



Department
for Transport

Department for Transport **Annual Report and Accounts** 2025-2026

For the period 1 April 2025 to 31 March 2026

Accounts presented to the House of Commons pursuant
to Section 6(4) of the Government Resources and Accounts
Act 2000

Report presented to the House of Commons by
Command of His Majesty

Ordered by the House of Commons to be printed on 15 July 2026

HC 423



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ISBN 978-1-5286-6673-2

E03636404 07/26

Printed on paper containing 40% recycled fibre content minimum

Printed in the UK by HH Associates Ltd. on behalf of the Controller of His Majesty's Stationery Office



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Foreword by the Secretary of State

Good transport has always been an engine for economic growth and social cohesion. And it is as true now as it's ever been. We are seeing external shocks combined with global conflict and instability becoming a drag on living standards and opportunity. This Government is clear: we will protect the British people, strengthen our economy, and increase national resilience in the face of crises both at home and abroad.



The immediate priority is to reduce the cost of living. That starts with reliable bus and train services so people can get to work. It means quicker road journeys and fewer potholes so we can access public services and avoid costly car repairs. And it means ramping up greener flights and maritime, helping to secure our trading future while maintaining the connectivity that people and businesses rely on. At the heart of this effort is the Department for Transport, and the thousands who work across the country to make journeys better every day. Over the past year, DfT has continued to deliver on our three Strategic Outcomes: enhancing growth and place, improving journeys for people, and delivering green and healthy transport. This Annual Report charts our progress.



An aerial view of the carriage works site at York Central

The backbone for any ambitious vision for transport is investment. In January 2026, I was proud to confirm Northern Powerhouse Rail, setting a government funding envelope of up to £45 billion. This represents a major long-term commitment to our railways, and to improving connectivity across the North, **supporting economic growth**, and strengthening links between cities, towns, and communities. We have also introduced the Bus Services Bill, giving Mayoral Strategic Authorities and local leaders greater powers to shape and improve bus services. This builds on our wider commitment to devolution and **place-based transport**, ensuring transport networks increasingly reflect the unique needs of every community.

DfT continues to **improve journeys for people** by making transport more integrated, reliable, accessible, and affordable. This year, we're a step closer to the biggest reform to our railways in a generation. Over half of operating companies are now in public hands as we push to simplify the network to ensure rail serves passengers, not profit. The Railways Bill, which continues its journey in Parliament, will establish Great British Railways – a directing mind that will join up track and train and deliver better services that passengers can rely on. Finally, in a period of global energy instability, national security is now inextricably linked to energy security. That's why we have taken important steps to **deliver green and healthy transport**. In March 2026, we secured Royal Assent for the Sustainable Aviation Fuel Bill, supporting cleaner, domestically produced fuels which will cut emissions from air travel. We have accelerated the transition to zero emission vehicles, expanding the rollout of charging infrastructure and helping to drive the shift towards cleaner road transport.

It's also important we never forget the tragic events that have taken place on our network. The recent rail collision in Bedford shocked the country. Our thoughts remain with all those affected and I am determined we learn the lessons from this horrific incident. Safety on our transport network is non-negotiable, and one of my proudest moments was publishing the first Road Safety Strategy in a decade. Whether on rail, road or in the skies, I will always fight for safer travel for everyone.

I would like to thank colleagues across the DfT and our public bodies, and all our partners across local and national government, industry, and beyond. Their professionalism, expertise, and commitment are the driving energy behind everything we do. I am very grateful for the support they've given me and my ministerial team.



The Rt Hon Heidi Alexander
Secretary of State for Transport

Foreword by the Permanent Secretary

DfT has a clear purpose: to make transport better – better for the people and businesses who rely on it every day, better for the places it connects, and better for the future of our country. In my first year as Permanent Secretary, I have been incredibly proud of what colleagues across DfT have achieved. In a complex and fast-moving environment, we have continued to deliver with professionalism, commitment, and a clear focus on improving outcomes for the public. This year has demonstrated the very best of the values that underpin our work.



DfT has continued to take bold steps to shape the future of transport, including through the publication of our new Road Safety Strategy in January. For the first time in over a decade, DfT has set clear national targets to reduce those killed and seriously injured on our roads, underpinned by a renewed, evidence-led framework for improving safety for all road users. We are also taking a bold and responsible approach to adopting Artificial Intelligence to meet rising expectations, improve public services and deliver efficiencies. This includes using AI in high volume work such as consultations and correspondence, and Digital Twins to support resilience and network management.

Transport only works through partnership, and this year has highlighted the importance of collaborative working at every level. That has been particularly evident in the transfer of colleagues to DfT Operator Ltd, as another step towards the creation of Great British Railways. Which has brought together colleagues from across DfT through one of the largest staff transfers undertaken in recent years. The successful transition reflected extensive collaboration between DfT, its arm's-length bodies, trade unions, and staff, ensuring continuity of services while laying the foundations for a more integrated railway. Collaboration is also evident through our work supporting English Devolution, where we have continued to deepen its work with mayors, local leaders, and partners across government to help places shape transport systems that reflect the needs of their communities. This has required close collaboration across government, with local authorities, transport bodies, and delivery partners. That partnership approach has strengthened decision-making, enabled more integrated strategic planning, and helped ensure that transport continues to support local growth, opportunity, and connectivity across the country. Finally collaboration has also underpinned our response to the James Stewart Review, as we implement the recommendations to strengthen governance, accountability, and collective delivery across major infrastructure programmes. These improvements have informed the HS2 Reset, providing an opportunity to take a transparent and realistic view of the programme, reset delivery against achievable costs and timescales, and strengthen the governance and assurance needed to restore confidence in its delivery.

This year has also demonstrated the value of remaining curious; being willing to think differently, challenge ourselves and look ahead to the future. That curiosity has helped us to question long-standing assumptions about how transport services are planned, delivered, and experienced by passengers. It is reflected in the launch of Better Connected: A Strategy for Integrated Transport in England, which sets out a blueprint for simpler fares, integrated ticketing, and nationwide standards for accessibility. By harnessing the power of new technology and open data, while placing greater responsibility and flexibility at the local level,

the strategy demonstrates how fresh thinking can help create a more joined-up transport system. That spirit of curiosity and continuous improvement will remain essential as we continue to modernise and improve transport for the future.



High Level Bridge & Swing Bridge over the River Tyne

I would like to thank colleagues across DfT and our public bodies, and all our partners for their continued dedication and professionalism over the past year. Together, through being bold in our ambition, collaborative in our approach and curious in how we learn and improve, we continue to deliver on our shared purpose: to make transport better.

Jo Shanmugalingam CB
Permanent Secretary



Performance Report



Performance Report

Report Purpose

This Performance Report outlines DfT's key successes and challenges in relation to its three Strategic Outcomes.

DfT did not publish an outcome delivery plan (ODP) for 2025-26; however, this report aligns to the Strategic Outcomes DfT published in April 2026, which have remained consistent in their sentiment.

Organisational Structure

DfT consists of the central Department (DfTc), its Executive Agencies and Arm's Length Bodies (ALBs). These are classified according to the level of ministerial control required for them to best perform their functions. These organisations have their own governance structures and publish annual reports, with their accounts consolidated into the Group's annual report and accounts.

Executive agencies act as a branch of DfT and typically carry out services or functions with a focus on delivering specific outputs, with policy set by ministers. Non-departmental public bodies (NDPBs), more generally referred to as ALBs, are separate legal entities from DfTc. DfT sets their strategic framework, appoints the chair of their boards, approves all non-executive board member appointments, and appoints an accounting officer. Agencies and NDPBs are consolidated into the departmental group within these Annual Report & Accounts.

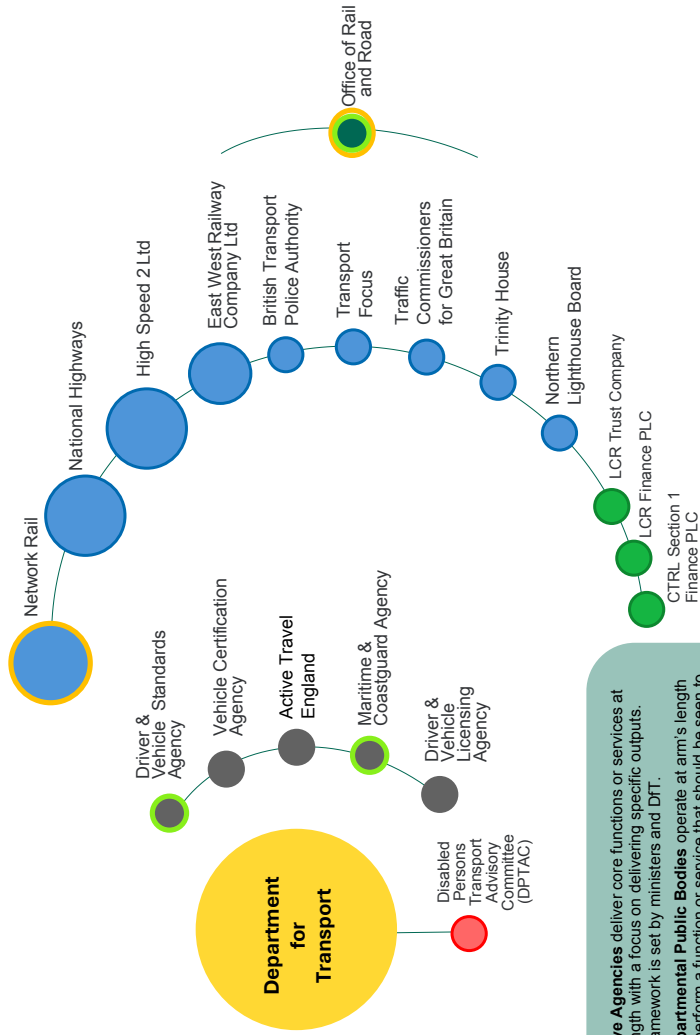
The wider departmental family includes other public bodies classified outside of the Departmental boundary helping to achieve its objectives, which have more autonomy over their own policies and are not consolidated into the Group's financial statements. Further details can be found in the Accountability Report.

Governance Structure

DfT's governance arrangements reflect best practice and the importance of giving Parliament confidence that DfT uses resources cost-effectively when delivering its Strategic Outcomes. The full governance statement can be found in the Accountability Report.

Who?	What?
Parliament	- Checks and challenges the work of DfT through questioning ministers and senior civil servants. - Through the Houses and committees, debates work carried out by DfT and checks and approves DfT spending.
Secretary of State for Transport and ministers	- The Secretary of State is appointed by the Prime Minister and has overall responsibility for DfT and its public bodies. - Makes policy decisions based on advice from officials. - Presents and accounts for policy publicly and in Parliament.
Permanent Secretary, the Principal Accounting Officer	- Responsible for the effectiveness and efficiency of DfT leadership, management and staffing. - Works to support and implement ministerial policies and objectives. - The Permanent Secretary acts as principal accounting officer, is responsible for the propriety and regularity of the DfT group's expenditure.
Department for Transport Board	- Consists of the Secretary of State for Transport, ministers, Non-Executive Board Members, Permanent Secretary and Directors General. - Advisory body that supports and challenges both DfT ministers and the principal accounting officer. - Provides strategic focus by advising on the operational implications and effectiveness of policy proposals.
Department for Transport Executive Team	- Consists of the Permanent Secretary, Directors General, Director of Group Human Resources, and Director of Group Finance. - Supports and reports to the Permanent Secretary in the management of DfT business in-line with ministerial priorities.
Group Audit and Risk Assurance Committee	- Oversees the DfT's assurance programme, reviews the Internal Audit strategy, and the performance of both the Government Internal Audit Agency and external auditors. - It oversees that effective systems are in place for internal control, financial reporting, governance, assurance, and risk management.
Nominations Committee	- Has an advisory role focussing primarily on ensuring DfT has the capability to deliver and plan the current and future needs for talented people in both DfT and its ALBs. - It provides scrutiny of both DfT Executive appointments, as well as DfT and ALBs Non-Executive appointments by ensuring appropriate succession planning is in place to meet the needs of the DfT and ministers.
Internal and External Audit	- Internal Audit reviews processes and procedures to help improve DfT's risk management, control and governance and internal audit provides independent assurance to the Permanent Secretary and DfT Board. - External audit undertakes a statutory audit of DfT's consolidated Annual Report and Accounts.

Central Government: Arm's Length Bodies



- **Executive Agencies** deliver core functions or services at arm's length with a focus on delivering specific outputs. Policy framework is set by ministers and DfT.
- **Non-Departmental Public Bodies** operate at arm's length as they perform a function or service that should be seen to be delivered independently of ministerial oversight.
- **Public Corporations** are companies set up to deliver specific functions at a greater distance from government.
- **Non-Ministerial Departments** do not have their own ministers, but remain accountable to Parliament through their sponsoring ministers. They are staffed by civil servants and usually have own estimate and accounts.

Executive Agencies	Non-Ministerial Departments	Public Corporations
Executive Non-Departmental Public Bodies		

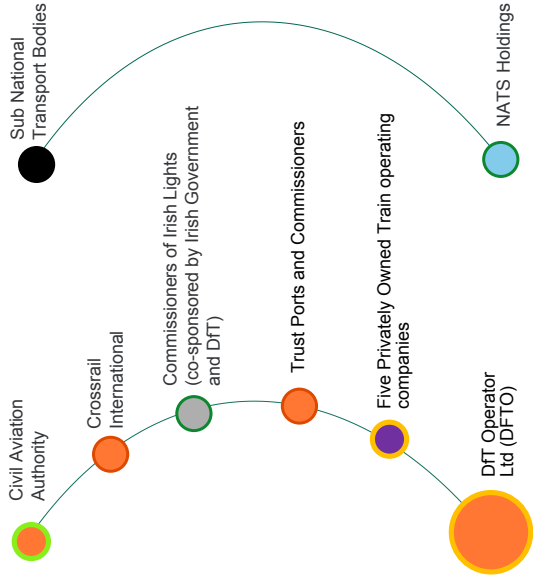
Expert Committees and Independent Units within the Dept.	Publicly funded regional bodies

Unclassified central government bodies	Classified outside of central government

Legally private companies but classified as public corporations by ONS	Public-private partnership

Part of Rail Reform	Regulatory function

Public Corporations and Other Notable Organisations



Nine DfT-owned Train Operating Companies (TOCs):

- c2c
- Greater Anglia
- GTR (from May 2026)
- London North Eastern Railway
- Northern
- Southeastern
- South Western Railway
- TransPennine Express
- West Midlands Trains

Financial Overview from the Director General for the Corporate Delivery Group

Introduction

The 2025-26 financial year was the first year of departmental spending plans covered by Spending Review 2025 (SR25). DfT spending plans for 2025-26 were agreed alongside the 2024 Autumn Budget as Phase 1 of SR25. Phase 2 of SR25 was published in June 2025 which set out departmental funding settlements until 2028-29 for day-to-day resource funding, and until 2029-30 for capital investment.



The Autumn Budget 2025 (AB25) built on this, increasing our investment in the Electric Vehicle Grant and Electric Vehicle Charging Infrastructure for 2025-26 to create a greener, safer and healthier transport system. AB25 also secured additional public funding for preliminary work on the Lower Thames Crossing, ahead of the planned implementation of a regulatory asset base private finance model for construction and operation of the new crossing.

DfT resource spending is forecast to reduce over the Spending Review period, primarily through a reduction in DfT's financial support to Train Operating Companies (TOCs), through increased ridership, farebox revenues and efficiencies. Ongoing spending efficiencies are also planned across DfT's activities. In parallel, DfT made further policy interventions in 2025-26 to manage day-to-day cost-of-living for public transport users. In June 2025, the £3 bus fare cap was extended to March 2027; and in November 2025, the Government announced that regulated rail fares for the year beginning March 2026 will be frozen.

Capital spending will continue to increase over the Spending Review period. This provides major investment in our road and railway transport networks, in addition to supporting mayoral combined authorities and local authorities with enhancing and renewing regional and local transport infrastructure.

This report provides a high-level overview of our financial performance in 2025-26. Figure 1 summarises total spend against the final control totals voted by Parliament at the Supplementary Estimate and Figure 1.1 shows a breakdown of total spend by transport mode.

	2025-26			
	Budget	Outturn	Variance	
Control Total	£ million	£ million	£ million	%
Resource DEL	19,999	18,731	1,268	7%
<i>Of which: Administration</i>	382	369	13	4%
Capital DEL	21,639	21,359	281	1%
Resource AME	3,701	1,939	1,762	91%
Capital AME	149	(151)	300	(199%)
Net Cash Requirement	34,671	30,247	4,424	15%

Figure 1: Outturn and Control totals authorised by Parliament. The budgeting framework for Central Government is further explained in Figure 4.

This chart shows the total Departmental Expenditure Limit (DEL) and Annually Managed Expenditure (AME) spending (net of income) by Estimate line, with Estimate lines grouped by transport mode. Total DEL and AME spending includes both Resource and Capital cash spending in addition to non-cash costs such as depreciation. Net Cash Requirement (NCR) represents the total level of Supply funding drawn down from HM Treasury (HMT) during the year to support DfT's spending, demonstrating DfT's total call on taxpayer funds. As required by Parliament, DfT remained within all of the budget limits set by Parliament. Significant variances between Budget and Outturn are explained in the Statement of Outturn against Parliamentary Supply.

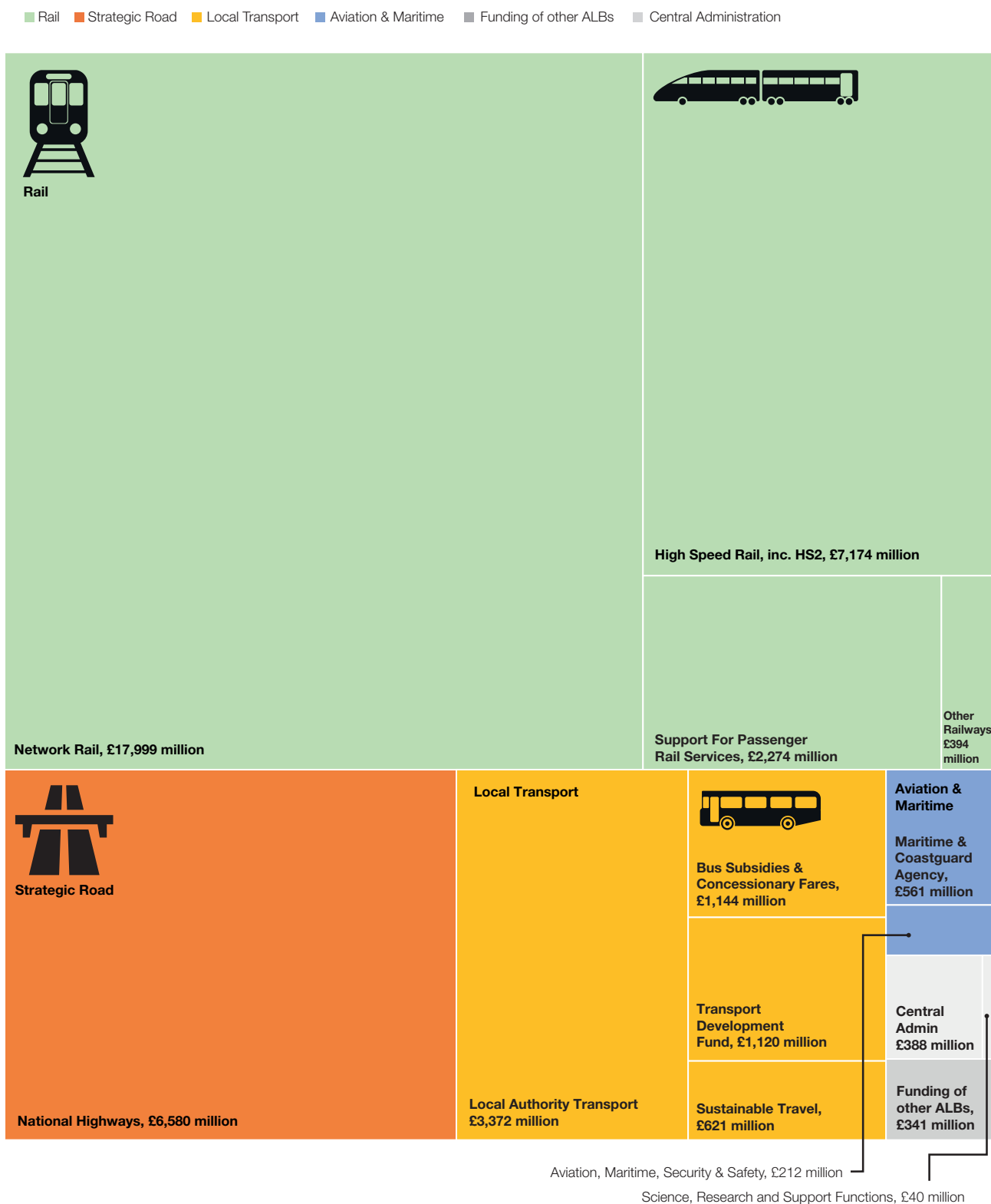


Figure 1.1: Colours in this figure represent the breakdown of spending by mode.

Income and funding

Alongside the Supply funding received from HMT described in Figure 1, DfT Group received £7.2 billion in income from other sources. These are summarised in Figure 2, and more detail can be found in Note 4 to the Financial Statements.

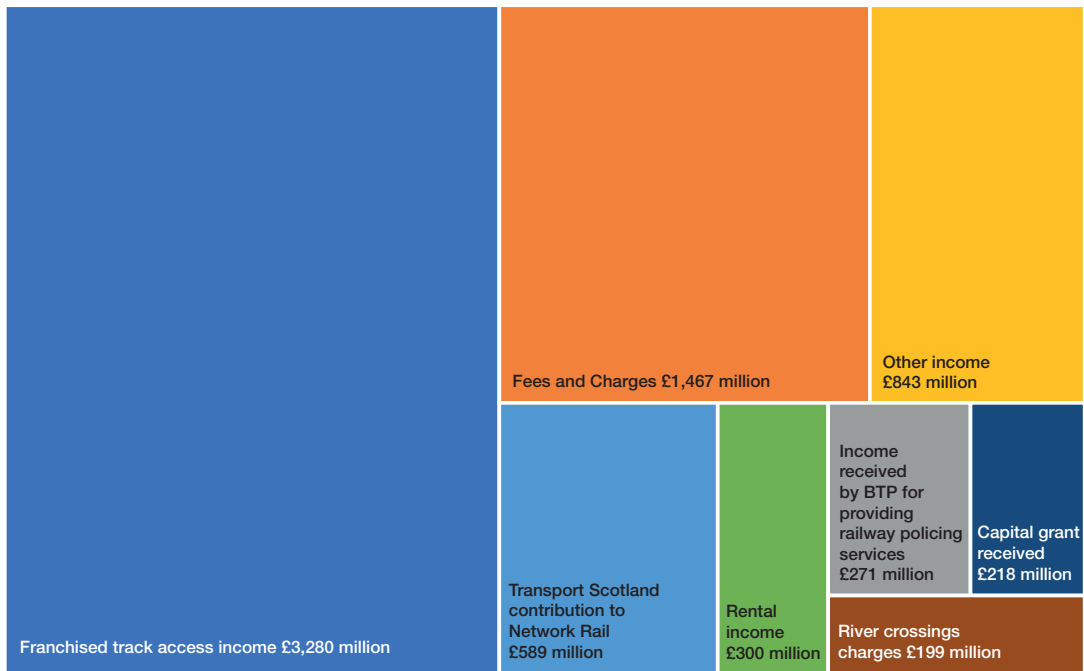


Figure 2: Main sources of income received in year

Figure 2.1 shows the net movement in Income by revenue source in the year ended 31 March 2026. Revenues from DfT’s income streams were broadly comparable with the prior year.

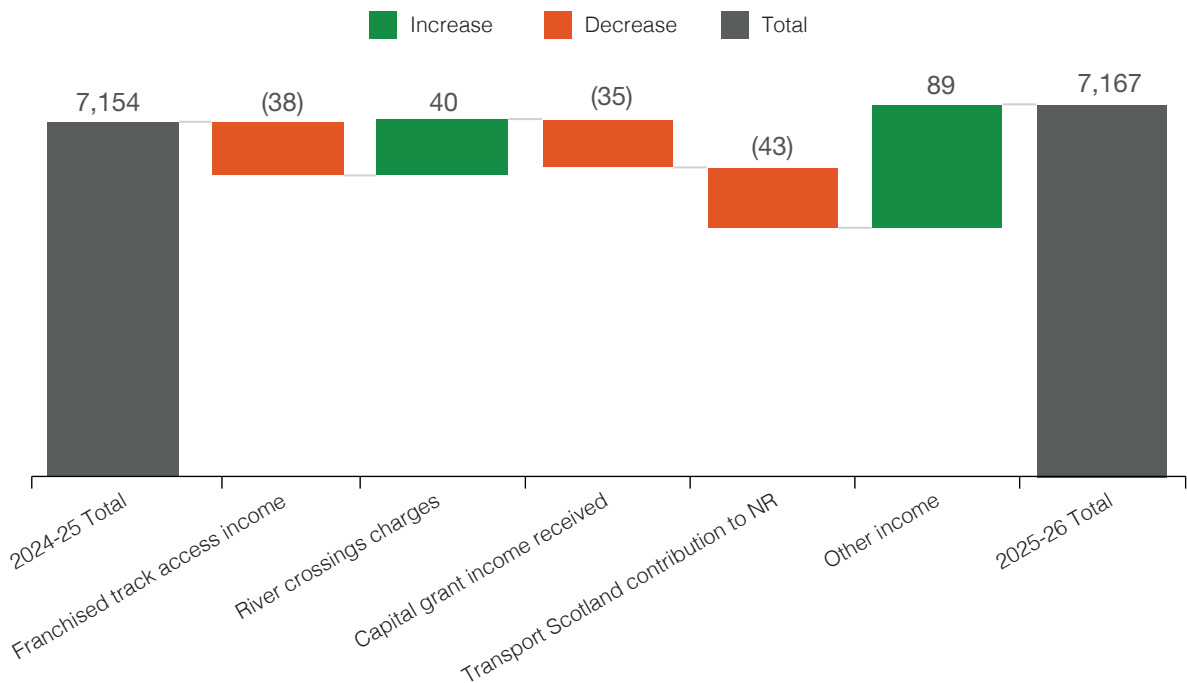


Figure 2.1: Movement in revenue streams, £ millions

Source: Financial Statements Note 4, cash items.

Expenditure

As reported in the Statement of Comprehensive Net Expenditure in the Financial Statements, DfT Group incurred £33 billion of expenditure in 2025–26 compared to £32 billion in the previous year. Figure 3 shows the headline movements in expenditure during the year.

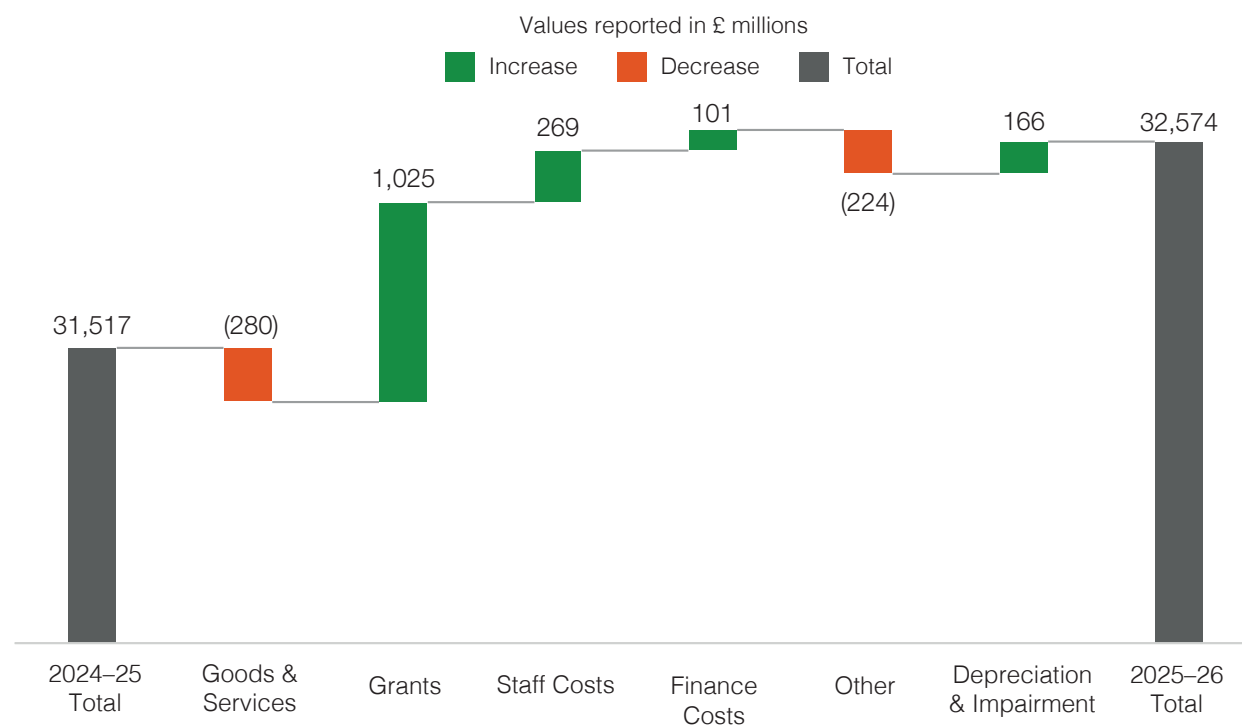


Figure 3: Movements in expenditure in 2025–26

Goods and services costs decreased in 2025-26 primarily driven by a reduction in funding required from DfT to support passenger rail services.

Grant expenditure includes amounts issued to local authorities and mayoral combined authorities for investment in local transport and local roads improvement, in addition to other grant schemes such as support for the local bus sector. Overall grants increased by £1,025 million. The biggest driver was an increase in grants to Transport for London (TfL) by £402 million due to the higher funding settlement agreed to deliver transport priorities. In addition, there were increases to capital funding for local highway maintenance and to Mayoral Combined Authorities through the Transport for City Regions (TCR) funding that provides multi-year, consolidated funding settlements to enhance the local transport networks of some of England's largest city regions, including investment in public and sustainable transport infrastructure.

Staff Costs increased due to pay awards during the year and the increase in the employer National Insurance contribution rate.

Finance Costs primarily comprise interest charges on legacy debt owed by the Group to bondholders. The debt supported investment in infrastructure projects relating to the railway assets now held by Network Rail Ltd and High Speed 1 Ltd. Finance costs on these bonds increased in 2025-26, which are linked to the retail price inflation index.

The decrease in Other Costs relates to defined benefit pension scheme costs. These have decreased in the year driven by an increase in interest income on the pension assets in excess of interest costs on the scheme liabilities.

Depreciation and Impairment are non-cash costs relating to DfT's fixed assets. Depreciation costs reflect the consumption of assets in the course of their operational use. Impairments are one-off costs reflecting a permanent drop in an asset's value: in DfT's circumstances, material impairments primarily arise when an infrastructure scheme is cancelled.

Depreciation increased in 2025-26 driven by the increase in the valuation of the railway and road networks. Further detail on the accounting approach to estimating the balance sheet valuation and the associated depreciation charge for the road and railway networks is provided in Note 1 to the Financial Statements.

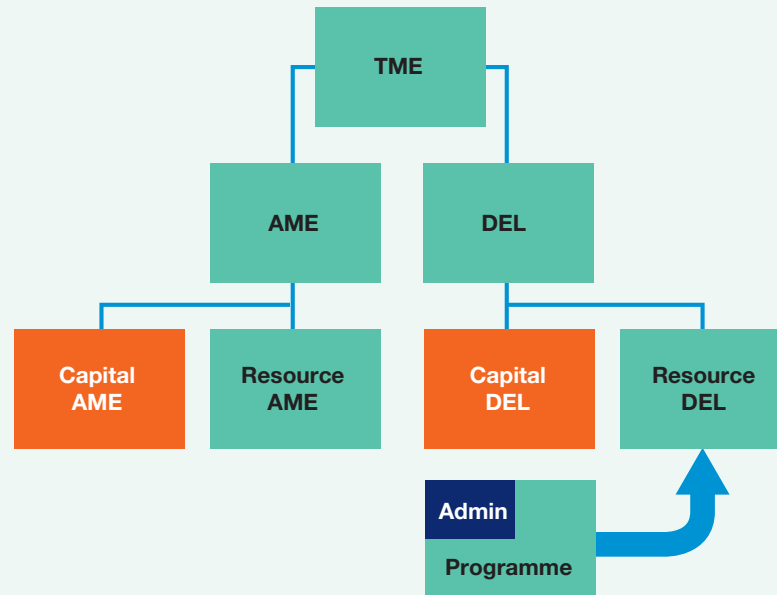
Impairment costs decreased in 2025-26. Impairment costs in the prior year included £428 million arising from the cancellation of a number of road schemes through the 2024 Spending Audit and Autumn Budget. In 2025-26, DfT incurred £253 million impairments arising from the cancellation of two road schemes following Phase 2 of SR25.

Total Managed Expenditure

Total Managed Expenditure (TME) represents the total funds spent by DfT against a series of different budget types, which are depicted in Figure 4. A comparison of TME in 2025-26 to recent years is shown in Figure 5. NCR is a separate Parliamentary control total which limits the cash funding departments can draw from the Exchequer to finance their TME spending for the year.

Our budget framework

HMT sets the budgetary framework for government spending



The total amount DfT spends is referred to as TME; which is split into:

- Annually Managed Expenditure (AME) and
- Departmental Expenditure Limit (DEL).

AME expenditure is typically volatile or demand-led. AME budgets are agreed with HMT on an annual basis. DEL expenditure reflects the cost of delivering front-line and back-office activities. Long-term DEL budgets are set through Spending Reviews which usually occur every three to five years.

Budgets are also classified into Resource and Capital.

Resource DEL is further split into:

- Programme budgets for frontline services, and
- Admin budgets such as back office functions.

Figure 4: Our budgetary framework

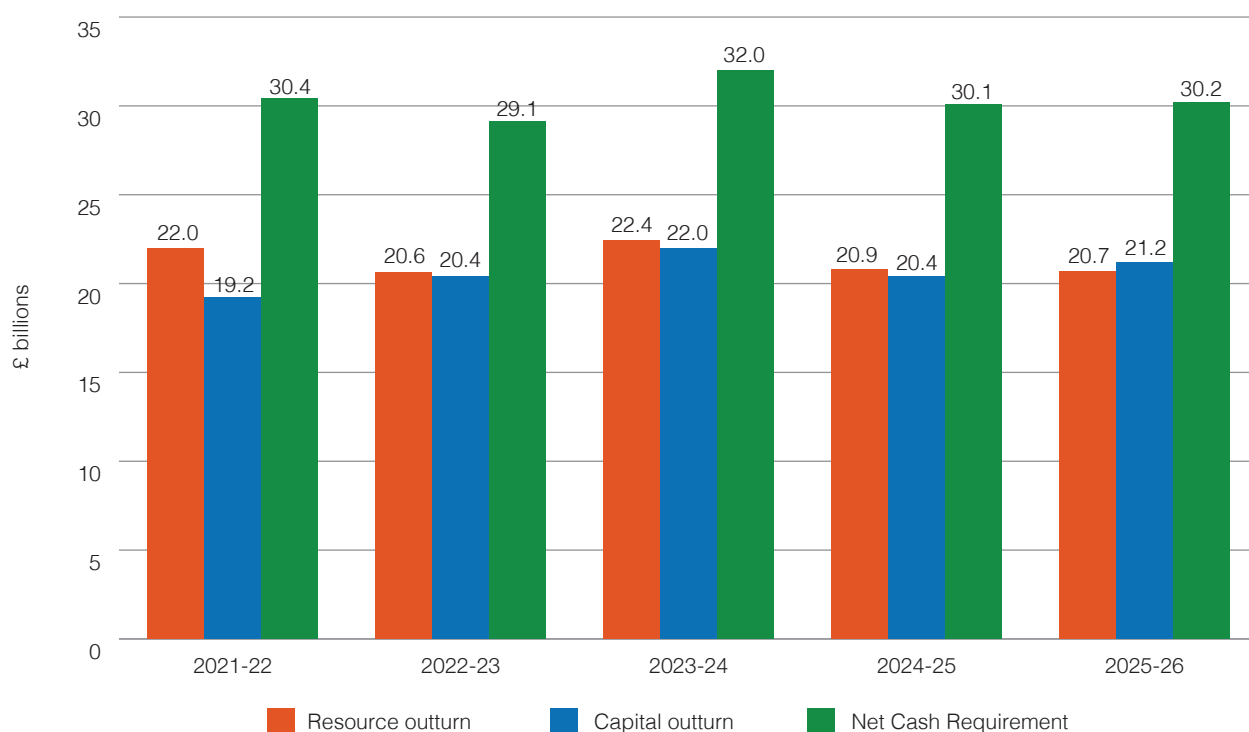


Figure 5: TME and NCR by year

Our Resource DEL covers the expenditure associated with the day-to-day running of the Group, including the operating costs our ALBs incur to support delivery of our major projects and to operate and maintain the elements of the transport network they are responsible for.

Our Capital DEL covers the major capital programmes described above and other investment to enhance the transport system. Network Rail received material levels of capital income: these relate to contributions from other bodies towards capital projects.

TME includes our non-cash budget requirements, such as: depreciation in Resource DEL; deferred tax and interest accretion charges in Resource AME; and capital provisions in Capital AME.

Figure 5 includes our NCR for the year, which represents DfT's total call on taxpayer funds from the Exchequer to finance its spending activities for the year.

Figure 5.1 shows how our biggest areas of capital spend – HS2, Network Rail and National Highways – have evolved in recent years. Spending plans for 2026-27 reflect amounts agreed in Main Estimate 2026-27. HS2's capital spending varies by year in line with the construction profile of the project. Capital spending by Network Rail and National Highways is more stable between years, in line with the long-term investment programmes agreed through the Office of Rail and Road (ORR) Control Period and the Road Investment Strategy mechanisms respectively. Network Rail's Control Period 7 funding settlement is for the period 1 April 2024 to 31 March 2029, providing security of long-term investment in the UK rail network. The second Road Investment Strategy (RIS2) concluded on 31 March 2025. The 2025–26 financial year was an interim year between road investment strategy periods, supported by a one-year settlement that enabled continued delivery while preparing for Road Investment Strategy 3

(RIS3). RIS3, published in March 2026, provides a five-year funding settlement for 2026–2031 and sets the framework for future investment, with an increased focus on asset renewals, network resilience and long-term performance.

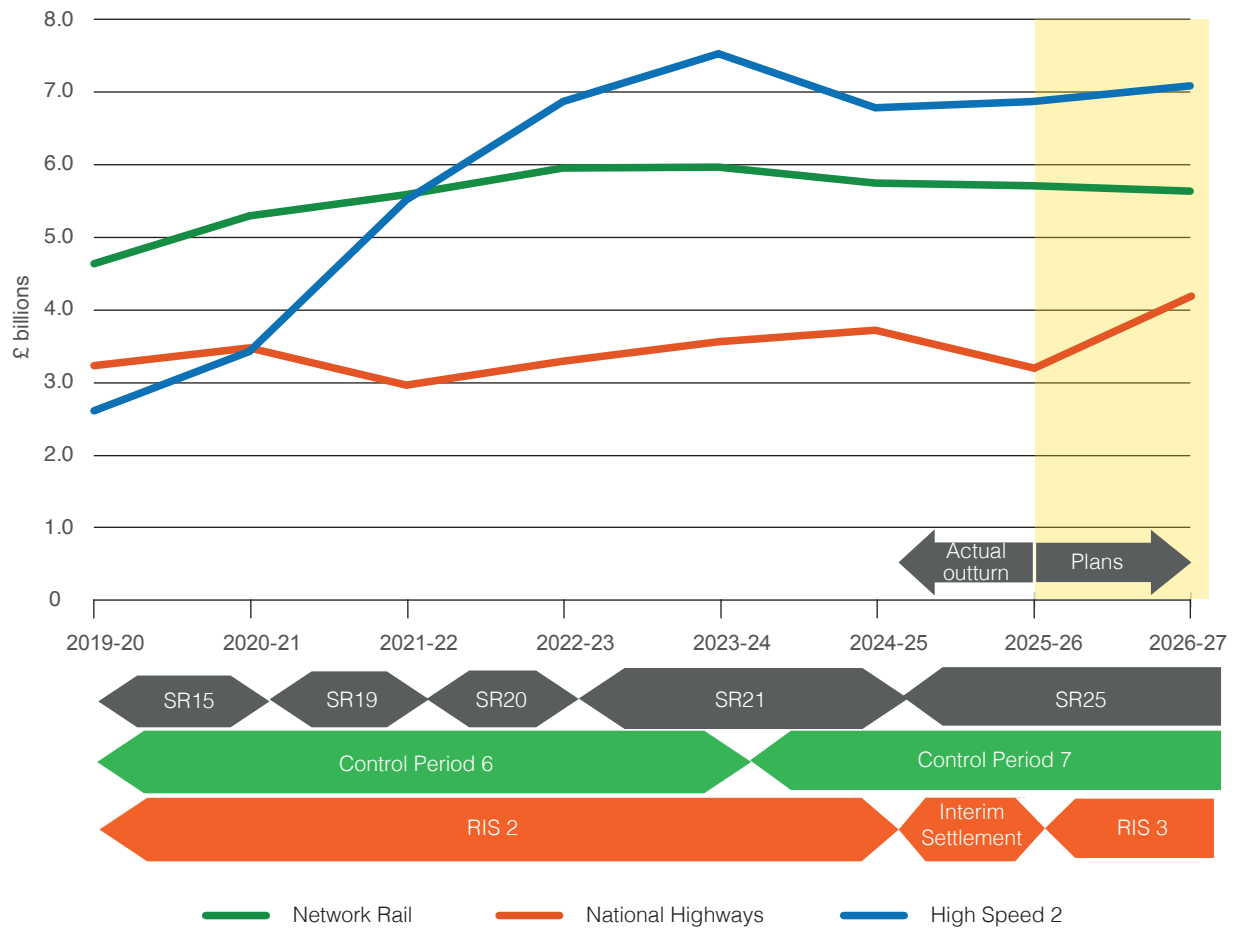


Figure 5.1: Key areas of capital spend

Assets and liabilities

	2025-26	2024-25 (Restated)	Increase / (Decrease)
	£ million	£ million	£ million
ASSETS			
Property, plant & equipment, including leases & assets held for sale	729,623	691,552	38,071
Receivables	2,252	2,246	6
Loans	2,059	2,331	(272)
Investments in equities & associates	1,391	1,181	210
Cash	1,302	1,385	(83)
Inventories	1,364	1,234	130
Derivatives	7	22	(15)
Investment properties	199	195	4
Pension asset	1,680	1,238	442
Intangible assets	609	630	(21)
TOTAL ASSETS	739,856	702,014	37,842
LIABILITIES			
Borrowings	35,076	34,311	765
Payables	7,733	8,052	(319)
Pensions	559	614	(55)
Deferred tax	8,291	7,630	661
Provisions	1,451	1,531	(80)
Derivatives	29	67	(38)
TOTAL LIABILITIES	53,139	52,205	934
NET ASSETS	686,717	649,809	36,908

Assets

DfT had £740 billion of assets at 31 March 2026, an overall increase of £38 billion on the prior year. Notable changes are set out below.

As at 31 March 2026, £504 billion of assets related to the Railway Network in Great Britain and £175 billion related to the Strategic Road Network (SRN) in England, which are the responsibility of Network Rail and National Highways respectively. In addition, the Group held assets under construction relating to HS2 of £44 billion. The increase in assets was driven largely by £16 billion additions and £32 billion of revaluation increases, offset by £10 billion of depreciation charges.

