020), Building Safety Bill: Impact Assessment

21 HMG (2023), Fire Safety Bill: Impact Assessment

22 DBT (2025), Business Perceptions Survey

23 HM Treasury (2025) Policy Paper: New approach to ensure regulators and regulation support growth

using Green Book methods[24] and presented as annualised savings over a 10-year period in 2024-25 prices.[25]

The Planning and Infrastructure Bill[26] is expected to deliver £272m in admin savings. This is based on two calculations added together:

- Nationally significant infrastructure project (NSIP) reforms are expected to lead to fewer delays in consenting processes as National Policy Statements (NPSs) are updated more frequently. Regression analysis compared NPS age with time to deliver applications, accounting for complexity of projects and type of infrastructure. The resulting estimates of a 6-month reduction in delays in the consenting process was then applied to estimates that costs of delays to large projects can be £1.5m a month.[27] These were then applied to estimates of the number of private sector-led NSIP projects over the appraisal period.[28] There are also cost savings arising from reduced requirements for consultation activity.[29] Collectively the NSIP reforms yield an annual cost saving to business of £166m.
- For reforms to Planning Committees and Nature Restoration Fund (NRF) we estimate savings from fewer delays. We proxy daily costs of delays to developers using interest payments[30] they may face on capital used to purchase land[31] for typical developments. We apply these daily costs to estimates of days saved from streamlining aspects of the planning process set out in the Planning Committees[32] (p14 and p24) and NRF[33] (p19 to 20) IA annexes. These reforms yield savings to business of £106m.

Establishing the National Underground Asset Register (NUAR) will deliver over £185m in admin savings. These are based on the NUAR Impact Assessment (Table 3)[34], using estimates of business benefits and costs underpinning Equivalent Annual Net Direct Cost to Business (EANDCB). Focusing on admin impacts—mainly back-office efficiencies for asset owners and data consumers—we calculated an annual reduction in admin burden of over £185 million. This figure excludes on-site efficiency gains and transition costs, which, while not administrative, still represent significant impacts of NUAR legislation.

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24 HM Treasury (2022), The Green Book

25 HM Treasury (2025), GDP deflators at market prices, and money GDP June 2025 (Quarterly National Accounts)

26 MHCLG (2025), Planning and Infrastructure Bill: Impact assessment - GOV.UK

27 NIC (2023), Planning Study Final Report p.143

28 MHCLG (2025), Nationally Significant Infrastructure Projects reform: time savings on p42 to 43 (para 182 to 186)

29 MHCLG (2025), Nationally Significant Infrastructure Projects reform: other admin savings p 45 and 46 (para 195 to 197)

30 OBR (2024), Economic and Fiscal Outlook

31 VOA (2019), Land Value Estimates

32 MHCLG (2025), Planning Committee Modernisation

33 MHCLG (2025), Nature Restoration Fund

34 DSIT (2024), Data (Use and Access) Bill: National Underground Asset Register impact assessment

It is estimated that widespread use of digital verification services will deliver over £500m in admin savings. All admin savings attributed to UK businesses are figures estimated in the Data (Use and Access) Act impact assessment.[35] Adjustments were made to convert to consistent prices, discounting and annualisation.[36] These savings are productivity and efficiency savings UK businesses experience due to being able to conduct identity checks digitally. Conducting an identity check is an admin task, as it does not constitute part of a good or service. A digital identity check is an admin burden as organisations only conduct identity checks as existing legislation requires them to do so. The direct net benefits to businesses, as a result of the Digital Verification Services measure, are an admin burden saving for business. These savings are based on four 'use cases' - trusted financial transactions, employee mobility, travel at airports and purchasing a home, based off the total estimated annual checks of 287.7 million across these use cases (see p.21 of IA), and the estimated cost savings of conducting a digital check as opposed to a manual. These savings were estimated through estimated time savings of employees conducting a check, which varied across use cases from 1 minute to 1 hour. Further details on these estimates are discussed on p.21 of the impact assessment[37] and estimated at an annual rate assuming 100% adoption of digital identity checks. The benefits were calculated using an estimated rate of adoption that increases over time.

Eliminating duplicative or redundant reporting requirements from Directors' Report and Director's Remuneration Report and Policy is expected to deliver £185m in admin savings. The Companies (Accounts and Reports) Impact Assessment (IA)[38] estimated the benefit of a major deregulatory initiative with negative £240m EANDCB (in 2019 prices), enacted in 2025. The following are relevant to this exercise, with the assumption that companies stop doing more complex accounts when exempted: removal of Directors' report requirements to provide information to others (£0.9m EANDCB; p.29); and savings from companies moving to smaller size thresholds with fewer reporting requirements (£53.3m – rows 3 to 6 of Table 20, p. 50), and companies having less complex accounting requirements (£30.4m). We also consider savings to companies benefitting from the small companies audit exemption (£155.6m EANDCB; p.46) to be partially relevant. We assume that the typical audit is conducted via three distinct phases – planning, fieldwork, and reporting – which each makes up c.1/3 of the time spent on (and costs accrued in) conducting the audit. We assume