Additions to the Rail Network comprised £2.2 billion of Enhancements and £3.6 billion of Renewals. Major schemes included: Transpennine Route Upgrade (TRU); East West Rail (EWR) and improvements to the East Coast Mainline. In Scotland, investment activity included completion of the electrification of the railway from East Kilbride to Glasgow and major infrastructure refurbishment of the Far North Line from Inverness to Wick. Additions to Assets under Construction (AUC) include £7 billion relating to HS2 construction works undertaken during the year. Additions to the SRN comprised: £2.3 billion of capital enhancements

including improvements to the surroundings of the network, supporting sustainability, protecting quality of life and the environment and delivering safety and congestion relief schemes; and £0.9 billion of asset renewals. Significant additions included the A63 at Castle Street in Hull and the M3 Junction 9 at Winchester. The road and railway networks are valued using a Depreciated Replacement Cost valuation methodology as required under HMT financial reporting rules. The revaluation gains represent increases in the estimated cost of constructing a modern equivalent infrastructure asset. DfT's approach to valuing these assets is set out in Notes 1 and 5 to the Financial Statements.

Investments in equities and associates of £1 billion comprise DfT's shareholdings in entities which are not consolidated into the Financial Statements, primarily Platform4 Rail Regeneration Ltd (formerly LCR Ltd), DfT Operator Ltd (DFTO), Network Rail Insurance Ltd and NATS Holdings Ltd. With the progression of the railway public ownership programme in 2025-26, the DFTO Group has expanded during the year leading to an increase in the valuation of DfT's equity investment in the company. Note 26 in the Financial Statements provides further details.

Loans decreased by £0.3 billion, primarily driven by £0.2 billion repayment of loans for the Crossrail project made available to the Greater London Authority (GLA) and TfL.

Retirement benefit assets of £1.7 billion represent defined benefit pension schemes which are reporting a surplus of scheme assets over actuarial liabilities at 31 March 2026. Further details are provided in Note 24.

Liabilities

DfT held £53 billion of liabilities at 31 March 2026 (2024-25: £52 billion). These comprise:

- Network Rail has £30 billion (2024-25: £29 billion) of debt payable to bondholders, reflecting third party borrowing entered into before the company joined DfT Group. In addition, £4 billion of debt (2024-25: £4 billion) is payable to institutional investors holding bonds issued by DfT's finance companies, LCR Finance plc and CTRL Section 1 Finance plc. This stock of debt matures by 2052. The increase in the value of the borrowings during the year is caused by capital accretion on the index-linked bonds, which is accounted for as finance costs.
- £8bn of trade and other payables (2024-25: £8 billion).
- Network Rail has a total deferred tax liability of £8 billion (2024-25: £8 billion).
- Defined benefit pension liabilities of £0.6 billion. The pension schemes accounted for within this liability are described in Note 24 to the Accounts: this liability excludes pensions for civil servants in the PCSPS, for which accounting rules require that liabilities are recognised in year as the employer contributions fall due.
- £1.5 billion of provisions, of which £0.5 billion is for land and property purchases along the HS2 route.
- £1 billion of lease liabilities in respect of right-of-use assets (2024-25: £1 billion).

Further details can be found in Notes 13, 18-22 and 24 to the Financial Statements.

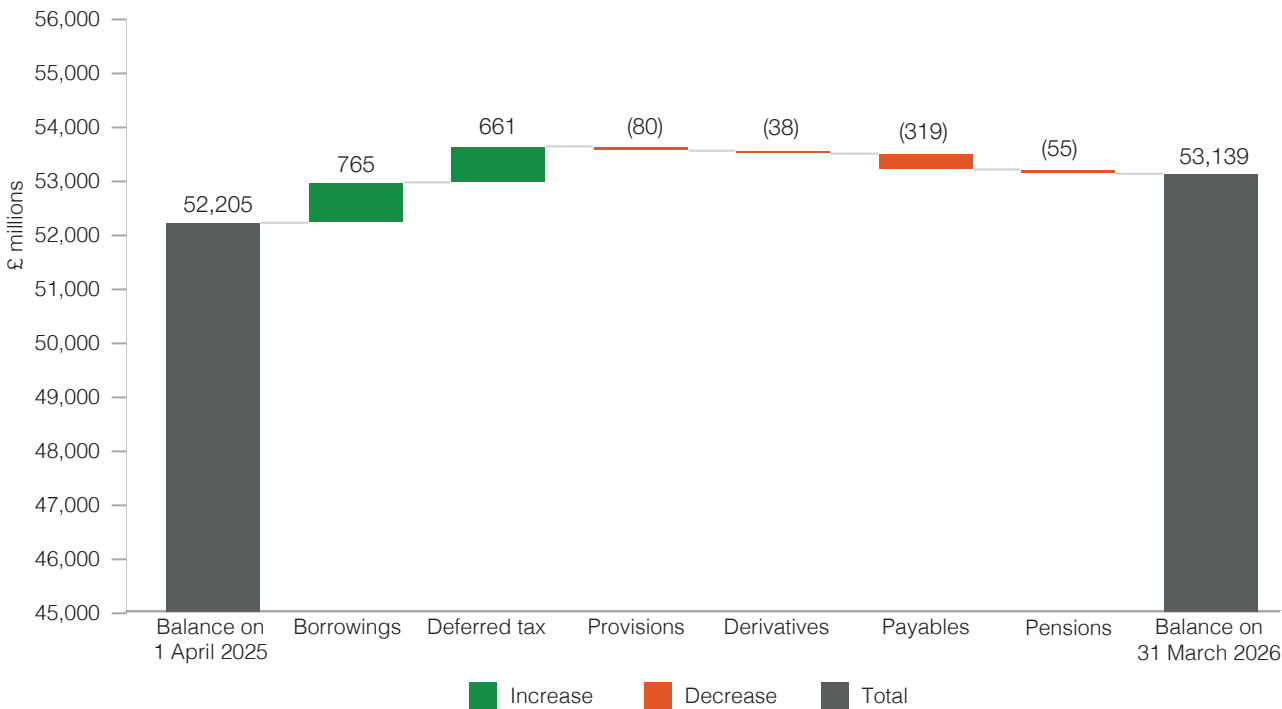


Figure 6: increase / (decrease) in liabilities during the year £ millions

Train Operating Companies (TOCs)

The Secretary of State contracts with 14 TOCs to deliver rail services for which she has statutory responsibility under the Railways Act. The Passenger Railway Services (Public Ownership) Act 2024 provides the legislative framework to bring these TOCs into public ownership. The transfer to public ownership is now in progress on a rolling programme as the existing contracts with commercial operators come to an end. DfT expects this will conclude by the end of 2027.

Government's shareholding in publicly owned TOCs is held by DFTO, which is fully owned by the Secretary of State and therefore accounted for as a subsidiary of DfT, but is not consolidated into the DfT Group Accounts (see Note 1.3 for the full consolidation boundary). The following contracts transferred to DFTO during 2025-26: South Western Railways in May 2025, c2c in July 2025, Greater Anglia in October 2025 and West Midlands Trains in February 2026. The Thameslink, Southern and Great Northern contract was transferred to DFTO in May 2026. In parallel with the public ownership programme, DfT is establishing Great British Railways through the Railways Bill to merge responsibility for track and train operations into a single public body, aiming to improve service delivery and drive efficiencies.

Accounting and disclosure of Train Operating Companies

DFTO and the TOCs are currently classified by ONS as Public Corporations. Under HMT's financial reporting rules, they are therefore excluded from the annual statutory instrument which prescribes DfT's accounting and budgeting boundary. A breakdown of DfT's financial support in 2025-26 to each TOC is provided in Note 27, alongside a summary of each TOC's own most recently published statutory financial results. For TOCs not yet owned by DFTO, in some cases the most recent published financial results are those for the year-ending 2025. In

addition, some TOCs not owned by DFTO apply the FRS 102 accounting framework rather than IFRS. For these reasons, the totals shown in Note 27 should be considered as illustrative.

TOCs' contracts with DfT to operate rail services are fixed term. The TOCs' own Financial Statements include two significant accounting judgements which are material to their balance sheets, arising from the relatively short-term duration of TOCs' operating contracts with DfT.

Firstly, TOCs do not recognise defined benefit pension surpluses and deficits under IAS 19 for their sections of the Railways Pension Scheme (RPS), reflecting that their operating contract terms are significantly shorter than the pension schemes' duration.

Secondly, TOCs measure rolling stock lease liabilities and right-of-use assets over the shorter of the term of the lease and the term of their operating contract with DfT. Using management information, DfT estimates that gross right-of-use assets and lease liabilities are c. £10 billion, including c. £5 billion relating to DFTO's publicly owned TOCs. DfT has also provided certain guarantees and indemnities to rolling stock lessors, disclosed as a remote contingent liability (see Parliamentary and Accountability Report), with further detail on leases and pensions outlined in Note 27.

Future outlook

HMT's SR25¹ secured a clear commitment to protect vital public transport services, maintain and renew our infrastructure, and invest in the long-term future of our transport system. This plan will deliver improvements to roads, rail and local transport – and build for the future, supporting growth, housing and sustainability in every region. Excluding HS2, which is presented separately in SR25 given the scale of the programme, Capital DEL spending will continue to increase at an average real terms growth rate of 3.9% per year between 2025-26 and 2029-30. Resource DEL spending will be more constrained and decrease over the remaining period of this Parliament; this is in line with the wider government fiscal position and aligns with DfT's intent to reduce the net subsidy on rail passenger services.

Looking beyond this SR period, this year DfT also set out plans for longer term investment through the Government's plans to unlock the potential of the Northern Growth Corridor. As part of this, Northern Powerhouse Rail (NPR) will build on the existing TRU, through a programme of new railways and railway upgrades to deliver a frequent and reliable turn-up-and-go railway service to cities across north of England, including Manchester, Bradford, Leeds, Sheffield and York.

¹ <https://www.gov.uk/government/publications/spending-review-2025-document/spending-review-2025-html>

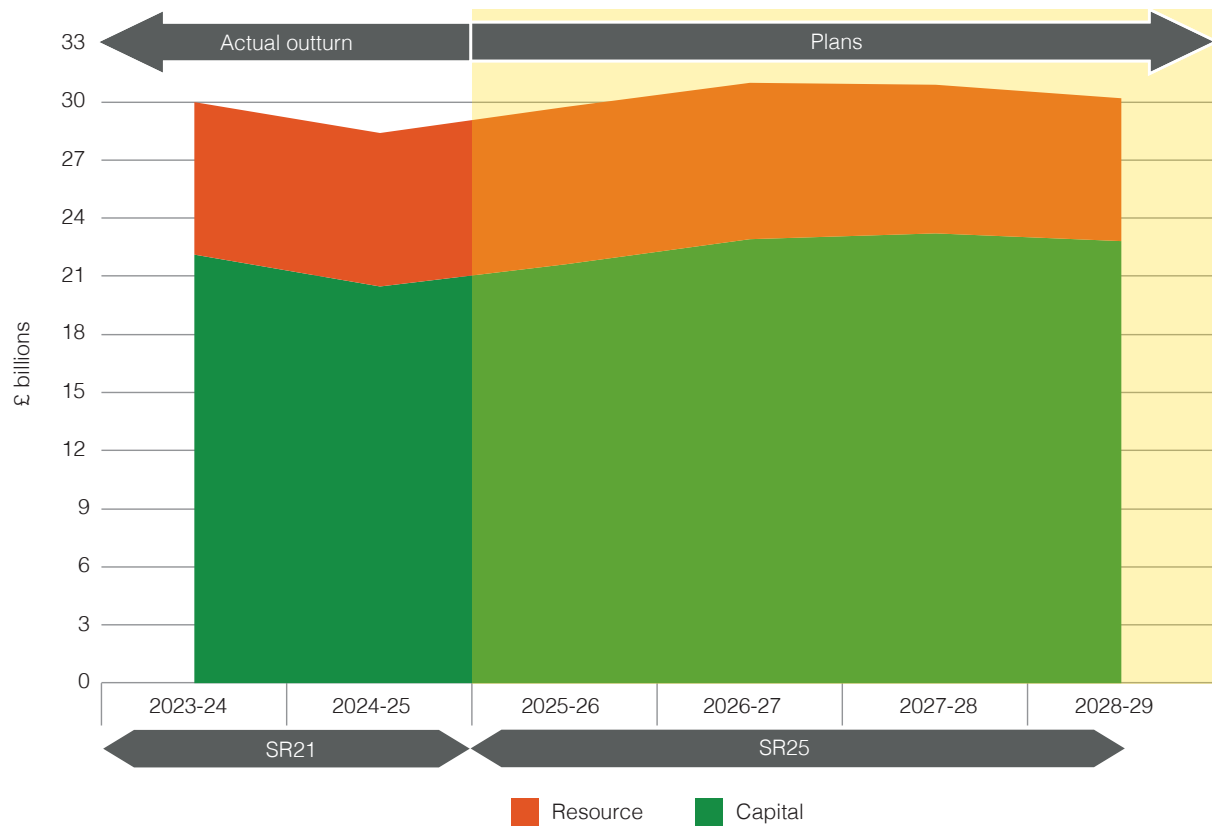


Figure 7: Total net expenditure (exc. Depreciation) split between capital and resource net expenditure.

Barbara Bennett
Interim Director General, Corporate Delivery Group²

² In April 2026, Nick Joyce joined National Highways on secondment from DfT as interim CEO. In May 2026, Barbara Bennett joined DfT as Interim Director General for the Corporate Delivery Group.

Performance Overview

Performance Overview

DfT has responsibility for ensuring that the transport system meets the needs of people today and in the future and ensures that it is safe and secure for all those who use it. DfT does this through its focus on its Strategic Outcomes, which are set out in detail in this report.

DfT also works to build resilience for issues which may affect the system, such as extreme weather events and pandemics. As part of delivering its Strategic Outcomes, DfT has a significant investment portfolio. For 2025-26 DfT had a capital budget of £21.6 billion, a full policy agenda, and a wide range of direct operational delivery activities which are mainly delivered through its public bodies and additionally in the private sector.

DfT's Strategic Framework

In 2024-25, DfT refreshed its Strategic Framework in line with HMT's Planning and Performance Framework, establishing a set of Strategic Outcomes that articulate DfT's long-term delivery ambitions. These Outcomes provide the framework through which DfT plans, monitors, and reports delivery, while aligning departmental activity with the Government's agenda and future Spending Review priorities.

These Outcomes are interconnected, and DfT recognises the natural cross-cutting nature of these outcomes. They are also supported by a suite of performance metrics to measure progress in delivering these outcomes, with the top-level metrics set out in the Performance Analysis section.

DfT makes transport better. That matters both for the role that transport plays in people's lives, as well as transport's critical role in this Government's work to deliver Britain's renewal.

Communities thrive when transport is designed with the needs of people and places put first and foremost. Easy and affordable access to jobs, education, and social activities makes us better connected. This is also the cornerstone of a growing and thriving economy. Progress is elaborated on in greater detail in the Enhancing Growth and Place section.

Meanwhile, every encounter people have with transport services should be smooth, straightforward and predictable. People should be able to travel easily and reliably on an integrated transport system, with joined up local and national networks. So, whether catching a bus, applying for a driving licence or taking a train, DfT is making public services better. Progress is elaborated on in greater detail in the Improving Journeys for People section.

DfT is spearheading greener and healthier transport initiatives, such as the transition to electric vehicles and cleaning up aviation and maritime transport. All this will lead to a greener and healthier future for our communities, which can be a source of pride. Progress is elaborated in greater detail in the Delivering Green and Healthy Transport section.

DfT's Strategic Outcomes are underpinned by crucial activity across its portfolio, in particular:

- Enhancing security by strengthening transport resilience and building a more secure network together with operators and local and international partners.
- Sponsoring DfT public bodies to deliver across DfT: from carrying out driving tests, to coordinating safety at sea and growing active travel infrastructure.
- Embedding data, technology and innovation to drive productivity and efficiency, underpinned by research and development that accelerates innovation and scales new solutions across the transport system.
- Continuing to capture, share and apply project learning to strengthen future delivery, implementing the recommendations from the [*Stewart Review – Major Transport Projects Governance and Assurance Review: The HS2 Experience*](#).

DfT's Risk Management

Risk management is an integral part of DfT's work to deliver ministerial priorities. This includes how DfT manages its programmes and public money, develops policies and how it works with its ALBs and public bodies.

The Climate and Sustainability Report (page 67) and The Accountability Report (page 81) contains details on DfT's internal controls and risk management approach, they also set out the Principal Risks faced by DfTc during 2025-26, DfT's 'Task Force on Climate-Related Financial Disclosures' and 'HMTs Orange Book Principles – Comply or Explain' statements.

Performance Overview – DfT's 'Performance on a Page'

Enhancing Growth and Place Transforming Transport Infrastructure



Confirmed up to £45bn funding envelope for Northern Powerhouse Rail, transforming connectivity between the key economic centres of the North.



Published the Third Road Investment Strategy (RIS3), our 5-year strategy for investment in and management of the strategic road network.

Enhancing Place through Partnerships



Consolidated over **20** funding streams into a single flexible settlement, progressing English Devolution, giving mayors greater control over transport prioritisation and investment.



Received Royal Assent for The Bus Services Act, giving local leaders control over routes and fares, making it easier to put passengers first.

Improving Journeys for People Integrated and Affordable Journeys



Published the Motor Insurance Taskforce's report, tackling the high cost of motor insurance.



Published the Better Connected Strategy, underpinning the shift to more integrated transport.



Froze Rail Fares and Capped Bus Fares, benefiting over a billion journeys.

Dependable Journeys



Transferred four more Train Operating Companies back into public ownership, as their contracts expired, paving the way for Great British Railways.



Introduced the Railways Bill to Parliament, confirming intent to integrate infrastructure and a large number of passenger services under a single public body, Great British Railways.

Accessible and Inclusive Journeys



Published 'Our Roadmap to an Accessible Railway', setting out plans to improve the day-to-day travel experience of disabled passengers and others who require assistance.



Published the Road Safety Strategy, setting a renewed national framework to reduce casualties and improve safety on our roads.

Delivering Green and Healthy Transport Green Transport



Published 'Our Roadmap to an Accessible Railway', setting out plans to improve the day-to-day travel experience of disabled passengers and others who require assistance.



Rolled out over 119,000 more public chargers, rapidly unlocking access for drivers without off-street parking and accelerating the transition to zero-emission vehicles.

Healthy Transport



Committed almost £300 million to Active Travel England walking, wheeling and cycling schemes, and the next strategic framework set through the launch of the Cycling and Walking Investment Strategy 3 consultation.

Performance Analysis

Strategic Outcome: Enhancing Growth and Place

Enhancing economic growth by transforming the transport system. We will do this by maintaining and renewing our existing roads and railways and developing new infrastructure, tailored to the needs and opportunities of different places and delivered through local partnerships.



Enhancing Growth

Transforming Transport Infrastructure

In June 2025, DfT accepted the recommendations of an [independent review](#) led by James Stewart for improving the governance and assurance of major transport infrastructure projects, drawing on the experience of High Speed 2 (HS2). DfT has collaborated closely with the National Infrastructure and Service Transformation Authority (NISTA) and HMT, with the aim of achieving successful delivery of HS2 in the future as it undergoes a critical programme reset.

Additionally, DfT has worked with the NISTA and other government departments to ensure these lessons inform delivery across all major government projects. Following on from the review, DfT launched an internal Implementation Programme. This programme focuses on systematically applying the learning to the DfT's most complex projects such as Lower Thames Crossing and Heathrow Expansion, validated through independent assurance; resetting the DfT's long-standing project delivery improvement programme to ensure learning is applied to all its current and future projects; and ensuring the findings are disseminated as widely as possible.

[DfT's Connectivity Metric](#) sets out connectivity of places in England and Wales, measuring how easy it is for people to get to where they want to go. The metric is calculated for small local areas rather than just large regions and is a 0–100 index, with a score of 100 representing the most connected areas. The regional comparison illustrates how connectivity in London is above the other English regions and Wales, due to factors such as more frequent public transport and a higher density of destinations. DfT's decision to prioritise enhancing place-based transport decisions should be illustrated through this metric. The approach set out in [Better Connected: A Strategy for Integrated Transport in England](#) is focused on improving connectivity across the transport system and strengthening the way it is measured and understood. Alongside this, DfT's English Devolution agenda is enabling more decisions on transport planning and delivery to be taken at the local and mayoral level, supporting tailored approaches that reflect local needs and opportunities.



Concept image for HS2

This is a newly developed metric. Therefore, all scores are subject to change and revision as improvements to the methodology are made and better versions of the underlying datasets (such as locations of services, employment data, timetables and transportation networks) become available. The connectivity metric will be reported annually. The current figures shown in the table below were published in September 2025, showing connectivity levels in 2024. Publication of data for 2025 is planned for September 2026. Over time, the aim is to see all scores rising, particularly connectivity outside of London, reflecting increased productivity and enhancing growth. DfT also tracks connectivity specifically to employment (as a sub-connectivity metric) – the ease by which people can reach places of work using the transport network. This metric helps to understand how transport improvements are expanding skills to match productivity. All metrics are designed to be informative in the relative sense – with scores becoming more insightful once DfT begins to track its progress over time to illustrate how effective its delivery plans have been in driving connectivity.

DfT's Connectivity Metric (Overall sustainable travel)											
Area:	East Mids	East of England	London	North East	North West	South East	South West	West Mids	Y-shire	England	Wales
2024	59.15	57.76	83.94	64.00	66.89	60.45	55.65	63.71	62.73	64.78	52.70

DfT's Connectivity Metric (Public Transport to employment)											
Area:	East Mids	East of England	London	North East	North West	South East	South West	West Mids	Y-shire	England	Wales
2024	52.72	53.13	89.05	55.51	61.80	55.51	47.77	58.48	56.6	60.78	45.23

Rail connectivity and major infrastructure

DfT is delivering the Government’s ambition to improve the rail system and support the North’s role in the nation’s renewal. Major rail connectivity programmes, including the TransPennine Route Upgrade (TRU) and Northern Powerhouse Rail (NPR) will strengthen links between northern cities, improve capacity, and reliability, and support economic growth across the North’s core city regions.

TRU’s £11 billion programme is modernising the route between Manchester and York via Huddersfield and Leeds, enabling faster and more frequent passenger services, additional freight capacity, improved asset reliability, and a better customer experience. During the reporting year, the York to Church Fenton electrified section opened in August 2025, meaning 25% of the 70-mile route is now electrified. In September 2025, the Huddersfield Station blockade was completed, delivering major track, signalling, and platform works to prepare the station for longer trains and improved reliability. In October 2025, the £46 million Hillhouse Train Maintenance Centre opened in Huddersfield to support rolling stock across the corridor. Multiple blockades in 2026 have enabled the substantial rebuild of Mirfield, Dewsbury and Batley stations. Significant infrastructure upgrades including electrification have been progressed. Substantial enabling works for four future tracking upgrades have also taken place.

DfT is also progressing NPR to deliver faster, more frequent and more reliable services between major northern towns and cities, including Liverpool, Manchester, Leeds, Sheffield, Bradford, and York. In January 2026, the Secretary of State confirmed plans for delivery of NPR, with a government funding envelope of up to £45 billion and a three-phase delivery approach as part of the Northern Growth Strategy. £1.1 billion has been allocated in this Parliament for further design and development work, including resuming the adapted High-Speed Rail (Crewe–Manchester) Bill to secure powers for the section into Manchester via Manchester Airport. DfT is working with mayors and local leaders across the North to develop the next stage of plans and is taking forward recommendations from the March 2026 National Audit Office (NAO) Value for Money Review alongside lessons from the James Stewart Review.



Grantham Station

The Government has also set out its long-term ambition to build a new line between Birmingham and Manchester as part of the Northern Growth Strategy. This is not a reinstatement of HS2 Phase 2. DfT will undertake feasibility work with local partners to determine the scope and specification of what will be delivered.

East West Rail (EWR) will improve connectivity between Oxford, Milton Keynes, Bedford and Cambridge, supporting economic growth, housing, and access to jobs, education and services. In November 2025, the Secretary of State confirmed the next phase of the programme and committed £2.5 billion at the SR25 to progress the scheme beyond the Oxford–Bletchley section and into delivery of the central and eastern sections. EWR also published its [“You Said, We Did”](#) report, setting out more than 80 design changes in response to consultation feedback, including proposals for four new consolidated stations on the Marston Vale Line. A final consultation on the design proposals opened on 14 April 2026, alongside an accelerated delivery plan for parts of the route. Major infrastructure for the first stage between Oxford and Milton Keynes via Bicester has now been delivered and is operational for freight and charter services, completing the physical rail connection between Oxford and Bletchley for the first time in decades. While passenger services have not yet opened to the originally expected timetable, Phase 1 (formerly Connection Stage 1) of the delivery programme relates to services between Oxford and Bletchley / Milton Keynes and is the first phase of the wider EWR programme. Major construction was completed in June 2025 and freight services are now running on this section. DfT continues to work closely with Chiltern Railways and other partners to confirm a start date for the first EWR passenger services between Oxford and Milton Keynes.

Delivery also continues on HS2, which will provide additional capacity between London and Birmingham and support faster, more reliable services onwards to Manchester, Liverpool, and Scotland. Following years of cost increases and delays, the Government has taken action to bring the programme under control. On 19 May 2026, the Secretary of State set out updated cost estimates and delivery timeframes, with the project now expected to cost between £87.7 billion and £102.7 billion in 2025 prices, this represents a stark increase on the previous cost range of £35–45 billion in 2019 prices, of which two thirds of this expected cost increase were a combination of necessary works that were missed from the scope of the original project plan, under-estimation and inefficient delivery. As of end of March 2026, 44.2 billion (nominal prices) had been spent on the HS2 programme. The first trains are expected to run between Old Oak Common and Birmingham Curzon Street between May 2036 and October 2039. The Government has also confirmed that HS2 will operate at 320 km/h (200 mph), which could save up to £2.5 billion and reduce delivery time by at least one year. Despite the reset, progress continues, with six major construction milestones delivered ahead of schedule during the year and all major deep-bore tunnelling between Old Oak Common and Birmingham completed in October 2025. HS2 is expected to support around £20 billion of economic growth over the next decade around station sites in the West Midlands and West London, alongside around 63,000 new homes and 49,000 new jobs.^{3,4}

In June 2026, the NAO published a report on the HS2 reset, concluding that HS2 Ltd and DfT were making progress and taking a considered approach, but noting that significant work remained before the reset could be completed in 2027. DfT accepted all of the report’s recommendations and will take them forward as the reset progresses.

3 From trains to cranes: [HS2 and the West London development boom](#).

4 From trains to cranes: [HS2 and the West Midlands’ development boom](#).

A critical element of realising HS2's benefits is the redevelopment of the Euston Campus. In June 2025, [the 10 Year Infrastructure Strategy](#) confirmed that a Euston Delivery Company would be established to oversee development of the whole campus and that a public-private partnership model would be explored for delivery of the new HS2 station. Early market engagement began in October 2025, followed by the first stage of preliminary market engagement on a public-private partnership model in February 2026. In March 2026, partners confirmed support for a single spatial plan, and on 1 April 2026 the Euston Delivery Company formally assumed the leadership role for the campus as the single directing mind for the programme. Initially, the Company will sit as a business unit within DfT as capability is built. DfT expect the company to be stood up as a public body in the autumn.

Road connectivity and major infrastructure

DfT's Road Surface Conditions metric measures the percentage of road in England where maintenance should have been considered. This is currently measured through Surface Condition Assessment for the National Network of Roads (SCANNER) surveys. SCANNER measures a series of parameters which are combined to give a road condition indicator score. These scores are grouped into three categories; red – should have been considered for maintenance, amber – may require maintenance soon, and green- no further investigation or work is needed. Local authorities have been required to provide DfT annually with the percentage of red road – should have been considered for maintenance, and this is the current key metric for road condition. Over recent years the percentage has fluctuated for B and C roads but has overall remained relatively stable. The percentage of A road that should have been considered for maintenance had been stable but increased in 2024-25.

DfT's investment in highways maintenance is helping to fix and prevent millions of potholes across the country, with a £500 million uplift confirmed for 2025-26 and a record £7.3 billion committed for local highways maintenance through to 2029-30 to improve road conditions and network resilience. With 25% of the highways maintenance funding uplifts now conditional on local highway authorities publishing reports on the condition of their roads, how much they are spending to maintain them, and whether they do so using best practice. This new framework directly links funding to demonstrable delivery. In January 2026, DfT published red, amber, or green road maintenance ratings for each highway authority, measuring how well they are maintaining their local roads. The ratings will be updated annually, providing an incentive to councils to improve, for example by investing more in preventative maintenance to ensure potholes do not form in the first place. Alongside this, DfT announced in January 2026 a dedicated support programme for red-rated authorities and extended its Live Labs 2 highways innovation programme to ensure authorities are supported in maintaining their roads in line with best practice.

In March 2026, DfT published [Road Investment Strategy 3 \(RIS3\): 2026 to 2031](#), which sets out how the Government will invest over £27 billion to make sure the SRN serves everyone. This includes £24.99 billion to operate, maintain, renew, and enhance the network.

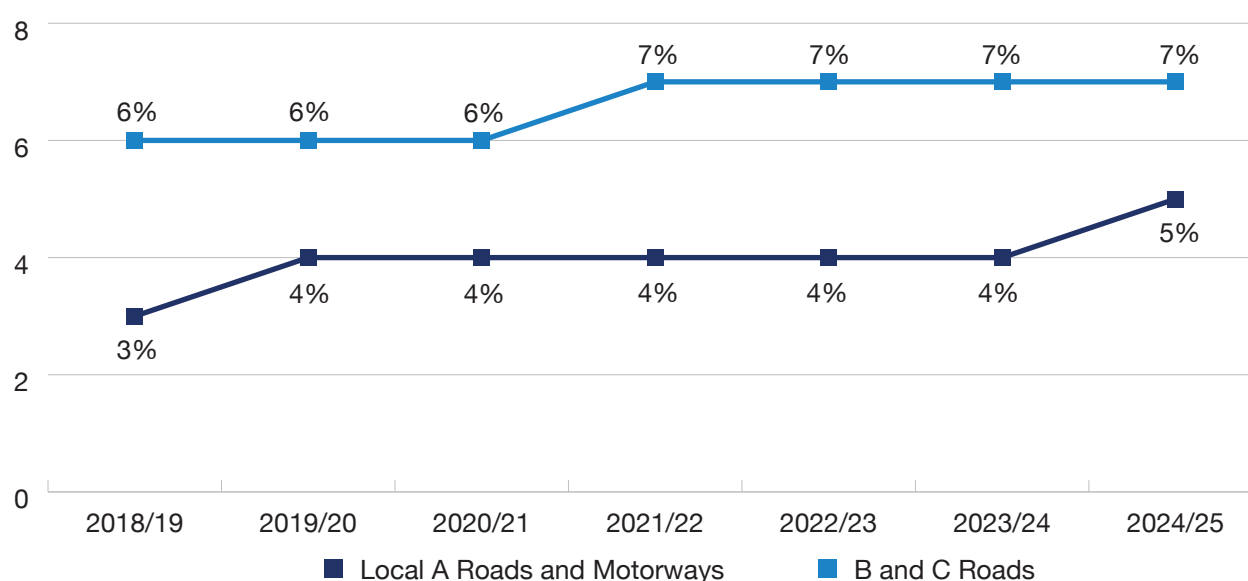
By March 2026, £1.6 billion of capital support had been deployed through the Highways Maintenance Block Fund (funding to local authorities to repair, maintain and improve local roads and highway infrastructure) and for the first time after a near-decade long decline, the percentage of roads receiving maintenance treatment has increased in 2025.

In July 2025, a review of the Major Road Network (MRN) and Large Local Majors (LLM) programme was announced to make sure the schemes in the programme were still needed, deliverable, and affordable. The review considered 41 schemes and in spring 2026 DfT announced that 16 of these could continue in the programme, with construction expected to start by March 2029. All schemes under review went through a rigorous and detailed assessment process which identified those schemes which identified those schemes which would provide the widest range of benefits and best overall value for money for taxpayers. Decisions on the remaining schemes will be taken in due course.

In addition, during 2025-26, the start of construction was announced for a number of schemes were announced to start construction including the A382 Drumbridges to Newton Abbot, Middlewich Eastern Bypass, and North Hykeham Relief Road.

A reliable road network underpins economic growth by enabling the efficient movement of people and goods, supporting business productivity and access to markets. DfT has made targeted interventions such as the Kent Resilience Strategy, which strengthens freight and border resilience on the UK's busiest international trade corridors that serve Dover and the Channel Tunnel. Throughout 2025-26, Operation Brock, which enables timely deployment and removal of resilience measures to minimise disruption to residents, businesses and freight operators was deployed on the M20 during peak cross-Channel travel periods. This maintained freight flows to the Port of Dover and Eurotunnel and prevented congestion from affecting Kent's local road network. It supported national supply chains during high-risk periods, while the Kent and Medway Resilience Forum, working with DfT and National Highways, maintained 24/7 border traffic monitoring and data-led decision-making to enable the timely deployment and removal of resilience measures, minimising disruption to residents, businesses, and freight operators.

Road Surface Conditions

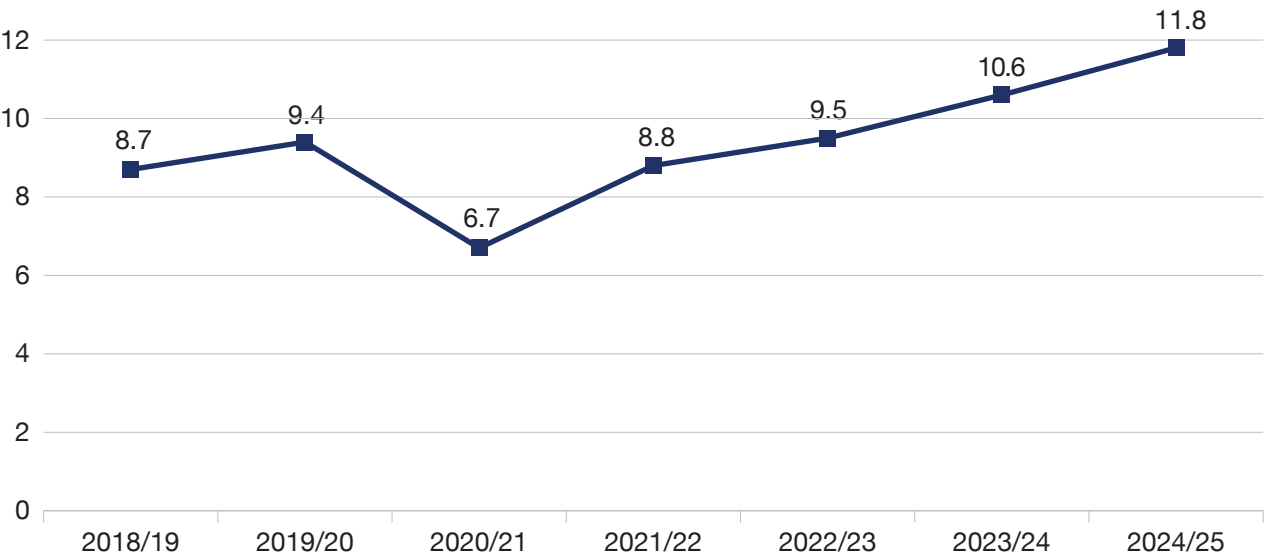


DfT's Average Delay on the SRN metric, shows that average delays on the SRN have increased year on year since 2020.

Prior to March 2020, the average delay on the SRN had remained relatively stable. Between late 2022 and 2024, average delay had been gradually increasing to above pre-pandemic levels. This correlates with the increase in economic activity.

Since the completion of the SMART motorway emergency area retrofit by National Highways in early 2025 there has been a decrease in average delay, which will appear in the 2025-26 statistics.

Average Delay on the Strategic Road Network



This project is the most significant road building scheme in a generation; it will provide a significant boost to the UK economy and ease traffic pressures on the Dartford Crossing. At both the SR25 and the AB25, the Government confirmed funding to complete the publicly funded works for the scheme which will enable the private sector to take forward construction and long-term operation.

Following approval of the Development Consent Order (DCO) in March 2025, enabling and early construction works have begun. National Highways and its delivery partners have launched procurements for the tunnel boring machines and started ground investigations, utility surveys, ecological mitigation and site preparation across Kent and Essex, marking the project’s transition from planning into delivery. Work has been progressing over the year to implement the Government’s preferred financing option using a Regulated Asset Base (RAB) model.

Aviation and maritime connectivity and major infrastructure

Heathrow, as the UK’s busiest and only primary global hub airport, has the potential to further support economic growth, jobs, tourism and trade. In October 2025, DfT launched a review of the Airports National Policy Statement (ANPS) to ensure that any future decisions on Heathrow expansion properly reflect updated climate, environmental, noise and airquality obligations. DfT committed to and has now published a revised draft ANPS for consultation, providing an up-to-date policy framework for considering expansion. In November 2025, the Government also confirmed that Heathrow Airport Limited’s third runway scheme would be taken forward as the scheme to inform the ANPS review, providing clarity for the next stages of work, prior to the consultation.

Ports are responsible for 85% of the goods that arrive in the UK by weight, and in 2025 were designated a Foundational Sector in the UK’s Modern Industrial Strategy, already delivering an average of £1 billion of private investment each year. In 2025-26 DfT took forward plans to

remove barriers to ports' growth and investment through consulting on an amended National Policy Statement that sets out the need for port development and the conditions that have to be satisfied for it to proceed. Many ports need a Harbour Revision Order in order to develop. DfT has published a framework to enable applications to be prioritised where appropriate, including to support local economic activity.

Enhancing Place through Partnerships

DfT is improving places across the country by working with devolved administrations, local leaders and delivery bodies, giving local areas greater control over transport investment to support growth and reflect local priorities. Through its devolution agenda, DfT has transferred more powers, funding and accountability to Strategic Authorities, enabling locally led decisions on transport, housing and economic development.

Integrated Settlements and Devolution

In April 2025, Integrated Settlements were introduced for Greater Manchester and the West Midlands, bringing together over 20 funding streams into a single flexible settlement. The Government also confirmed that this approach will expand from 2026/27 to additional authorities, including the North East, Liverpool City Region, West Yorkshire, South Yorkshire and the GLA. Alongside this, DfT has simplified local transport funding for all Local Transport Authorities (LTAs), supporting greater local flexibility and strengthening place-based decision-making.⁵

Investing in City Region Transport

DfT is supporting local transport within city regions through £5.7 billion of City Region Sustainable Transport Settlements (2022–2027) and £15.6 billion of Transport for City Region Settlements (2027–2032). This funding supports major intracity transport improvements that drive growth, connectivity and regeneration.

A key example is West Yorkshire Mass Transit. West Yorkshire Combined Authority (WYCA) is developing a modern, high-capacity network to connect key centres, support regeneration, and improve access to jobs and services. In January 2026, the Government committed funding for West Yorkshire Mass Transit beyond 2032, underlining long-term support and aligning the scheme with the Northern Growth Strategy and Northern Powerhouse Rail.

Given the programme's scale and complexity, DfT has put in place bespoke sponsorship arrangements, alongside a Mass Transit Task Force to share best practice, tackle delivery barriers, and support promoters of schemes, such as WYCA.

Supporting Local Transport Across England

Outside city regions, DfT continues to support transport improvements in smaller cities, towns, villages, and rural areas. In 2025–26, DfT provided:

- £170 million through the Integrated Transport Block.
- £28 million of revenue funding to local transport authorities outside major city regions.

⁵ Place based decision-making empowers local leaders to shape policies, services and investment around the unique needs, priorities and opportunities of their communities.

- Over £220 million of Local Transport Grant funding for areas in the Midlands and North.
- Continued support for transport projects funded through the Levelling Up Fund, helping communities improve local connectivity, regenerate town centres and unlock economic growth.

Following the SR25, DfT confirmed a further £2.3 billion of Local Transport Grant funding over the spending review period, to be included in consolidated local transport settlements from 2026/27, helping places plan and deliver local transport priorities.

Empowering Local Areas Through Bus Reform

DfT has continued to support local bus services through more than £1 billion of funding in 2025–26, alongside longer-term funding commitments.

The Bus Services Act 2025 received Royal Assent in October 2025, delivering the most significant reform of England's bus framework in a generation. The Act enables place-based decision-making by giving local transport authorities greater control over routes, fares and service standards, allowing services to be shaped around local needs and priorities.

Authorities can now access new powers to pursue bus franchising, strengthen Enhanced Partnerships or establish local authority bus companies. DfT has published guidance to support implementation and will continue introducing regulations and guidance over the coming year, including measures to improve accessibility, safety and the transition to zero-emission buses.

Integrating Transport, Housing and Regeneration

Alongside transport investment, DfT is helping to unlock housing growth and regeneration opportunities by integrating transport planning with wider development objectives. This includes the launch of Platform4, a new rail property development company, which will help unlock surplus railway land and support the delivery of up to 40,000 new homes over the next decade.



Secretary of State Heidi Alexander MP meets Tracy Brabin, Mayor of West Yorkshire

Strategic Outcome: Improving Journeys for People

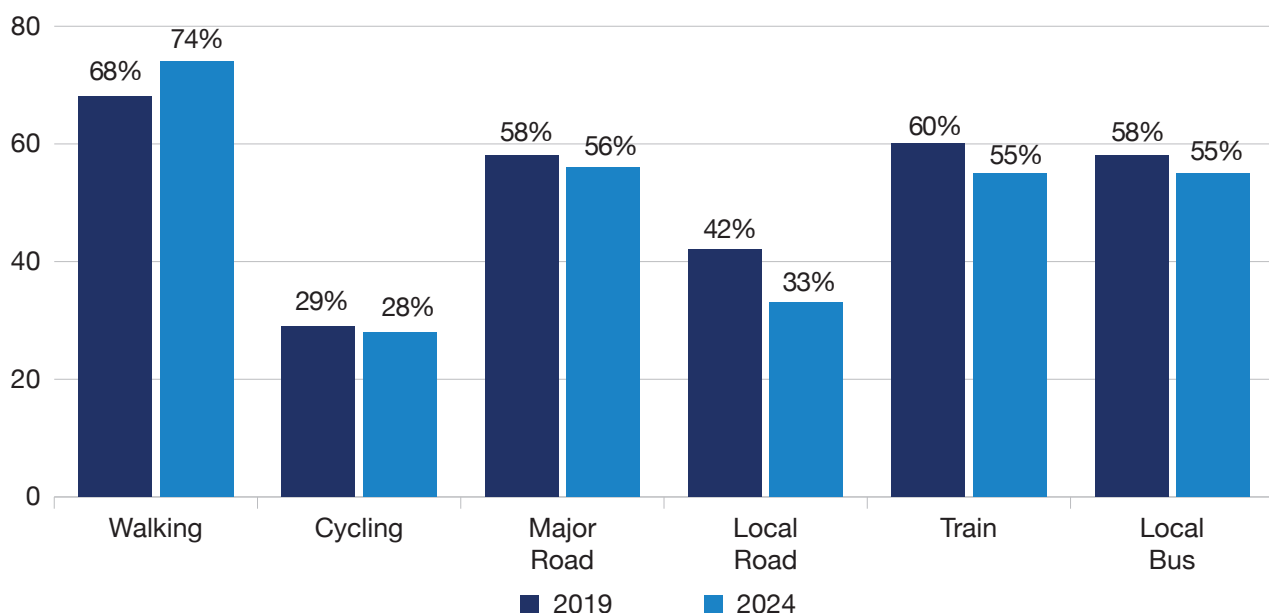
Improving the transport system to prioritise people's needs, ensuring that journeys are seamlessly integrated and affordable, dependable, accessible, inclusive and safe. This will enable everyone to travel with confidence and convenience, while accessing work, essential services, and opportunities.



Integrated and Affordable Journeys

Transport affects every aspect of daily life, connecting people to jobs, services and communities. DfT's focus is improving end-to-end journeys by making them more integrated, affordable, dependable, accessible, inclusive, and safe. These outcomes are being delivered through the commitments in [Better Connected: A Strategy for Integrated Transport](#), and underpins this shift to more integrated journeys by providing a coherent, cross modal framework that brings together rail, bus, road and active travel planning around the needs of people and places. Updated Local Transport Plan Guidance was published alongside Better Connected to support LTAs in developing integrated transport plans that deliver local transport needs in line with the Government's priorities.

Satisfaction with Provision by Mode



Progress towards improving transport for people is tracked in part through user satisfaction data from the National Travel Survey (see table above), which measures how well the transport system is meeting people's needs. Satisfaction levels increased for walking, whilst satisfaction with cycling provision, major roads, local roads, trains and local buses showed a downward trend all to varying degrees. In response, DfT is investing in the maintenance of local roads, supporting improvements to local bus services, and delivering the commitments set out in *Better Connected: A Strategy for Integrated Transport in England* to create more seamless

and reliable journeys. Through these interventions, DfT is seeking to improve connectivity, strengthen transport resilience and deliver better outcomes for passengers, users and communities.



Passengers boarding XC train at Cheltenham Spa

DfT made significant progress in 2025-26 towards delivering more integrated journeys by laying the foundations for Great British Railways (GBR) and beginning the transition to a publicly led railway. By unifying track and train under one organisation, GBR will act as the directing mind for the sector, ending duplication and other inefficiencies to create a more agile and responsive railway. Over time, this is intended to make the railway simpler for passengers, with clear responsibility for service delivery and a better experience when journeys do not go as planned.

DfT published and concluded consultation on proposals for the Railways Bill and subsequently introduced the Bill to Parliament. During 2025-26, the Bill progressed through key stages in the House of Commons. The Bill confirms the Government's intent to end fragmentation by legally integrating infrastructure and a large number of passenger services under a single public body. It sets out the final design for GBR as the guiding mind for track and train, with a clear focus on delivering reliable, safe and more affordable journeys, strengthening accountability, improving value for money for taxpayers, and supporting the growth of rail freight.

Alongside legislative progress, DfT accelerated the programme to return passenger services to public ownership as contracts expired. Bringing passenger services into public ownership enables integration at a management level across track and train, supporting more passenger-focused planning and decision-making. South-Western Railway entered public ownership in May 2025, followed by c2c in July 2025, Greater Anglia in October 2025 and West Midlands Trains in February 2026, with further transfers scheduled through 2026 and 2027.

In parallel, DfT worked with the rail sector to modernise its workforce, supporting closer alignment between operators and infrastructure, and strengthening the foundations for a more stable, skilled, and passenger-focused railway as GBR is established. In 2025-26, this included legislating for rail integration, lowering the minimum age to become a train driver from 20 to 18 and transferring more operators into public ownership.

DfT delivered the Government's manifesto commitment to tackle the high cost of motor insurance. Since its formation in October 2024, the cross-government Motor Insurance Taskforce has worked with government departments, independent regulators, the Competition and Markets Authority and the Financial Conduct Authority, to understand this market and agree a set of actions that aim to stabilise and reduce the premiums paid by drivers. [The taskforce's final report was published in December 2025](#). The Government will now continue its work to deliver against the actions set out in the report including addressing the broader factors that contribute to the cost of claims, such as vehicle theft and the cost of repairs. Although the cost of motor insurance remains high, the average premium dropped across 2025⁶ and the latest industry data shows that premiums are stable. The average cost of cover in the first quarter of 2026 is £560, £20 lower than in the first quarter of 2025, a decrease of 3.6%⁷.

DfT published '[the Government's vision for buses and approach to delivery](#)' in April 2026. This outlined DfT's vision for a bus service that is attractive to, accessible to and well used by everyone in the community; and where the needs and priorities of bus passengers are front and centre in the delivery of bus services. DfT extended the £3 national bus fare cap in June 2025 as part of the SR25, with funding of £131.7m, confirming that the cap would continue until March 2027. The cap also simplifies the system by providing a clear, consistent maximum price for single journeys, making fares easier for people to understand and compare across operators. This extension ensures millions of passengers continue to benefit from low-cost bus travel and confirmed new multi-year funding to support sustainable local bus networks alongside the reforms in the Bus Services Act 2025. Those reforms are empowering local leaders to design bus services that better meet the needs of their local communities.

On rail, DfT has frozen rail regulated fares for a year from March 2026 for the first time in 30 years. This is expected to save existing passengers £600 million in 2026-27 and benefit over a billion journeys. Alongside this, DfT has made progress reforming fares, ticketing, and retail services. Contactless pay-as-you-go (PAYG) travel expanded to a total of 103 stations across the South-East. New GPS PAYG trials, using passengers' mobile phones were launched on Northern and East-Midlands Railways. Demand led simplified fare trials also continued on publicly-owned LNER. All of these initiatives have helped to reduce fare confusion and improve price transparency across multiple operators. DfT has also worked on fares and retail design, aligning policy, commercial, and operational functions across DfT, Network Rail, and public sector train operations. This work supports integrated fares and timetabling, simplified ticket types, and consistent retail standards across the network.

6 <https://www.abi.org.uk/news/news-articles/2026/2/11.9-billion-paid-out-in-2025-to-support-motorists-across-2.5-million-claims/>

7 According to the latest information from the Association of British Insurers, who analyse approximately 28 million policies sold every year – <https://www.abi.org.uk/news/news-articles/2026/4/motor-premiumsremainstablebutcost-ofrepairsstill-high/>



Digital ticketing at a railway station

Dependable Journeys

DfT aims to deliver a transport network that gives people choice. Alongside structural reform through GBR (set out above), DfT has set outcomes for Network Rail in Control Period 7 (CP7), focused on asset condition, resilience and day-to-day performance, based on stable long-term funding and strategic direction to support a more reliable railway for passengers and freight users. The Government remains committed to the CP7 funding settlement.

Further work included the East Coast Main Line where DfT supported Network Rail's introduction of the largest timetable transformation in over a decade in December 2025, delivering faster journeys, additional capacity and more resilient service patterns.

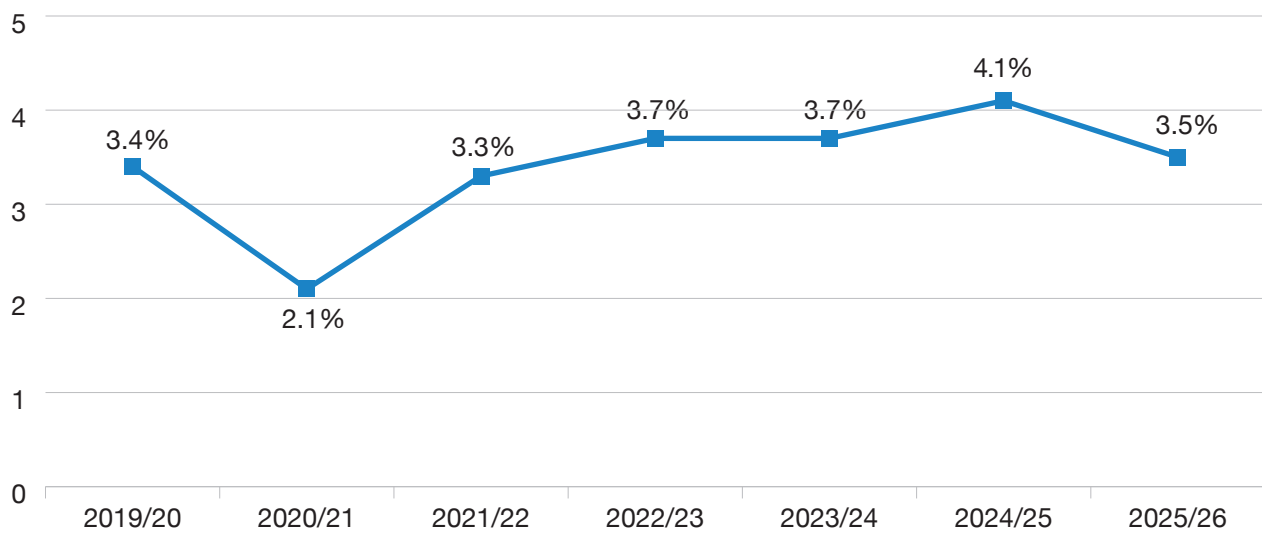
A core metric for DfT, and one most often felt by people on our rail network, is the percentage of planned trains which either did not run their full planned journey or did not call at all of their planned station stops (see Rail Performance, GB Cancellations metric).

DfT has further expanded upon this metric to include the percentage of trains arriving at recorded station stops within three minutes (see Rail Performance, GB Punctuality metric).

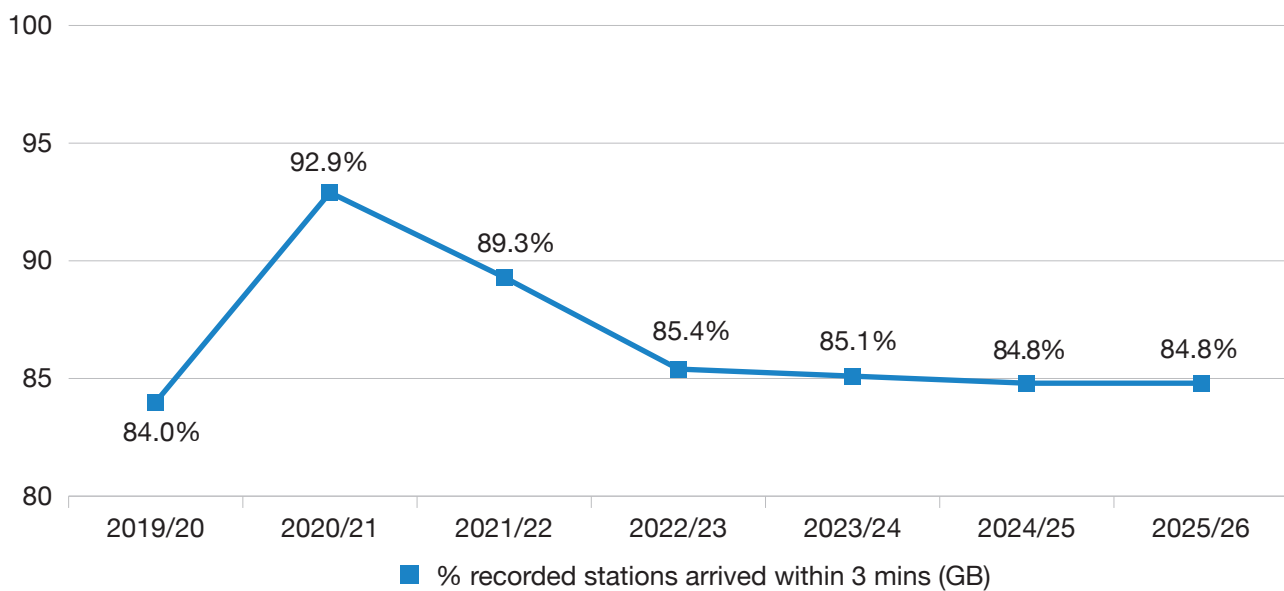
Cancellations (see following table) trended downwards over the last financial year ending March 2026 compared to the previous year. The total proportion of rail services lost due to cancellations and strikes since the start of financial year ending 2026 has more than halved compared with financial year ending 2023, which is likely a factor to the downward trend.

Punctuality (see following table) times peaked during the pandemic but have returned to pre-pandemic levels in the past 3 years.

Rail Performance (GB Cancellations)



Rail Performance (GB Punctuality)



Under public ownership and GBR, integrated leadership units combining track and train will allow for a whole system approach to improving performance across the rail network for passengers and customers. By utilising resources more efficiently than under the current fragmented system, it will allow GBR to take advantage of greater resources in its approach to decisions, fixing problems, procurement, prioritisation, as well as delivering upgrades and enhancements. It will provide a platform to unlock and accelerate projects and generate greater long-term certainty and confidence too for the private sector supply chain partners.

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enhancements. It will provide a platform to unlock and accelerate projects and generate greater long-term certainty and confidence too for the private sector supply chain partners.

In February 2026, Network Rail completed a major programme of testing and operational readiness activities for the European Train Control System (ETCS) on the East Coast Main Line between Welwyn Garden City and Hitchin. While this section of route represents a relatively small part of the wider programme, it provides an important testbed for the future deployment of digital signalling across a larger part of the network.

The year also saw continued progress in the transition to digital railway operations, building on the removal of conventional lineside signals on the Northern City Line in May 2025, which now operates fully under ETCS. Delivery has not been without challenges, including the complexity of fitting in-cab signalling equipment to existing rolling stock and delays associated with the Retrofit Freight programme. These challenges have provided valuable lessons for future deployment and reinforced the importance of close collaboration across infrastructure managers, and, operators. Together, this work is helping to build the capability, experience and operational readiness needed to support wider digital signalling deployment in the years ahead.

Accessible and Inclusive Journeys

DfT is committed to advancing fairness, accessibility and inclusion across the transport system.

As a ministerial department, DfT meets the requirements of the Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010.

Transport plays a vital enabling role in people's lives. Ensuring that everyone can travel safely, affordably and with confidence is fundamental to a fair society.

DfT's Strategic Plan reflects this responsibility by embedding equality considerations into all stages of policy development, investment decisions and delivery.

DfT works with industry, local authorities, and passenger groups to understand the experiences and needs of those most affected by transport barriers, including women and girls, disabled people, older people, neurodivergent and those facing geographic or socioeconomic disadvantage.

The findings from this research directly shapes the commitments DfT makes to improve safety, accessibility and affordability across all modes of travel.

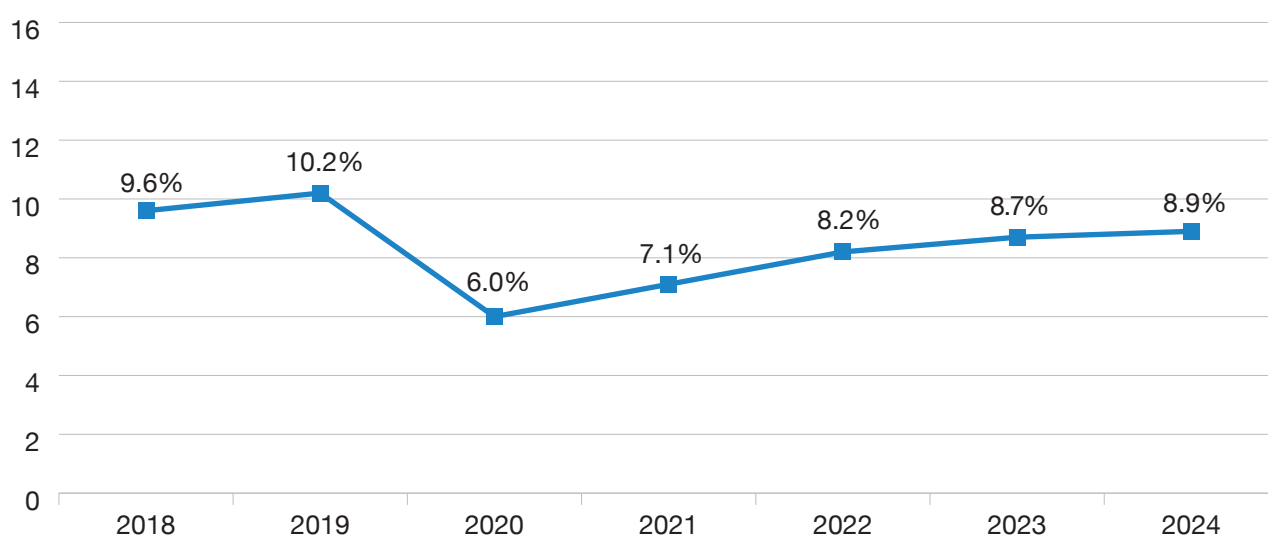
DfT's Strategic Outcome to 'Improve Journeys for People' ensures that equality is not a standalone activity, but a core part of DfT's investment, this is also in line with the PSED.



Simon Lightwood MP visits Brighton

DfT measures the percentage of all trips made by public transport directly from the National Travel Survey. The data (see % of all trips made by public transport metric) indicates that the percentage of trips made by public transport dropped during the pandemic and remains below pre-pandemic levels, however it has increased year-on-year. Comparisons with pre-pandemic performance should be treated with caution, as travel patterns have changed significantly since 2020, with lower levels of regular commuting and a greater proportion of leisure travel affecting how the network is used.

% of all trips made by public transport

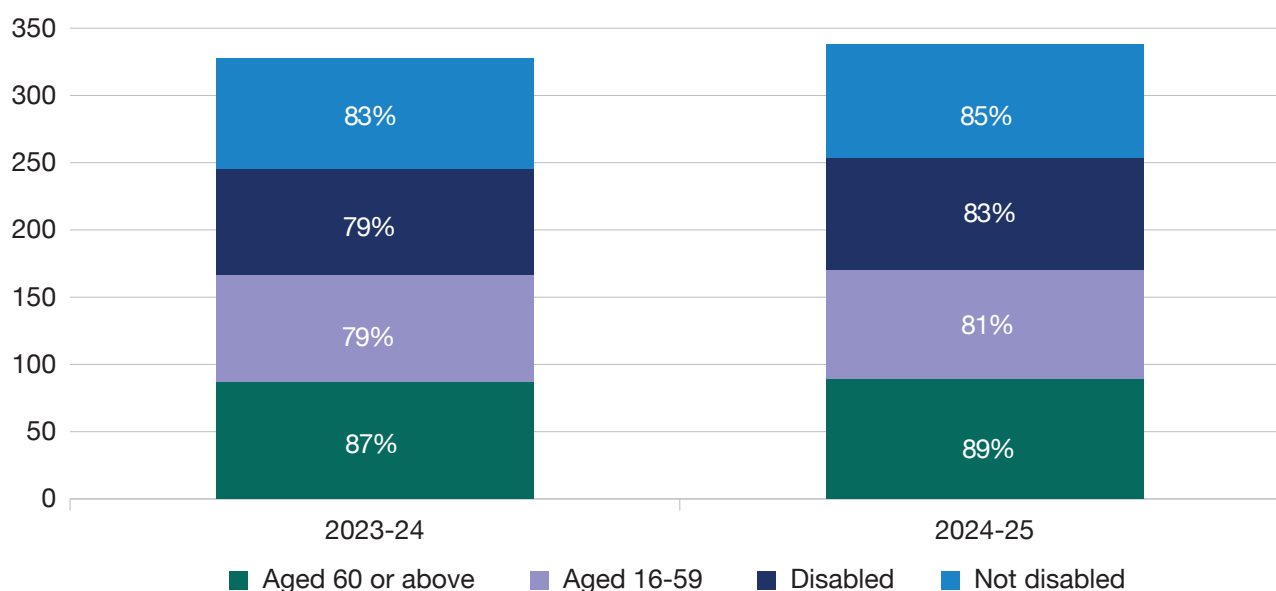


DfT is working with disabled people, operators and regulators, to develop an Accessible Travel Charter, setting clear expectations for barrier-free travel, consistent with the plans set out in [Better Connected: A Strategy for Integrated Transport](#), with an emphasis on people-focused, integrated networks. DfT has also asked the Law Commission to undertake a review of transport accessibility legislation. This began in February 2026 and will review the current landscape and make recommendations for a simpler, clarified and more effective framework of rights to support disabled people and accessibility on transport, as part of DfT's continued commitment to delivering the actions in the Government's response to the Transport Select Committee's 'Access denied' report.

In November 2025, DfT published 'Our Roadmap to an Accessible Railway', this sets out what DfT and the industry are doing between now and the stand-up of GBR to improve the day-to-day travel experience of disabled passengers and others who require assistance. The roadmap is based around seven priority themes and areas for improvement – including the accessibility of stations and trains, the reliability of services and key accessibility facilities in the rail industry and the way accessibility is understood and prioritised. It includes 31 actions to deliver improvements to infrastructure, information, staff training and the extension of Welcome Points at stations. On aviation, [DfT convened and published the Aviation Accessibility Task & Finish Group's report in July 2025](#), securing a sector wide plan to improve aviation accessibility through better staff training, clearer passenger information, improved handling of mobility aids and stronger complaint pathways. The Civil Aviation Authority (CAA) continued their oversight through its airport accessibility framework, improving transparency and accountability across the sector and supporting continued improvements in accessibility services for disabled passengers.

DfT's Satisfaction of disabled and older users on bus journeys metric⁸ measures satisfaction with bus journeys among disabled people and those aged 60 or older, showing a rise in overall satisfaction across all ages, and across disabled and non-disabled passengers between 2023-24 and 2024-25.

Satisfaction of disabled and older users on bus journeys



⁸ In the Your Bus Journey survey, 'disabled' refers to respondents reporting a long-term physical or mental health condition, based on Transport Focus's survey methodology.

For bus services, the Bus Services Act 2025 introduces statutory levers to embed and strengthen considerations of accessibility and personal safety at local authority level. These include requirements for local authorities to publish Bus Network Accessibility Plans, to consult disabled people when introducing or varying franchising schemes, or introducing Enhanced Partnerships where the authority and operators jointly agree improvements. This is backed by a legal framework, and to ensure drivers and passenger-facing staff of local bus operators complete both disability awareness and assistance training. The Act also requires authorities to have regard to new statutory guidance on the safety and accessibility of bus stops, and provides enhanced powers to protect socially necessary routes.

Rail infrastructure improvements are being delivered through the long-running 'Access for All' programme, which supports step-free access and improved accessibility at stations across Great Britain. The programme funds the creation of obstacle-free routes from station entrances to platforms, typically through lifts or ramps alongside associated station improvements.

Since its launch, over 270 stations have completed accessibility upgrades, including 35 since April 2024, with further schemes continuing to be delivered. The programme remains active, with investment prioritised through a pipeline of feasibility and design work. Following recent feasibility studies across 50 additional stations, eight stations were approved to proceed to delivery and a further 23 progressed to detailed design in January 2026, ensuring continued expansion of step-free access across the network.

DfT is playing a central role in tackling violence against women and girls (VAWG) by shaping safer transport environments and working with operators, local authorities and policing partners to prevent harm. In 2025-26, DfT set out nine commitments under the cross-government strategy 'Freedom from Violence and Abuse, and convened a 'Safer Streets, Safer Transport' summit in Manchester with Greater Manchester Combined Authority, bringing together local leaders and operators to share practice and strengthen action on antisocial behaviour and safety on the network.

Evidence published in February 2026 from the Personal Safety on Transport survey (c.4,900 respondents) highlighted that while most people report feeling broadly safe using public transport, perceptions vary significantly by gender and age, with young women reporting the lowest levels of confidence. The research also found high levels of antisocial behaviour impacting perceptions of safety, alongside under-reporting of incidents. DfT is now working with partners to translate these findings into targeted interventions across the transport system.

On the railway, DfT has commissioned Network Rail to develop the Visual Connectivity Platform, which will link station CCTV systems directly to the British Transport Police, improving the speed and effectiveness of incident response and investigations.

Alongside safety reforms, DfT has continued to prioritise operational recovery and digital transformation across its delivery agencies. The Driver and Vehicle Standards Agency (DVSA) increased driving test capacity to 1.99 million tests in 2025-26, up 159,000 on the previous year, supported by additional examiner recruitment and efficiency measures. The Driver and Vehicle Licensing Agency (DVLA) has progressed its Evolve programme, integrating digital identity services, expanding online driver services and introducing secure digital licence functionality through GOV.UK Wallet preparations.

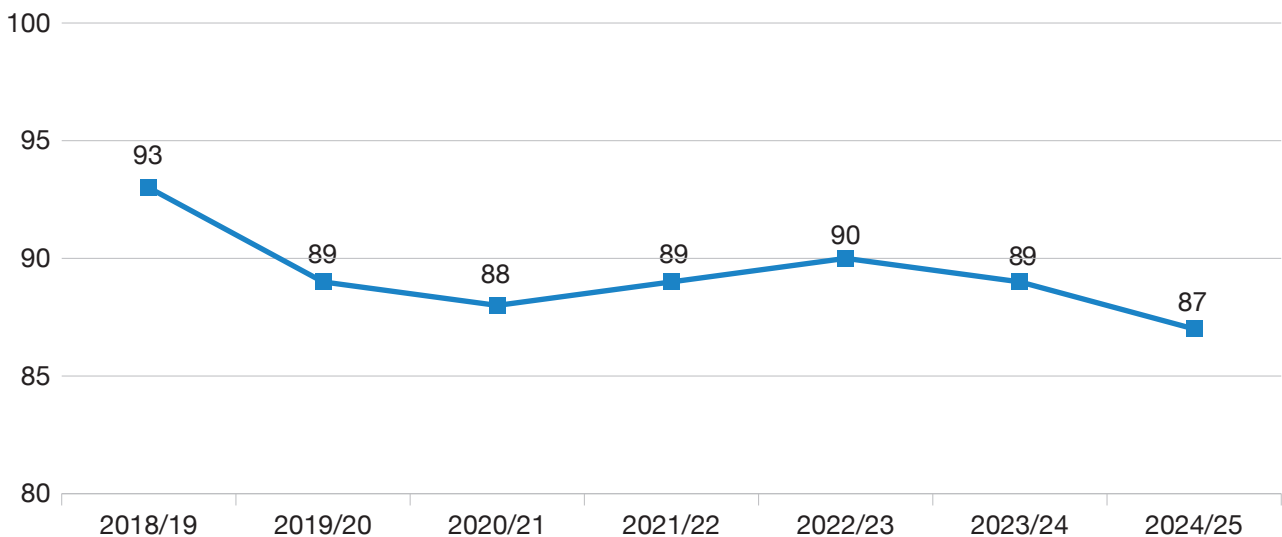
DVLA also implemented the new Drivers Medical Service Platform in March 2026 and continued the migration of existing services to cloud-based infrastructure. These reforms are

intended to improve resilience, reduce backlogs and deliver a simpler, more efficient customer experience over time.

Safer Journeys

In January 2026, DfT published the first [Road Safety Strategy](#) in over a decade. The Strategy sets an ambitious target to reduce the number of people killed or seriously injured on British roads by 65%, and 70% for children under 16, by 2035. This target will focus the efforts of road safety partners across Britain, with measures to protect vulnerable road users, update vehicle safety technologies and review motoring offences. The current rate of people killed or seriously injured (KSI) is articulated the below table, which shows the KSI rate has decreased year on year for the last two recorded years. DfT continued to drive forward implementation of the [Automated Vehicles Act 2024](#), launching two calls for evidence to shape safety principles and the future regulatory framework, consulting on both the protection of marketing terminology and the new automated passenger services (APS) permitting scheme. DfT published a suite of [non-statutory guidance](#) to support the APS scheme and the [Government Response](#) to the APS consultation. The associated statutory instrument came into force in May 2026.

Rate of people killed or seriously injured per billion miles travelled across all reported road casualties



DfT took action in response to Baroness Casey's National Audit on Group-based Child Sexual Exploitation and Abuse, which included a recommendation for the taxi and private hire vehicle sector to promote passenger safety. The Government response committed to addressing the issues raised and ensuring the public is protected wherever they travel. To help address the issues Baroness Casey identified, DfT obtained powers through the English Devolution and Community Empowerment Act 2026 to enable Government to set robust safety standards nationally and give licensing authorities enhanced enforcement powers for vehicles operating in their areas.

In November 2025, DfT, supported by [National Highways](#), launched its first [THINK! drug driving campaign in a decade](#), coordinated with police enforcement over the festive period and targeted at high-risk cohorts and locations using collision and force data. Through the use of a bold creative approach, the campaign was one of THINK!'s most impactful campaigns in recent years, with 72% of the target audience of young male drivers recognising

the campaign. There was a +7 percentage point increase in those who understood drug driving can lead to a criminal record and 40% of those who saw the campaign said they changed their own behaviour when it came to driving and drug use.



Smart Motorways

In maritime, DfT continued the transition to the second-generation aerial search and rescue contract ([SAR2G](#)). Alongside this progress, additional aircrafts have been added with new fixed wing bases opening in Newquay in April 2025 and Prestwick in June 2025, a nationally deployable mobile ground station with supporting Unmanned Aerial Vehicles (UAVs) in December 2025. Finally, new seasonal helicopter bases were opened in Carlisle and Oban for the busiest months of the year.

In the rail sector, DfT also acted to maintain the UK's world-leading rail safety record, while driving more proportionate and cost-effective approaches to safety management. In November 2025, DfT published its new vision for the railway, which included updated rail safety priorities, challenging established standards and ways of working where evidence showed the same or better safety outcomes could be delivered more efficiently.

Strategic Outcome: Delivering Green and Healthy Transport

Delivering greener transport to cut emissions, improve air quality, and boost public health, supporting walking, wheeling and cycling, and strengthening climate resilience.



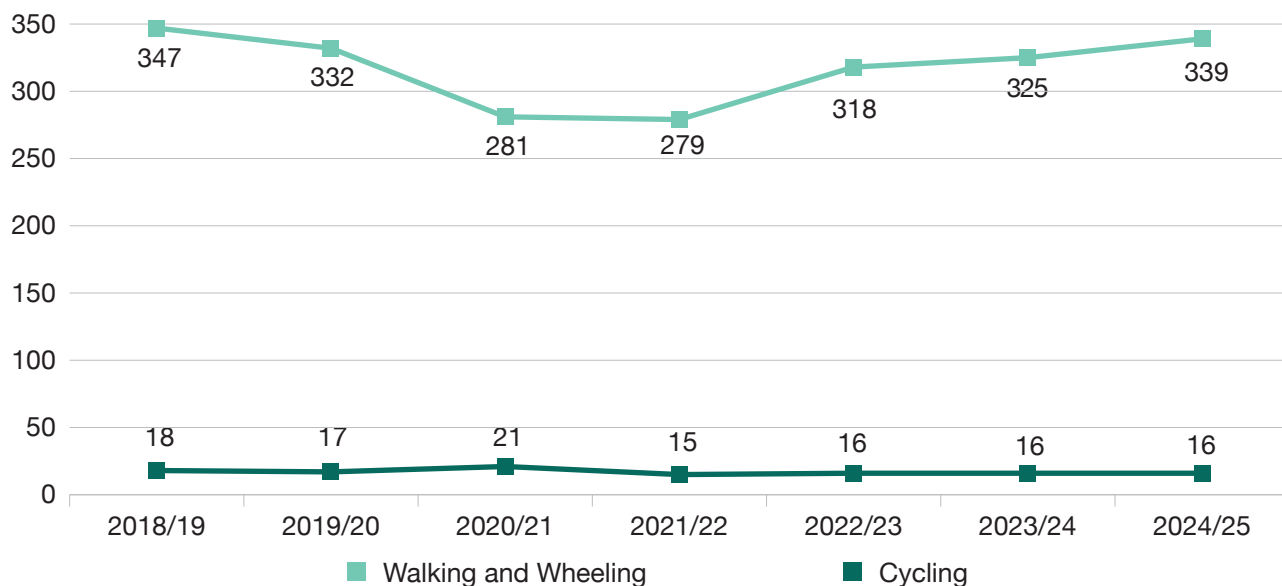
Healthier Transport

DfT has also continued to encourage more journeys to be taken by alternative healthier modes of transport. By continuing to expand its active travel agenda, DfT aims to make walking, wheeling, and cycling a safe, easy and accessible choices for everyone. DfT committed almost [£300 million in 2025 to Active Travel England walking, wheeling and cycling schemes](#), with final long-term active travel allocations published in December 2025, and the next strategic framework set through the [launch of the Cycling and Walking Investment Strategy 3 \(CWIS3\) consultation in November 2025](#). The Strategy was published in June 2026. The CWIS3 sets out a target for 55% of all short stages in towns and cities to be walked, or cycled by 2035. This is underpinned by statutory objectives to enable more physical activity through active travel, to make active travel the easy and integrated choice and to improve safety.

DfT's active travel metric measuring the average number of walking, wheeling and cycling travel 'stages' (i.e. segments of a journey) taken per person, per year (see table below), illustrates DfT's focus on delivering healthy transport options for people, with walking and wheeling as a travel stage increasing year on year since 2021-22. Walking and wheeling stages have increased over the last three years, whilst cycling as remained static, which is in line with overall trends in personal travel returning towards pre-pandemic levels. Since 2020, walking and wheeling has represented a slightly higher share of personal travel than pre-pandemic, and DfT will continue to monitor and assess the effectiveness of its policies when considering the longer-term trend.⁹

⁹ Wheeling refers to journeys made using wheeled mobility aids such as wheelchairs and mobility scooters.

Core Metric 14: Active Travel – Walking, Wheeling and Cycling Stages



Green Roads and Streets

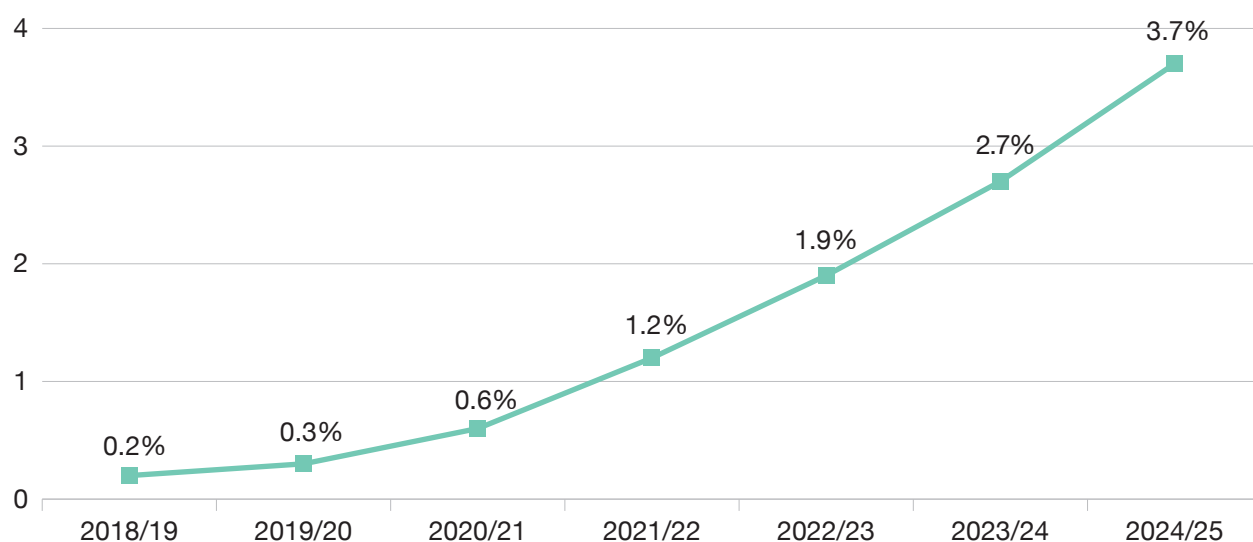
(See also the *Climate and Sustainability Report: Sustainable Development Goal (SDG) 3 – Good Health and Wellbeing, SDG 8, Decent Work and Economic Growth, SDG 11 – Sustainable Cities and Communities and SDG 13 – Climate Action*).

The transport sector faces a major challenge as it remains a leading source of greenhouse gas emissions and air pollutant emissions, while climate change places growing pressure on network resilience. One of the areas where this is felt most directly is on Britain's roads and streets, where road transport accounted for 90% of total UK domestic transport greenhouse gas emissions and 68% and 82% of total UK domestic transport emissions of nitrogen oxides (NO_x) and primary fine particulate matter (PM_{2.5}) emissions respectively in 2024.

The Government remains committed to transitioning to vehicles that are zero emission at the exhaust, supporting cleaner air, DfT's net zero and carbon budget targets, and UK growth. In 2025, Zero Emission Vehicles (ZEVs) accounted for 22.9% of UK new car sales, up from 19.1% in 2024, with the ZEV market growing 23.9% year on year. DfT's metric on the percentage of the overall UK vehicle fleet that is zero emission (see following table) captures licensed road-using vehicles at the end of June each year, including buses, coaches, cars, goods vehicles, motorcycles and other vehicles.

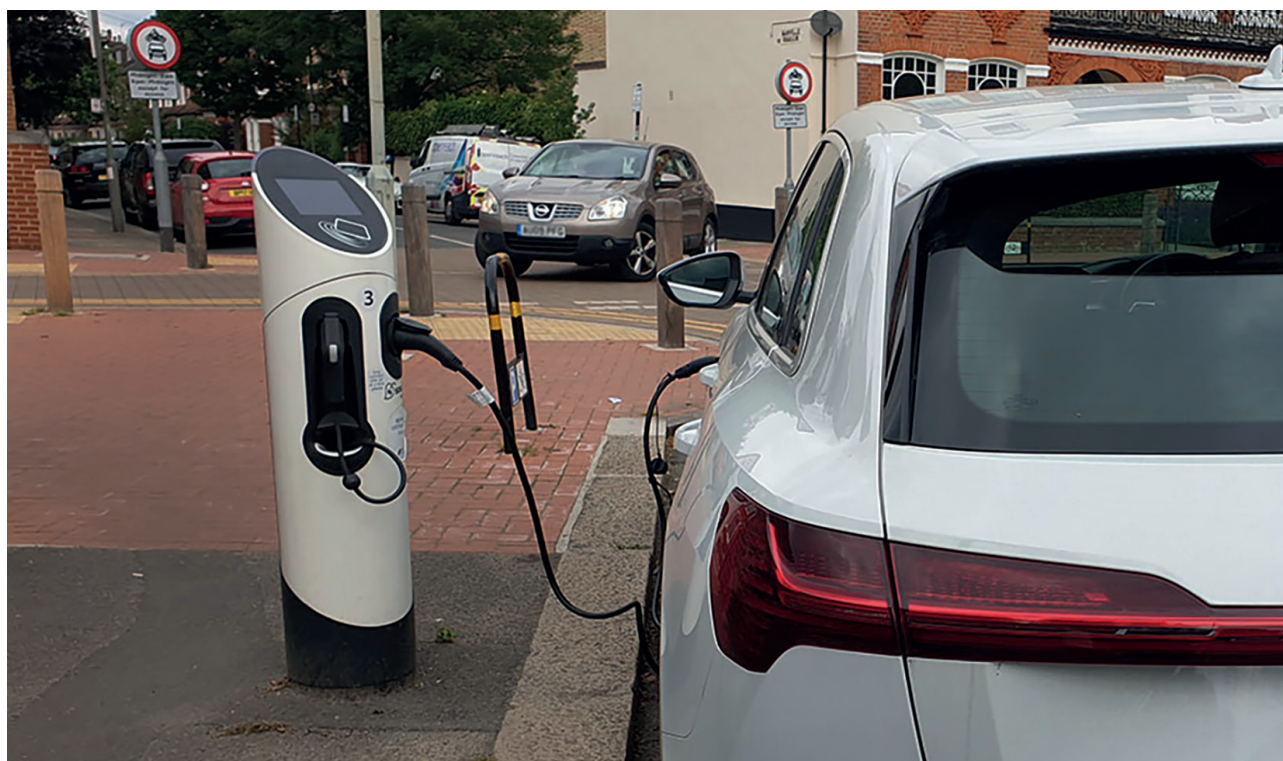
DfT worked with manufacturers to support the ZEV transition. The ZEV Mandate continued to drive supply, with both car and van markets over-complying in the 2024 scheme year through ZEV sales and flexibilities. Final 2024 compliance information was [published](#) in March 2026, and DfT enhanced flexibilities to support consumers and the automotive sector *Backing British business: Prime Minister unveils plan to support carmakers* – GOV.UK.

% of Overall fleet that is ZEV



DfT supported drivers through the Electric Car Grant, which increased to £2 billion at AB25 and had benefited nearly 100,000 consumers by year-end. To strengthen demand, DfT launched an EV communications campaign in January 2026 to promote EV ownership and address misconceptions about range and running costs.

DfT also progressed the ZEV transition for commercial businesses. The Depot Charging Grant Scheme was piloted in 2025-26 and Plug-in Truck Grant rates were temporarily increased in January–March 2026. In March 2026, DfT announced a £1 billion multi-year package of Zero Emission Truck, Van and Depot Charging grants, alongside a January–March 2026 consultation on a future zero emission HGV regulatory framework. DfT is analysing responses and will publish its response in due course.



An EV chargepoint plugged into an EV

Public charging infrastructure continues to expand, with more than 119,000 public EV chargers installed as of 1 April 2026, an increase of 13,309, or an average of 36 per day, since 1 April 2025. Through the Local EV Infrastructure (LEVI) Fund, DfT is supporting local authorities and industry to improve charger availability for drivers without off-street parking. LEVI funding, alongside private investment, will support at least 100,000 local chargers. As of 31 March 2026, all requested LEVI capital funding had been paid, with £337 million paid to 81 projects.

LEVI delivery is supported by the LEVI Capability Fund and EV Infrastructure Support Service, which help local authorities plan, procure and deliver local chargers and will remain available until March 2029. In July 2025, the electric vehicle pavement channel grant was launched to help residents without off-street parking charge at home using cheaper domestic tariffs. DfT also provided funding for NHS England to install charge points across 200 NHS sites, helping electrify the UK's second-largest fleet, and continues to offer home and workplace grants, simplified in April 2026.

There are now over 6,400 open-access rapid and ultra-rapid chargers within one mile of the SRN, more than quadrupling between July 2022 and October 2025. DfT has worked with industry, connection providers, motorway service area operators, charge point operators and National Highways to target support where needed most on the SRN, including:

- Improving provision at motorway service areas with high connection costs.
- Modernising EV charging signage.
- Launching a £10 million fund for innovative technologies, including battery storage, to support charge point rollout.
- Accelerating deployment in areas with low or no provision.

DfT continued to decarbonise the English bus fleet. In March 2026, DfT announced £73.2 million in additional zero-emission bus ([ZEB](#)) funding to support 484 ZEBs across ten projects in England, including £38 million announced in April 2025 for an additional 319 ZEBs through the [Zero Emission Bus Regional Area programme](#). The Bus Services Act 2025 will require operators to transition away from non-zero emission buses on local routes in England, with implementation from 2030 onwards to allow a smooth transition.



A Zero-Emission Bus in the North East

Although increasing the fleet of ZEVs will reduce air pollution, emission of brake, tyre and road wear will continue to persist. In 2025, DfT published its multi-year research on [the measurement of emissions from brake and tyre wear](#). DfT is using the findings to lead development of internationally harmonised brake and tyre wear emissions regulations through the United Nations Economic Commission for Europe, targeting adoption by November 2026.

DfT also supports low carbon fuels through the Renewable Transport Fuel Obligation (RTFO), which requires fuel suppliers to supply an increasing proportion of Low Carbon Fuels to support greener transport. In 2025, [DfT undertook a statutory review of the RTFO](#) and committed to consult on key aspects in due course. <https://www.gov.uk/government/calls-for-evidence/rtfo-statutory-review-and-future-of-the-scheme>.

Green Rail

(See also the Climate and Sustainability Report: SDG 3 – Good Health and Wellbeing and SDG 13 – Climate Action).

Rail is a comparatively green transport mode, accounting for 1% of UK transport CO₂e emissions in 2024 and 2% of NO_x and primary PM_{2.5} emissions in 2023. Increasing passenger and freight shift to rail can further reduce GHG emissions and environmental impacts.

Rail electrification is expanding, supported by improved battery technology to increase electrified journeys. DfT has funded major programmes, including £345 million for the TRU.

DfT will maintain air quality monitoring at up to 72 stations until March 2030, with operators implementing Air Quality Improvement Plans, including reduced idling and improved ventilation.