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35 DSIT (2024), Data use and access bill digital verification services De Minimis impact assessment, p. 28

36 We have used HM Treasury (2025), GDP deflators at market prices, and money GDP June 2025 (Quarterly National Accounts) to put figures in a consistent base year & HM Treasury (2022), The Green Book to apply discount rates

37 DSIT (2024), Data use and access bill digital verification services De Minimis impact assessment p.21

38 DBT (2024), The Companies (Accounts and Reports) (Amendment and Transitional Provision) Regulations 2024 impact assessment

that c.1/3 of auditors' costs relate to information obligations, for the reporting phase – i.e. the time auditors spend producing the final audit report – representing an admin burden reduction (c.£52m per year). Thus we estimate c.£150m EANDCB (in 2019 prices) to be relevant to admin reduction. Adjusting for inflation to 2024 prices[39], we estimate this to be equivalent to around £185m per year.

The Department for Culture Media and Sport (DCMS) review of financial thresholds in charity law will generate c.£47m of admin savings. DCMS estimate annual admin savings for each threshold by multiplying the number of charities affected[40] (filtered by income level), by the time/cost saving from not having to perform the requirement of the threshold, from section 2.2 of the Financial Thresholds Consultation Impact Assessment.[41] We estimate the total annual saving for charities as £48 million in 2024 prices, with one-off familiarisation cost of £5.3 million. Over a 10-year period, the net average annual admin saving is £47 million in 2025 prices.[42] This figure has been discounted, and inflation has been taken into account.[43]

Streamlining of corporate reporting requirements could save businesses c.£230m in admin burdens. Using Fame data[44], we estimated the number of companies that are currently obligated to produce a Strategic Report and how many would be exempted – and have assumed that all exempted companies would stop producing a Strategic Report. We estimate there are c.44,000 medium-sized companies that are not public or financial companies in the IA.[45] In addition, we use Fame data[46] that c.7,000 large companies are subsidiaries to parents that file group accounts, and are thus exempted under our proposal. The cost of the Strategic Report has been estimated using a survey[47], from which we use median costs for unquoted companies (£3,700), inflated to 2024 prices (£4,556). This survey asked companies to estimate how many full-time equivalent hours it took them to produce strategic reporting, thus we have

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39 We have used HM Treasury (2025), GDP deflators at market prices, and money GDP June 2025 (Quarterly National Accounts) to put figures in a consistent base year & HM Treasury (2022), The Green Book to apply discount rates

40 Charities Commission (2025), Register of charities

41 DCMS (2025), Consultation impact assessment: Financial Thresholds in Charity Legislation

42 HMT (2025) GDP deflators, June 2025

43 We have used HM Treasury (2025), GDP deflators at market prices, and money GDP June 2025 (Quarterly National Accounts) to put figures in a consistent base year & HM Treasury (2022), The Green Book to apply discount rates

44 Moody's Analytics (2025): Fame Dataset

45 DBT (2024), The Companies (Accounts and Reports) (Amendment and Transitional Provision) Regulations 2024 impact assessment. See Table 25 p. 59

46 Moody's Analytics (2025): Fame Dataset

47 BEIS (2022): Post-Implementation Review of the Secondary Legislation Implementing the EU Directive on Non-Financial Reporting (Directive 2014/95/EU) (2016) and Companies Act Reforms (2013), p. 35. See Table 9, p. 35

considered the overall benefit to companies to be wholly relevant. Combining the above, we estimate this reform could save businesses c.£230m in admin burdens.

We estimate that improving digital experience for businesses in complying with regulations will save businesses over £13m in admin burdens. We combine BPS 2022 responses on staff days spent dealing with regulation[48] by sector and size with business population estimates[49] on number of businesses by sector and size to estimate average days per business by sector 'dealing with regulation'. This is combined with UK full time wage rate[50] to estimate the opportunity cost. The Digital Efficiency Report, which estimated savings from digitisation of business and citizen services, estimated a half hour saving per interaction with government from effective digitisation programmes. We have assumed that this represents at least a 20% saving for businesses in the time spent understanding their regulatory compliance requirements and applying for licences.[51] The benefits were estimated over a ten-year appraisal period starting in 2025. This was converted into an annualised figure of over £13m using Green Book discounting.[52]

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48 DBT (2022), Business Regulation: Business Perceptions Survey 2022

49 DBT (20250, Business population estimates

50 ONS (2024) Employee earnings in the UK

51 We have assumed there could be a 20% saving for businesses in time spent understanding regulatory requirements and applying for licences based on past evidence. See, for example, GDS (2012), Digital Efficiency Report, which found there could be significant savings per interaction with government from digitisation of business and citizen services through effective digitisation programmes.

52 We have used HM Treasury (2025), GDP deflators at market prices, and money GDP June 2025 (Quarterly National Accounts) to put figures in a consistent base year & HM Treasury (2022), The Green Book to apply discount rates

HM Treasury contacts

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If you require this information in an alternative format or have general enquiries about HM Treasury and its work, contact:

Correspondence Team
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

Tel: 020 7270 5000

Email: public.enquiries@hmtreasury.gov.uk