The Railways Bill (November 2025) supports rail freight growth through a statutory duty to promote freight, a legal requirement to set growth targets, and embed decarbonisation in system-level decisions.

In February 2026, DfT backed Network Rail's long-term control of Barking Eurohub, unlocking c.£15 million of private investment to enable cross-channel rail freight and shift freight from roads.

Green Maritime

(See also the Climate and Sustainability Report: SDG 3 – Good Health and Wellbeing and SDG 13 – Climate Action).

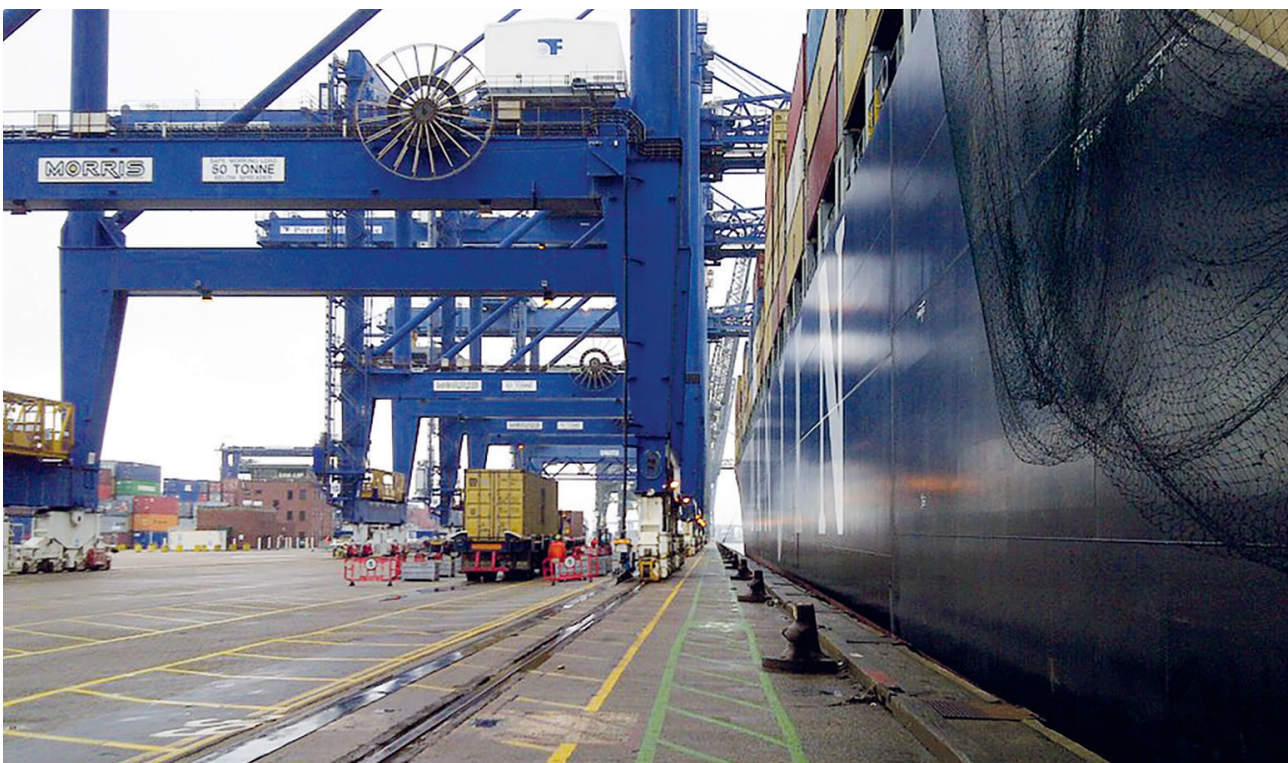
Domestic and international shipping accounted for 6% of UK transport CO₂e emissions in 2024 and 33% of transport NO_x emissions in 2023. DfT is advancing greener maritime outcomes through a clear decarbonisation pathway, support for clean shipping innovation, and management of legacy environmental risks.

The Maritime Decarbonisation Strategy (March 2025) sets targets to reduce domestic maritime emissions by 30% by 2030 and 80% by 2040, reaching net zero by 2050 (against a 2008 baseline). Delivery will be driven by key measures including emissions pricing and fuel regulation.

Progress this year includes expansion of the UK Emissions Trading Scheme (ETS) to domestic maritime from July 2026. In January, the UK ETS Authority finalised the scheme's technical design, published its consultation response, and laid legislation across all four legislatures.

DfT's ALBs are also contributing. In December 2025, the Northern Lighthouse Board took delivery of a £51.8m replacement for its Pole Star vessel, funded through the General Lighthouse Fund. The diesel-hybrid vessel improves environmental performance and operational efficiency, supporting statutory safety and environmental responsibilities.

In September 2025, DfT announced a further £448m for the UK SHORE programme (2026–2030), building on £240m invested since 2022. This has supported over 200 projects and leveraged more than £110m in private investment, with further funding competitions planned.



A ship at the Port of Felixstowe

Greener Aviation

(See also the Climate and Sustainability Report: SDG 3 – Good Health and Wellbeing, SDG 8 – Decent Work and Economic Growth, and SDG 13 – Climate Action).

Domestic and international aviation accounted for 25% of UK transport CO₂e emissions in 2024 and, in 2023, 32% of NO_x and 9% of primary PM_{2.5} emissions. DfT continues to support the transition to greener aviation while enabling sustainable sector growth.

DfT progressed the Government's commitment to increase Sustainable Aviation Fuels (SAF). The SAF mandate came into force in January 2025, requiring an initial 2% blend. The mandated targets require 11% of jet fuel to SAF by 2030 and 28% by 2040. Early delivery has been confirmed in August 2025's statistics and supported by compliance guidance published

in January 2026. The Sustainable Aviation Fuel Act 2026 received Royal Assent in March 2026, providing long-term revenue certainty for SAF production.

Internationally, DfT has continued to influence global aviation decarbonisation through its role at the International Civil Aviation Organization (ICAO). At the 42nd Assembly in 2025, the UK supported reaffirmation of commitments to net zero international aviation emissions by 2050, alongside Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) and a global ambition to reduce emissions through SAF uptake. UK support for capacity building and access to finance for decarbonisation projects has been key to enabling developing countries to contribute to these goals.

Domestically, DfT and the CAA have accelerated airspace modernisation through the Airspace Modernisation Programme. Progress includes publication of the Airspace Modernisation Strategy Deployment Plan (August 2025), establishment of the UK Airspace Design Service, and operational improvements such as Pairwise at Heathrow to reduce fuel burn. These measures support more efficient, quieter and lower-emission operations while preparing for future technologies.

The Jet Zero Taskforce continues to address barriers to aviation decarbonisation, bringing together government and industry. In 2026, it published independent reports on SAF, greenhouse gas removals, contrail mitigation and hydrogen. DfT has also committed up to £43 million through the Jet Zero R&D Programme to support zero-emission aircraft and innovation, including a UK contrail avoidance trial.



A British Airways plane taking off

Meeting Environmental Objectives

(See also the *Climate and Sustainability Report: SDG 3 – Good Health and Wellbeing, SDG 8 – Decent Work and Economic Growth, SDG 11 – Sustainable Cities and Communities, SDG 13 – Climate Action, SDG 15 – Life on land and ‘Sustainable Procurement’*).

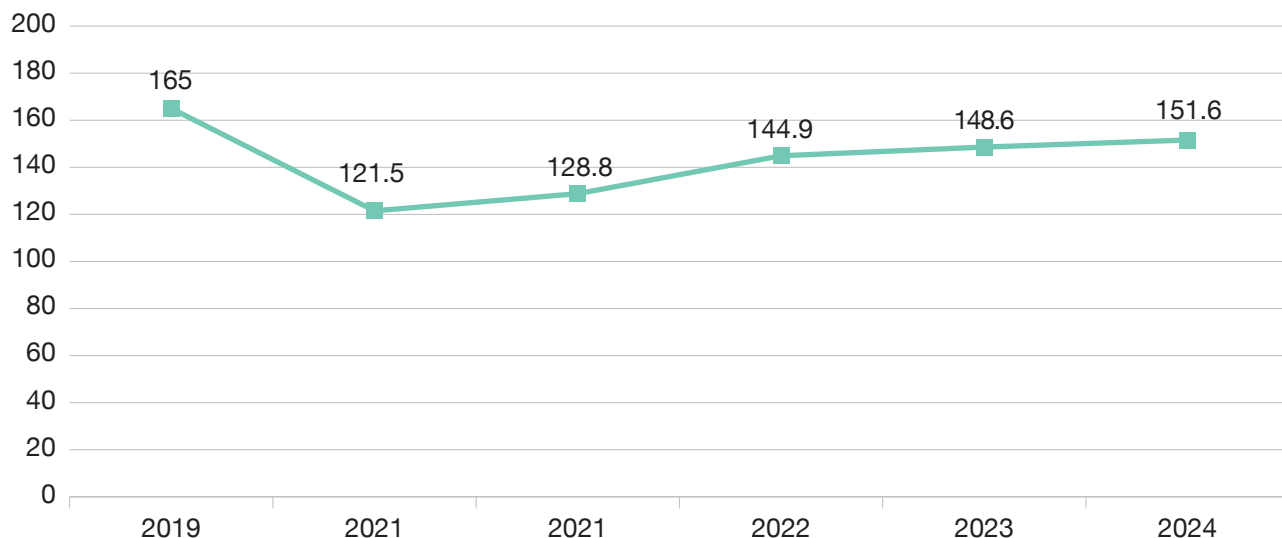
In December 2025, DfT published the [Climate Adaptation Strategy for Transport \(CAST\)](#) which supports the transport system to adapt to the impacts of climate change. Throughout the year, DfT provided practical tools and guidance to help transport operators including Climate Risk Assessment Guidance, Transport Hazard Summaries and an online tool housing best practice adaptation solutions.

CAST acts as the flagship policy under the third [National Adaptation Programme \(NAP3\)](#). The strategy supports the transport system as it prepares for the impacts of climate change by setting out long-term strategic direction, including actions to implement climate resilience standards and to develop stronger adaptation objectives for transport. It also mainstreams adaptation into planning and processes, whilst strengthening the evidence base through funding research and guidance. This was supported by targeted work with operators over the year to improve incident readiness and contingency planning, alongside continued investment to protect critical national transport assets and services.

With transport as the UK’s largest emitter of greenhouse gas (GHG) emissions, decarbonising the sector is key to achieving its contribution to the UK’s legally binding carbon budget and net zero targets. In October 2025 the Government published the [Carbon Budget and Growth Delivery Plan](#), which sets out plans for reducing emissions from all sectors, including transport, in line with legislated carbon budgets 4 to 6.

One of DfT’s core metrics to measure progress against this outcome is GHG emissions from all domestic transport and international aviation and shipping bunkers, measured in million tonnes of CO₂ equivalent (see table below). This metric has seen an 8% decrease between 2019 and 2024, due to several factors such as improvements in new car fuel efficiency and lower traffic growth.

GHG Emissions (MtCO₂e)



DfT’s metric on air quality measures the percentage change in annual $\text{PM}_{2.5}$ emissions from transport compared to a baseline level of emissions in 2005 (see table below). This metric has decreased meaningfully from the baseline, largely due to increased vehicle emissions standards that have dramatically reduced exhaust emissions of $\text{PM}_{2.5}$.

% change in annual $\text{PM}_{2.5}$ emissions from transport (from a 2005 baseline)



The Government’s statutory [Environmental Improvement Plan](#) published in December 2025 sets the long-term framework for improving air quality and reducing transport emissions. While GHG emissions from transport have fluctuated in recent years, long-term progress in reducing pollutants such as $\text{PM}_{2.5}$ demonstrates the impact of sustained vehicle emissions standards and regulatory measures. The EIP provides the strategic direction for further action across road transport, supporting continued improvements in air quality and progress towards net zero.

DfT’s work adopts a cross-modal approach to biodiversity conservation, consistent with its duties under the Environment Act 2021, shared across all public authorities, and reflecting a proactive commitment to integrating ecological sustainability into transport infrastructure, including through the application of biodiversity net gain requirements in relevant schemes.

DfT continues to maintain a strong focus on safety and environmental protection at the SS Richard Montgomery wreck. DfT published its [latest annual survey report](#) in October 2025, based on a detailed condition survey undertaken in July 2025. This evidence base continues to inform proportionate and evidence led risk management approach, ensuring that risks to coastal communities, navigation, and the marine environment are actively managed.

DfT has strengthened its understanding of the potential impacts of a detonation through updated blast modelling and technical analysis, supporting more transparent engagement with stakeholders and Parliament, including recent debate on mast reduction and the balance with heritage considerations. A coordinated risk mitigation approach has been put in place, including a restriction of flying over the wreck site to complement existing maritime controls, developed in close collaboration with government and regulators. Alongside this, DfT has progressed delivery of the mast removal project through procurement and mobilisation of a specialist salvage contractor, and commissioned further work on post-removal risk reduction and long-term site management, while maintaining close engagement with the United States Government to ensure alignment.



A cyclist on a city street



Enabling Our Success

DfT's Transformation

The need for departmental transformation was highlighted in the Chief Secretary to the Prime Minister's *Move Fast and Fix Things* speech in January 2026 and reinforced in the Cabinet Secretary's first message to the civil service in February 2026, which encouraged departments to sharpen our focus on delivery, leadership, innovative ways of working and remove barriers that stop people doing their best work. DfT has made a deliberate decision to transform how it operates by strengthening clarity of purpose, leadership, capability and culture to improve pace, focus and delivery. This approach reflects DfT's own assessment of what is required to be fit for the future and aligns with wider Civil Service ambitions to modernise, innovate and remove barriers to delivery.

A refreshed DfTc People Strategy (for 2026-30) will, for 2026-27 provide a single framework to strengthen leadership, capability and culture, supporting delivery and longer-term resilience. This is supported by ongoing modernisation of technology and people systems, including the move towards more integrated, shared services that improve efficiency, consistency and access to workforce insight. Workforce changes linked to Great British Railways, including staff transfers, estate consolidation and increasing the number of colleagues based in Birmingham and Leeds, will reshape DfT ahead of 2027 and align with the Government's ambition for a more productive, agile and locally connected state.

Reshaping workforce and workplace

2025-26 was a year of significant organisational transformation. DfT reshaped its workforce to align capability with ministerial priorities while operating within tighter financial constraints. Key achievements included:

- Delivering an 8% workforce reduction through a voluntary exit scheme.
- Preparing Rail Services teams for transfer to the DfT Operator Company ahead of the establishment of Great British Railways.
- Supporting redeployment and internal mobility through a redeployment-first recruitment approach, helping to mitigate redundancies.
- Continuing progress against Places for Growth, increasing the proportion of roles, including senior leadership roles, based outside London.

Alongside workforce restructuring, DfT strengthened leadership capability through refreshed leadership standards, a new leadership and line management curriculum, enhanced management tools, and the introduction of 360-degree feedback for Senior Civil Servants.

Learning Leadership and Talent

DfT continued to invest in leadership, skills and future talent despite a challenging operating environment. During the year, staff participated in the Civil Service's 'One Big Thing' programme on the responsible use of AI, while work began to strengthen compliance with mandatory learning through improved governance and reporting.

Career development remained a priority through departmental and Civil Service talent programmes, succession planning for Grades 6 and 7 staff, and an expanded apprenticeship offer covering 25 programmes. DfT also hosted 20 summer interns and welcomed participants through the Movement to Work scheme, helping to build future talent pipelines in priority professions.

Employee Experience

DfT strengthened its commitment to inclusion and wellbeing during 2025-26. Major milestones included:

- Publication of a new three-year Equality, Diversity and Inclusion Strategy.
- A reduction in the mean gender pay gap from 4.3% to 3.4%.
- Expansion of mental health support, including additional Mental Health First Aiders and Mental Health Skills for Managers training.
- Introduction of key workforce policies, including Neonatal Care Leave and Pay.

The Learning and Development theme score in the Civil Service People Survey decreased by five percentage points to 53%, with 41% of colleagues reporting that they see opportunities to develop their career. These perceptions are likely influenced by workforce restructuring and recruitment controls during the year. Strong leadership and management capability remains central to DfT's transformation, with 2025-26 focused on laying foundations through refreshed leadership standards, an updated leadership and line management curriculum, new line management tools, and a 360-degree feedback requirement for SCS. These changes guided by the new People Strategy, position DfT to deepen leadership capability in 2026-27, supported by continued embedding of Civil Service line management standards, alongside executive coaching, professional development, and cross government SCS line management accreditation. These activities laid firm foundations for consistent, effective leadership and line management, recognising their critical role in enabling delivery, supporting staff through change, and strengthening accountability during sustained transformation.

A Secure and Resilient Transport System

A secure and resilient transport system underpins economic confidence, public trust, and national resilience by enabling the safe and reliable movement of people and goods. In 2025–26, DfT focused on strengthening transport resilience and security in partnership with operators, local authorities, and the wider sector to better prepare for disruption and improve recovery when incidents occur.

DfT worked with the Cabinet Office and other stakeholders to develop and plan against Reasonable Worst-Case Scenarios under the UK National Security Risk Assessment, including participation in Exercise PEGASUS, the UK's largest-ever Tier 1 pandemic preparedness exercise (Sep–Oct 2025), testing national response capability. Learning from exercises and real incidents remains central to improving preparedness, response, and recovery. As Lead Government Department for the Huntingdon Station Incident (Nov 2025), DfT was commended for its adaptive cross-government coordination and situational awareness. It also assessed sector capabilities to identify resilience strengths and gaps, which will be addressed through implementation of the UK Government Resilience Action Plan.

International security pressures also shaped resilience planning in 2025–26, with ongoing conflicts in Ukraine and the Middle East highlighting vulnerabilities in global transport networks to geopolitical shocks. DfT's support for Ukraine, aligned with the UK–Ukraine 100-Year Partnership (Jan 2025), includes transport planning support, expertise to help modernise and safely reopen airspace, and negotiation of a new Air Services Agreement, while also drawing lessons to strengthen UK resilience.

DfT has also supported the Government's response to the Middle East conflict through the Prime Minister's Middle East Response Committee, monitoring impacts on transport networks and mitigating risks, including those affecting critical routes such as the Strait of Hormuz, while aligning with efforts to restore stability, diplomatic resolution, and freedom of navigation.

Science, Innovation, Data and AI

2025–26 saw significant progress in embedding innovation, data and artificial intelligence into transport policy and operations. Key achievements included:

- Deploying AI pilots that delivered measurable savings and improvements in fraud detection, consultation analysis and correspondence handling.
- Publishing the Transport Data Action Plan, setting a long-term vision for transport data across government and industry.
- Launching new rounds of the Transport Research and Innovation Grant (TRIG) programme to support emerging transport technologies.
- Delivering improvements to nationally significant data services, including the Bus Open Data Service, National Public Transport Access Nodes, Digital Traffic Regulation Orders and the foundations of the National Parking Platform.

DfT also continued to strengthen the evidence base for transport decisions through appraisal reform, transport modelling improvements and major evaluations, including analysis demonstrating the benefits delivered by the Elizabeth line.

Climate and Sustainability Report

As one of government's largest landholders and as the department responsible for a transport system that underpins economic growth, connectivity and daily life, DfT plays a significant role in addressing climate change and supporting sustainable development.

During 2025–26, DfT has continued to embed sustainability across its policy, delivery and corporate activity. This includes progressing decarbonisation across transport modes, strengthening climate adaptation and resilience, and improving environmental performance across its estate and operations. These actions support delivery of the UK's legally binding carbon budgets, the net zero target, and wider environmental commitments.

UN Sustainability Development Goals (SDGs)

The 2030 Agenda for Sustainable Development is a historic global agreement to eradicate extreme poverty, fight inequality and injustice and leave no one behind. Agreed at United Nations in 2015, the [17 sustainable development \(SDG\) goals](#) succeed the Millennium Development Goals (MDGs). The SDGs are universal, with all signatories expected to contribute to them internationally and deliver them domestically.

The UK was at the forefront of negotiating the SDGs and will be at the forefront of delivering them. The UK lobbied hard to make sure the SDGs support the continuation of work undertaken through the MDGs.

DfT is directly working towards contributing to the achievement of the following seven goals:

- SDG 3 – Good Health and Wellbeing.
- SDG 4 – Quality Education.
- SDG 8 – Decent Work and Economic Growth.
- SDG 9 – Industry, Innovation and Infrastructure.
- SDG 11 – Sustainable Cities and Communities.
- SDG 13 – Climate Action.
- SDG 15 – Life on Land.

SDG 3 – Good Health and Wellbeing

More information can be found in 'Delivering Green and Healthy Transport', see page 54.

Poor air quality remains a significant public health risk, with disproportionate impacts on low-income communities. The Government's 10-Year Health Plan (July 2025) reaffirmed DfT's role in improving health outcomes through greener transport, including decarbonisation, deployment of clean technologies across all modes, and investment in active travel. The Environmental Improvement Plan (December 2025) sets out a programme of transport air pollution reduction measures to support delivery of national targets, with progress reported annually by Defra.

DfT also supports improved health outcomes by enabling more active travel. Investment in infrastructure, road safety and transport integration makes it easier for people to incorporate walking, wheeling and cycling into everyday journeys. Alongside this, DfT is working with local authorities, regulators and other government departments to reduce the health and wellbeing impacts of transport noise.

DfT remains committed to reducing the impact of transport on water quality. Building on RIS2 (2020–2025) and the interim settlement (2025–26), RIS3 (2026–2031) sets clearer expectations, with detailed mitigation measures to be confirmed in National Highways' Delivery Plan. DfT expects continued delivery of the 2030 Water Quality Plan, including new or upgraded treatment systems at priority locations.

Research on microplastic pollution from road run-off, undertaken by National Highways and the Environment Agency, concluded in 2024–25. Targeted monitoring is now underway across the strategic road network, alongside development of a longer-term monitoring approach.

While UK roads remain among the safest globally, reducing casualties remains a priority. In 2024, 1,633 people were killed on Great Britain's roads (a 1% increase on 2023), with 128,375 casualties overall (3% lower than 2023 and among the lowest levels since 1979). DfT continues to deliver a range of road safety interventions, supported by the Road Safety Strategy and core metrics tracking those killed or seriously injured.

Since March 2024 DfT has invested £10 million to improve the safety of a further two of the country's most high-risk roads, taking the total invested to £195.4 million and a total of 100 roads improved.

SDG 4 – Quality Education

Accessible and affordable transport is essential for enabling access to education and training, particularly for low-income and socially excluded groups. DfT is supporting this through targeted investment and partnerships.

DfT is addressing skills shortages across transport sectors. In rail, collaboration with the National Skills Academy for Rail (NSAR) responds to persistent workforce gaps of 2,000–3,000 roles annually in key areas such as signalling, systems engineering, and electrification. NSAR supports apprenticeships and promotes rail careers through initiatives such as Routes into Rail.

Major programmes are also contributing to workforce development. In 2025–26, HS2 Ltd supported around 31,000 jobs and has delivered over 2,100 apprenticeships since 2017, exceeding its target. Since 2022, the Generation Logistics campaign has promoted careers in the sector through outreach, educational resources and an online jobs platform.

DfT is also working to improve diversity and future skills across transport. Initiatives such as the Diversity in Maritime programme and the Maritime Roadshow for Girls promote STEM careers, while the Maritime Skills Commission leads sector-wide skills development. In parallel, DfT and the Maritime and Coastguard Agency are modernising seafarer training, including delivery of programmes on green skills, future workforce needs and labour market assessment.

SDG 8 – Decent Work and Economic Growth

DfT plays a key role in supporting sustainable, inclusive economic growth and productive employment by improving connectivity and decarbonising the transport network.

DfT is progressing a range of initiatives to support this transition. The Zero Emission HGV and Infrastructure Demonstrator is deploying battery electric and hydrogen HGVs alongside supporting infrastructure, while significant capital investment in zero emission cars, vans, HGVs, buses and coaches will continue to 2030. The Advanced Fuels Fund is supporting first-of-a-kind Sustainable Aviation Fuel plants to reach commercial scale. Research also highlights the potential for maritime decarbonisation to deliver domestic economic benefits and access to global clean technology markets.

Since 2023, all projects undergoing DfT business case assurance have been required to produce a Carbon Management Plan, ensuring that investment decisions are informed by whole life carbon impacts and that opportunities to reduce emissions are systematically identified.

Over the past year, DfT has supported projects in developing these plans, with a focus on identifying and addressing ‘carbon hotspots’—the materials and processes contributing most to emissions. This approach targets decarbonisation efforts where they will have greatest impact and encourages investment in low carbon technologies and materials. For example, HS2 Ltd and National Highways have supported initiatives to scale up UK-produced calcined clay as a lower-carbon alternative to cement, helping to stimulate innovation, support skilled jobs, and grow domestic low carbon industries.

In 2025-26, DfT also launched research into barriers to resource efficiency in transport infrastructure delivery, examining how improved efficiency can reduce both carbon and cost. Embedding resource-efficient practices can reduce waste, strengthen supply chains and enhance productivity, supporting economic growth.

Early investment in climate adaptation provides further benefits, including improved network reliability, lower maintenance costs, reduced safety risks and fewer compensation claims. Evidence from the third Climate Change Risk Assessment indicates strong returns on adaptation investment across sectors.

SDG 9 – Industry, Innovation, and Infrastructure

DfT supports resilient infrastructure, sustainable industrialisation and innovation through the Transport Research and Innovation Grant (TRIG) programme. TRIG provides competitive funding for early-stage research and prototyping across all transport modes, with a strong focus on small and medium-sized enterprises.

Grants of up to £45,000 are awarded through open competition, supporting both policy-driven challenges and open innovation calls. In 2025, TRIG funded 40 projects, including innovations in sustainable materials, clean fuels, infrastructure efficiency, and rail operations.

Between 2019 and 2025, DfT awarded £12.6 million to 328 projects. These projects secured £94 million in follow-on funding from Innovate UK and attracted £97.8 million in private investment, demonstrating strong leverage and impact.

SDG 11 – Sustainable Cities and Communities

DfT is contributing to sustainable cities and communities through biodiversity delivery and improved local transport. DfT is implementing the Environment Act, including the Biodiversity Duty and Biodiversity Net Gain requirements for transport developments.

Improving buses remains central to DfT's Growth outcome, with action to increase usage through more reliable, integrated and environmentally sustainable services. The Bus Services Act 2025 empowers local leaders to tailor services to local needs, with implementation continuing through 2026/27.

Local areas can choose between franchising and strengthened Enhanced Partnerships, supported by a franchising pilot across five areas. Minimum standards in Enhanced Partnership areas, including simpler ticketing, aim to improve passenger experience and increase patronage. The Act also introduces protections for socially necessary services.

Local transport authorities are monitored through an Outcomes Framework, enabling DfT to track performance, support delivery, and drive greener, more sustainable transport outcomes.

SDG 13 – Climate Action

More information can be found in 'Delivering Green and Healthy Transport', see page 54.

[Statistics published in February 2026](#) by the Department for Energy Security and Net Zero show transport remained the UK's largest greenhouse gas emitting sector in 2024, accounting for 30% of territorial emissions and 37% including international aviation and shipping. DfT's decarbonisation policies, supported by the October 2025 Carbon Budget and Growth Delivery Plan, are driving continued transformation across all modes.

Even if warming is limited to 1.5°C, climate change impacts are already locked in. [2025 broke historical climate records](#), and the UK recorded its warmest and sunniest year, with four of the last five years among the warmest since 1884.

Climate change will bring wetter winters, hotter summers and more extreme weather, disrupting travel and damaging infrastructure, as seen during storms Chandra and Goretti.

DfT is strengthening adaptation policy through the [Climate Adaptation Strategy for Transport](#) (CAST), published in 2025 under [third National Adaptation Programme](#). CAST sets long-term direction, embeds adaptation in planning, and strengthens the evidence base, including commitments in the [UK infrastructure: a 10 year strategy](#) to implement climate resilience standards by 2030 and develop stronger sector objectives.

DfT has also delivered practical tools to support risk management, including [Climate Change Risk Assessment Guidance](#), [Transport Hazard Summaries](#) and an [online interactive tool](#) for identifying adaptation solutions. Further guidance is being developed on interdependent risks and nature-based solutions.

To support decision-making, DfT introduced climate adaptation e-learning in 2026 and embedded climate considerations across departmental processes. Adaptation has also been incorporated into Transport Analysis Guidance, alongside research to develop resilience metrics and address evidence gaps.

DfT is developing a climate resilience programme and delivering a data improvement plan under CAST. Adaptation is being embedded across the sector, including in 2025–26 business plans for 14 contracted TOCs and within RIS3 (2026–2031) for England’s 4,500-mile strategic road network.

Collaboration is also increasing, including a joint DfT–Civil Aviation Authority adaptation working group, a maritime sector monitoring survey, and a new maritime resilience working group to support cross-industry best practice.

SDG 15 – Life on land

DfT’s cross-modal approach to biodiversity conservation, guided by its legal duties under the Environment Act 2021, reflects a proactive commitment to integrating ecological sustainability into transport infrastructure.

In February 2025, Active Travel England integrated biodiversity metrics into its assessment tools, ensuring that the potential impacts of active travel schemes on biodiversity are more consistently considered during project appraisal and development. This supports the delivery of nature-positive outcomes by embedding biodiversity considerations within infrastructure decision-making. Practical interventions, including habitat-enhancing work where dead trees are modified to simulate natural decay and support woodland species, demonstrate how these approaches can help improve habitat provision and ecosystem resilience. Further details are set out in the Performance Report.

Sustainable Procurement

DfT recognises the impact of procurement on sustainability outcomes and is committed to ensuring its supply chain supports sustainable development.

DfT sets minimum environmental standards for suppliers through its corporate environment policy, aligned with Government’s Buying Standards. A revised policy will be published alongside the updated standards.

DfT holds the CIPS Kite Mark, demonstrating its commitment to ethical sourcing. Commercial staff are required to complete annual ethical sourcing training, including sustainable procurement.

Commercial lifecycle assurance provides risk-based oversight of procurement activity, ensuring effective, compliant delivery and consideration of sustainability targets. This includes engagement with sustainability experts and assessment of value for money from both financial and environmental perspectives.

DfT uses contractual mechanisms to drive sustainability, including carbon reduction clauses covering net zero commitments and incentivisation. Suppliers bidding for contracts above £5 million per annum must provide carbon reduction plans, and procurements above public thresholds must include at least a 10% weighting for social value.

An internal commercial sustainability strategy supports consistent application across DfT and its public bodies, focusing on capability building, strengthened assurance and promoting tools to improve sustainability outcomes.

Taskforce for Climate Related Financial Disclosures and Sustainable Development

DfT is delivering major programmes to support the transition to a sustainable transport system, while improving environmental management across its estate and operations.

DfT is committed to the Government Greening Commitments (GGCs), which provide the cross-government sustainability framework. The 2021–2025 targets have now concluded, with 2025-26 serving as the baseline year for the new 2025–2030 framework.

As new targets have not yet been confirmed, performance will be reported as year-on-year change only, without assessment against targets or baseline progress.

DfT reports quarterly to Defra, which produces an annual cross-government report. Reported data covers DfT and its public bodies, with further detail provided in individual annual reports and accounts.

DfT has completed climate risk assessments and mitigation plans across all office sites. Group bodies are at varying stages of completion, with full coverage expected over the next year to provide a comprehensive view of climate risk across the estate and operations.

DfT has reported on climate-related financial disclosures consistent with HMT TCFD-aligned disclosure application guidance, which interprets and adapts the framework for the UK public sector. DfT considers climate to be a principal risk and has therefore complied with the TCFD recommendation and recommended disclosures around:

- Governance – recommended disclosures (all recommended disclosures).
- Risk management – recommended disclosures (all recommended disclosures).
- Metrics and targets – recommended disclosures (all recommended disclosures).

DfT has partially complied with the TCFD recommended disclosures around:

- Strategy – recommended disclosures (all recommended disclosures).

This is not in line with the central government's TCFD-aligned disclosure implementation timetable for Phase 3 which requires disclosures on the strategy used to assess and manage relevant climate-related risks and opportunities. Disclosure and explanations can be found below.

Some of the metrics and targets, used by DfT to measure its environmental impacts are derived from Defra and DESNZ and are primarily driven by the GGC. These targets are absolute ones and do not incorporate changes to the operations of DfT, such as intensifying periods of construction.

Governance recommended disclosures (A – B)

The DfT Board receives regular updates on the management of DfT's Principal Risks, including those relating to climate change. See page 109 for further information on the management of the Principal Risks.

GARAC, a sub-committee of the DfT Board, provides independent oversight of DfT's assurance framework. It reviews the internal audit strategy, the performance of the GIAA and

external auditors, and the effectiveness of DfT's systems of internal control, governance, assurance, financial reporting and risk management.

ExCo provides executive oversight of climate-related risks and opportunities. It considers the potential impacts of climate change, oversees the management of climate-related risks, and ensures these are taken into account in departmental decision-making.

All papers submitted to DfT's Executive Committee (ExCo) and the DfT Board must be cleared by a Senior Civil Servant. Paper authors are required to consider climate-related issues, including compliance with the Environmental Principles Policy Statement (EPPS), and explain, where relevant, how climate-related risks have been considered in the development of policies, programmes and projects.

Management and operational leads are responsible for identifying climate-related risks within their areas, developing risk assessments and adaptation plans, and implementing appropriate mitigations. Completed risk assessments and adaptation plans are shared across DfT through established governance and management arrangements.

DfT's Environmental and Property Principal Risks affect both corporate operations and transport policy. While DfT's public bodies manage their operational risks, they remain accountable to DfT through established governance arrangements, including ExCo and the Permanent Secretary.

Climate-related opportunities are identified alongside risks through DfT's risk assessment processes and are considered when developing adaptation plans.

Strategy recommended disclosure (A – C)

DfT has identified two principal risks that relate to climate. See the '[Environmental](#)' and '[Property](#)' principal risks for further details. These principal risks link directly to the delivery of DfT's long term Strategic Outcomes 'Green and Healthy Transport' and 'Improving Journeys for People'. These risks are considered significant, when compared to other risks that DfT manages. In the next National Adaptation Programme (due in 2028), the Government aims to set stronger adaptation objectives. That is why we are taking the advice of the Climate Change Committee by planning for a minimum of 2°C of rise in global temperatures above pre-industrial levels by 2050.

Further details on DfT's operational, financial and climate scenario planning can be found later on in this report.

Methodologies used for calculating risk and impacts differ across the DfT Group. Due to the operational nature of DfT's ALBs, individual methodologies are used to reflect different primary risks. For example, The General Lighthouse Authority boards, focus on methodologies which assess the impact of extreme weather and sea level rise. These factors are only minimally considered within DfTc's approach, given the majority of the estate is inland. Please see section on recommended disclosures for risk management (C) for details of the methodology used by DfTc.

- Methodological convergence is growing: Most DfT group bodies now anchor on ISO 14090/14091 concepts and a likelihood × consequence risk matrix, informed by UKCP18 (and in some cases early UKCP23) projections.

- Differences remain in: asset granularity (network-wide vs hotspot), how exposure/vulnerability are quantified, how far adaptation pathways are embedded, and the maturity of interdependency analysis.

Core differences in methodology between select bodies are below.

National Highways focusses on vulnerability (exposure × sensitivity) to derive likelihood, echoing ISO 14091 structure. Network Rail and HS2 Ltd focus more on corporate risk frameworks with narrative likelihood/consequence plus asset criticality—quantification varies by asset class and data availability.

Granularity: National Rail combines network-wide screening with ‘hotspot’ asset analysis (cuttings, embankments, drainage). National Highways applies a consistent method at scheme and route levels. HS2 Ltd is project-phase-centric, requiring designers/contractors to test climate loads against standards at component level.

Adaptation pathways maturity: HS2 Ltd has explicitly developed adaptation pathway guidance (when to trigger upgrades as conditions evolve). National Rail and National Highways consider staged interventions within their risk analysis rather than explicit pathways.

Interdependencies treatment: All risk analysis methods acknowledge dependencies. DfT’s 2025 guidance now requires upstream and downstream interdependencies to be in scope with the aim of pushing convergence across ALBs and local operators.

Uncertainty & confidence: DfT guidance explicitly asks for assumptions, uncertainty and confidence to be recorded. Some of the risk assessments will likely be updated as part of the fifth round of adaptation reporting which is expected to be launched by Defra in 2026.

Risk Management recommended disclosure (A – C)

Climate is considered through principal risks, group and public body risk reporting, climate adaptation evidence, and policy and programme decision-making. For example, risks may include physical impacts such as flooding, extreme heat, storms and sea-level rise, as well as transition risks linked to decarbonisation, air quality, biodiversity and legal carbon targets.

DfT manages climate-related risks through established risk treatment approaches, including mitigating, transferring, accepting or controlling risks according to their likelihood, impact, risk appetite and value for money. DfT’s Climate Adaptation Strategy for Transport supports this by setting long-term direction for a more climate-resilient transport system and providing tools such as climate risk assessment guidance, transport hazard summaries and adaptation solutions. For example, climate risk assessments can inform actions to improve drainage, protect critical infrastructure, manage heat risks and maintain business continuity across DfT’s estate and the wider transport network.

These processes are integrated into DfT’s overall approach to risk management, governance and delivery. Climate-related risks are recorded, monitored and escalated through established reporting routes, with public bodies managing risks relevant to their operational responsibilities and escalating significant issues where needed. Climate-related considerations may also inform strategic planning, policy development and programme delivery where relevant to departmental objectives. This includes greener and healthier transport, resilient infrastructure, and reliable journeys for people and businesses.

In December 2025, DfT published the [Climate Adaptation Strategy](#) which sets a vision for a well-adapted transport network that is resilient to the changing climate. The strategy supports the transport system to prepare for the impacts of climate change by setting a long-term strategic direction, mainstreaming adaptation into planning and processes, and strengthening the evidence base by funding research and developing a data improvement plan.

The strategy builds on the commitments set out within the third National Adaptation Programme to adapt to the impacts of climate change. Alongside the strategy, DfT has developed practical tools to support the transport sector to manage climate risks, including Climate Change Risk Assessment Guidance for the transport sector, Transport Hazard Summaries and an online interactive tool to help identify best practice adaptation solutions.

DfT is federated, and the public bodies manage their climate-related risks in different ways depending on their operational requirements, however, their climate risks feed into the DfT climate Principal Risk. DfTc, which primarily manages an office-based estate, manages climate risk alongside its Group Property risk portfolio, and these risks and adaptation strategies are focussed more on maintaining business continuity.

DfT integrates its processes for identifying, assessing, and managing climate-related risks into its overall risk management framework, as detailed in the sources. This integration ensures a consistent and comprehensive approach to addressing all uncertainties that could impact the achievement of DfT's objectives.

DfT's approach recognises that climate risk can exacerbate existing strategic risks, and therefore, are not considered in isolation but are integrated into DfT's strategy. DfT applies the same four main approaches for managing climate-related risks as it does for other risks: tolerate, treat, transfer or terminate. By embedding climate-related risk management within its broader framework, DfT aims for good governance and the achievement of its strategic priorities in building a resilient and sustainable transport system.

Metrics and Targets recommended disclosure (A – C)

DfT risk assessment methodology is based on tested methods developed by other government departments and seeks to address the following points:

- Existing vulnerabilities to weather-related hazards.
- Whether existing vulnerabilities are likely to change over time.
- Additional vulnerability likely to arise in the future.
- The likely direct and indirect impacts on DfT output.
- Actions and measures to build resilience into the function of the building/site.
- Any opportunities created by changes in climate.

Each area of risk is assessed for existing, medium and long-term risk and integrates the representative concentration pathways (RCP) scenarios. Hazards are categorised into the following broad areas:

- Drought
- Flood.
- High temperatures.

- Low temperatures.
- Sea level rise.
- Other risks.

The risk impact is then categorised as being focused on the following areas:

- Business resilience.
- Infrastructure.
- Natural environment and people.

Each asset is comprehensively assessed, and a risk score is given. An asset is component of the estate which is either owned or leased by DfTc or DfT ALBs. For DfTc this includes the 5 office locations, Great Minster House (London), The Colmore Building (Birmingham), The Ellipse (Swansea), Priory Place (Hastings) and Wellington Place (Leeds) Each site is assessed for all criteria within the risk assessment methodology. This risk score is then mitigated based on specific adaptations in place in buildings, such as the presence of pumps in basements or more general adaptations, such as the ability of all staff to work from home if buildings are temporarily uninhabitable. These risks are managed in the same way as other building-related risks, such as the assessment and repairs of buildings containing RAAC concrete.

It should be noted that there are limitations to all climate risk assessment methodologies. These include uncertainty in climate modelling, limitations around data availability, and a lack of standardisation.

DfT's Strategic Outcome 'Deliver Green and Healthier Transport' provides further details on how it tracks and where appropriate sets targets for a range of metrics that support it monitor levels of climate change.

Core risks identified

Climate risk assessments have been completed for areas across the transport system that are commonly reported or have a high rated risk factor. Further work will need to be undertaken to assess these against their short/medium/long term impacts.

Table 1: an example of the initial analysis completed, which is currently being further developed to include weighted density maps (an initial example of a density map can be seen below). This was developed by combining risks, implications and adaptation measures identified by DfT ALBs.

Climate risk	Potential financial implications	Adaptation measures
Flooding (coastal and inland)	Repair / replacement costs for damaged infrastructure. Increased insurance premiums. Service disruption.	Elevate or relocate critical infrastructure. Enhance drainage systems. Implement flood barriers and resilient design standards.
Extreme heatwaves	Rail track buckling and road surface damage Increased cooling costs. Increased cooling requirement in buildings. Risk to health for the workforce, particularly outdoor workers.	Upgrade rail tracks to heat-resistant materials. Use heat-resilient asphalt. Install cooling systems in vehicles and buildings, including temporary ones.
Storms and high winds	Damage to bridges, ports, airports, railways, and roads. Emergency repairs. Damage to office sites and temporary structures.	Reinforce structures (for example, wind-resistant bridges). Early warning systems. Vegetation management near roads and transport lines. Use established design protocols and climate risk assessments to ensure buildings are fit for purpose.
Sea-level rise	Long-term coastal defence investments. Potential relocation of assets.	Build or strengthen sea defences around ports and coastal roads. Strategic retreat from highly vulnerable sites.
Heavy rainfall and landslides	Disruptions causing delays and maintenance costs. Drainage upgrades needed.	Improve drainage and culvert capacity. Slope stabilisation works. Install real-time monitoring systems.
Cold weather variability	Increased snow clearance and maintenance costs. Infrastructure damage.	Invest in all-weather-resilient materials. Improve weather forecasting and response planning.
Wildfires	Transport disruption and potential infrastructure loss.	Create firebreaks near critical infrastructure. Use fire-resistant building materials. Emergency response planning.
Supply chain disruptions	Cost inflation and project delays.	Diversify supply chains. Develop domestic supply capabilities. Maintain strategic material reserves.
Changes in public transport demand	Revenue losses. Need for new investments in resilient modes.	Flexibly redesign transport services. Promote active and resilient travel modes (cycling, walking etc).
Transition risks	Stranded assets. Upfront low-carbon investment costs.	Proactively shift to electrified and low-emission transport. Plan phased retirement of carbon-intensive assets.

DfT will continue to develop its TCFD disclosure to show the impacts of these assessments over the short, medium, and long term.

Table 2: density map indicating the assessed impact level of the identified climate risks.

These assessments have been made based on the level of damage incurred and the cost required to repair any damage or return the asset to functionality. These costs and the impact are based on historic experience and reported costs. It is likely that these reported impacts and costs will change over time and they will be regularly reassessed and updated.

Category	Low impact	Medium impact	High impact
Low cost	Cold weather variability	Wildfires	Changes in public transport demand
Medium cost	Supply chain disruptions	Heavy rainfall and landslides	Storms and high winds
High cost	–	Extreme heatwaves	Flooding/sea-level rise/transition risks

DfT disclosures for scope 1 and scope 2 GHG emissions, and the related risks.

These targets are used by DfT to manage climate-related risks and opportunities and performance against targets.

DfTc report into the GGC targets, on behalf of DfT group and have incorporated these into the departmental sustainability strategy.

The carbon emissions below are calculated from utilities usage associated with business assets and the estate. They do not include project based operational activity, however once a new asset is completed and handed over to an ALB for ownership the carbon emissions associated with that asset are reported. They are calculated using the DESNZ carbon conversion factors associated with the activity for the reporting year.

Previously a baseline year of 2017-2018 was used. Within the new GGC framework, a baseline year of 2025-2026 is being used and therefore information has been reported alongside the prior year's performance rather than against a baseline year. In subsequent years, the baseline year's performance and the previous year's performance will be supplied.

Data from all DfT group ALBs, which are in scope for the GGC, is included in this section. Where data or an approach is associated with an individual ALB or DfTc it is disclosed.

Further detail on DfT group's Sustainability Performance can be found within the GGC annual reports.

The DfT group scope 1 emissions have increased by 3.6% between financial year 2025-26 and the previous financial year. This is primarily due to the increased operational activity of DfT ALBs resulting in increase solid fuel usage.

Scope 2 emissions have decreased by 19.75% between financial year 2025-26 and the previous financial year. This is due to the increased amount of renewables on the estate and efforts to replace inefficient lighting and electrical equipment.

Table 3: 2025-26 emissions (tonnes) by scope.

Emission type	KWh	Tonnes CO ₂ e year (2025 -26)	Tonnes CO ₂ e year (2024-25)
Scope 1 (gas and solid fuels)	60986703.76	33,680	32,513
Scope 2 (electricity)	428316627.4	106,857	133,152
Total	489303331.2	140,537	165,665

DfT group has also committed to targets to reduce DfT's waste production, paper and water use and domestic flights (tables 4, 5 and 7).

An increase in overall waste has been recorded by DfT in financial year 2025-2026 compared to the previous year, this is due, primarily to the increased activity within ALBs such as East West Rail and HS2 Ltd.

Recycling rates across DfT group have dropped slightly with increased amounts of waste being sent to energy from waste facilities. Efforts are being made across the ALBs to increase awareness of recycling good practice, and progress will be tracked to ensure DfT is able to increase its recycling rates.

DfT do not hold information on indirect water use.

Table 4: breakdown of waste production and water use in 2025-26

Resource	Total waste (tonnes)	Recycled	Landfill	Combustion with energy recovery	Water use (m ³)
2025-26 waste	44,761	58%	3%	39%	156,335.1

Table 5: breakdown of performance against waste targets in 2025-26.

Resource	Total waste tonnes	% sent to landfill	Waste recycled	Total water (M ³)
Previous Year Baseline (2024-25)	32,527	0.64%	65.67%	308,979
% comparison to previous year	+37.6%	Previous year percentage - 3%	Previous year percentage - 58%	-49%

Due to the inclusion of the spend figures for Network Rail in this year's report, the DfT group spend on natural gas is significantly higher than 2024-25. DfT use total facilities management contracts across a large proportion of the estate. The cost of waste disposal is included in these contracts and so cannot be split out and reported separately. The figure below is the costs associated with waste disposal for ALBs who are not part of total facilities management contracts. DfT employed external consultants in 2022 to assess the cost, to the department of reaching net zero. This figure was developed by reviewing the current assets and energy usage and using real-world figures to calculate the cost of refurbishing and decarbonising these assets. This figure of £92.1 million will be required for DfT's estate to meet net zero and so is included in the potential additional costs each year.

Table 6: financial disclosures.

Energy/resource and potential emissions reduction cost	Actual spend	Potential additional cost
2025-26 natural gas	£167,578,530	–
2025-26 electricity	£980,272,173	–
2025-26 water	£30,247,695	–
2025-26 waste	£45,335,941 – Note it is not possible to define all waste spend as it forms part of facilities management contracts	–
Predicted cost for DfT to complete all works required for net zero		£92.1 million

DfT has increased its use of domestic flights in 2025-26 compared to the previous financial year by 35.8%. However a 65% reduction in international flights has been observed.

Table 7: breakdown of business flight data in 2025-26.

Flight type and class	Passenger km	Tonnes CO ₂ e	CO ₂ e factor (Defra provided)
Domestic, to/from UK	1,682,838	385,841.1	0.22928
International	621,797	95,023.02	0.03212
Total	2,304,635	480,864.1	–

Single use plastics

DfT Group do not intentionally procure single use plastics. DfT currently cannot provide an exact figure for disposed single use plastics as they are collected alongside other recyclable materials. DfT are working with suppliers and catering companies, used across the estate to minimise the use of single use plastics. DfT does not currently have re-use schemes in place, however this is currently being explored.

Nature recovery

DfT is currently completing baseline mapping of the estate which will then allow more detailed habitat mapping which in turn will support the development of the DfT’s natural capital assessment and completion of the Taskforce for Nature Related Financial Disclosures (TNFD).

Sustainable ICT

DfT and its ALBs complete annual Sustainable Technology Advice and Reporting returns, submitted to Defra, where DfT detail ICT purchases and disposals. A range of disposal routes are used including DfT ICT being re-purposed by other departments and being recycled. DfT works with suppliers to minimise ICT waste being sent to landfill.

Jo Shanmugalingam CB
Permanent Secretary and Principal Accounting Officer
Department for Transport
Great Minster House
33 Horseferry Road
London SW1P 4DR

13 July 2026



The Accountability Report



Lead Non-Executive Board Member Foreword (2025–26)



DfT contributes to the Government's ambition for national renewal through its work on enhancing growth and place, improving journeys for people and delivering green and healthy transport. As DfT's Non-Executive Board Members (NEBM), we play an important role in supporting DfT's efforts to meet government's objectives. Drawing on our expertise and experience, we provide an independent perspective on a variety of areas including project delivery, risk management, policy and governance.

Non-executives are involved in a broad range of activity across the Department. For instance, Tony Poulter led the NED governance of the Department's Spending Review proposals. He also worked on Rail Reform, the transfer of train operators to public ownership, and on the proposals for Private Financing of Lower Thames Crossing, Heathrow Expansion and the scheme for Sustainable Aviation Fuel.

Sarah Storey has been particularly involved in the Department's efforts to improve the transport system for people who use it. She has supported the Department with recruitment to the Disabled Persons Transport Advisory Committee and has provided input into the development of the National Road Safety Strategy and the Integrated National Transport Strategy. We have an active role in the Department's key governance structures. Richard Keys chairs the Group Audit and Risk Assurance Committee (GARAC) which oversees the delivery of this Annual Report and Accounts, and actively engages on risk management and mitigation of key risks. Additionally, Richard has also conducted focused deep dives on Rail Reform, cyber security and supply chain management. I chair the Nominations Committee, which provides scrutiny and challenge of the Department's processes for developing talent across its public bodies.

Whether it is in the Executive and Non-Executive Meeting, where we provide advice on key strategic issues and challenges facing the Department, or in the Investment Committee, where we scrutinise and test programmes proceeding through the investment approval process, we continue to support the Department in the fulfilment of its objectives. The entire NEBM team attends the DfT Board, where we provide scrutiny and challenge on DfT's strategy, performance, and capability. A comprehensive and independent review of the Board's effectiveness has been completed, and I look forward to working with the Department to implement any recommendations from its findings.

Our activity also extends beyond the central Department and includes involvement in DfT's public bodies as well as cross-government fora and workstreams. My role, as HS2 Special Director, and the work on the reset of HS2, is an example of the support non-executives provide to the wider DfT family. Tracy Westall is a Member of the Digital Non-Executive Forum (representing DfT) and has contributed to the Cabinet Office's Arm's Length Bodies Review on the Motoring Agencies. Tracy has also led on an independent investigation into National Highways regarding a technical fault with their variable speed cameras.

A review of DfT's governance structure has been conducted, and new governance arrangements are now in place that will be assessed on an ongoing basis as part of standard continuous improvement activity. We will continue to fulfil our key function of providing challenge and support within the refreshed structure. These workstreams demonstrate the wide breadth of activities NEBMs undertake on behalf of the Department, and we continue to stand ready to support the Department in making transport better.

Ian King
Lead NEBM

Summary

The Corporate Governance Report explains the composition and organisation of DfT's governance structures and shows how they support DfT in achieving its objectives.

Statement of Principal Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000 (the GRAA), HMT has directed me, Jo Shanmugalingam CB, to prepare for each financial year, consolidated resource accounts detailing the resources acquired, used or disposed of, during the year by my Department, including its public bodies and other public bodies designated by order made under the GRAA by Statutory Instrument 2025 no. 268 (together known as the 'Departmental Group', consisting of the Department and designated bodies listed in Note 25 to the Accounts).

The Accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department for Transport and the Departmental Group and of the net resource outturn, application of resources, Statement of Financial Position, changes in taxpayers' equity and cash flows for the financial year, prepared on the basis set out below.

In preparing the Accounts, I am required to comply with the requirements of the Government Financial Reporting Manual (FreM), and to prepare the accounts on this basis, and in particular to:

- Observe the Accounts Direction issued by HMT, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis.
- Ensure that DfT has in place appropriate and reliable systems and procedures to carry out the consolidation process.
- Make judgements and estimates on a reasonable basis, including those judgements involved in consolidating the accounting information provided by non-departmental and other delivery bodies.
- State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the Accounts.
- Prepare and present the Accounts on a going concern basis.
- Confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements for determining that it is fair, balanced and understandable.

HMT has appointed me as Principal Accounting Officer for DfT.

DfT has appointed the chief executive of each sponsored delivery body as the Accounting Officer for their delivery body.

As the DfT's Principal Accounting Officer, I am responsible for ensuring that appropriate systems and controls are in place to ensure that any grants that DfT makes to its sponsored bodies are applied for the purposes intended and that such expenditure and the other income and expenditure of the sponsored bodies are properly accounted for, for the purposes of consolidation within the resource accounts.

Under their terms of appointment, the Accounting Officers of the sponsored bodies are accountable for the use, including the regularity and propriety, of the grants received and the other income and expenditure of the sponsored bodies.

The general responsibilities of an Accounting Officer, which includes responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable; for keeping proper records; and for safeguarding the assets of the DfT or non-Departmental and other delivery bodies for which the Principal Accounting Officer is responsible, are set out in full in section 3.3.3 of ‘Managing Public Money’ published by HMT.

As the Principal Accounting Officer, I have taken all necessary steps to make myself aware of any relevant audit information, and to establish that the National Audit Office has been made aware of all relevant information connected with its audit. Insofar as I know, there is no audit information of which the National Audit Office is not aware.

I confirm that the Annual Report and Accounts as a whole are fair, balanced and understandable. I take personal responsibility for the Annual Report and Accounts and the judgements required for determining that they are fair, balanced and understandable.

Directors’ Report

The Secretary of State for Transport, appointed by the Prime Minister, has overall responsibility for DfT and its public bodies. For the majority of 2025-26, DfT had one Permanent Secretary who is responsible for the effectiveness and efficiency of work to support ministerial policies and objectives. The Permanent Secretary is also responsible for DfT’s leadership, management, and staffing.

In July 2025, Jo Shanmugalingam CB was [appointed as the new Permanent Secretary for Department for Transport](#), having been the Interim Permanent Secretary following Bernadette Kelly’s retirement from the Civil Service. Our Permanent Secretary is the Principal Accounting Officer, responsible for the propriety and regularity of the DfT group expenditure.

Further information about the [Principal Accounting Officer’s responsibilities](#) set out in this report. DfT’s funding sits in several categories, and HMT holds DfT accountable to agreed funding limits for each category. Detail of outturn against these funding limits is shown in the statement of outturn against parliamentary supply.

Governance Statement

The governance statement describes how the DfT Board and its supporting governance structures work. It provides an assessment of how DfT is managed, including the effectiveness of the systems of internal control, risk management, and accountability. The Secretary of State for Transport was supported in this by ministers, the Permanent Secretary, Non-Executive Board Members, and Directors General.

This structure is set out in [Our Governance](#). The composition of the Board is set out in the next section.

DfT Board members as of 31 March 2026

				
Rt Hon Heidi Alexander MP, Secretary of State for Transport	Lord Hendy of Richmond Hill, Minister of State for Rail	Lilian Greenwood MP, Parliamentary Under-Secretary of State for Transport	Simon Lightwood MP, Parliamentary Under-Secretary of State for Transport	Mike Kane MP, Parliamentary Under-Secretary of State for Transport
29 November 2024	8 July 2024	9 July 2024 ¹⁰	9 July 2024	9 July 2024 Left on 7 September 2025
				
Keir Mather MP, Parliamentary Under-Secretary of State for Transport	Ian King CBE, Lead non- executive director and non-executive board member with responsibility for the Union	Tony Poulter, Non-executive board member	Richard Keys, Non-executive board member	Tracy Westall OBE, Non-executive board member
7 September 2025	1 November 2017	19 September 2016	1 December 2017	1 November 2017
				
Dame Sarah Storey, Non-executive board member	Dame Bernadette Kelly DCB, Permanent Secretary	Jo Shanmugalingam CB, Second Permanent Secretary	Jo Shanmugalingam CB, Permanent Secretary	Nick Joyce, Director General Corporate Delivery Group
1 April 2021	18 April 2017 Left on 13 June 2025	30 May 2023 Was promoted on 30 June 2025	1 July 2025	18 December 2017

¹⁰ Lilian Greenwood MP left DfT on 7 September 2025 and rejoined on 16 September 2025.



Alan Over,
Director General
Major Rail
Projects Group

1 April 2024
Left on
30 January 2026



**Dr Rannia
Leontaridi,**
Director General
Aviation, Maritime
and Security
Group

21 June 2022
Left on
31 October 2025



Alex Hynes,
Director General
Rail Services
Group

1 April 2024
Left on
21 December 2025



Emma Ward,
Director General
Road Transport
Group

17 March 2020
Left on
24 October 2025



Conrad Bailey,
Director General
Public Transport
and Local Group

3 March 2021



**Richard
Goodman,**
Director General
Rail Reform and
Strategy

11 March 2025



Ross Gribbin,
Director General
Transport Strategy
Group

10 December 2025



Antonia Williams,
Director General
Road Transport
Group

8 January 2026



Dean Creamer,
Director General
Major Rail
Projects Group

12 January 2026



Ashley Ibbett,
Director General
Aviation, Maritime
and Security
Group

16 March 2026



David Silk,
Interim Director
General Aviation,
Maritime and
Security Group

04 November 2025
to
15 March 2026

Groups, as of 31 March 2026

DfTc was organised into eight groups, each led by a director general.

The text below outlines the groups as they stood for the reporting year 2025 to 2026. The main responsibilities for these eight groups are set out below.

Group	Leads On
Decarbonisation, Technology and Strategy Group	• Strategy, Private Office and Environment Strategy. • Low Carbon Fuels. • UK, International, and Trade. • Science, Innovation, and Technology. • Communications. • Analysis and Data.
Public Transport and Local Group	• Buses, Taxis, and Private Car Hire Vehicles. • Accessibility and Inclusion. • English Devolution. • Transport Planning and Housing. • Regions and Cities Partnership and Delivery. • Land Transport National Security • Better Connected: A Strategy for Integrated Transport.
Rail Reform and Strategy Group	• Rail Reform. • Great British Rail Set Up and Design. • Rail Change Portfolio. • Rail Performance and Sponsorship. • Passenger Policy and Fares, Ticketing and Retail.
Major Rail Projects Group	• Euston/Euston Delivery Company. • HS2. • Northern Powerhouse Rail. • Future Strategic Rail Infrastructure and Network Planning.
Corporate Delivery Group	• Project Delivery and Performance. • Shareholdings, Appointments and Inquiries Response. • Corporate Finance and Property. • Group Finance. • Group Commercial. • Group Human Resources / Change and Organisational Design. • Digital Information and Security.

Group	Leads On
Aviation, Maritime, and Security Group	• Aviation. • Heathrow Expansion Programme. • Maritime. • Transport security, resilience, and response. • Accident Investigation Branches (Air, Marine and Rail). • Accident Investigation Branches (Air, Marine and Rail).
Road Transport Group	• Freight and Borders. • EU Entry and Exit System (EES) Contingency Planning. • Roads and Projects Infrastructure Delivery. • Lower Thames Crossing Project Sponsorship. • Roads Strategy. • Office for Zero Emissions. • Future Transport Systems. • Sponsorship of driver agencies.
Rail Services Group	• Rail Infrastructure Central. • Rail Infrastructure North and West. • Public Ownership Programme. • Group Management. • Rail Services North. • Rail Services South.

Government Legal Department (GLD) provides legal advice to DfT and is not part of the DfT group structure.



Corporate Governance, Management and Internal Control

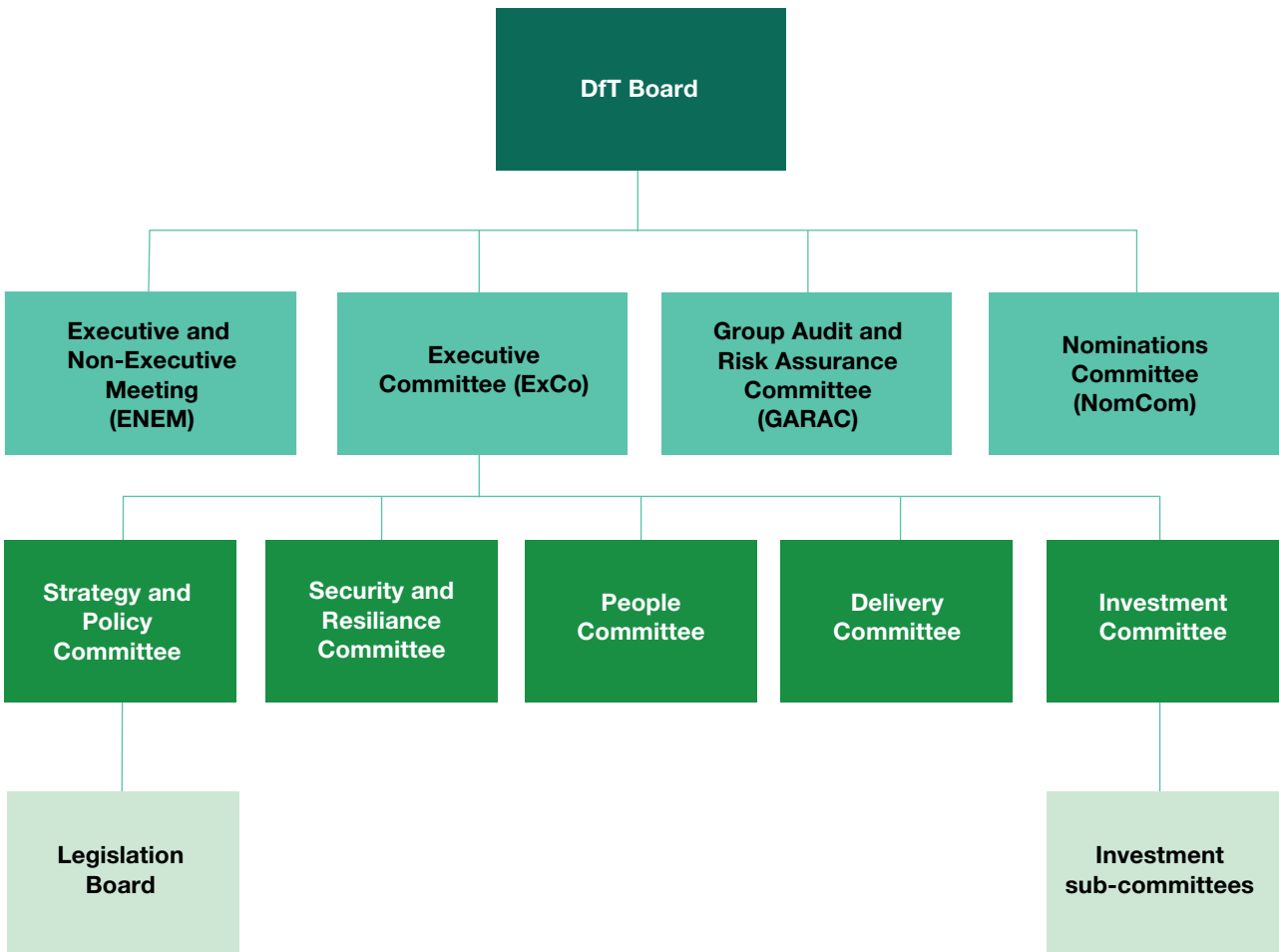
DfT is governed by the:

- Secretary of State for Transport who has overall responsibility.
- The Permanent Secretary's responsibilities, both to the Secretary of State for Transport and directly to Parliament, as the Principal Accounting Officer for DfT expenditure and management.

The system of control includes the DfT Board sub-committees, ExCo and its sub-committees, and our public bodies. These are governed by the control framework, which is supported by internal and external assurance processes. The governance structure was reviewed and updated in 2025, with the new structure in place by November 2025. The Investment, Portfolio and Delivery Committee, previously a sub-committee of DfT Board, was split into the Investment and Delivery Committees, reporting to ExCo. ExCo's previous sub-committees, Risk Committee and Group People Committee, were stood down and their functions distributed among ExCo and its new sub-committees. The chart below illustrates Board and the sub-committee structure in DfT, which was implemented in November 2025



Corporate Governance Structure as of 31 March 2026



DfT Board and its responsibilities

The Secretary of State for Transport chairs the DfT Board. The Board has oversight of five main areas, as outlined in the tables below.

The DfT Board is the most senior of the department’s oversight committees. It provides advice, support and challenge to the effective running of DfT. It oversees DfT’s performance and risk management, and progress against delivery of its objectives and priorities. It draws together ministerial and civil service leaders with experts from outside government.

The Corporate Governance in Central Government Departments: Code of Good Practice requires the DfT Board to meet at least quarterly. In the 2025-26 period, the Board met twice. Two scheduled meetings were cancelled in the period due to scheduling conflicts. DfT Board’s remit and role were supported and covered by its sub-committees and ExCo sub-committees throughout the period. For example, strategy is regularly discussed and scrutinised at the Strategy and Policy Committee, ExCo tabled regular items on assessing resources, capability and risk, with the management information report scrutinised monthly. Delivery Committee oversees and supports the effective delivery and performance of the DfT’s portfolio. A summary of the discussions at DfT Board during 2025-26 is provided in the tables below.

Responsibilities of the Board		Topics Discussed
Strategy	Setting the Strategic Outcomes and ensuring activities contribute towards them and advising on major policies, projects, and programmes.	- The Board discussed DfT's key activities and priorities for 2026. The priorities discussed included: - the strategic initiatives to deliver tangible benefits to the public and business (e.g. approach to setting fares, implementing the Bus Services Act, the introduction to the Railways Bill and work for the creation of GBR, Heathrow Expansion and the publication of the Integrated National Transport Strategy) - driving policy that supports economic growth (airport expansion, mass transit schemes, publication of the Freight Plan and the Planning and Infrastructure Bill aligning housing and transport) - delivering a Productive and Agile State (reforming DfT's ALBs, consolidating Local Transport Funding) - the Board also considered how oil price inflation, and supply concerns, ensuing from the Middle East Conflict, may affect UK transport and DfT in this period.
Resources	Ensuring sound financial management and considering the appropriate allocation of DfT resources.	- A management information report is shared with the Board for each meeting. This is also shared with ExCo every month and the Executive and Non-Executive meeting when it meets. The pack provides an overview of performance, DfT's financial position and risks, along with milestones and delivery of DfT's portfolio, resourcing and workforce allocation and updates on secondary legislation. - Certain aspects of resourcing and workforce considerations were delegated to ExCo (and its sub-Committee, People Committee).
Capability	Ensuring DfT has the capability to deliver and ensuring DfT plans to meet current and future needs.	- The management information report provides an overview of DfT resources and capabilities. - Many of the strategic papers also cover relevant capacity and capability issues.

Responsibilities of the Board		Topics Discussed
Risk	Reviewing the risk appetite, reviewing key DfT risks and, ensuring controls are in place to manage risks.	• Certain aspects of risk were delegated to ExCo (and its sub-Committees). • A risk overview is provided to the Board via the management information report.
Performance	Scrutinising the performance of DfT, setting standards and values.	• DfT operates within a strategic model set out in the Government’s Plan for Change. DfT’s Strategic Framework is structured around three interconnected Strategic Outcomes – Enhancing Growth and Place, Improving Journeys for People and Delivering Green and Healthy Transport. DfT measures performance through this model.

Compliance with HM Treasury’s Corporate Governance Code

DfT has assessed its compliance with the [Corporate Governance Code for Central Government departments](#) and has remained compliant with the spirit and principles of the code.

Board Effectiveness Evaluation

DfT is required under HMT corporate governance code to carry out a Board Effectiveness Evaluation annually, with independent input at least once every three years. An independent evaluation was conducted in January to March 2026.

The 2025-26 independently led Board Effectiveness Review identified a strong DfT Board, benefitting from a high-calibre and committed group of Non-Executive Board Members and well supported by effective sub-committees. The review highlighted the following areas of focus for the departmental Board, which will help continue DfT’s commitment to continuous improvement of its corporate arrangements:

- Strengthening the Board’s oversight of DfT’s strategic role with increased future-facing debates and routine discussion of systemic risks.
- Carrying out a review of the ALB’s governance.
- Exploring Artificial Intelligence opportunities.
- Designing a strong induction for new Non-Executive Board Members and leveraging the diversity of their experience collectively in DfT Board meetings.

Overview of the Board's Subcommittee Decisions

Executive Committee (Decision making)

The committee met 33 times during 2025-26. Discussions around key areas included:

Key Area	Discussions
Enhancing Growth and Place	• HS2 Update. • Maritime as a key enabler. • Heathrow Express. • Delivering the Plan for Change through Local Government.
Improving Journeys for People	• Rail Reform. • Better Connected: A Strategy for Integrated Transport. • Road Safety Strategy. • DVSA Wait Times. • Future of Rail Enhancements. • Embedding accessibility within policy development and delivery.
Delivering Green and Healthy Transport	• Government Fleet Commitment. • Carbon Budgets. • Transport Resilience Strategy. • Response Capability Development Plan.
International	• Entry/Exit System.

Key Area	Discussions
An Excellent Department	• Productive and Agile State. • Primary Legislation Bids. • Legal Update. • Arm's Length Bodies Review. • Management Information. • ExCo Sub-committee Reports. • Pay Remit and Reform. • Workforce Implementation Plan. • Management Assurance. • Mental Health Action Plan and Analysis. • Transfer of functions and associated staff from DFTc to DFTO. • Government Legal Departments Budgets 26-27. • Pre- Budget Update. • UK-Wide Approach to Government. • People Strategy. • People Survey. • International Remote Working policy. • Expressions of Interest policy. • Business Planning. • Inquiries Update. • Covid 19 Counter Fraud Taskforce Report. • Plan for London. • Equality, Diversity and Inclusion in DfT. • Corporate Finance Update. • DfT Transformation.
Science, Innovation, Technology and Data	• Data Action Plan. • Innovative Procurement. • Chief Scientific Adviser Update. • Appraisal and Modelling Evaluation Strategy.

Executive and Non-Executive Committee (Advisory)

The committee met six times during 2025-26. Discussions around key areas included:

Discussions

- Spending Review 2025.
- DfT Corporate Transformation (standing item at each committee meeting).
- Management Information.
- Outcome Delivery Plan/Strategic Planning.
- Rail Reform.
- DfT Governance Review.
- Enhancing Growth and Place.

Nominations Committee (Advisory)

The committee met twice between April 2025 and March 2026 and discussions around key areas included:

Discussions

- Public appointments updates and recruitment activity.
- DfT Board Effectiveness Review 2024-25 – results and follow up actions.
- Public appointments Diversity and Inclusion Group – updates.
- Board Effectiveness Review plan for 2025-26.

Group Audit and Risk Assurance Committee (Advisory)

Between April 2025 and March 2026, GARAC met nine times (five formal sessions and four deep dive sessions). In addition, GARAC held three dedicated sessions to review and provide assurance to the Permanent Secretary regarding approval of the Annual Report and Accounts. In these meetings, the committee covered:

Discussions

- State of the Department Update (standing item).
- Government Internal Audit Agency Update (standing item).
- National Audit Office Update (standing item).
- Strategic Workforce Planning.
- Improving DfT Control Environment and Counter Fraud Activity.
- Raising a Concern (Whistleblowing).
- Train Operating Company Landscape.
- Senior Civil Servants Annual Declaration.
- National Rail Contract Wash-up.
- Arm's Length Bodies.
- Rail Reform.
- Business Appointment Rules and Declarations of Interest.
- Legal and Financial Liabilities for Trees Obstructing the Road Network.
- Cyber Security and Artificial Intelligence.
- Management Assurance.
- Supply Chain Management Risk.
- Sustainable Aviation Fuel and Renewable Transport Fuel Obligation.
- Depreciation Replacement Cost accounting and its associated costs of preparation.
- Annual Report and Accounts Update.
- Key strategic risks, their mitigations and management.

Investment Portfolio and Delivery Committee (Decision making)

The committee met sixteen times between April 2025 and October 2025, after which the committee was reformed and its remit disseminated to new sub-committees under ExCo. Meeting on a regular basis has enabled the assurance and controls to be maintained on decisions for investments and other financial interventions. This also ensured that business cases were considered in a timely manner and that the review of procurement activity across several different areas was maintained regularly throughout the year. The committee oversaw DfT's project portfolio and scrutinised projects during the business case preparation and delivery phases as well as considered lessons learnt.

IPDC also met quarterly as part of 'portfolio mode', to review the future pipeline of investments and evaluation of implemented projects, as well as monitoring the progress and performance of the projects during implementation and ongoing evaluation of their impact. The committee continued to develop its portfolio management approach with increasing focus on the balance and deliverability of the portfolio.

Projects considered and programmes considered by IPDC during 2025 until its reconstitution on 13 October 2025 included:

Key Area	Discussions
Rail Projects	• South Western Railway Rolling Stock. • Plan for Strategic Rail Infrastructure update. • East West Rail client side professional services contracts. • Northern Powerhouse Rail – Bradford New Station. • Rolling Stock and Infrastructure Interim Strategy. • Midland MainLine Electrification Programme Closure. • Coventry VLR Stage Gates/Change control request. • Public Ownership Programme. • East West Rail (EWR) – programme reset, procurement approvals, and commercial strategy updates. • TransPennine Route Upgrade (TRU) – six-monthly programme update. • Plan for Strategic Rail Infrastructure – Stage One conclusions.
High Speed 2	• HS2 Cost and Schedule Ranges. • Euston Delivery Arrangements OBC.
Road	• A417 Air Balloon annual update. • A66 Funding request. • A66 Northern Trans-Pennine Project. • A358 Taunton to Southfields Project Closure. • Lower Thames Crossing Outline Business Case. • National Emergency Areas Retrofit. • Maintenance and Response Outline Business Case. • National Highways Capital Investment Portfolio Report.
Other Investment Decisions	• OZEV restart car plug in car grant 2025/26. • Theory Test Transformation Strategic Outline Business Case. • Project Edison Electric Vehicle Car Grant. • Business Case clearance for UK SHORE 2.0. • Transforming Cities Fund Programme Closure. • NO₂ (Nitrogen Dioxide) Programme. • Transactions at Conter Service Strategic Outline Case. • Local Electric Vehicle Infrastructure (LEVI) Update. • UK SHORE 2.0 Programme Business Case paper. • DVLA Counter Service Contract Strategic Outline Case. • DVLA Merchant Acquirer Strategic Outline Case. • Approach to Workforce Solutions Outline Business Case/Full Business Case. • NO₂ Programme closure discussion. • Public Ownership update on actions.

Overview of the Board’s Subcommittee attendance up to 31 March 2026

Board Member	DfT Board	Executive and Non-Executive Meeting	Executive Committee	Group Audit and Risk Assurance Committee	Investment Portfolio & Delivery Committee ¹¹	Nominations Committee (NomCom)
Rt Hon Heidi Alexander	1/2	N/A	N/A	N/A	N/A	N/A
Lord Hendy of Richmond Hill	2/2	N/A	N/A	N/A	N/A	N/A
Lilian Greenwood MP	2/2	N/A	N/A	N/A	N/A	N/A
Simon Lightwood MP	0/2	N/A	N/A	N/A	N/A	N/A
Mike Kane MP	N/A	N/A	N/A	N/A	N/A	N/A
Keir Mather MP	0/2	N/A	N/A	N/A	N/A	N/A
Ian King	2/2	6/6	N/A	N/A	12/15	2/2
Tony Poulter	2/2	4/6	N/A	N/A	10/15	N/A
Richard Keys	2/2	6/6	N/A	9/9	N/A	N/A
Tracy Westall	2/2	6/6	N/A	7/9	N/A	2/2
Dame Sarah Storey	2/2	6/6	N/A	N/A	N/A	N/A
Dame Bernadette Kelly DCB	N/A	1/2	6/8	1/2	N/A	0/1
Jo Shanmugalingam CB	2/2	5/6	27/33	3/9	0/15	2/2
Alex Hynes	1/1	2/5	14/23	N/A	11/15	N/A
Nick Joyce	2/2	6/6	26/33	8/9	11/15	2/2
Emma Ward	N/A	2/4	14/17	N/A	3/15	N/A
Conrad Bailey	1/2	3/6	26/33	N/A	11/15	N/A

11 * The core members of IPDC within the list included Nick Joyce (who also chaired IPDC investment mode), Alan Over, Emma Ward, Alex Hynes and Richard Goodman. All DGs were invited to attend IPDC when it met in ‘portfolio’ mode. Non-Core members of IPDC could also attend IPDC when there were items of interest. This accounts for lower attendance numbers for ‘non-core’ IPDC members.

Board Member	DfT Board	Executive and Non-Executive Meeting	Executive Committee	Group Audit and Risk Assurance Committee	Investment Portfolio & Delivery Committee ¹¹	Nominations Committee (NomCom)
Rannia Leontaridi	N/A	3/4	10/15	N/A	0/15	N/A
Alan Over	1/1	2/5	18/25	N/A	10/15	N/A
Richard Goodman	2/2	3/5	25/33	N/A	0/15	N/A
Antonia Williams	1/1	1/1	9/10	N/A	N/A	N/A
Ross Gribbin	1/1	1/2	9/11	N/A	N/A	N/A
Dean Creamer	0/1	1/1	9/10	N/A	N/A	N/A
Ashley Ibbett	1/1	N/A	3/3	N/A	N/A	N/A
David Silk	1/1	1/2	10/12	N/A	N/A	N/A

Governance of public bodies

Public body reviews

DfT is committed to ensuring that all its public bodies are strategically aligned to ministerial priorities and continue to deliver high-quality public services and value for money to the taxpayer. Public body reviews support this aim by assessing the efficiency and effectiveness of individual bodies, alongside the robustness of governance and accountability arrangements to ministers and Parliament. In 2025-26, DfT also used these reviews to assess organisations against the objectives and principles of the Cabinet Office's Arm's Length Body Review, launched in April 2025.

In 2025-26, DfT completed a programme of reviews across its public bodies, strengthening oversight and providing a clearer evidence base for ongoing improvement. This included a strategic review of the Accident Investigation Branches (AIBs), a comprehensive review of the DVSA, a strategic review of the Motoring Agencies, and a strategic review of Active Travel England (ATE). DfT has also commenced a strategic review of the Maritime and Coastguard Agency, continuing this programme of continuous improvement across the public body landscape.

Diversity in public appointments

The DfT strategy for diversity in public appointments aims to attract and appoint more diverse talent by building on the inclusive process, providing high-quality candidate support, whilst strengthening its use of data and feedback to inform improvement. Progress is ongoing in these areas, and we continue to collaborate with DfT's Public Appointments Diversity Engagement Group. This group was formed in 2024 and is made up of chairs, non-executive directors, and executives from across DfT's public bodies. It is dedicated to refining and advancing DfT's approach to enhancing diversity in public appointments.

From data captured in March 2025, 23.8% of board members in DfT's public bodies were female, 12.4% were from ethnic minority backgrounds, 13% declared a disability, 30% resided outside of London and the Southeast. 2026 diversity data is based only on appointees registered on the Cabinet Office Applicant Tracking System (ATS) who have submitted diversity information therefore at this time it does not cover the full DfT public appointee cohort. The average response rate stands at 45.2%. As of March 2026, of DfT public appointees who submitted diversity data:

- 46% are female.
- 11% have declared a disability.
- 9% are from an ethnic minority background.
- 63% reside outside of London and the Southeast.
- 24% attended an independent fee-paying school.

As part of its diversity strategy, DfT has continued to strengthen its outreach and support to prospective candidates through a range of initiatives. This includes working with diversity organisations to promote roles; partnering the Boardroom Apprentice Programme with DfT boards; delivering information events and webinars for potential candidates; providing application and interview top tips; widening our candidate talent pool; building a diverse list of

Independent Panel Members; and enabling candidates to submit their supporting statement in different formats to present themselves most ably. DfT remains committed to continuing to evaluate and adapt its approach to drive progress towards a more diverse and representative public appointments landscape.

Ministerial Direction

There were no ministerial directions during 2025-26.

Declarations of Interest

For the 2025-26 SCS annual confirmation of declaration exercise, all DfTc SCS were required to use the online tool (Declaration of outside interest Application) to record their return with the option to update any existing declaration or make a new declaration for review, assessment, and approval by the appropriate senior manager. The SCS in the executive agencies continue to manage their annual confirmation of declaration exercise offline. This exercise includes confirming a nil return. Details of all the SCS with outside employment, work or appointments (paid or otherwise remunerated) are centrally collated, scrutinised and signed off by DfT Permanent Secretary and [published](#). DfTc's NEBMs declarations are noted below:

Name	Name of Company or organisation	Position held in DfT	Type of interest (e.g pay, fees, shareholding)	Other relevant information
Ian King	Ashtead Group Plc	Lead DfT NEBM	Shareholding	
	Breedon group		Shareholding	
	Morgan Sindall group		Shareholding	
	Brewin Dolphin investment funds. Managed by third party		Shareholding	
	AIM investment funds. Managed by third party		Shareholding	
	Cherished investments. Covers BAE systems, Schroders and Senior			
	HS2 Ltd		Special Director	
	HS2 Ltd		Non-Executive Director	
	Senior Plc		Chair	
	Schroders Plc		Senior Independent Director	
	Gleacher Shacklock LLP		Senior Adviser	

Name	Name of Company or organisation	Position held in DfT	Type of interest (e.g pay, fees, shareholding)	Other relevant information
Richard Keys	Merrill Lynch International	DfT NEBM and GARAC Chair	Non-Executive Director	Retired 31st May 2026
	AWE plc		Non-Executive Director	
	Worshipful Company of Glaziers and Painters of Glass		Liveryman	
	Institute of Chartered Accountants in England and Wales		Fellow	
	Pension, ISA and other investments in a wide range of funds managed by third parties. Decisions on investments largely made by third party		Shareholding	
	Worshipful Company of Scientific Instrument Workers		Liveryman	
Tracy Westall	Westmill Solutions	DfT NEBM	Shareholding	
	Westmill Solutions Limited –		Director	
	WM5G Limited		Chair	
	Zaizi Limited		Non-Executive Director	
	Agena Limited		Non-Executive Director	
	Curium Solutions Trustee Limited		Trustee	

Name	Name of Company or organisation	Position held in DfT	Type of interest (e.g pay, fees, shareholding)	Other relevant information
Tony Poulter	Investments in a wide range of funds managed by third parties.	DfT NEBM	Financial	
	GBRTT Ltd		Non-Executive Director	
	London and Continental Railways (LCR) Property Limited		Special Director	
	Cubico Sustainable Investments Ltd		Non-Executive Director	
	Civil Service Commission		Civil Service Commissioner	
	State Honours Committee		Member	
	Oxford University Finance Committee		External Member	
Dame Sarah Storey	Greater Manchester Combined Authority	DfT NEBM	Active Travel Commissioner	
	Manchester Metropolitan University		Visiting Professor	
	Lancashire Cricket Club		President	
	British Cycling		Member	

Special Advisers

In line with the current declaration of interests policy for special advisers, all special advisers have declared any relevant interests or confirmed they do not consider they have any relevant interests. The Permanent Secretary has considered these returns, and there are no relevant interests to be published.

Business Appointment Rules (BAR)

The BAR process is in place to uphold and protect the core values of the Civil Service Code if a former civil servant takes up an external appointment or employment (which includes civil servants at all grades and special advisers). The rules apply for up to two years after an employee has left our employment. The purpose of the rules is to address any reasonable concerns that a new employer might gain an improper advantage by appointing a former official and the risk of a former official improperly exploiting privileged access to contacts in government.

During the 2025 to 2026 reporting year, DfT received 18 Business Appointment Rules applications from employees leaving the Senior Civil Service (SCS) including Special Advisors to join external organisations. There were zero applications received at SCS2, SCS1 or below SCS which were deemed unsuitable for the applicant to take up the new role with the new employer without conditions being in place. Decisions on Business Appointment Rules applications for SCS3 and are managed by the Civil Service Commission.

Number of BARs applications assessed by DfT in 2025-26

Grade	Applications
SCS2	6 applications received
SCS1	12 applications received
Special Advisers	1 application received
Below SCS	18 applications received

Number of BARs applications approved by DfT with conditions set in 2025-26

Grade	Applications
SCS2	4 applications
SCS1	11 applications
Special Advisers	1 application
Below SCS	17 applications

There have been zero reported breaches of the business appointment rules during 2025-26.

In compliance with BARs, DfT is transparent in the advice given to individual applications for senior staff, including special advisers. Advice regarding specific business appointments for members of the Senior Civil Service has been [published](#). GARAC also receive a bi-annual paper on business appointment rules, to monitor DfT’s application of the rules.

DfT’s Approach to Risk

DfT’s risk management policy promotes a no surprises, no blame culture, where well managed risk taking is encouraged and managers are asked to lead by example. Risk management behaviours should be embedded into all DfT activities. DfT’s leadership understands that considered and well-managed risk taking is necessary to deliver organisational objectives.

As a result, DfT’s top risks are reported monthly to ExCo, with additional reporting provided to ENEM and the DfT Board. GARAC provides independent oversight, reviewing and challenging DfT’s approach to risk management and its Principal Risks. Until its closure, the Executive Risk Committee conducted regular deep dives into DfT’s Principal Risks and the risk profiles of individual DG Groups. Responsibility for this oversight has since been embedded across ExCo’s new sub-committee structure, ensuring risk management remains integral to departmental governance and decision-making.

During the year, DfT reviewed and further developed the Principal Risks to consider the wider impact to the Transport System and delivery against the Government's priorities. The purpose of the Principal Risks has been, and continues to be to update, clarify, and clearly identify DfT's top risks. These risks were managed and mitigated throughout the year and will continue to be updated.

DfT has 17 risk themes which align with the [Orange Book](#) risk categories and DfT's Principal Risks.

There is no Principal Risk specifically on legal risks, however DfT is mindful that its projects and programmes can attract legal challenge. Legal risks are assessed, monitored, and mitigated project by project and programme by programme. DfT takes appropriate measures to meet legal or regulatory requirements or to protect our assets and regularly takes advice on these matters from GLD.

DfT is fully engaged on cross government improvement work to strengthen risk management.

DfT recognises that many risks are carried by its public bodies and works with them to ensure that risks are widely understood, and opportunities are taken to collectively manage them. The risk escalation protocol continues to give direction to the public bodies on what they need to escalate to DfT and when.

The reporting year has again brought many challenges and as a result, DfT has continued to deliver its risk action plan to further address and strengthen risk management.

His Majesty's Treasury Orange Book Principles – Comply or Explain

DfT's risk management practices fully comply with four of the five requirements of the Orange Book's principles. This position is supported in part by a risk maturity assessment conducted during the year, which helped shape the DfT's overall assessment of compliance and incorporated survey input from senior leaders, delivery and risk professionals.

Although the four principles A, B, D and E are fully compliant, DfT has identified actions that will ensure continuous improvement and further mature its risk management culture, processes and effectiveness. Principle C is partially complied with, and DfT continues to plan improvements to strengthen collaboration and information-sharing across the DfT system. Details of how the DfT will achieve this can be found below.

Principle A – Risk management shall be an essential part of governance and leadership and fundamental to how DfT is directed, managed and controlled at all levels

DfT fully complies with 'Principle A'.

Risk management is embedded within DfT's governance and leadership arrangements and is fundamental to how DfT is directed, managed and controlled. Senior leaders routinely consider Principal Risks and emerging risks through established group-level governance, with clear escalation routes to the ExCo and the DfT Board. This process provides structured oversight and makes sure that risk considerations inform strategic discussion and departmental direction.

DfT's risk appetite statements and overarching risk management policy remain in place and have been approved through multiple governance levels, reinforcing leadership accountability and expectations around informed risk-taking. Periodic reviews of risk policy and guidance continue to be undertaken, informed by feedback from risk forums and assurance activity.

Evidence gathered during the year from risk maturity assessment indicates that there is broad confidence in DfT's risk leadership and governance arrangements, providing assurance that the intent of Principle A is being met in substance. As in any large and diverse organisation, experiences of risk management vary across contexts, and DfT continues to strengthen consistency and leadership capability over time.

Taken together, DfT concludes that the governance structures, leadership engagement and accountability arrangements required by Principle A are firmly in place and operating as intended.

Principle B – Risk management shall be an integral part of all organisational activities to support decision making in achieving objectives

DfT fully complies with 'Principle B.'

Risk management is an integral part of DfT's organisational activities and supports decision-making in the pursuit of objectives. Risks are routinely considered when setting strategy and priorities and are incorporated into key decision-making processes. These arrangements are supported by established reporting cycles and the use of DfT's central Risk Management system.

Key processes like the monthly reporting cycle, the categorisation features within DfT's central Risk Management system, and the use of both the National Risk Register and the National Security Risk Assessment demonstrate DfT's structured approach to horizon scanning and its alignment with civil contingencies frameworks. Training activity, policy development workshops and structured discussions of risk interdependencies at deep dives reinforce expectations that risk considerations form part of both day-to-day operational choices and in shaping medium-term strategy.

Evidence gathered during the year provides assurance that risk management is embedded within organisational activity in line with the intent of Principle B. While the impact of risk considerations will naturally vary depending on the nature of decisions and delivery contexts, there is no evidence of systemic exclusion of risk from decision-making.

DfT continues to refine and strengthen how risk information is used to support prioritisation and delivery as part of ongoing maturity development. Nevertheless, the presence of established processes, governance, and organisational practice demonstrates that risk management is integrated into how decisions are taken across DfT.

Principle C – Risk management shall be collaborative and informed by the best available information and expertise

DfT partially complies with 'Principle C.'

As reported previously, DfT recognises that while collaborative risk management arrangements are in place, they are not yet implemented consistently across the full DfT system. This assessment remains appropriate.

DfT engages with public bodies, delivery partners and external stakeholders through established governance and oversight arrangements, enabling senior leaders to draw on a broad range of risk information and professional expertise when considering strategic and operational risks. These arrangements support collaboration at group and portfolio levels and provide mechanisms for sharing insight on emerging risks and interdependencies. Since the previous reporting period, DfT has continued to take forward improvement actions aimed at strengthening collaboration and information-sharing, including streamlining governance processes, improving the consistency and timeliness of risk data, and enhancing arrangements for sharing cross-cutting risk information across organisational boundaries. These actions are intended to support a more joined-up view of risk across DfT and its public bodies.

In addition, the GIAA conducted a review into how DfT manages risks associated with its ALBs and provided a number of recommendations. Several of these have already been implemented, with the remaining actions to be taken forward in due course. Feedback gathered during the year indicates that while collaborative practices are developing and are effective in some areas, their application remains uneven across DfT and with external partners. Joined up risk views are strongest at senior and strategic levels, with further work required to embed consistent approaches across all delivery contexts. DfT therefore continues to conclude that it partially complies with Principle C. Strengthening collaboration, shared ownership of cross-cutting risks and the consistent use of external insight remains a priority as DfT continues to develop its risk management maturity.

Principle D – Risk management processes shall be structured to include:

- The selection, design and implementation of risk treatment options that support achievement of intended outcomes and manage risks to an acceptable level.
- Risk identification and assessment to determine and prioritise how the risks should be managed.
- The design and operation of integrated, insightful and informative risk monitoring.
- Timely, accurate and useful risk reporting to enhance the quality of decision-making and to support management, and oversight bodies in meeting their responsibilities.

DfT fully complies with ‘Principle D.’

DfT has established a structured and systematic risk management framework that aligns with the requirements of Principle D. This framework supports consistent identification, assessment and prioritisation of risks, the design and implementation of mitigating actions, and clear escalation and reporting arrangements across the DfT.

Principal Risks are subject to regular and formal review, including annual deep dives, supported by a defined risk framework and supporting guidance. Business continuity and resilience arrangements are in place and are tested to ensure preparedness for high-impact risks. An evolving toolkit, including structured risk analysis techniques, standardised workshop approaches and enhanced Power BI reporting within the DfT’s Risk Management system, supports consistent treatment, monitoring and reporting of risks.

Risk reporting operates on a tiered and proportionate basis, aligned to the level and nature of risk. ExCo and Group Boards undertake regular reviews of key risks, while portfolio-level assessments are conducted through established quarterly governance processes. These

arrangements ensure that relevant risk information is available to senior leaders and oversight bodies at appropriate points to support informed decision-making.

Feedback gathered during the year indicates that while perceptions of the impact and use of risk processes vary across the organisation, there is broad recognition that the underlying risk management framework, reporting structures and escalation arrangements are in place and operating. This evidence is consistent with the intent of Principle D, which focuses on the existence and operation of structured processes rather than uniform experience of their application.

Throughout the year, DfT has continued to refine its risk management processes through training, guidance and targeted deep-dive activity, reinforcing expectations around the quality of risk assessment, the articulation of mitigations and the monitoring of delivery. While the effectiveness of risk processes ultimately depends on their consistent application and use, the underlying structures, tools and governance arrangements required by Principle D are firmly in place.

Principle E – Risk management shall be continually improved through learning and experience

DfT fully complies with ‘Principle E.’

DfT has established a structured and systematic approach to the continual improvement of risk management, supported by learning from experience, maturity assessment and capability development. This approach reflects the intent of Principle E, and remains central to DfT’s risk management framework.

Continuous improvement is underpinned by regular risk maturity assessments, lessons-learnt activity and a comprehensive training programme, which continues to build risk capability across DfT. Structured review points — including self-assessment activity, and ongoing GIAA assurance — provide regular feedback on the effectiveness of risk management arrangements and inform prioritised improvement actions.

Feedback gathered continues to demonstrate that DfT has a core group of skilled risk practitioners and leaders who are able to drive, support, and embed improvements in risk management practice across the organisation. Dedicated risk forums and targeted training, including refined training on risk appetite, tolerance, and structured risk analysis techniques, further reinforce a culture of learning and professional development.

DfT’s two-pronged maturity approach, combining the Orange Book Risk Control Framework with HMT’s Risk Management Assessment Framework, enables DfT to identify strengths and areas for improvement in a systematic way. Findings from these assessments are captured within an ongoing Risk Action Plan, providing a clear mechanism for tracking progress and ensuring that learning is translated into tangible improvements over time.

DfT recognises that embedding learning consistently across a large and diverse organisation is an ongoing endeavour. Nevertheless, the presence of established review mechanisms, assurance activity, capability development, and active improvement planning demonstrates that DfT’s risk management arrangements are routinely reviewed, refreshed, and strengthened in line with Principle E.

Principal Risks

In April 2026, the ExCo reviewed the DfT Principal Risks for 2026-27. Following the review, it was agreed that they remained broadly unchanged from 2025-26.

These risks are assigned owners at Director level to manage and/or monitor the mitigating actions on behalf of ExCo. A summary of the mitigating actions is presented in the table below.

In addition to the Principal Risks noted below, DfT has also managed risks on ‘Security, Resilience, and International Crises’ and ‘Cyber threats’ and the impact on the transport systems, but due to the security sensitivity, these details are not disclosed.

Principal Risk	Mitigating Actions	Direction of risk trend at year end
Affordability <i>Drivers and assumptions for costs and revenues deviate from plan without being addressed, leading to a mismatch between the Department's delivery commitments and priorities and the funding available to deliver these.</i>	SR25 set departmental budgets for 2024-25 to 2028-29 RDEL and to 2029-30 CDEL and these have been translated into the DfT Strategic Plan. DfT maintains robust processes to monitor its financial position and address affordability risks. This includes oversight by ExCo, ongoing in-year monitoring through monthly internal reforecasting against budget, alongside structured quarterly review points with Directors General and HMT to assess the latest affordability position, including risks and opportunities. Budget holders are set clear forecasting targets and are held accountable for performance through their objectives. Reflecting the discipline established in previous years, Finance clearance processes remain in place, with the Finance Centre of Excellence, and internal governance structures ensuring that affordability is rigorously tested in spending proposals, submissions, and Board papers. There is continued focus on medium-term affordability risks (including pressures such as inflation), supported by ongoing analysis and monitoring. DfT will continue to use the annual business planning process to ensure alignment between delivery plans and funding. Whilst also aligning with the Projects and Programmes principal risk relating to the implementation of the James Stewart Review.	Risk reduced

Principal Risk	Mitigating Actions	Direction of risk trend at year end
Projects/ Programmes <i>That major projects and programmes in the DfT portfolio are not delivered to schedule, cost, and/or quality, undermining the achievement of government priorities.</i>	As part of the DfT Governance Review, new central governance forums – including the Investment Committee and Delivery Committee – have been established, becoming operational by November 2025. A second phase of implementation is being taken forward to ensure that information flows, decision-making, and follow-up actions from these committees are effective, embedded, and support delivery across the DfT. This includes ensuring that governance outputs are clearly aligned to DfT’s strategic objectives and targeted outcomes. DfT continues to deliver a rolling programme of improvement through the Project Delivery Change Programme to support all projects to deliver better outcomes consistent with the Government Project Delivery Functional Standard and best practice. Following ExCo’s endorsement of the forward plan in September 2024, priorities have included implementation of the new DfT project initiation approach during 2025, strengthening technical capability within project teams, and setting principles for effective sponsorship of projects and programmes. As part of this programme, DfT is undertaking independently assured self-assessments across seven of its largest and most complex major projects – EWR, NPR, Heathrow Expansion, A66, Lower Thames Crossing, WYMT and Euston – to ensure that learning from the James Stewart Review is embedded.	No Change

Principal Risk	Mitigating Actions	Direction of risk trend at year end
Environmental <i>The Department does not act to sufficiently reduce greenhouse gas and air pollutant emissions from vehicles (all modes) in line with agreed targets and as required by law.</i>	DfT has continued to progress a comprehensive programme of work to decarbonise transport infrastructure and reduce user emissions across all modes. In April 2025, DfT delivered a carbon baseline for its infrastructure portfolio, enabling improved estimation of whole life emissions and strengthening the evidence base for future policy and investment decisions. This was followed by a Call for Evidence on Transport Infrastructure Decarbonisation in May 2025 and ongoing cross government engagement to support research, development and policy design. DfT has strengthened its approach to climate resilience through the publication of the Climate Adaptation Strategy for Transport and supporting guidance, including a climate change risk assessment framework for the transport sector. These outputs improve understanding of climate risks across the network and support more systematic integration of resilience into policy and investment decisions. DfT's Strategic Outcome 'Deliver Green and Healthier Transport' provides further detail on how performance of these actions are monitored. Cars and vans: - The ZEV mandate sets annual targets for the proportion of new car and van sales that must be zero emission. - Grant support remains available for EV chargepoints and infrastructure at eligible homes and workplaces. HGVs: - DfT contributed to the development of the Carbon Budget and Growth Delivery Plan, published in October 2025, setting out the Government's approach to meeting Carbon Budgets 4 to 6. - Updated emissions projections indicate a remaining gap to Carbon Budget 6, driven in part by lower-than-expected savings from HGV decarbonisation.	Risk reduced

Principal Risk	Mitigating Actions	Direction of risk trend at year end
Environmental <i>The Department does not act to sufficiently reduce greenhouse gas and air pollutant emissions from vehicles (all modes) in line with agreed targets and as required by law.</i>	Aviation: - The SAF Mandate sets a legal obligation on fuel suppliers in the UK to supply an increasing proportion of SAF over time. This will be supported by a Revenue Certainty Mechanism to drive investment in SAF production in the UK. - The SAF mandate came into force in January 2025, with work ongoing to introduce a Revenue Certainty Mechanism to support domestic production. Maritime: - Following the publication of the Maritime Decarbonisation Strategy, DfT has been focused on implementing its commitments, including the development of supporting policy measures. This sits alongside broader decarbonisation activity across transport, including ongoing work on a Plan for Greener Freight. Rail: - Deliver a carbon baseline to estimate whole life carbon emissions from DfT's infrastructure portfolio including rail infrastructure such as EWR and HS2. - Regular cross government engagement on research and development and policy development to support infrastructure decarbonisation. Buses: - DfT has taken powers through the Bus Services Act 2025 to enable the end of the use of new non-zero emission buses on registered bus services in England, on a date not before 2030.	

Principal Risk	Mitigating Actions	Direction of risk trend at year end
Environmental <i>The Department does not act to sufficiently reduce greenhouse gas and air pollutant emissions from vehicles (all modes) in line with agreed targets and as required by law.</i>	Reduce air pollutant emissions from vehicles: - DfT continues to play a key role in delivering improvements in air quality and biodiversity, working closely with Defra, DHSC and local authorities. DfT has contributed to the statutory Environmental Improvement Plan, published in December 2025, which sets out measures to support legally binding air quality targets. - DfT has also progressed its contribution to the Government's Health Mission, including the development of transport-specific policies to reduce air pollution and improve public health outcomes, supported by evidence such as the transport hazard summary: air quality and pollution. - To strengthen the evidence base, DfT published a rapid assessment of non-exhaust emissions (including road wear and dust resuspension report). Continued engagement with local authorities through the NO2 Programme has supported delivery of compliance measures, with ongoing monitoring, evaluation and funding management to ensure effective use of resources.	

Principal Risk	Mitigating Actions	Direction of risk trend at year end
People Capability and Capacity <i>The Department or its public bodies do not have the capacity and/or capability to; deliver its priorities and objectives across all modes and sectors; or minimise industrial action.</i>	DfT has taken a coordinated approach to SCS workforce strategy, resourcing and standards. Capability has been strengthened through delivery of DfT's talent programmes, a core learning offer aligned to priority skills, and implementation of the Skills and Capability Plan. Digital and AI capability building has been supported and new tools provided to enable the increasing profile of management standards. The maturity of workforce planning has further increased across the Group with a focus on standardisation ahead of Unity delivery. Structural change was delivered with the transfer of staff from DfT to the DFTO. Building on this, leadership management and flexibility will be progressed through the Transformation Programme, a department-wide programme to improve organisational effectiveness, efficiency and agility. This includes streamlining structures, the introduction of a management development programme and improving workforce flexibility.	No Change

Principal Risk	Mitigating Actions	Direction of risk trend at year end
Strategy <i>The Department does not adequately anticipate or plan for future technological developments in the transport system, resulting in ineffective decision making and an incoherent transport landscape.</i>	DfT is strengthening its approach to understanding and managing technological uncertainty across policy and decision-making. Work is underway to develop a Transport Digital Communication Strategy, supported by scenario analysis to test how future technologies could impact the transport system. Consideration of uncertainty is also being embedded earlier in the policy cycle, including through updates to Project Initiation Documents and improvements to how uncertainty is communicated to senior decision-makers. Further work planned to test and refine these approaches and ensure that DfT has secured a strong Spending Review settlement to support the maintenance and renewal of transport assets. This includes increased funding for local highways maintenance and the introduction of a new £1 billion Structures Fund to repair ageing infrastructure, alongside record levels of maintenance funding for the strategic road network through the Road Investment Strategy interim settlement. DfT continues to prioritise long-term funding certainty to enable more effective asset renewal and maintenance planning. It is also updating guidance for local highway authorities, including the Code of Practice on Well-Managed Highway Infrastructure, to support improved asset management and resilience. In addition, DfT is strengthening its understanding of infrastructure condition and investment need. This includes gathering evidence from local highway authorities on structures most in need of repair and developing a rating system to assess authority performance, including on climate adaptation. These measures will support better targeting of investment and help incentivise improved performance across the network, while informing future Spending Review bids.	No Change

Principal Risk	Mitigating Actions	Direction of risk trend at year end
Strategy <i>The performance of the transport system declines and DfT is unable to influence or improve it. As a result, the system does not deliver for people or businesses.</i>	DfT is strengthening performance, delivery and accountability across the transport system through improved monitoring, clearer outcomes and closer working with local and devolved partners. Performance and risk reporting has been refreshed to align with the Strategic Plan, with agreed metrics, within the Strategic Outcomes, stretching targets where possible, and regular central reporting. Public perceptions of transport are monitored through established sources, including the National Travel Survey and Transport Focus. DfT is also reforming how local and regional transport is funded and governed, including developing an approach to consolidate funding streams, reduce burdens on local authorities and provide greater flexibility, while maintaining accountability through outcomes frameworks covering safety, reliability, accessibility and mode share. In parallel, DfT is supporting devolution through close working with mayoral authorities and local leaders, including structured strategic conversations to improve alignment, collaboration and delivery, as set out in the Better Connected: A Strategy for Integrated Transport. Across modes, DfT is strengthening oversight and reform. This includes reforming bus services to give local authorities greater powers and introducing a new bus outcomes framework; improving rail performance through continued engagement with operators and regulators, alongside legislation to establish Great British Railways and a clearer accountability framework; and establishing a new Passenger Standards Authority to strengthen the passenger voice. DfT is also clarifying roles and responsibilities through Better Connected: A Strategy for Integrated Transport and strengthening its sponsorship capability, while continuing to work closely with aviation and maritime sectors and their regulators to oversee safety and operational performance. DfT's Strategic Outcomes provide further detail on how performance of these actions are monitored.	No Change

Principal Risk	Mitigating Actions	Direction of risk trend at year end
Property <i>Failure to maintain the condition of the transport infrastructure system to a sufficient level, including to adapting to climate change, results in infrastructure degradation and the increased risk of experiencing asset failures.</i>	DfT has secured a Spending Review settlement which increases focus on supporting maintenance and renewal of transport assets. This includes increased funding for local highways maintenance and the introduction of a new £1 billion Structures Fund to repair ageing infrastructure, alongside record levels of maintenance funding for the strategic road network through the Road Investment Strategy interim settlement. DfT continues to prioritise long-term funding certainty to enable more effective asset renewal and maintenance planning. It is also updating guidance for local highway authorities, including the Code of Practice on Well-Managed Highway Infrastructure, to support improved asset management and resilience. In addition, DfT is strengthening its understanding of infrastructure condition and investment need. This includes gathering evidence from local highway authorities on structures most in need of repair and developing a rating system to assess authority performance, including on climate adaptation. These measures will support better targeting of investment and help incentivise improved performance across the network, while informing future Spending Review bids. In December 2025, DfT published the Climate Adaptation Strategy for Transport which sets out the actions that DfT and the transport sector are taking, or planning to take, to ensure the transport system is prepared for the impacts of our changing climate.	No Change

* The direction of the risk trend indicates whether the probability of the aggregate likelihood and impact of the risk materialising increased, decreased, or remained the same over the period of this report. The colour of the text reflects a black, red, amber or green rating based on the level of the risks exposure using a measurement of 1-5 for both the likelihood and impact of the risk materialising. The direction of travel of the principal risk exposure scores represents the change throughout the reporting period up to the financial year end, however exposure scores are dynamic and continue to be monitored and may have changed after this period.

Functional Standards

DfT staff adhere to the [mandated Government functional standards](#) in a way that aligns with DfT's business needs and priorities. GovS 001 (Government Functions) establishes expectations for the consistent management of all functions and functional standards across government departments. The subsequent standards, from GovS 002 onwards, define expectations for specific functional areas such as project delivery and commercial operations. These standards provide a stable foundation for assurance, risk management, capability development, and ensuring value for money for the taxpayers. This work complements DfT's management assurance process, which provides the ExCo and GARAC assurance on compliance with process and controls.

Financial Governance and Management Control

DfT's business planning process distributes the budget voted by Parliament across all areas of DfT. Financial plans are established through agreement between DfT and HMT as part of the Spending Review process.

At the start of each financial year, Parliament grants statutory authority for DfT's budget through the Main Estimate. Simultaneously, the Principal Accounting Officer formally delegates budgets to directors general and public bodies. Through ExCo, DfT reviews actual and forecast spending each month to ensure expenditure aligns with approved budgets, taking necessary actions to maintain control. This monitoring helps prevent breaches of Parliament-approved spending limits while advising ministers and the Board on optimal use of available resources to achieve DfT's Strategic Outcomes.

Budget adjustments during the year are agreed upon with HMT, alongside strategic decisions made by ministers. Any in-year budget changes requiring statutory approval are submitted to Parliament through the Supplementary Estimate. Final budget delegations are then issued to directors general and public bodies. At year-end, actual spending is compared with the final budgets approved by Parliament in the statement of outturn against Parliamentary supply.

Financial control and counter fraud

DfT continued to deploy the Control Network Group (CNG), comprising senior subject matter experts from key functional areas, to oversee and strengthen controls, counter fraud activity efforts, and ensure compliance with HMT, the Cabinet Office, and internal controls. Assurance is provided through the management assurance activity on the control framework, and CNG provides strategic oversight on key risks and any retrospective approvals.

DfT upholds a zero-tolerance policy on fraud, bribery, and corruption. Reported incidents are investigated, with disciplinary and/or legal action taken as needed, following DfT and Public Sector Fraud Authority (PSFA) guidelines. DfT advanced its 2023-2025 Counter Fraud and continued to take it forward, Bribery, and Corruption Strategy, focusing on prevention, risk reduction, and awareness, including participation in the International Fraud Awareness Week.

Detection efforts included the use of Spotlight, a due diligence tool for identifying risk areas and detecting fraud and error.

Quarterly meetings with senior counter fraud managers, DfT representatives, and the GIAA enabled updates, best practice sharing, and insights from PSFA. This collaboration improved

fraud awareness and strengthened compliance with government counter-fraud functional standards.

All DfT staff are required to undertake annual online fraud awareness training.

Under PSFA's across-government internal fraud policy, employees dismissed for fraud, bribery or corruption are added to the Cabinet Office internal fraud database and barred from civil service re-employment for five years. In 2025-26, no cases fell within this scope.

Fraud cases within DfT's public bodies are recorded in their respective governance statements.

Raising a concern and whistleblowing

DfT remains committed to building a culture where people feel safe to speak up about perceived wrongdoing and inappropriate behaviour and to report any concern in the knowledge that these will be heard and concerns taken seriously.

The People Survey also provides DfT with information and insight on how employees feel about DfT at a point in time. This data provides an opportunity to improve, develop and strengthen existing processes and practice going forward. Overall, for DfT, there has been a reduction in positive responses to People Survey questions about how safe employees feel to challenge and their awareness of the Civil Service Code compared to 2024. Several high-profile change initiatives across the DfT Group over the last 12 months, including increased workplace attendance expectations, recruitment controls, and a voluntary exit scheme in DfT may be contributing factors in the overall reduction in staff engagement and the decrease in how comfortable staff feel in raising concerns and challenging the way that things are done.

Our processes for raising concerns about wrongdoing are of a satisfactory standard, and an annual update on our processes and the concerns raised each year is provided to the GARAC. DfT continue to focus on building awareness with staff of the importance of raising concerns and the avenues they can use to do this. Over the past 12 months DfT has also worked with the Cabinet Office and other departments to implement the recommendations of the NAO report and Public Accounts Committee recommendations and to consider where, as a department, DfT can take further improvement action. This has included the launch of a new Whistleblowing Hotline. The hotline provides DfT employees with an alternative route to raise a concern outside of the management chain with DfT's Employee Assistance provider and is available 24/7, 365 days of the year.

Whistleblowing reported to DfT as a Prescribed Person

The Secretary of State is a 'prescribed person' under The Public Interest Disclosure (Prescribed Persons) Order 2014¹², which provides the statutory framework for protecting workers from harm if they blow the whistle on their employer. Workers may tell the relevant prescribed person about suspected wrongdoing that they believe may have occurred, including crimes and regulatory breaches. Passing on information like this is known as making a 'disclosure'. DfT can receive whistle-blowing disclosures in letters, emails, and through our helpline. Sometimes the information is provided anonymously.

12 As amended by The Public Interest Disclosure (Prescribed Persons) (Amendment) Order 2018 and The Public Interest Disclosure (Prescribed Persons) (Amendment) Order 2025.

The Secretary of State is prescribed under the order in relation to the following transport functions and services: i) compliance with the requirements of merchant shipping law, including maritime safety; ii) motoring services with respect to driver and vehicle standards, and the testing and certification of vehicles, their systems and components; iii) road, rail and maritime transport security and iv) transport sanctions: the Secretary of State's functions in relation to aircraft and shipping sanctions in sanctions regulations made under section 1 of the Sanctions and Anti-Money Laundering Act 2018. There were 56 disclosures in the reporting period, which we reasonably believe fall within the Secretary of State's prescribed matters, the majority of which were classed as danger to health and safety or the environment.

Management Assurance

DfT carried out management assurance activities to assess the implementation and effectiveness of processes, procedures, controls and compliance across DfTc and our public bodies within its accounting boundary. DfT also continuously works to improve the effectiveness of its management assurance tools.

DfT's approach to assurance involved a three-stage review process:

1. **First line of defence:** Directors and CEOs from public bodies provided assurance over key control areas within their responsibility.
2. **Second line of defence:** Policy leads and/or subject matter experts conducted an end of year independent assessment of these areas.
3. **Third line of defence:** The GIAA provided audit opinions for relevant audits and an overall independent audit opinion.

Directors and CEOs were required to create action plans for areas rated below 'substantial'. Findings from these assurance activities were reviewed by CNG and presented to ExCo and GARAC.

- The first line of defence review for 2025-26 has been completed, with an initial second line of defence assessment placing the overall result in the 'Moderate'¹³ range.
- The full second line of defence opinion will be finalised by late summer 2026. Additionally, the 2024-25 second line of defence review confirmed a 'Moderate' overall rating.
- For 2025-26, the GIAA's third line audit opinion for DfTc is also rated 'Moderate' based on the GIAA audit plan.

Analytical Assurance

Analytical Quality Assurance (AQA) involves the consideration and communication of the strengths, weaknesses, and limitations of analysis. This allows decision-makers to better understand the quality of the evidence base they use. DfT's Analytical Assurance Framework, Strength in Numbers, aims to strengthen the standard of analytical quality assurance in DfT. DfT is currently reviewing and rewriting this framework in line with the new Aqua Book—the central guidance on producing quality analysis.

¹³ A moderate rating refers to the overall rating across all questions ranging between 60-90%.

As part of the AQA framework, DfT maintains and publishes a register of Business-Critical Models, each of which has an appointed Senior Model Owner responsible for ensuring appropriate governance and quality assurance of the model and its outputs throughout its lifecycle. Business Critical Models are used to drive essential decisions and have robust governance regimes in place to assure against errors which could cause serious financial, legal and/or reputational damage to DfT.

Analytical Assurance Statements highlight the strengths, limitations, and uncertainties in the analysis, ensuring decision-makers are fully informed. Where recommendations or decisions within business cases or board papers rely on analysis, and this goes to Tier 1 or Tier 2 investment boards, an Analytical Assurance Statement is required. This also applies to non-regulatory impact assessments where analysis informs the decision. For ministerial or permanent secretary submissions, an Analytical Assurance Statement is required where the recommendation or decision relies on analysis and exposes DfT to significant legal, financial or reputational risk. In these cases, the analysis must be reviewed by an independent assurer to make sure all relevant information has been communicated and that the extent to which the analysis is considered reasonable and robust is clear.

DfT is working with the executive agencies to ensure alignment of standards across the group. Where responsibility for decision-making is delegated to public bodies, responsibility for AQA is also delegated.

Independent Assurance

DfT's internal audit service is provided by the GIAA, an Executive Agency of HMT. GIAA operates to the Global Internal Audit Standards in the UK Public Sector, confirmed through its last External Quality Assessment undertaken by the Institute of Internal Auditors during 2025-26.

The Group Head of Internal Audit (Group HIA) provides DfT's Accounting Officer with an independent opinion on the adequacy and effectiveness of DfT's systems of internal control and makes recommendations for improvement. The work of GIAA is based on its analysis of DfT's risks and its audit programme, which is approved by GARAC. Regular reports are provided by GIAA to DfT's management, GARAC and to ExCo.

The Group HIA has provided the Permanent Secretary with an annual report on internal audit activity in DfT and its ALBs over the course of 2025-26. This report summarises each of the individual Head of Internal Audit annual opinions for DfT and its ALBs, movement from 2024-25 and provides the Group HIA's independent opinion for 2025-26 on the level (i.e. Substantial, Moderate, Limited, Unsatisfactory) of assurance that can be placed on the adequacy and effectiveness of DfT and ALBs' governance, risk management and internal control arrangements.

The report highlighted that, although DfT remained within the Moderate band, its direction of travel and overall position were less favourable compared to 2024-25. For its ALBs, Internal Audit observed that the control environment, which has largely been assessed as Moderate in recent years, has been maintained. Consequently, the Group Internal Audit Opinion for 2025-26 has been determined as 'Moderate.'¹⁴

¹⁴ A moderate rating refers to the overall rating across all questions ranging between 60-90%.

Due to its relative materiality in the Group, it is highlighted that ‘Limited’ assurance can be placed on the adequacy and effectiveness of the control environment at HS2 Ltd. This follows a Limited opinion in 2024-25. Whilst improvement has been made in several areas since the last opinion and the trajectory is positive overall in 2025-26, weaknesses in the control environment still present significant risks to the organisation. More time is needed to fully address known weaknesses and implement and embed robust controls and arrangements.

Looking ahead to 2026-27, DfT faces several significant challenges, including the progression of Great British Railways, wider geopolitical conflicts and economic pressures. It remains important that during this period of change and uncertainty sufficient management focus and capability is directed to ensuring the oversight and application of robust core controls and risk management activities.

Auditors

This section sets out the costs of auditing the DfT Group accounts along with the costs of auditing the organisations which form part of the DfT Group as defined in accounting policy Note 1.3. Audit fees are not included in this section for other entities who are outside DfT’s consolidation boundary. The Comptroller and Auditor General (C&AG) General carries out the audit of the consolidated accounts of the DfT Group, as well as the audits of the following executive agencies:

- Maritime and Coastguard Agency.
- Driver and Vehicle Licensing Agency.
- Driver and Vehicle Standards Agency.
- Vehicle Certification Agency.
- Active Travel England.

These audits are conducted under the Government Resources and Accounts Act 2000 (GRAA), at an annual notional cost of £1,275,000 (2024-25: £1,254,000).

The audits of the following entities are completed by the Comptroller and Auditor General, but incur a cash or real charge of £1,775,300 (2024-25: £1,773,450):

- Network Rail Ltd (and its substantial subsidiary bodies, Network Rail Infrastructure Ltd and Network Rail Infrastructure Finance plc).
- National Highways.
- British Transport Police Authority.
- HS2 Ltd.
- Transport Focus.
- CTRL Section 1 Finance PLC.
- LCR Finance PLC.
- East West Rail Ltd.

In addition to these entities, the C&AG audits the accounts of the General Lighthouse Fund (GLF), which consolidates the General Lighthouse Authorities (GLAs). While the GLAs are consolidated into the DfT Group, the GLF is not consolidated. As such, the audit fee for the

GLF is not included in this total. The audit fee for the GLF for 2025-26 is £144,200 (2024-25: £140,000)

PwC and Mazars audit the following smaller Network Rail subsidiary bodies, providing audit assurance to the C&AG as the group auditor. These audits incur a real cost charge of £699,039 (2024-25: £283,680).

Deloitte audits the Air Travel Trust Fund, providing audit assurance to the C&AG as the group auditor. This audit incurs a real cost charge of £190,800 (2024-25: £163,500).

BDO LLP audits Air Safety Support International Ltd providing audit assurance to the C&AG as the group auditor. This audit incurred a real cost charge of £13,197 (2024-25: £12,738).

Train Fleet (2019) Ltd is a subsidiary of DFTO and is exempt from audit under Section 479A of the Companies Act 2006 (audit exemption for subsidiary undertakings).

The National Audit Office (NAO) in its work to scrutinise public spending for Parliament also performs other work under statute, including Value-for-Money and assurance work.

Accounting Officer System Statement

DfT published an updated [Accounting Officer System Statement](#) in December 2025.

Correspondence

DfT aims to respond to correspondence from members of the public in 20 working days. During 2025-26, 4921 cases were received (a 40% decrease from 2024-25), and 90% of replies were sent on time. DfT's target response time for correspondence from Members of Parliament, peers and key stakeholders is 15 working days. DfT received 7891 cases in 2025-26 (a 17% increase on cases received in 2024-25) and 64% of replies were sent by the target deadline.

Information rights, including personal data related incidents

DfT and its executive agencies regularly publish [performance statistics](#) alongside other government departments for requests made under either the [Freedom of Information Act 2000 \(FOI\)](#) or the [Environmental Information Regulations 2004 \(EIR\)](#). DfT publishes a list of [FOI and EIR disclosure](#) responses where some or all the requested information has been disclosed.

DfT also answered over 21,000 valid requests from individuals exercising their rights under [data protection legislation](#). These consisted mainly of subject access requests, 98% of which were answered within the statutory deadline.

DfT holds personal data on millions of drivers in Great Britain, vehicle keepers across the UK plus those taking driving tests, driving instructors, and seafarers. Every year DfT processes millions of transactions and billions of digital interactions, so DfT takes the protection of personal data very seriously. During 2025-26, DfT notified five breaches to the [Information Commissioner's Office \(ICO\)](#). Every personal data breach is investigated fully to identify the root cause and ensure action is taken to reduce the likelihood of recurrence. The ICO has taken no further action in response to any of the breaches reported.

Complaints Handling – Parliamentary and Health Service Ombudsman

DfTc is committed to responding to complaints within 20 working days. Its public bodies have their own complaints procedures and timelines.

The number of complaints handled by DfTc, its executive agencies, and other public bodies (where data is available) is published in the DfT Independent Complaints Assessors' Annual Reports.

Complaints to the Parliamentary & Health Service Ombudsman

The Parliamentary and Health Service Ombudsman (PHSO) investigates complaints about the DfT and its delivery bodies when referred by a Member of Parliament on behalf of a complainant. Generally, the PHSO will expect the ICAs to have reviewed the matter before they consider investigating.

Where the PHSO believes there is evidence that there has been maladministration, unfair treatment, or poor service, it will investigate the issues, review the remedy provided, and may recommend further actions to resolve the matter.

Number of complaints investigated, upheld, and not upheld by PHSO.

Organisation	Complaints accepted for detailed investigation			Investigations upheld or partly upheld [^]			Investigations not upheld or discontinued		
	2025-26	2024-25	2023-24	2025-26	2024-25	2023-24	2025-26	2024-25	2023-24
DfT(department)	0	0	0	0	0	0	0	0	0
DfT ICAs	0	0	0	0	0	0	0	0	0
CAA	0	1	1	0	0	0	0	1	0
DVLA	2	3	3	1	0	2	3	1	1
DVSA	0	0	0	0	0	0	0	0	0
HS2 Ltd	0	0	0	0	0	0	0	0	0
National Highways	0	1	1	1	1	0	0	0	0
MCA	0	0	0	0	0	0	0	0	0
VCA	0	0	0	0	0	0	0	0	0
Total	2	5	5	2	1	2	3	2	1

[^]Completed investigations often occur from cases accepted for detailed investigation in previous year's

Investigations into complaints by PHSO into DfT or its public bodies

When PHSO concludes an investigation, it may do so in the year(s) following when it was accepted. In addition, there can be several recommendations made to DfT or its public bodies to resolve a complaint, and the time between the conclusion of an investigation; issue of a report with recommendations, and when those recommendations are complied with or not can fall into a subsequent year. The table below includes the number of recommendations made by PHSO following an investigation of a complaint and whether those have been complied with over the last three years.

Recommendations made by PHSO and compliance.

DfT centre or DfT Public Body	No. of Cases with Recommendations			No. of Recommendations			Closed: Complied With			Open: In Compliance		
	2024-25	2023-24	2022-23	2024-25	2023-24	2022-23	2024-25	2023-24	2022-23	2024-25	2024-24	2022-23
DfTc	0	0	0	0	0	0	0	0	3	0	0	1
CAA	0	0	0	0	0	0	0	0	1	0	0	0
DVLA	1	0	2	1	0	3	1	0	1	0	0	1
HS2 Ltd	0	0	0	0	0	0	0	0	0	0	0	0
National Highways	1	1	0	2	2	0	1	2	0	1	0	0

Better regulation

DfT has continued to ensure that regulation in the transport sector is effective, proportionate and does not impose unwarranted burdens on business.

DfT has engaged closely with the Department for Business and Trade (DBT) on the [Regulation Action Plan](#) published in March 2025, and on the subsequent update in October 2025. This includes coordinating the Key Regulator Pledges of the ORR and CAA. Over the coming year, DfT will continue to work with DBT to ensure DfT's policy development is fully supportive of the action plan, including supporting the ambition to reduce the administrative burden of regulation on businesses by 25% by the end of this Parliament.

Between 1 April 2025 and 31 March 2026, DfT has submitted options and impact assessments for key regulatory reforms to the Regulatory Policy Committee as required under the Better Regulation Framework. DfT has maintained its 100% green 'fit-for-purpose' rating record with regards to RPC scrutiny.

These green ratings include the impact assessment for the Railways Bill. This Bill, currently undergoing parliamentary scrutiny, demonstrates DfT's commitment to create a simplified and unified rail sector, through a range of measures such as establishing GBR as a new body responsible for planning and operating passenger services and managing infrastructure.

DfT also received green ratings for several key options assessments, highlighting DfT's commitment to producing robust analysis in support of its legislation.

For regulatory provisions with impacts below £10 million, DfT has continued to produce proportionate de minimis assessments in accordance with the Better Regulation Framework. This includes the assessment on lowering the minimum age of train drivers in Great Britain.

DfT is also committed to ensuring a high quality of monitoring and evaluation of its regulations. Over the last year, DfT has published 50 post-implementation reviews.

Health and safety

Each business unit within the DfT Group is legally accountable for the health, safety and welfare of its employees. DfTc and its Executive Agencies are autonomous in developing and implementing health and safety policy and arrangements and managing risk and compliance according to their risk profile and the requirements of their senior leadership teams.

DfT's Health & Safety Group Forum brings together the Occupational Health & Safety leads from across DfT to share best practices and to collaborate on common issues. They voluntarily participate in benchmarking of reactive indicators such as reports of work-related injuries, ill health and near misses.

The table below shows the number of incidents reportable to the Health and Safety Executive (HSE) during 2021-22 – 2025-26, under the *Reporting of Injuries, Diseases and Dangerous Occurrences Regulations* (RIDDOR).

There were a total of nine RIDDOR reports made in this reporting period.

The reduction in RIDDOR incidents was most significant in the DVSA, where operational delivery has been supported by strengthened leadership visibility, enhanced health and safety training, a greater focus on lone working and personal safety, and the introduction of conflict resolution measures to better protect frontline staff from workplace risks.

Table 8: Table showing RIDDOR reportable incidents by business unit between 2021-22 and 2025-26.

Organisation	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026
DfTc	0	0	1	1	0
ATE	N/A	N/A	0	0	0
DVLA	1	3	16	4	4
DVSA	20	13	19	15	4
MCA	5	6	8	4	1
VCA	0	0	0	2	0
DfT TOTAL	26	22	44	26	9



Conclusion

As Principal Accounting Officer, I have responsibility for the effectiveness of the system of internal control. Management assurance is confirmed by executive managers within DfT, who are responsible for upholding a robust internal control framework, and by our agencies and ALBs who are responsible for their internal controls and delegated spending. I am supported by the work of the internal audit and by the comments made by the NAO in their management letter and other reports. Based on these assurances, I am content that DfT upheld a satisfactory level of internal control and corporate governance throughout the reporting period.



People and Remuneration Report 2025/26

Remuneration and Staff Report

The remuneration and staff report summarises DfT's policy on remuneration of ministers, executive board members, non-executive board members and staff. It also provides details of actual costs and contractual arrangements. The remuneration and staff report has been prepared in accordance with the requirements of the Government Financial Reporting Manual as issued by HMT.

Remuneration policy – Senior Civil Service

SCS pay and conditions are not delegated to individual departments. The SCS is a corporate resource, employed with a common framework of terms and conditions across government departments.

The remuneration of SCS is set by the Prime Minister following independent advice from the Senior Salaries Review Body (SSRB). The SSRB also advises the Prime Minister from time to time on:

- The pay and pensions of MPs and their allowances.
- Peers' allowances.
- The pay, pensions and allowances of ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975 (as amended).

In reaching its recommendations, the SSRB has regard to the following considerations:

- The need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities.
- Regional and local variations in labour markets and their effects on the recruitment and retention of staff.
- Government policies for improving the public services, including the requirement on departments to meet the output targets for the delivery of departmental services.
- The funds available to departments as set out in the Government's departmental expenditure limits.
- The Government's inflation target.

The Government's response to the recommendations of the SSRB is communicated to departments by the Cabinet Office through annual SCS pay guidance, which set out the parameters for base pay and non-consolidated pay for the relevant financial year.

DfT's Pay and Performance Committee takes decisions on the remuneration of our SCS, in line with this central guidance.

Remuneration (including salary) and pension entitlements (audited information)

Ministers

The following sections on ministerial remuneration and pension disclosures are audited information.

Salary

Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; ministers and permanent secretaries offices allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by DfT and thus recorded in these accounts.

In respect of ministers in the House of Commons, departments bear only the cost of the additional ministerial remuneration; the salary for their services as an MP £93,904 (from 1 April 2025) and various allowances to which they are entitled are borne centrally.

However, the arrangement for ministers in the House of Lords is different in that they do not receive a salary but rather an additional remuneration, which cannot be quantified separately from their ministerial salaries. This total remuneration, as well as the allowances to which they are entitled, is paid by DfT and is therefore shown in full in the figures below.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by DfT and treated by HM Revenue and Customs (HMRC) as a taxable emolument. There were no benefits in kind reported in 2025-26.

Compensation for loss of office

Ministers

Mike Kane, MP left Government on 7 September 2025. He received a compensation payment of £5,593.

Table 9: Ministers' remuneration (audited information).

Ministers	2025-26 Salary (£)	2025-26 Full year equivalent salary (£)	2025-26 Pension benefits (to nearest £1000)	2025-26 Total benefits (to nearest £1000)	2025-26 Severance payments (to nearest £1000)	2024- 25 Salary (£)	2024- 25 Full year equivalent salary (£)	2024-25 Pension benefits (to nearest £1000)	2024-25 Total benefits (to nearest £1000)	2024-25 Severance payments (to nearest £1000)
Rt Hon Heidi Alexander MP Secretary of State from 29 November 2024	67,505	67,505	17,000	84,505		22,900	67,505	6,000	29,000	
Simon Lightwood MP Parliamentary under Secretary of State from 9 July 2024	23,375	22,375	6,000	28,375		16,300	22,375	4,000	20,000	
Lilian Greenwood MP Parliamentary under Secretary of State from 9 July 2025	10,903	22,375	2,000	12,903		16,300	22,375	4,000	18,000	
Mike Kane MP Parliamentary under Secretary of State from 9 July 2025 to 7 September 2024	9,758	22,375	2,000	11,578	6,000	16,300	22,375	4,000	20,000	
Keir Mather MP Parliamentary Under-Secretary of State from 7 September 2024	11,472	22,375	3,000	14,472						

Footnote 1 – Lilian Greenwood moved to HMT on 7 September 2025 and then assumed Parliamentary Under Secretary of State duties in the department from 16 September 2025.

Executive members of the DfT Board

Salary

‘Salary’ includes gross salary; reserved rights to London weighting or London allowances; recruitment and retention allowances; ministers and permanent secretaries offices allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by DfT and thus recorded in these accounts.

Bonuses are based on performance levels attained and relate to the relevant performance year. Under SCS pay guidance, DfT are permitted to pay in-year awards related to recognise in-year performance as well as end-year bonuses to those determined ‘Exceeding’ and ‘High Performing’ through the SCS appraisal process which are paid in arrears in the next financial year. The bonuses reported in 2024-25 relate to in-year performance during the 2024-25 performance year and end-year performance for the 2023-24 performance year.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by DfT and treated by HMRC as a taxable emolument. There were no benefits in kind reported in 2025-26 or 2024-25 for executive board members.

Compensation payments (audited information)

Dame Bernadette Kelly, DCB left DfTc on 13 June 2025. She received a compensation payment of £48,723. This was for the waiting period set by ACOBA (Advisory Committee on Business Appointments).

Table 10: Officials' remuneration (Audited information).

Officials	2025-26 Salary (£000)	2025-26 Full Year Equivalent Salary (£000)	2025-26 Bonus Payments (£000)	2025-26 Pension Benefits (£000)	2025-26 Total Benefits (£000)	2024-25 Salary (£000)	2024-25 Full Year Equivalent Salary (£000)	2024-25 Bonus Payments (£000)	2024-25 Pension Benefits (£000)	2024-25 Total Benefits (£000)
Bernadette Kelly (Permanent Secretary) to 13 June 2025	35-40	190-195			35-40	190-195	190-195	10-15		205-210
Jo Shanmugalingam CB (Permanent Secretary) to 13 June 2025	170-175	175-180		106	275-280	145-150	160-165		95	240-245
Nick Joyce (Director General)	170-175	170-175	10-15	45	225-230	165-170	165-170	5-10	97	265-270
Emma Ward (Director General) to 26 October 2025	90-95	150-155	5-10	33	125-130	145-150	145-150	5-10	78	230-235
Conrad Bailey (Director General)	145-150	145-150	0-5	36	180-185	140-145	140-145	0-5	110	250-255
Marianthi Leontaridi (Director General) to 31 October 2025	80-85	145-150		30	110-115	140-145	140-145	0-5	85	225-230
Alan Over (Director General) to 31 January 2026	120-125	145-150		48	170-175	140-145	140-145	0-5	67	205-210
Richard Goodman (Director General)	145-150	145-150	5-10	58	205-210	5-10	140-145		33	40-45
Alex Hynes (Director General) to 23 December 2025										
Dean Creamer (Director General) from 12 January 2026	30-35	145-150		11	40-45					
Ross Gibbin (Director General) from 10 December 2025	45-50	155-160		55	95-100					
Ashley Ibbett (Director General) from 16 March 2026	5-10	155-160		4	5-10					
Antonia Williams (Director General) from 1 January 2026	30-35	130-135		8	35-40					
David Silk (interim Director General) from 3 November 2025	50-55	130-135	0-5	40	90-95					

Footnote 1 – Jo Shanmugalingam CB was Second Permanent Secretary until 1 July 2025.

Footnote 2 – Alex Hynes was on secondment to DfT from Scotland's Railway and was not a member of the PCSPS during the accounting period.

Footnote 3 – Bernadette Kelly was a member of the Partnership Pension Scheme.

Non-Executive Board Members (audited information)

Each of the NEBMs, Ian King, Richard Keys, Anthony Poulter, Tracy Westall and Dame Sarah Storey is entitled to claim annual fees, currently £15,000 per annum and reasonable expenses (including travel and subsistence in line with DfT's policy on such expenses).

Ian King, as the lead NEBM, receives an additional £5,000 in recognition of this role. Similarly, Richard Keys, as Chair of DfT's Group Audit and Risk Assurance Committee (GARAC), receives an additional £5,000 per annum in recognition of this role. The membership of the GARAC also includes Kathryn Cearn, Mark Bayley and Charmion Pears, who receive a fee for attending and preparing for meetings.

NEBMs are appointed on fixed terms. Their fees for 2025-26 are set out in the table below.

Table 11: Non-Executive Board Members' fees, 2025-26.

Non-Executive Board Member Fees	2025-26 (£000)	2024-25 (£000)
Ian King	20-25	20-25
Richard Keys	20-25	20-25
Tracy Westall	15-20	15-20
Anthony Poulter	15-20	15-20
Dame Sarah Storey	15-20	15-20
Group Audit and Risk Assurance Committee Member Fees	2025-26 (£000)	2024-25 (£000)
Kathryn Cearn	0-5	0-5
Mark Bayley	5-10	0-5
Charmion Pears	0-5	

Ministerial Pensions (audited information)

Pension benefits for ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is made under statute, and the rules are set out in the Ministerial Pension Scheme 2015, available at <https://mycpfpension.co.uk/wpcontent/uploads/2019/09/ministerial-pension-scheme-rules.pdf>

Those ministers who are Members of Parliament may also accrue an MP's pension under the PCPF (details of which are not included in this report).

Benefits for ministers are payable from State Pension age under the 2015 scheme. Pensions are re-valued annually in line with Pensions Increase legislation both before and after retirement. The contribution rate from May 2015 is 11.1% and the accrual rate is 1.775% of pensionable earnings.

The figure shown for pension value includes the total pension payable to the member under both the pre- and post-2015 ministerial pension schemes.

Table 12: Ministerial Pensions (audited information).

Ministers	Accrued pension at age 65 as at 31/3/2026 (£000)	Real increase in pension at age 65 (£000)	CETV at 31/03/2026 (£000)	CETV at 31/03/2025 (£000)	Real increase in CETV funded by taxpayer (£000)
Rt Hon Heidi Alexander MP Secretary of State from 29 November 2024	0-5	0-2.5	29	10	11
Simon Lightwood MP Parliamentary under Secretary of State from 9 July 2024	0-5	0-2.5	10	4	3
Lilian Greenwood MP Parliamentary under Secretary of State from 9 July 2024	0-5	0-2.5	30	26	2
Mike Kane MP Parliamentary under Secretary of State from 9 July 2024 to 7 September 2025	0-5	0-2.5	8	5	2
Kier Mather MP, Parliamentary under Secretary of State from 7 September 2025	0-5	0-2.5	7	4	1

'Pensions Benefit' – The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

The Cash Equivalent Transfer Value (CETV)

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits, they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total ministerial service, not just their current appointment as a minister. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The real increase in the value of the CETV

This is the element of the increase in accrued pension funded by the Exchequer. It excludes increases due to inflation and contributions paid by the minister. It is worked out using common market valuation factors for the start and end of the period.

Pensions benefits (Officials)

Table 13: Officials Pensions (audited information).

Officials	Accrued pension at Pension age as at 31/3/2026 and related lump sum (£000)	Real increase in pension and related lump sum at pension age (£000)	CETV at 31/3/2026 (£000)	CETV at 31/3/2025 (£000)	Real increase in CETV (£000)	Employer contribution for those with a partnership pension account (nearest £100)
Bernadette Kelly (Permanent Secretary)						1,000
Jo Shanmugalingam CB (Permanent Secretary)	50 - 55 plus a lump sum of 110 - 115	5 - 7.5 plus a lump sum of 5 - 7.5	966	836	74	
Nick Joyce (Director General)	60 - 65	2.5 - 5	1290	1187	26	
Emma Ward (Director General)	60 - 65 plus a lump sum of 80 - 85	0 - 2.5 plus a lump sum of 0	1129	1061	22	
Conrad Bailey (Director General)	75 - 80	0 - 2.5	1464	1365	16	
Marianthi Leontaridi (Director General)	60 - 65	0 - 2.5	1218	1169	20	
Alan Over (Director General)	45 - 50	2.5 - 5	744	683	33	
Richard Goodman (Director General) from 10 March 2025	30 - 35	2.5 - 5	408	356	30	
Alex Hynes (Director General) from 15 April 2024						
Dean Creamer (Director General) from 12 January 2026	60 - 65	0 - 2.5	1,093	1,077	7	
Ross Gribbin (Director General) from 10 December 2025	45 - 50	2.5 - 5	793	741	42	
Ashley Ibbett (Director General) from 16 March 2026	60 - 65 plus a lump sum of 140 - 145	0 - 2.5 plus a lump sum of 0 - 2.5	1,332	1,327	3	
Antonia Williams (Director General) from 1 January 2026	40 - 45	0 - 2.5	665	654	3	
David Silk (Interim Director General) from 3 November 2025 to 31 March 2026	35-40 plus a lump sum of 80-85	0-2.5 plus a lump sum of 0	720	656	22	

Footnote 1 - Bernadette Kelly is a member of the Partnership Pension Scheme and therefore no disclosure required..

Footnote 2 - Alex Hynes is on secondment to DfT from Network Rail and was not a member of the PCSPS during the accounting period.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. Before 1 April 2015, the only scheme was the Principal Civil Service Pension Scheme (PCSPS), which is divided into a few different sections – classic, premium, and classic plus provide benefits on a final salary basis, whilst nuvos provides benefits on a career average basis. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis. All newly appointed civil servants, and the majority of those already in service, joined the new scheme.

The PCSPS and alpha are unfunded statutory schemes. Employees and employers make contributions (employee contributions range between 4.6% and 8.05%, depending on salary). The balance of the cost of benefits in payment is met by monies voted by Parliament each year. Pensions in payment are increased annually in line with the Pensions Increase legislation. Instead of the defined benefit arrangements, employees may opt for a defined contribution pension with an employer contribution, the partnership pension account.

In alpha, pension builds up at a rate of 2.32% of pensionable earnings each year, and the total amount accrued is adjusted annually in line with a rate set by HMT. Members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004. All members who switched to alpha from the PCSPS had their PCSPS benefits ‘banked’, with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha.

The accrued pensions shown in this report are the pension the member is entitled to receive when they reach normal pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over normal pension age. Normal pension age is 60 for members of classic, premium, and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. The pension figures in this report show pension earned in PCSPS or alpha – as appropriate. Where a member has benefits in both the PCSPS and alpha, the figures show the combined value of their benefits in the two schemes but note that the constituent parts of that pension may be payable from different ages.

When the Government introduced new public service pension schemes in 2015, there were transitional arrangements which treated existing scheme members differently based on their age. Older members of the PCSPS remained in that scheme, rather than moving to alpha. In 2018, the Court of Appeal found that the transitional arrangements in the public service pension schemes unlawfully discriminated against younger members (the “McCloud judgment”).

As a result, steps are being taken to remedy those 2015 reforms, making the pension scheme provisions fair to all members. The public service pensions remedy is made up of two parts. The first part closed the PCSPS on 31 March 2022, with all active members becoming members of alpha from 1 April 2022. The second part removes the age discrimination for the remedy period, between 1 April 2015 and 31 March 2022, by moving the membership of eligible members during this period back into the PCSPS on 1 October 2023.

The accrued pension benefits, Cash Equivalent Transfer Value (CETV) and single total figure of remuneration reported for any individual affected by the Public Service Pensions Remedy have been calculated based on their inclusion in the PCSPS for the period between 1 April 2015 and 31 March 2022, following the McCloud judgment. The Public Service Pensions Remedy applies to individuals that were members, or eligible to be members, of a public

service pension scheme on 31 March 2012 and were members of a public service pension scheme between 1 April 2015 and 31 March 2022. The basis for the calculation reflects the legal position that impacted members have been rolled back into the PCSPPS for the remedy period and that this will apply unless the member actively exercises their entitlement on retirement to decide instead to receive benefits calculated under the terms of the alpha scheme for the period from 1 April 2015 to 31 March 2022.

The partnership pension account is an occupational defined contribution pension arrangement which is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). The employee does not have to contribute but, where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).

In 2025-26, the administration of the Civil Service Pension Scheme was transferred to a new provider. There have been significant service failures since, including pensions not being paid on time. The Cabinet Office co-ordinated a standardised cross-government response, in which those organisations with membership of the scheme were requested to offer transitional support loans to certain cohorts of recently retired and partially retired ex-employees experiencing adverse financial consequences referred to as hardship arising from a delay in receipt of pension payments. As at 31st March 2026, DFT and its agencies had issued 40 loans, with a total value of £216.3k.

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

Cash Equivalent Transfer Values

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost.

CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Our staff numbers (audited information)

This data refers to DfT Group (DfTc, agencies and other delivery bodies).

Details on the average number of whole-time equivalent persons employed during the year, the staff costs and gender composition are set out in the tables below.

Table 14: Staff numbers (Departmental Group including delivery bodies) Average number of staff, Permanently Employed Staff, Others, Ministers, Special advisers.

Average number of staff	Permanently employed staff	Other staff	Ministers	Special Advisers	Total 25-26	Total 24-25
DfTc	3,397	20	5	5	3,427	3,798
Agencies	11,800	114			11,194	11,746
Other Delivery Bodies	5,977	1,194			57,171	56,235
Total Average Number of Persons Employed	71,174	1,328	5	5	72,512	71,779

1. The special adviser numbers are taken on a snapshot date as of 31 March 2026.

Table 15: Staff Costs £M (audited information). Numbers are rounded to nearest million.

	Permanently employed staff	Other staff	2025-26 Total	2024-25 Total
Wages and salaries	4,151	38	4,189	3,989
Social security costs	553		553	437
Other pension costs	414		414	400
Sub Total	5,118	38	5,156	4,826
Less recoveries in respect of outward secondments	(1)		(1)	(1)
Less capitalised staff costs	(1227)	(13)	(1,240)	(1,179)
Total Net Costs	3,890	25	3,915	3,646
Core Department & Agencies	910	17	927	884
Departmental Group	3,890	25	3,915	3,646

‘Other staff’ includes ministers and special advisers, who were paid £138k and £0k respectively (2024-25: £217k and £0k)

Special advisers are temporary civil servants. In order to improve efficiency, the administration of staff costs for all special advisers across government is managed by the Cabinet Office, with corresponding budget cover transfers. Therefore, all special adviser costs are reported in the Cabinet Office Annual Report and Accounts. Special advisers remain employed by the respective department of their appointing minister.

Table 16: Number of persons of each sex who were employees of DfTc and its executive agencies as at 31 March 2026.

	Men at 31 March 2026	Women at 31 March 2026	Men at 31 March 2025	Women at 31 March 2025
Number of persons of each sex who were DfTc Permanent Secretary and Directors General	6	2	5	4
Number of persons of each sex who were senior managers of DfTc of the Senior Civil Service (excluding above)	117	120	119	132
Number of persons of each sex who were employees of DfTc	1,772	1,697	2,019	1,766
Number of persons of each sex who were employees of DfT agencies	7,341	5,936	6,914	5,813

Staff Movement

This data refers to the DfTc only.

Job vacancies across the Civil Service and the wider external market remained suppressed over the last year and as a result DfTc's annual staff turnover (staff leaving DfTc), remained flat at around 12%. Around a third of staff leaving DfTc over the last year moved to other government departments to progress their careers within the Civil Service.

Within DfTc, around one in five staff made lateral moves or were appointed to vacancies at a higher grade (following open competition) in the last year, which speaks positively to the scale of careers and opportunities available to staff.

DfTc runs an exit survey completed by a high proportion of staff leavers which provides insights into what staff have valued about working at DfTc, and their reasons for leaving. These insights are regularly reviewed and form part of an evolving retention plan.

Table 17: Number of staff loaned into DfTc.

Staff Loaned into DfTc	Total loaned in	Loaned in short term (6 months or less)	Loaned in long term (more than 6 months)
EO:	0	0	0
HEO:	16	1	15
SEO:	2	0	2
G7:	7	0	7
G6:	4	0	4
SCS:	2	0	2
Total:	31	1	30

The cost of staff on loan to DfTc in 2025-26 is £818k (2024-25 £1.188m). There were 19 staff loaned to the Department on a paid basis (excluding Fast Streamers), and a further 12 staff whose salary costs were not paid by us, as these were covered by their home department.

Loans have been used largely as a short-term solution for resourcing priority areas. There are longer-term loans in place to fill key roles and support the career development of these individuals, this can be seen in an increase in the average duration of loans.

Resourcing

This data refers to DfT Group (DfTc and Executive Agencies).

DfTc and its executive agencies have control systems requiring recruitment to be approved by the most appropriate authority up to and including Directors General. Between 1 April 2025 and 31 March 2026 inclusive, 2,196 successful applicants were recruited to DfT Group. There was no Civil Service Commissioners Audit so the 'Fair' rating received in 2024-25 still stands.

Service Contracts

The [Constitutional Reform and Governance Act 2010](#) requires Civil Service appointments to be made on merit based on fair and open competition. The [Recruitment Principles](#) published by the Civil Service Commission specify the circumstances when appointments may be made. Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Performance management – Senior Civil Service

This data refers to DfT Group (DfTc, agencies and other delivery bodies).

DfT follow the Cabinet Office performance management framework. Performance outcomes are assessed against Cabinet Office determined core objectives and minimum standards, and calibrated against SCS peers in-year to determine placement in allocation to a performance group, to which non-consolidated variable pay is linked. There are four performance groups:

1. Exceeding
2. High Performing
3. Achieving
4. Partially Met

To be allocated to the exceeding performance group, an individual must have met the minimum standards and performed above and beyond their agreed stretching objectives, as well as evidenced exemplary behaviours throughout the performance year.

Number of Senior Civil Service staff by band

This data refers to DfTc and Executive Agencies.

The number of SCS employed by DfT, including its executive agencies (DVLA, MCA, DVSA, VCA and ATE), as at 31 March 2026, is disaggregated in Table 18.

Table 18: Number of SCS within DfTc and its agencies by salary range.

31 March 2026	Distribution of senior civil service salaries within DfT
Salary Range¹	Staff numbers²
£81,000-£84,999	28
£85,000 - £89,999	92
£90,000 - £94,999	34
£95,000 - £99,999	10
£100,000 - £104,999	11
£105,000 - £109,999	9
£110,000 - £114,999	24
£115,000 - £119,999	12
£120,000 - £124,999	2
£125,000 - £129,999	3
£130,000 - £134,999	4
£135,000 - £139,999	2
£140,000 - £144,999	2
£145,000 - £149,999	5
£150,000 - £154,999	1
£155,000 - £159,999	2
£160,000 - £164,999	1
£165,000 - £169,999	0
£170,000 - £174,999	1
£175,000 - £179,999	1
£180,000 - £184,999	0
£185,000 - £189,999	0
£190,000 - £194,999	0
£260,000 - £264,999	1
Total SCS Numbers	245

(1) The minimum annual salary for SCS is £81,000.

(2) Staff numbers are actual, not full-time equivalents, so a part-time member of staff counts as 1.

(2) The senior civil servant reported within the highest salary band does not hold a Director-level position within the Department.

Pay and Performance Committee (DfTc)

Table 19: Pay and Performance Committee members

Bernadette Kelly (left on 13 June 2025)	Permanent Secretary, Department for Transport
Jo Shanmugalingam CB	Permanent Secretary, Department for Transport
Alan Over (left on 2 February 2026)	Director General, Major Rail Projects Group
Nick Joyce	Director General, Corporate Delivery Group
Emma Ward (left on 31 October 2025)	Director General, Road, Transport Group
Conrad Bailey	Director General, Public Transport and Local Group
Marianthi Leontaridi (left on 3 November 2025)	Director General Aviation, Maritime and Security Group
Alex Hynes (left on 23 December 2025)	Director General, Rail Strategy Group (Membership from 1 April 2024)
Richard Goodman	Director General, Rail Reform Strategy Group (Membership from 10 March 2025)
James Norton	Director, Group Human Resources
David Silk (from 3 November 2025 to 31 March 2026)	Interim Director General, Aviation, Maritime and Security Group
Ross Gribbin (from 10 December 2025)	Director General, Decarbonisation, Technology and Strategy Group
Antonia Williams (from 1 January 2026)	Director General, Road Transport Group
Dean Creamer (from 12 January 2026)	Director General, Major Rail Projects Group
Ashley Ibbett (from 16 March 2026)	Director General, Aviation, Maritime and Security Group

The remit of Pay & Performance Committee includes making pay, performance, talent and development decisions for Directors (SCS2) and Deputy Directors (SCS1). The permanent secretaries, in consultation with the Group HR Director, decide on pay and talent for directors general (SCS3).

Fair Pay Disclosures (audited information)

This data refers to DfTc and Executive Agencies.

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the lower quartile, median and upper quartile remuneration of the organisation's workforce.

Table 20: Percentage change in salary and bonuses for the highest paid Director and the staff average for 2025-26.

	Salary and allowances	Bonus payments
Staff average	2.9%	2.3%
Highest paid director	-11.5%	3.3%

Table 21: Ratio between the highest paid directors' total remuneration and the lower quartile, median and upper quartile for staff pay.

	2025-26	2024-25
Band of highest paid director's total remuneration (£000)	185-190	205-210
Median remuneration (£)	32,822	31,976
Ratio	5.7	6.5
25th percentile remuneration (£)	27,932	26,392
Ratio	6.7	7.9
75th percentile remuneration (£)	46,341	45,619
Ratio	4.0	4.5

Table 22: Lower quartile, median and upper quartile for staff pay for salaries and total pay and benefits.

	Lower quartile		Median		Upper quartile	
	2025-26	2024-25	2025-26	2024-25	2025-26	2024-25
Salary	26,607	25,159	31,597	31,249	45,143	44,062
Total Pay and Benefits	27,932	26,392	32,822	31,976	46,341	45,619

The above statistics for 2025-26 were calculated using individual-level data from DfT's Annual Civil Service Employment Survey (ACSES) returns. All staff in post (on full or reduced pay) on 31 March 2026 are included from DfTc, ATE, DVLA, DVSA, MCA and VCA. Their salaries are full-time equivalent on an annualised basis.

Total remuneration includes this salary, non-consolidated performance-related pay for the financial year, and allowances. It does not include severance payments, employer pension contributions, or the cash equivalent transfer value of pensions.

The ratios are calculated by taking the mid-point of the banded remuneration of the highest paid executive board member and calculating the ratio between this and the lower quartile, median, and upper quartile remuneration of DfT's staff.

Pay ratio differences can vary by quartile and by year. These are calculated against pay award increases that are paid annually to all eligible staff and non-consolidated performance-related payments which vary, both in terms of the value the award and the number of staff awarded.

The banded remuneration of the highest paid executive board member in DfT in the financial year 2025-26 was £185,000-£190,000. This compares with £205,000-£210,000 for 2024-25.

This was:

- 6.7 times the lower quartile remuneration of the workforce (£27,932);
- 5.7 times the median remuneration of the workforce (£32,822); and
- 4.0 times the upper quartile remuneration of the workforce (£46,341).

These figures are similar to those from 2024-25, but slightly lower, reflecting that the highest paid executive board member received less this financial year.

In 2025-26, as in 2024-25, one employee received higher remuneration than the highest paid executive board member. Remuneration ranged from £24,349 to £268,450, compared with a range of £23,310 to £273,000 for the previous financial year.

Pension arrangements

This data refers to DfT Group (DfTc, agencies and other delivery bodies).

Employees of entities included in these accounts benefit from a range of pension scheme arrangements. Some are members of employee-specific defined benefit schemes, set out in Note 24 to the Financial Statements. Others may be members of the Principal Civil Service Pension Scheme (PCSPS), or of defined contribution arrangements. The key schemes and associated costs for DfT group are disclosed below.

The PCSPS is an unfunded multi-employer defined benefit scheme, but DfT is unable to identify its share of the underlying liabilities. A full actuarial valuation was carried out in 2020. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation Annual Report and Accounts.

For 2025-26, employers' contributions of £168.96 million were payable to the PCSPS (2024-25: £160.96 million) at the rate of 28.97% of pensionable pay, based on salary bands. The Scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2025-26 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account (a stakeholder pension with an employer contribution). For 2025-26, employers' contributions of £1.21 million (2024-25: £1.31million) were paid to Legal and General. Employer contributions are age-related and range from 8% to 17.75% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay.

In addition, employer contributions of £41,280.52 0.5% (2024-25: £ 43,978 0.5%) of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. DfTc and its executive agencies neither owed or had prepaid any contributions to partnership pension providers as at 31 March 2025 and 2026.

There were 15 early retirements as a result of ill-health (2024-25:18).

Network Rail

Network Rail has two defined benefit pension schemes. The RPS and CARE schemes are both shared cost in nature, so the cost of benefits being earned and the cost of funding any shortfall in the schemes are normally split in the proportion 60:40 between the group and the members. In practice, the contributions are adjusted at each triennial valuation to reflect the funding position of the schemes at that time. For 2025-26, the current service cost was £145 million (2024-25: £187 million).

On 1 April 2004, a defined contribution pension scheme was introduced, the Network Rail Defined Contribution Pension Scheme (NRDCPS). This is an auto-enrolment scheme for all new employees of Network Rail, except those who have the legal right to join the Railway Pension Scheme (RPS), in compliance with regulations made under the Pensions Act 2008. Any employee who wishes to transfer from the Network Rail Section of the RPS to the NRDCPS is entitled to do so. For 2025 to 2026 employers' contributions of £27 million were payable into this scheme (2024 to 2025: £24 million).

National Highways

As an employer we offer employees access to the National Highways Personal Pension Plan, The Principal Civil Service Pension Scheme and the Mercer Defined Benefit Master Trust. These are described in more detail below including the eligibility criteria applied.

Employees who joined the company with effect from 1 April 2015 are eligible to participate in the National Highways Personal Pension Plan. The pension scheme is a defined contribution group personal pension plan provided by Legal and General Ltd and came into effect on 1 April 2015. In March 2026 the plan had 5305 active members, and the default contributions are 5% (employee) and 10% (employer). In addition, life insurance cover is provided for members of the plan at an average cost of 0.4% of gross salary.

As this is a defined contribution scheme, our company incurs no liability for future pension costs of members of the pension plan. For the year to 31 March 2026, employers' contributions of £37.6m (2024-25 £35.6m) were payable to the plan.

The Principal Civil Service Pension Scheme

Employees who joined under a compulsory transfer from the Highways Agency on 30 September 2015 remain eligible to participate in the Principal Civil Service Pension Scheme. There are 1632 employees participating in the Alpha scheme as of March 2026.

Pension liabilities do not rest with the company, and this is an unfunded public sector pension scheme, operated under the cost control mechanism as outlined in Section 12 of the Public Service Pension Act 2013. The next Scheme Valuation is scheduled for March 2024, with contribution adjustments expected in 2027.

For the year to 31 March 2026, employers' contributions of £22.3 m million (2024-25 £22.7 million) were payable to the Principal Civil Service Pension Scheme at a flat rate of 28.97%.

Our people can choose to switch to a Partnership Pension Account. This is a defined contribution scheme operated by Legal and General, the Scheme Manager (Cabinet Office) appointed single provider. Employer contributions are age-related and range from [8% to 14.75%]. The company also matches employee contributions up to [3%] of pensionable pay. Contributions due to the Partnership Pension Account as at 31 March 2026 were £0.18 million (2024-25: £0.18 million*). In addition, employer contributions of [£0.002] million (2024-25 £0.005 million), [0.5%] of pensionable pay, were payable to the Principal Civil Service Pension Scheme to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

*Prior year this was reported as £0.16m but the revised figure is £0.18m.

The National Highways Pension Plan

Employees who joined the company with effect from 1 April 2015 are eligible to participate in the National Highways Personal Pension Plan. The pension scheme is a defined contribution group personal pension plan provided by Legal and General Ltd and came into effect on 1 April 2015. In March 2026 the plan had 5305 active members, and the default contributions are 5% (employee) and 10% (employer). In addition, life insurance cover is provided for members of the plan at an average cost of 0.4% of gross salary.

As this is a defined contribution scheme, our company incurs no liability for future pension costs of members of the pension plan. For the year to 31 March 2026, employers' contributions of £37.6m (2024-25 £35.6m) were payable to the plan.

The Mercer Defined benefit Master Trust

The Mercer DB Scheme is managed by Mercers as the provider and is governed by a board of professional corporate trustees. We are required to meet each section's liabilities and full actuarial valuations are completed by the scheme's appointed trustees on a triennial basis.

The National Highways Company Limited Section

This section was established on 1 July 2016 to protect the defined benefit pension rights of individuals joining the company via a 'Transfer of Undertakings Regulations'. The current active membership is low at 9 members as of March 2026, and instances of new joiners are limited.

The contribution rates are based on the last actuarial valuation of the scheme as at 5 April 2022. The employer is required to pay contributions at the annual rate of 36.4%, less the member contributions which are dependent on contractual employee contribution rates agreed at the time of transfer. Employer contributions of £0.1 million were paid to this section in the year to 31 March 2026 (2024-25 £0.1 million).

The 5 April 2025 valuation has been received and is being finalised with the Trustees. The preliminary results show that the Scheme is in surplus on the technical provisions basis, with a funding level of 195%.

The National Highways (Severn Bridges) Section

This section was established when the existing Severn River Crossing Pension Fund was wound up and transferred on the 31 December 2019, when we assumed responsibility for the Severn River Crossing from Severn River Crossing Plc. The current active membership of the scheme is limited at 7 members as of March 2026; this section is made up of predominately deferred or pensioner members. The contribution rates are based on the last actuarial valuation of the scheme as at 5 April 2023.

Employer contributions are 22.7% of pensionable earnings. Employer contributions of £0.04 million were paid to this section in the period to 31 March 2026 (2024-25 £0.06 million). The last valuation also identified a funding shortfall. To address this, recovery funding was agreed upon with the trustees. The funding agreement outlines annual payments of £1,175,000 for a duration of three years starting from April 2024. Additionally, contributions covering management fees are also payable each September. A provision of £2.53 million has been accounted for to address this shortfall.

British Transport Police

British Transport Police has two defined benefit pension schemes; the British Transport Police Force Superannuation Fund ("Police Officer scheme") and the British Transport Police Shared Cost Section of the Railways Pension Scheme ("Staff scheme"). Both schemes registered pension schemes are intended to be a fully funded providing benefits on a "defined benefit" basis. For 2025-26, the current service cost for both schemes was £28.96 million (2024-25: £41.4 million).

Off Payroll Engagements

This data refers to Department for Transport Group (DfTc, agencies and other delivery bodies).

As part of the review of tax arrangements of public sector appointees published by the Chief Secretary to HMT on 23 May 2012, departments and their public bodies were asked to report on their off-payroll engagements.

Data on these appointments is set out in tables 23 to 25.

Table 23: Off-payroll engagements as at 31 March 2026, earning £245 per day or greater.

	DfTc	BTPa	DVSA	DVLA	NH	HS2 Ltd	MCA	NR	VCA	ATE	EWRCo	Total
No. of existing engagements as at 31 March 2026*	11	4	59	105	11	344	17	570	8	1	6	1,136
<i>Of which:</i>												
No. that have existed for less than one year at time of reporting	8	2	58	51	4	221	10	170	4	1	1	530
No. that have existed for between one and two years at time of reporting	1	1	1	31	4	67	6	116	2	0	4	233
No. that have existed for between two and three years at time of reporting	1	0	0	18	3	21	1	84	0	0	1	129
No. that have existed for between three and four years at time of reporting	1	0	0	5	0	17	0	70	2	0	0	95
No. that have existed for four or more years at time of reporting	0	1	0	0	0	18	0	130	0	0	0	149

Organisations with a nil return are not included in the above table

DfTc, its executive agencies, and public bodies have clearly defined governance and challenge processes in place to ensure they are compliant with the off-payroll (IR35) working rules. The Departmental Approvals Committee provides independent challenge and seeks assurance from DfTc and the Executive Agencies that: every effort is being made to reduce its reliance on off-payroll resource; that a process is in place to transfer skills from off-payroll resource to permanent staff, and that alternative resourcing options have been considered. Similar governance arrangements exist within the ALBs.

DfT undertakes a risk-based sampling exercise where a selection of engagements, which include those previously assessed as being out-of-scope, are reassessed for consistency to ensure that the status of the role has not changed, which would thus deem them to be in-scope of IR35 legislation. Table 24 shows the number of engagements that were reassessed for consistency purposes during the 2024-25 financial year.

DfT confirms that all the engagements reported in Table 23 and Table 24 where applicable have been considered using HMRC's IR35 assessment tool, apart from those in HS2 Ltd, where the default is that all roles are assessed as being in scope of the off payroll working

rules. The assessment tool is then only used when a role is identified to be out of scope, to assess its compliance against the legislation.

Table 24: All off-payroll engaged at any point between 1 April 2025 and 31 March 2026, earning £245 per day or greater.

	DfTc	BTPa	DVSA	DVLA	NH	HS2 Ltd	MCA	NR	VCA	ATE	EWRCO	Total
No. of engagements between 1 April 2025 and 31 March 2026	25	5	153	146	18	490	35	873	15	4	13	1,777
<i>Of which:</i>												
No. not subject to off-payroll legislation	17	2	153	146	18	0	35	839	14	4	13	1,241
No. assessed in scope of IR35	7	3	0	0	0	473	0	32	0	0	0	515
No. assessed as out of scope of IR35	1	0	0	0	0	17	0	2	1	0	0	21
No. of engagements reassessed for consistency / compliance purposes during the year*	0	0	0	0	0	0	0	0	0	0	0	0
No. of engagements whose IR35 status changed following reassessment	0	0	0	0	0	0	0	0	0	0	0	0

Organisations with a nil return are not included in the above table.

These figures represent the number of engagements which were reassessed during the period to ensure compliance with IR35 legislation.

Core Department (DfTc): Engagements deemed in-scope of the legislation are recruited through the public-sector resourcing framework and placed on the payroll of the department's chosen commercial framework supplier to ensure tax deductions are taken at source. Most off-payroll engagements were via umbrella companies and as a result, not subject to the IR35 legislation.

British Transport Police Authority (BTPa): British Transport Police Authority (BTPa): a robust governance process is in place to challenge and control the use of off-payroll engagements and ensure compliance. No engagements were deemed to be out of scope, as a result no sample tests were undertaken to reassess consistency and compliance

Driver and Vehicle Standards Agency (DVSA): During 2025–26, DVSA closely managed contingent labour usage, approving only essential requests for specialist skills where there was a temporary business need before seeking DfT DAC clearance. In line with HMT IR35 guidance, assurance checks continued for workers engaged through managed service arrangements, with suppliers confirming appropriate payroll arrangements or the completion of IR35 assessments. Total contingent labour engagements reduced significantly to 153 (2024–25: 337), comprising 26 directly hired workers and 127 resources supplied through managed service arrangements to support delivery under Statement of Work contracts.

Driver and Vehicle Licensing Agency (DVLA): All engagements are subject to compliance assessment prior to recruitment. During the year, the agency obtained assurance from suppliers that individuals engaged were on the payroll of entities within the supply chain, such

that PAYE and National Insurance obligations were being met. On this basis, no engagements were considered subject to the off-payroll working legislation

National Highways (NH): A robust governance process is in place to challenge and control the use of off-payroll engagements and ensure compliance. All existing off payroll engagements, outlined above, have at some point been subject to a risk-based assessment. This covered whether assurance was required around whether the individual is paying the right amount of tax; where necessary, further evidence was sought

High Speed 2 Ltd (HS2 Ltd): High Speed Two Ltd (HS2 Ltd): a central recruitment authorisation panel ensures governance and challenge for the recruitment of off-payroll workers with representation from Finance and Human Resources. A process is in place to provide independent assessment of engagements deemed out-of-scope of the IR35 legislation to ensure compliance. In the period, seventeen engagements were reassessed for consistency and compliance, and two resulted in a change to their initial status

During the period 2025-26 there has been an increase in the number of off payroll engagements to 490, up from 393 the previous year, due to the need to bring in temporary external expertise to support the Reset of the Programme

Maritime and Coastguards Agency (MCA): A process is in place to challenge the business on the use of off-payroll engagements. Hiring managers must critically consider alternative resourcing options including looking at in-house capability before off-payroll engagements are approved. All requests for, and extensions of, contingent labour and off-payroll engagements require sign off from the MCA Departmental Approvals Committee. It is the expectation of the MCA that all contingent labour is procured and placed on a payroll, be that of a recruitment agency or a specialist payroll company.

The reason for the increase in overall figures is due to a backlog of Freedom of Information and Subject Access Requests. Temporary resources were brought in to resolve and complete the backlog. In addition, there was a rescope of the Estates team and Estates project Managers were brought in while permanent recruitment campaigns were run.

Network Rail (NR): Robust processes and procedures have been established to evaluate off-payroll engagements in accordance with IR35 legislation. Sample reviews of determinations are carried out throughout the year to ensure ongoing adherence to the Off-Payroll policy.

During this year NR continue to work to deliver the CP7 strategy with a focus on delivering a simpler, better, greener railway and improving performance, while developing the strategy for GBR. NR continues to monitor budgets closely and actively to ensure resources are managed efficiently and effectively to align with the CP7 strategy and the implementation of GBR.

Vehicle Certification Agency (VCA): A process is in place to assess compliance with the IR35 legislation. Majority of engagements were not subject to IR35 legislation.

After a review of the IR35 process contractors hired via recruitment agencies were included in the figures which caused the increase to overall figures

Active Travel England (ATE): A process is in place to assess compliance with the IR35 legislation. All engagements are reviewed internally by corporate services to ensure consistency and compliance. ATE has engaged contingent labour to fill short-term specialist

skill gaps around project management and digital and data, which have supported the delivery of key projects

East West Rail Company Limited (EWRco): A process is in place to manage compliance and recruitment of off-payroll engagements. None of the engagements that were recognized as being ‘off payroll’ workers from the outset were subject to IR35 legislation.

Table 25: Off-payroll engagements of board members, and / or, senior officials with significant financial responsibility, between 1 April 2025 and 31 March 2026.

	DfTc	BTPa	DVSA	DVLA	NH	HS2 Ltd	MCA	NLB	NR	TF	THLS	VCA	ATE	EWRco	Total
No. of off-payroll engagements of board members, and / or, senior officials with significant financial responsibility, during the financial year	1	0	0	0	0	3	0	0	0	0	0	0	0	0	4
Total no. of individuals that have been deemed ‘board members, and / or, senior officials with significant financial responsibility’, during the financial year. This figure includes both on payroll and off-payroll engagements	35	11	6	12	11	41	8	3	19	1	5	5	1	16	174

Details of the exceptional circumstances that led to the above off-payroll engagements with significant financial responsibility (SFR), and the duration of the engagement is as follows:

There were three HS2 off payroll workers with SFR in 2025-26. An interim Chief Financial Officer has been appointed to cover the CFO role which was vacated in early April. HS2 received CST approval on 5 January for a permanent replacement, and the formal recruitment is underway.

An interim Chief Programme Officer was appointed on 1 April 2025, with line management accountability for Systems Delivery and Programme Controls as HS2 moves into stage 4a of the Reset, this interim role has been granted SFR by the HS2 AO from 19 January 2026 for an initial period of six months.

The third role holding SFR during 2025-26 was the interim General Counsel who was appointed in mid-December on a temporary basis to replace the outgoing General Counsel. A permanent member of staff for role is now in place.

Consultancy and temporary staff costs

This data refers to DfT Group (DfTc, agencies and other delivery bodies).

During 2025-26, DfTc, executive agencies and delivery bodies employed a number of consultancy and temporary staff.

Consultancy is the provision of objective advice relating to strategy, structure, management or operations of an organisation in pursuit of its purposes and objectives. Such advice is provided outside the ‘business-as-usual’ environment when inhouse skills are not available and will be time-limited. Consultancy may include the identification of options with recommendations, or assistance with (but not the delivery of) the implementation of solutions.

Consultancy costs are incurred primarily on specialist transport-related activities across the Group, notably in Network Rail, High Speed 2 and DfTc.

Temporary staff costs are incurred when staff are brought in to supplement the existing workforce, this could be due to a surge in demand, to address a short-term resourcing need or in a temporary capacity for specialist skills.

Temporary staff costs are incurred primarily in major infrastructure programme across the Group, notably in Network Rail and High Speed 2 and continue to be the most significant driver of these costs.

Table 26: Consultancy and temporary staff costs

	Consultancy	Temporary staff	Total
Network Rail	57,861,079	87,623,038	145,484,117
High Speed 2	77,807,682	11,052,887	88,860,569
DfTc	42,081,686	1,848,355	43,930,041
National Highways	6,489,375	2,221,040	8,710,415
East West Rail	4,250,318	3,263,299	7,513,617
MCA	915,257	3,570,409	4,485,666
DVSA	1,209,041	2,886,771	4,095,812
VCA	0	1,486,158	1,486,158
DVLA	162,501	1,103,195	1,265,696
BTP	306,684	792,419	1,099,103
Northern Lighthouse Board	0	541,080	541,080
Transport Focus	0	447,588	447,588
ATE	98,512	297,782	396,294
Trinity House	0	356,778	356,778
Commission for Irish Lights	0	97,359	97,359
Air Safety Support International	3,398	0	3,398
Air Travel Trust Fund	0	0	0
LCR Finance Company	0	0	0
CTRL Finance Company	0	0	0
Trainfleet	0	0	0
DfT Total	191,185,533	117,588,158	308,773,691

Exit Packages (audited information)

Table 27: DfTc and Agencies (audited information).

Exit package cost band	2025-26 Compulsory redundancies	2024-25 Compulsory redundancies	2025-26 Other departures agreed	2024-25 Other departures agreed	2025-26 Total Exits	2024-25 Total Exits
<£10,000	2	1	42	70	44	71
£10,000–£25,000	2	1	50	14	52	15
£25,000–£50,000			75	11	75	11
£50,000–£100,000			187	8	187	8
£100,000–£150,000			4		4	
£150,000–200,000						
>£200,000						
Total number of exit packages	4	2	358	103	362	105
Total Cost (£)	40,414.06	21,571.28	19,404,093.68	1,442,987.44	19,444,507.74	1,464,588.72

Table 28: Whole Department Group (audited information).

Exit package cost band	2025-26 Compulsory redundancies	2024-25 Compulsory redundancies	2025-26 Other departures agreed	2024-25 Other departures agreed	2025-26 Total Exits	2024-25 Total Exits
<£10,000	138	69	88	201	226	270
£10,000–£25,000	89	84	65	83	154	167
£25,000–£50,000	197	206	97	144	294	350
£50,000–£100,000	83	34	241	288	324	322
£100,000–£150,000	17	2	15	56	32	58
£150,000–200,000	8		3	15	11	15
>£200,000	2	1		1	2	2
Total number of exit packages	534	396	509	788	1,043	1,184
Total Cost (£)	18,262,628.27	11,730,733.50	26,240,798.18	37,515,810.40	44,503,426.45	49,246,583.90

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972 (with the exception of Network Rail, which is not governed by Cabinet Office controls and runs separate exit schemes). Exit costs are accounted for in full in the year of departure. Where DfT has agreed early retirements, the additional costs are met by DfT and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

In line with the Constitutional Reform and Governance Act 2010 and the Model Contract for Special Advisers, a special adviser's appointment automatically ends when their appointing minister leaves office. Special advisers are not entitled to a notice period but receive contractual termination benefits to compensate for this. Termination benefits are based on length of service and capped at six months' salary. If a special adviser returns to work for HM Government following the receipt of a severance payment, the payment is required to be repaid, less a deduction in lieu of wages for the period until their return. Termination costs for special advisers are reported in the Cabinet Office Annual Report and Accounts.

Sickness Absence

Overall Average Working Days Lost (AWDL) per staff year in DfTc and its Executive Agencies was 9.5 days in the year ending 2026. This is up from 9.1 during the same period last year. Of these average working days lost (AWDL) 6.1 days per staff year were lost to long term sickness, this is an increase on the same period last year, where this value was 5.7.

Mental ill health remains the largest long term absence type. This is reflected at DfTc and its Executive Agencies with 3.4 days per staff year lost, a slight increase from the same period last year, where this value was 2.9.

All absence is reviewed to ensure that support is offered and occupational health reports, action plans and interventions are progressed as appropriate. DfT is focused on improving wellbeing and supporting mental health. The organisation recently extended a contract with a new Employee Assistance Programme (EAP) provider, PAM assist: DfT has 53 trained Mental Health First Aiders (MHFA) across DfTc. The workplace adjustments (WPA) team has a fluid process in place to ensure WPA referrals are documented and trackable from day 1. The WPA team consistently promote the use of the workplace adjustment passport, to allow all WPA recommendations for DSE and neurodiverse adjustments to be recorded and for individuals to have regular reviews with Line Managers to discuss any ongoing WPA needs. The WPA team is also working closely with our Occupational Health provide to ensure a high standard of service for users.

Statement of Outturn against Parliamentary Supply

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FReM) requires the Department to prepare a Statement of Outturn against Parliamentary Supply (SOPS) and supporting notes.

The SOPS and related notes are subject to audit, as detailed in the Certificate and Report of the Comptroller and Auditor General to the House of Commons.

The SOPS is a key accountability statement that shows, in detail, how an entity has spent against their Supply Estimate. Supply is the monetary provision (for resource and capital purposes) and cash (drawn primarily from the Consolidated Fund) that Parliament gives statutory authority for entities to utilise. The Estimate details Supply and is voted on by Parliament at the start of the financial year.

Should an entity exceed the limits set by their Supply Estimate, called control limits, their accounts will receive a qualified opinion.

The format of the SOPS mirrors the Supply Estimates, published on gov.uk, to enable comparability between what Parliament approves and the final outturn.

The SOPS contain a summary table, detailing performance against the control limits that Parliament have voted on, cash spent (budgets are compiled on an accruals basis and so outturn will not exactly agree to cash spent) and administration.

The supporting notes detail the following:

- Outturn by Estimate line, providing a more detailed breakdown ([note 1](#)).
- A reconciliation of outturn to net operating expenditure in the Statement of Comprehensive Net Expenditure, to tie the SOPS to the financial statements ([note 2](#)).
- A reconciliation of outturn to net cash requirement ([note 3](#)). and
- An analysis of income payable to the Consolidated Fund ([note 4](#)).

The SOPS and Estimates are compiled against the budgeting framework, which is similar to, but different from, IFRS. An understanding of the budgeting framework and an explanation of key terms is provided in the Financial Overview from page 17. Further information on the Public Spending Framework and the reasons why budgeting rules are different from IFRS can also be found in chapter 1 of the Consolidated Budgeting Guidance, available on gov.uk. A glossary of these financial terms can also be found in [Annex A](#).

In SOPS 1, spending is split into Departmental Expenditure Limits (DEL) and Annually Managed Expenditure (AME), and within those categories spending is further split between resource and capital. These spending categories include: cash expenditure for transactions that require the transfer of money; and non-cash expenditure relating to changes in the valuation of assets (depreciation, pensions etc.).

AME includes areas of spending that HMT deems unpredictable, difficult to control and of a size that departments would have difficulty managing within DEL budgets.

DEL is usually set for the term of the Spending Review, whereas AME is forecast on a yearly basis. Departments are set annual budgets split between resource/capital and DEL/AME.

Non-voted outturn represents expenditure which has Parliamentary authority independent of the Supply and Appropriation Act; however as required by the Supply Estimates Manual, this expenditure is included within each overall control total in the Statement of Outturn Against Parliamentary Supply.

As required by the 2025-26 FReM, the SOPS is presented in £000s. The financial statements are presented in £m.

Summary of Resource and Capital Outturn 2025-26

		2025-26										2024-25	
Type of spend		SoPS note	Outturn						Outturn vs. Estimate saving/ (excess)		Outturn vs. Estimate saving/ (excess)		Prior Year Outturn Total
			Voted £'000	Non-Voted £'000	Total £'000	Voted £'000	Non-Voted £'000	Total £'000	Total £'000	Total £'000			
Departmental Expenditure Limit (DEL)													
Resource	1.1		18,704,932	26,492	18,731,424	19,979,208	19,562	19,998,770	1,274,276	1,267,346		18,728,096	
Capital	1.2		21,340,069	19,002	21,359,071	21,639,151	–	21,639,151	299,082	280,080		20,523,256	
Total			40,045,001	45,494	40,090,495	41,618,359	19,562	41,637,921	1,573,358	1,547,426		39,251,352	
Annually Managed Expenditure (AME)													
Resource	1.1		1,938,535	(15)	1,938,520	3,701,317	(54)	3,701,263	1,762,782	1,762,743		2,131,201	
Capital	1.2		(151,311)	–	(151,311)	148,597	–	148,597	299,908	299,908		(91,963)	
Total			1,787,224	(15)	1,787,209	3,849,914	(54)	3,849,860	2,062,690	2,062,651		2,039,238	
Total Budget													
Resource	1.1		20,643,467	26,477	20,669,944	23,680,525	19,508	23,700,033	3,037,058	3,030,089		20,859,297	
Capital	1.2		21,188,758	19,002	21,207,760	21,787,748	–	21,787,748	598,990	579,988		20,431,293	
Total Budget Expenditure			41,832,225	45,479	41,877,704	45,468,273	19,508	45,487,781	3,636,048	3,610,077		41,290,590	

Figures in the columns labelled 'Voted' cover the control limits voted by Parliament. Further information about the Supply process control limits voted by Parliament can be found in The Estimates Manual¹⁵.

¹⁵ <https://www.gov.uk/government/publications/supply-estimates-guidance-manual>

Detailed explanations of significant variances between Estimate and Net Resource Outturn and are shown after SOPS Note 1.2

Net Cash Requirement

The Net Cash Requirement is the limit voted by Parliament reflecting the maximum amount of cash that can be released from the Consolidated Fund to the Department in support of expenditure in its Estimate.

		2025-26	2024-25
	Note	£'000	£'000
Estimate		34,671,407	33,757,204
Outturn	SOPS 3	30,246,873	30,140,645
Under/(over) spend against Estimate		4,424,534	3,616,559

Administration Costs

The Administration Budget is a HMT control on resources consumed by the Department and forms part of the Departmental Expenditure Limit (DEL). The administration budget is not a separate voted limit, but any breach of this limit will also result in an Excess Vote. Administration costs include items not directly associated with frontline service delivery.

		2025-26	2024-25
	Note	£'000	£'000
Estimate		382,013	380,406
Outturn	SOPS 1.1	369,115	370,018
Under/(over) spend against Estimate		12,898	10,388

The SOPS Notes on pages 158 to 166 form part of these financial statements.

The total Estimate columns include virements. Virements are the reallocation of provision in the Estimates that do not require Parliamentary authority (because Parliament does not vote to that level of detail and delegates this power to HMT). In accordance with HMT's Supply Estimates manual para 2.67, virements apply to voted provision only; however, if a department wishes to increase spending on a non-voted section by making savings in another section of the same part of the budget, it can do so without the need for changes to the Estimate. Further information on virements can be found in The Estimates Manual, available on Gov.uk¹⁶.

The 'Outturn vs Estimate' column is based on the total including virements. The Estimate total before virements have been made is included so that users can tie the Estimate back to the Estimates laid before Parliament.

¹⁶ <https://www.gov.uk/government/publications/supply-estimates-guidance-manual>

Notes to the statement of outturn against parliamentary supply

SOPS 1. Outturn detail, by Estimate Line

SOPS 1.1 Analysis of net resource outturn by Estimate line

	Administration			Outturn Programme			Estimate		Virements		Total inc. virements		2025-26		2024-25	
	Gross	Income	Net	Gross	Income	Net	Net Total		Net Total		Net Total		Net Total		Net Total	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Spending in Departmental Expenditure Limit (DEL):																
Voted:																
A: Tolerated Crossings	–	–	–	92,559	(189,198)	(96,639)	(146,763)		50,124		(96,639)		–		(94,981)	
B: Local Authority Transport	–	–	–	411,358	–	411,358	400,675		10,683		411,358		–		329,902	
C: National Highways (net)	44,091	–	44,091	3,259,636	–	3,259,636	3,809,424		–		3,809,424		505,697		3,284,951	
D: Funding of other ALBs (net)	1,276	–	1,276	(20,947)	–	(20,947)	(59,480)		39,809		(19,671)		–		(60,920)	
E: Other Railways	–	–	–	517,415	(431,837)	85,578	102,812		–		102,812		17,234		86,014	
F: Sustainable Travel	–	–	–	73,416	(5,541)	67,875	153,494		–		153,494		85,619		156,916	
G: Bus Subsidies & Concessionary Fares	–	–	–	815,807	(5,363)	810,444	787,687		22,757		810,444		–		1,067,930	
H: GLA Transport Grants	–	–	–	158	–	158	453		–		453		295		1,035	
I: Crossrail	–	–	–	1,596	(37,447)	(35,851)	(37,447)		1,596		(35,851)		–		(36,793)	
J: Aviation, Maritime, Security and Safety	–	–	–	193,400	(61,016)	132,384	129,197		3,187		132,384		–		90,964	
K: Maritime and Coastguard Agency	9,340	(427)	8,913	465,769	(17,489)	448,280	443,215		13,978		457,193		–		434,525	
L: Motoring Agencies	–	–	–	1,260,280	(1,141,298)	118,982	174,564		–		174,564		55,582		78,988	
M: Science, Research and Support Functions	–	–	–	27,109	(713)	26,396	32,362		–		32,362		5,966		27,378	
N: Central Administration	334,731	(21,887)	312,844	62,708	(38,198)	24,510	424,137		(74,426)		349,711		12,357		315,202	
O: Support For Passenger Rail Services	–	–	–	2,159,209	–	2,159,209	2,107,439		51,770		2,159,209		–		2,437,487	
P: High Speed Rail	–	–	–	51,919	(28,115)	23,804	39,464		–		39,464		15,660		80,072	
Q: Transport Development Fund	–	–	–	58,967	–	58,967	20,777		38,190		58,967		–		85,736	
R: High Speed Two Limited (net)	1,793	–	1,793	48,552	–	48,552	50,394		–		50,394		49		67,120	

												2025-26		2024-25				
	Administration				Outturn Programme				Outturn		Estimate		Virements		Total inc. virements		Outturn vs. Estimate, saving / (excess)	
	Gross	Income	Net		Gross	Income	Net		Net Total		Net Total		Net Total		Net Total		Net Total	
	£'000	£'000	£'000		£'000	£'000	£'000		£'000		£'000		£'000		£'000		£'000	
S: East West Rail Company Limited (net)	177	-	177		191,111	(319)	190,792		190,969		2,767		190,969		-		125,672	
T: Network Rail (net)	-	-	-		10,622,350	-	10,622,350		10,622,350		(160,435)		11,198,167		575,817		10,231,379	
Total Spending in Voted Resource DEL	391,408	(22,314)	369,094		20,292,372	(1,956,534)	18,335,838		18,704,932		-		19,979,208		1,274,276		18,708,577	
Non-Voted:																		
U: Funding of ALBs (net)	21	-	21		26,471	-	26,471		26,492		-		19,562		(6,930)		19,519	
Total Spending in Resource DEL	391,429	(22,314)	369,115		20,318,843	(1,956,534)	18,362,309		18,731,424		-		19,998,770		1,267,346		18,728,096	
Spending in Annually Managed Expenditure (AME):																		
Voted:																		
V: National Highways (net)	-	-	-		39,504	-	39,504		39,504		(2,702)		47,298		7,794		197	
W: Network Rail (net)	-	-	-		1,661,299	-	1,661,299		1,661,299		(3,144)		3,237,509		1,576,210		1,910,634	
X: Funding of other ALBs (net)	-	-	-		(5,421)	-	(5,421)		(5,421)		-		111,800		117,221		18,156	
Y: Other Railways	-	-	-		431,658	(221,179)	210,479		210,479		3,144		210,479		-		181,871	
Z: Aviation, Maritime, Security and Safety	-	-	-		-	(474)	(474)		(474)		59		(474)		-		(592)	
AA: Maritime and Coastguard Agency	-	-	-		657	-	657		657		(59)		941		284		(299)	
AB: Motoring Agencies	-	-	-		2,456	-	2,456		2,456		2,702		2,456		-		7,363	
AC: Central Administration	-	-	-		33,587	-	33,587		33,587		-		90,391		56,804		22,278	
AD: High Speed Rail	-	-	-		-	-	-		-		-		-		-		-	
AE: High Speed Two Limited (net)	-	-	-		(2,485)	-	(2,485)		(2,485)		-		717		3,202		3,155	
AF: East West Rail Company Limited (net)	-	-	-		(1,067)	-	(1,067)		(1,067)		-		200		1,267		(465)	
Total Spending in Voted AME	-	-	-		2,160,188	(221,653)	1,938,535		1,938,535		-		3,701,317		1,762,782		2,142,298	
Non-Voted:																		
AG: Funding of ALBs (net)	-	-	-		(15)	-	(15)		(15)		-		(54)		(39)		(11,097)	
Total Spending in Resource AME	-	-	-		2,160,173	(221,653)	1,938,520		1,938,520		-		3,701,263		1,762,743		2,131,201	
Total Spending in Resource Outturn	391,429	(22,314)	369,115		22,479,016	(2,178,187)	20,300,829		20,669,944		-		23,700,033		3,030,089		20,859,297	

SOPS 1.2 Analysis of net capital outturn by Estimate line

				2025-26		2024-25	
	Outturn			Estimate		Outturn vs. Estimate, saving/ (excess) £'000	
	Gross £'000	Income £'000	Net total £'000	Total £'000	Virements £'000		Total inc. virements £'000
Spending in Departmental Expenditure Limit (DEL):							
Voted:							
A: Talled Crossings	2	-	2	-	2	-	
B: Local Authority Transport	2,475,916	-	2,475,916	2,428,619	47,297	-	
C: National Highways (net)	3,287,143	-	3,287,143	3,282,500	4,643	-	
D: Funding of other ALBs (net)	18,048	-	18,048	20,500	-	2,452	
E: Other Railways	97,635	-	97,635	112,268	-	14,633	
F: Sustainable Travel	682,267	-	682,267	817,435	(81,801)	53,367	
G: Bus Subsidies & Concessionary Fares	333,298	-	333,298	288,525	44,773	-	
H: GLA Transport Grants	485,012	-	485,012	485,012	-	-	
I: Crossrail	-	(209,000)	(209,000)	(209,000)	-	-	
J: Aviation, Maritime, Security and Safety	103,931	-	103,931	150,901	-	46,970	
K: Maritime and Coastguard Agency	103,052	-	103,052	115,858	-	12,806	
L: Motoring Agencies	55,505	(3,605)	51,900	76,395	-	24,495	
M: Science, Research and Support Functions	14,795	(1,313)	13,482	15,950	-	2,468	
N: Central Administration	17,079	-	17,079	17,370	-	291	
O: Support For Passenger Rail Services (net)	114,748	-	114,748	137,039	(22,291)	-	
P: High Speed Rail	207,896	-	207,896	201,352	6,544	-	
Q: Transport Development Fund	1,060,561	-	1,060,561	1,060,561	-	-	
R: High Speed Two Limited (net)	6,778,484	-	6,778,484	6,816,025	-	37,541	
S: East West Rail Company Limited (net)	3,671	-	3,671	2,838	833	-	
T: Network Rail (net)	5,714,944	-	5,714,944	5,819,003	-	104,059	
Total Spending in Voted DEL	21,553,987	(213,918)	21,340,069	21,639,151	-	299,082	
Non-Voted:							
U: Funding of ALBs (net)	19,002	-	19,002	-	-	(19,002)	
Total Spending in Resource DEL	21,572,989	(213,918)	21,359,071	21,639,151	-	280,080	
						397	
						20,523,256	

					2025-26		2024-25
Spending in Annually Managed Expenditure (AME):	Outturn			Estimate		Outturn vs. Estimate, saving/ (excess) £'000	Outturn £'000
	Gross £'000	Income £'000	Net total £'000	Total £'000	Virements £'000		
Voted:							
V: National Highways (net)	(50,379)	–	(50,379)	70,228	–	120,607	85,167
W: Network Rail (net)	–	–	–	–	–	–	–
X: Funding of other ALBs (net)	–	–	–	1,000	–	1,000	–
Y: Other Railways	–	(16)	(16)	–	–	16	(15)
Z: Aviation, Maritime, Security and Safety	–	(23,452)	(23,452)	(23,333)	–	119	(11,667)
AD: High Speed Rail	(93,083)	–	(93,083)	86,212	(4,774)	174,521	(171,265)
AE: High Speed Two Limited (net)	10,914	–	10,914	6,140	4,774	–	5,817
AF: East West Rail Company Limited (net)	4,705	–	4,705	8,350	–	3,645	–
Total Spending in Voted AME				148,597	–	299,908	(91,963)
Total Spending in Capital AME				148,597	–	299,908	(91,963)
Total Spending in DEL & AME (Budget)				21,787,748	–	579,988	20,431,293

Variances

The Department estimates the costs for each budget type and monitors these throughout the year. Final budgets for the year are authorised through the Supplementary Estimate. Significant variances between Outturn and Estimates before virements are set out in the table below.

Expenditure Line	Outturn	Estimate	Variance (over)/ under	Explanation of variance
	£'000	£'000	£'000	
Resource DEL				
National Highways	3,303,727	3,809,424	505,697	Depreciation of the Strategic Road Network is based on year-end condition assessment under Depreciated Replacement Cost valuation rules: this assessment produced a lower depreciation charge for the year than anticipated in the Estimate.
Motoring Agencies	118,982	174,564	55,582	Depreciation on assets and leases was lower than forecast in the Estimate.
Central Administration	337,354	424,137	86,783	There was a result of releasing unallocated provision the Department had in place to manage ongoing risks.
Support For Passenger Rail Services	2,159,209	2,107,439	(51,770)	Rail costs for the year were affected by the volatile prices of diesel, decreases in revenue due to freezes in fares and increase in rolling stock and maintenance costs.
Network Rail (net)	10,622,350	11,358,602	736,252	Depreciation of the Railway Network is based on Depreciated Replacement Cost valuation rules. Movements in key economic inputs including inflation, in the valuation model between the Estimate and year-end produced a reduction in forecast depreciation charge.
Resource AME				
Network Rail (net)	1,661,299	3,240,653	1,579,354	Derivative, pension and accretion costs were lower in the year than forecast in the Estimate.
Funding of other ALBs (net)	(5,421)	111,800	117,221	British Transport Police (BTP) related defined benefit pension service costs were lower compared to the Estimate.
Central Administration	33,587	90,391	56,804	Actuarially calculated non-cash pension costs were lower than allowed for in the Estimate.
Capital DEL				
Sustainable Travel	682,267	817,435	135,168	The Department underspent on a number of demand-led grant schemes, including the Electric Car Grant and Zero emission heavy goods vehicles and infrastructure (ZEHD).
High Speed Rail	5,714,944	5,819,003	104,059	This outturn reflects movements at the year-end primarily related to enhancements projects and accounting treatment of leases.
Capital AME				
National Highways	(50,379)	70,228	120,607	This outturn reflects the release in accruals due to projects being further along in construction than expected against the Estimate.
High Speed Rail	(93,083)	86,212	179,295	This outturn reflects the net position between uptake of new provisions and utilisation of existing provisions. Utilisation of provisions creates a credit in CAME; this exceeded the uptake of new provisions anticipated in the Estimate.

SOPS 2. Reconciliation of outturn to net operating expenditure

As noted in the introduction to the SOPS above, outturn and the Estimates are compiled against the budgeting framework, which is similar to, but different from, IFRS. Therefore, this reconciliation bridges the gap between the resource outturn and net operating expenditure, linking the SOPS to the financial statements.

		2025-26	2024-25
	Note	£'000	£'000
Total resource outturn in Statement of Parliamentary Supply	SOPS 1.1	20,669,944	20,859,297
Add: Capital grants	3.3	5,146,866	3,832,386
Research and development	3.2	95,053	220,577
Research and development grants	3.3	14,999	21,370
EU Grants	3.3	–	66
Capital subsidies for Rail Operators		110,340	98,996
Share of (profit)/loss of investments measured using equity accounting	4	(85,534)	(17,201)
less: Capital income		(498,149)	(705,483)
Non-budget CFER income		(160,582)	(170,459)
Other adjustments		–	(16,526)
Net Operating Expenditure in Statement of Comprehensive Net Expenditure		25,292,937	24,123,023

Capital Grants, Research and development and EU Capital Grants are budgeted for as Capital DEL but accounted for as expenditure in the SOCNE, and therefore function as a reconciling item between Resource and Net Operating Expenditure.

Capital Income is budgeted for as Capital DEL but accounted for as income in the SOCNE, and therefore functions as a reconciling item between Resource and Net Operating Expenditure. Network Rail received material levels of capital income: these relate to contributions from other bodies towards capital projects.

The Non-Budget CFER income of £160m in 2025-26 comprises £183m of CFERs recognised in-year (as shown on the face of the SOCTE) less £23m capital repayment of loans.

Share of profit and loss in associates is not included in budgets and has no impact on Outturn.

SOPS 3. Reconciliation of Net Resource Outturn to Net Cash Requirement

As noted in the introduction to the SOPS above, outturn and the Estimates are compiled against the budgeting framework, not on a cash basis. Therefore, this reconciliation bridges the gap between the resource and capital outturn and the net cash requirement.

		Net Outturn	Estimate	Net Outturn vs Estimate
	Note	£'000	£'000	£'000
Resource outturn	SOPS 1.1	20,669,944	23,700,033	3,030,089
Capital outturn	SOPS 1.2	21,207,760	21,787,748	579,988
Total outturn		41,877,704	45,487,781	3,610,077
<i>Accruals to cash adjustments for Core Department & Agencies</i>				
Depreciation, amortisation and impairments	3.4	(306,384)	(270,629)	35,755
Provisions (non-cash movements)	22	(109,585)	(92,171)	17,414
Other non-cash items	3, 4	19,479	(1,179)	(20,658)
<i>Adjustments to reflect movements in working capital balances in Core Department & Agencies</i>				
Increase/(decrease) in receivables	16	(83,064)	–	83,064
(Increase)/decrease in payables	18, 19	201,283	537,007	335,724
Utilisation of provisions	22	195,058	208,296	13,238
<i>Adjustments for arm's length bodies:</i>				
Remove: voted resource and capital		(31,560,142)	(34,777,021)	(3,216,879)
Add: Grant-in-Aid, grants and loans to ALBs	3.3, 11	29,491,107	23,598,831	(5,892,276)
Less: repayments from ALBs to DfT	11	(9,456,911)	–	9,456,911
<i>Removal of non-voted budget items</i>				
Remove non-voted spending		(45,479)	(19,508)	25,971
CFER income included in budgets		23,807	–	(23,807)
Net Cash Requirement		30,246,873	34,671,407	4,424,534

SOPS 4. Amounts of income to the Consolidated Fund

SOPS 4.1 Analysis of income payable to the Consolidated Fund

In addition to income retained by the Department, the following income is payable to the Consolidated Fund (cash receipts being shown in italics):

	Outturn total 2025-26		Prior year 2024-25	
	Income accrued £'000	Cash received £'000	Income accrued £'000	Cash received £'000
Operating income outside the ambit of the Estimate – Resource	160,582	<i>170,097</i>	170,459	<i>158,577</i>
Operating income outside the ambit of the Estimate – Capital	23,333	<i>23,333</i>	11,667	<i>11,667</i>
Total income payable to the Consolidated Fund	183,915	<i>193,430</i>	182,126	<i>170,244</i>

The income above includes:

- £150m of fees relating to the sale and transfer of personalised registration marks by the Driver and Vehicle Licensing Agency (2024-25: £150m). Amounts earned by DVLA above £150m are retained by the Department and are used to fund other transport activities.
- £0.4m in CFER profit on property disposals in Maritime Coastguard Agency (2024-25: £0.7m).
- £23.8m in interest and loan repayments made to the Department from the General Lighthouse Fund (2024-25: £12.3m).
- £9.3m in proceeds of enforcement action relating to the Dartford charging scheme (2024-25: £19.2m).

The cash received above includes:

- £19.2m of cash received relates to fines accrued in 2024-25 and received in cash and paid to HMT in 2025-26, in line with the accounting policies set out in Note 1.23.

SOPS 4.2 Consolidated Fund income

The Consolidated Fund income shown in SOPS 4.1 above does not include any amounts collected by the Department where it was acting as agent for the Consolidated Fund rather than as principal. The amounts collected as agent for the Consolidated Fund (which are otherwise excluded from these financial statements) were:

	2025-26	2024-25
	£'000	£'000
Licence fees, penalties and fines	807,865	454,128
Costs of collection – where deductible	(386,493)	(50,559)
Amounts payable to the Consolidated Fund	421,373	403,569
Balance held at the start of the year	79,169	21,414
Payments into the Consolidated Fund	(462,767)	(345,814)
Balance held on trust at the end of the year	37,775	79,169

The amount payable to the Consolidated Fund (net income) above includes:

- £349m levied on fuel producers (net of impairment due to insolvency proceedings for two fuel producers) for buy-out of their sustainable fuel certificates under the Renewable Transport Fuel Obligation¹⁷ (2024-25: £333m);
- £1m of civil penalties for vehicle manufacturers that failed to hit their emission targets collected by the Department (2024-25: £nil);
- £67m of late licensing penalties and enforcement activities (net of cost of collection) relating to the Vehicle Excise Duty collected by the DVLA (2024-25: £65m); and
- £5m of graduated fixed penalties and deposits income in DVSA (2024-25: £5m).

In addition to the values above, the DVLA collects Vehicle Excise Duty and pays it directly to the Consolidated Fund. The Vehicle Excise Duty income collected by DVLA was £9.0bn in 2025-26 (2024-25: £8.4bn). Further details are given in the Trust Statement within the DVLA financial statements.

¹⁷ <https://assets.publishing.service.gov.uk/media/6a16f49665bc5f798327f3d1/renewable-transport-fuel-obligation-annual-report-2024-web.pdf>

Parliamentary Accountability Disclosures

In addition to the Statement of Outturn against Parliamentary Supply, the following sections are subject to audit; losses and special payments, fees and charges, and remote contingent liabilities.

Use of government functional standards

Where relevant, DfT staff seek to work to the mandated government Functional standards, in a way that meets its business needs and priorities. GovS 001, Government functions sets expectations for the consistent management of all functions (and functional standards) across government. The remaining standards, GovS 002 onward, set expectations about specific types of functional work, such as project delivery or commercial. They provide a stable basis for assurance, risk management and capability improvement. They support value for money for the taxpayer, and continuity of implementation.

Losses and special payments

The following section on losses and special payments is audited information.

This section reports the total number of cases and value of losses and special payments, and details of any losses or special payments that exceed £300,000.

Losses statement

Losses may relate to cash and store losses, bookkeeping losses, losses arising from a failure to make adequate charge for the use of public property or services, fruitless payments, claims abandoned and frauds.

	2025-26		2024-25	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
Total number of cases	9,959	35,484	13,314	63,968
Total amount £'000	122,900	398,045	70,114	581,233

Dartford-Thurrock River Crossing Charging Scheme

The Department suffers losses due to motorists' failure to pay amounts due on the Dartford-Thurrock River Crossing Charging Scheme following the introduction of a free-flowing scheme from 1 December 2014 to reduce congestion. If a payment is not made in the allotted time, the scheme operator will issue a Penalty Charge Notice (PCN). If required, penalty and recovery processes are employed to enforce the charging scheme and collection of charges. After a period of time, when the scheme operator considers that it is no longer able to collect against the PCN, it then regards the charge as being irrecoverable and writes off the amount that was due.

The 2025-26 losses include £111.4m in relation to 2024-25 Dartford Crossing charges (2024-25: £59.1m in relation to 2023-24 charges). This relates to the write-off of receivables for both road user charges (RUCs) and PCNs that became irrecoverable in year. The increase in write

offs relative to prior years is due to an increase in active PCNs following a backlog caused by operational issues during a migration to a new service model.

There are also several circumstances in which Dartford Crossing PCNs are not issued, including: vehicle keeper details not being available; poor images; mis-read number plates; system errors and illegal activity/evasion (e.g. cloned vehicles). A significant volume of these non-issued PCNs would in likelihood relate to offenders who would have been offered the chance to pay the RUC within 14 days, resulting in no fine being levied & no subsequent loss.

HS1 domestic underpinnings

HS1 Ltd is the current concession holder for the Channel Tunnel Rail Link, which carries high speed domestic and international rail services between London and the Channel Tunnel. Under the Domestic Underpinning Agreement between HS1 Ltd and the Secretary of State for Transport, HS1 Ltd receives income from DfT if the minimum number of domestic high speed rail paths is not met by rail operators in a timetable period. The domestic high speed operating timetable was below this threshold during financial year 2025-26. As required through this arrangement, the Department paid HS1 Ltd £4.8m (2024-25: £8.9m) during the year. Accordingly, this amount is recorded as a constructive loss.

DVLA – Fruitless payment

Interest of £0.4m was incurred and paid to HMRC in respect of late settlement of VAT relating to services provided to Government Digital Services. The matter was proactively identified and notified by DVLA. As this represents an internal transfer within government, there was no net cost to the Exchequer.

DVLA – MMPR Project Asset write-off

The Agency has identified a constructive loss within the financial year.

The Mark Management and Personalised Registrations (MMPR) transformation project commenced in 2018, which included the development and integration of personal registration mark web sales. In May 2020, a decision was taken to pause the project due to the impact of the Coronavirus pandemic and the need to reprioritise resources to support operational delivery of essential services to our customers.

The project was originally intended to deliver a system capable of transitioning into live service and in subsequent years internal reviews supported the position that the developed outputs would be utilised. However, evolving strategic priorities, particularly the focus on large-scale and legislatively driven initiatives, have delayed the MMPR transformation and significantly altered the Vehicles systems landscape.

As a result, it is no longer considered likely that the asset will deliver future economic or service potential. Consequently, the expenditure incurred is now assessed as a constructive loss.

Total project expenditure amounted to £4.7m of which £2.7m was capitalised.

National Highways – Cancelled Road Schemes

Following the SR25, the government took the decision to cancel two of National Highways' planned schemes: the A12 to A120 widening scheme and the A47 Wansford to Sutton dualling scheme. The costs which had already been incurred on these schemes are reported as a constructive loss.

Scheme	Loss
	£m
A12 (Chelmsford to A120) improvement	212.5
A47 Wansford to Sutton	39.1
Total	251.6

The majority of these works were in the development and pre-construction phases of work with losses recorded of £251.6m.

National Highways – Green Claims write-off

Damage caused by a third party to National Highways property resulted in National Highways incurring repair costs of £2.1m, National Highways were only able to recover £1.5m of these costs, resulting in a £0.6m write off.

Special Payments

Special payments include extra-contractual, special severance, ex gratia and compensation payments. The following information is audited.

	2025-26		2024-25	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
Total number of cases	8,185	8,333	8,555	8,729
Total amount £'000	12,123	14,491	9,957	13,180

Special Severance payments are included within the special payments shown above. These are paid under certain circumstances to employees, contractors, and others outside of normal statutory or contractual requirements, when leaving employment in the public service, whether they resign, are dismissed, or reach an agreed termination of contract

For 2025-26, the DfT Group made five payments totalling £158,235 (2024-25: three payments totalling £42,312) in respect of severance cases. The highest payment was £74,938 (2024-25: £18,000) and the lowest payment was £6,120 (2024-25: £10,312). The median payment was £20,000 (2024-25: £14,000).

Core Department – Industrial disease and injury claims

A total of £10.3m was paid towards settlement of 107 industrial disease and injury claims from former British Rail employees (2024-25: 112 cases totalling £8.5m), of which eight cases exceeded £300,000. Note 22 of the financial statements provides further information about these claims.

Maritime Coastguard Agency (MCA) – Injury Compensation Claim

During 2025-26 on advice of an independent medical advisor, MCA settled a Coastguard Rescue Officer (CRO) compensation claim for injury, with a gross value of £0.4m. This payment was in accordance with HMT approved CRO compensation policy for MCA and meets criteria under Managing Public Money for special payments to redress personal injuries.

High Speed 2 – Employment Tribunal Order

In May 2025, HS2 made a special payment for £0.3m to settle a court order resulting from a judgement in an Employment Tribunal claim.

Network Rail – Employment Tribunal

Network Rail Infrastructure Limited settled an employment tribunal case during the year for £0.3m.

Fees and charges information

	2025-26			2024-25		
	Income £m	Full Cost £m	Surplus/ (Deficit) £m	Income £m	Full Cost £m	Surplus/ (Deficit) £m
Maritime and Coastguard Agency						
Fees and charges	11	16	(5)	11	14	(3)
Vehicle Certification Agency						
Product certification	25	33	(8)	22	30	(8)
Driver and Vehicle Licensing Agency						
Fees and charges	489	385	104	476	361	115
Driver and Vehicle Standards Agency						
Fees and charges	438	488	(50)	420	452	(32)
	963	922	41	929	857	72

The majority of the Departmental Group's income, described at Note 4, arises either under contract or resulting from railway industry regulation. The table below describes the subset of the Departmental Group's income relating to fees and charges made directly to public service users, which are within the scope of Managing Public Money, and describes both the income relating to those services, along with the full cost of providing them. It does not constitute an IFRS 8 (Operating Segment Reporting) disclosure.

Maritime Coastguard Agency and VCA fees and charges are set in line with a full cost recovery objective which is subject to periodic review. The figures presented for DVLA in the table above are those transactions directly identified as Fees & Charges in Note 2 of DVLA's own financial statements. Full details of how DVLA recovers its costs through fees are provided in Note 2 of DVLA's own financial statements.

DVSA levies fees & charges in respect of driving tests and HGV testing.

Additional information regarding these fees and charges (including the financial objective and performance against this) can be found in the published financial statements for each of the Agencies.

Remote contingent liabilities

Contingent liabilities are presented here where the likelihood of a transfer of economic benefit in settlement is judged remote. They do not meet the IAS 37 (Provisions, Contingent Liabilities and Contingent Assets) criteria for disclosure in the financial statements but are presented here for transparency purposes. These predominantly relate to situations guarantees or indemnities have been entered into by the Department, but where there are no significant indications that these will be drawn upon. Contingent liabilities for which the probability of crystallisation is rated as greater than remote are disclosed in Note 23 in the Financial Statements.

Quantifiable remote contingent liabilities

This table summarises quantifiable remote contingent liabilities by their nature and purpose, with the amounts disclosed reflecting the highest reasonable estimate of the possible liability.

	31 March 2026	31 March 2025
	£m	£m
Inter City Express Rolling Stock		
In 2012 the Secretary of State agreed to quantifiable (disclosed) and unquantifiable assurances, warranties, indemnities and potential losses under the Inter City Express Rolling Stock contracts with Agility Consortium and previously with Network Rail, covering the termination of the contract due to force majeure events and unavailability of commercial insurance. They expire in 2044.	5,900	5,900
HS1 Concession Agreement – potential compensation on termination		
The HS1 Concession Agreement between the Secretary of State and HS1 Ltd specifies that the Secretary of State would be liable to pay compensation if the contract were terminated due to legal changes, either in the UK or Europe ('Change in Circumstances') or a change directed by another part of the Government ('Government Change'). The amount payable is formalised in the Agreement, but depends on the cause of the termination, and includes capital expenditure, increases in operating costs and losses of revenue.	3,610	3,811
Passenger Rail Franchise Agreements – Rolling Stock		
The Railways Act 1993 and Transport Act 2000 permit the Secretary of State to give guarantees to promote investments in railway assets, which include undertakings within passenger rail franchise agreements and guarantees to leasing companies. The value of this liability is based on the remaining value of rolling stock and depots covered by these guarantees, which tend to decrease over time. This liability could increase if new rolling stock or depots are introduced, where these are covered by guarantees. This includes new undertakings that cover the period after an individual National Rail Contract (NRC) has expired. Due to the NRCs' terms and conditions, the Department has narrowed the range of risks to which it is exposed, compared to the predecessor arrangements, so the likelihood of payment would be lower.	1,370	1,565
Thameslink		
To support the Thameslink programme, in 2013 the Secretary of State agreed to quantifiable (disclosed) and unquantifiable assurances, warranties, indemnities and potential losses with the major stakeholders: Siemens, Network Rail and Cross London Trains. This reflects assurances, warranties and indemnities covering ongoing contracts between the stakeholders.	607	607
Passenger Rail Franchise Agreements – Legacy		
Guarantees were given by the Strategic Rail Authority (and previously by the Director of Passenger Rail Franchising), and novated to the Department, in relation to new, replacement and extended passenger rail franchise agreement.	79	103

	31 March 2026	31 March 2025
	£m	£m
Channel Tunnel Restoration		
The Department has a statutory liability under the Channel Tunnel Act 1987 that if, after termination of the Channel Tunnel concession, it appears to the Secretary of State that the operation of the Tunnel will not be resumed in the near future, he or she shall take the necessary steps to ensure that the land is left in a suitable condition in accordance with the scheme.	100	100
Premises for the International Maritime Organisation (IMO)		
The Department provides premises in London for the IMO, a United Nations agency. In view of the fact that government departments generally self-insure, a guarantee has been given to the IMO that should the building be partially or completely destroyed, the Department would be obliged to reconstruct the building, or suspend or reduce the rent for a period of three years and fund alternative accommodation.	136	136
Network Rail		
Guarantees issued by Network Rail to its affiliate entities which are not consolidated in these accounts. These obligations primarily relate to banking facilities. Further information about the entities can be found in Note 26.	151	153
Transport disaster indemnities		
Letters of comfort have been issued, providing an indemnity in relation to legal action taken against the judge, counsel, solicitors and secretariat to the Thames Safety Inquiry and the Victim Identification Inquiry, which reported in 2000 and 2001 respectively, following major transport disasters.	10	10
Non-executive member indemnities		
Indemnities have been issued to non-executive members of the Departmental Board, and to civil servants appointed to represent the Department on the boards of other organisations.	2	2
Other contingent liabilities, including legal claims	13	13
Total	11,978	12,400

Unquantifiable remote contingent liabilities

The Department has obligations under agreements entered into by the Office of Passenger Rail Franchising (also known as the Director of Passenger Rail Franchising) prior to privatisation which indemnified rolling stock companies for the costs of industrial disease claims, personal injury claims and property damage claims. On abolition of the Office of Passenger Rail Franchising in 2001, the obligation novated to the Strategic Rail Authority. On abolition of the Strategic Rail Authority in 2006, the obligation novated to the Department.

National Highways holds indemnities embedded within some procurement contracts. These indemnities are a promise by the company to compensate another for losses (such as asset damage, contamination, or loss of income) suffered as a consequence of works undertaken on the strategic road network. The most significant indemnities relate to construction that occurs near to gas and electricity infrastructure or requires infrastructure to be moved. The approximate value of these indemnities is dependent upon the outcome of uncertain events and as such they cannot be accurately estimated. There have been no claims made against National Highways since its formation (as Highways England) in 2015.

The Department is party to a NATO agreement relating to indemnification of civil aircraft in respect of their use on NATO tasks in times of crisis and war.

Marine and Aviation Insurance Act 1952, s1: Government war risk reinsurance for British ship owners insuring their vessels with the British Mutual War Risks Associations (Clubs). Under the current agreement with Clubs, the Government provides 95% reinsurance for King's Enemy Risks (KER). A contingent liability arises from the continuous KER cover for the hull and machinery value of British flag vessels entered with the Clubs.

The Department has statutory responsibility for the maintenance of all railway structures. The contingent liability for this responsibility applies to legacy structures that have been sold to, and are controlled by, external parties. There have been no claims and there is no reasonable basis under which to quantify this risk.

The Department has accepted obligations to indemnify operators under the Space Industry Act 2018 (the 2018 Act) and Space Industry Regulations for losses occurring before the satellite reaches orbit.

Annex D provides a reconciliation between contingent liabilities reported in the Supply Estimate and those reported in the Annual Report and Accounts – either as remote in the Parliamentary Accountability Disclosures above, or as greater than remote in Note 23.

Jo Shanmugalingam CB

Permanent Secretary and Principal Accounting Officer
Department for Transport
Great Minster House
33 Horseferry Road
London SW1P 4DR

13 July 2026

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

Opinion on financial statements

I certify that I have audited the financial statements of the Department for Transport and of its Departmental Group for the year ended 31 March 2026 under the Government Resources and Accounts Act 2000. The Department comprises the core Department and its agencies. The Departmental Group consists of the Department and the bodies designated for inclusion under the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2025. The financial statements comprise: the Department's and the Departmental Group's:

The financial statements comprise: the Department's and the Departmental Group's:

- Statement of Financial Position as at 31 March 2026;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the Department and the Departmental Group's affairs as at 31 March 2026 and their net expenditure for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Outturn against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2026 and shows that those totals have not been exceeded; and
- the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2024)*. My responsibilities under those standards are

further described in the *Auditor's responsibilities for the audit of the financial statements* section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2024*. I am independent of the Department and its Group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

The framework of authorities described in the table below has been considered in the context of my opinion on regularity.

Framework of authorities	
Authorising legislation	Government Resources and Accounts Act 2000
Parliamentary authorities	Supply and Appropriations Act
HM Treasury and related authorities	Managing Public Money

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Department and its Group's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Department or its Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Department and its Group is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

Overview of my audit approach

Key audit matters

Key audit matters are those matters that, in my professional judgment, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditor, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of the audit of the financial statements as a whole, and in forming my opinion thereon. I do not provide a separate opinion on these matters.

This is not a complete list of all risks identified through the course of my audit but only those areas that had the greatest effect on my overall audit strategy, allocation of resources and direction of effort. I have not, for example, included information relating to the work I have performed around the presumed risk of management override of controls, an area where my work has not identified any matters to report.

The key audit matters were discussed with the Group Audit and Risk Assurance Committee.

In this year's report the following changes to the risks identified have been made compared to my prior year report:

- I have identified a new Key Audit Matter regarding the completeness of assets and liabilities relating to Train Operating Companies (TOCs). This is due to the complexity of the contractual arrangements between the Department, the TOCs and industry. There is judgement required as to whether any assets or liabilities ultimately sit within the Department.
- I also identified a new Key Audit Matter on the implementation of IFRS 17 Insurance Contracts. This is due to the number and complexity of the Department's guarantees and indemnities and the resulting risk that arrangements are not identified as within the scope of IFRS 17.
- I identified a significant risk at group level relating to expenditure and capital accruals, due to the complexity of recognition and valuation of these transactions and balances within components of the group. I do not consider this a key audit matter as it did not have a significant effect on my overall audit strategy or allocation of resources.

Valuation of the Railway Network

Description of risk

The Railway Network – as described in Notes 1.4.3 and 5.1 – is valued in these financial statements at fair value using depreciated replacement cost (DRC) methodology, in line with the requirements of HM Treasury's Financial Reporting Manual and the Royal Institute of Chartered Surveyors (RICS) Red Book. This provides a proxy for fair value in the absence of income or market-based sources. As at 31 March 2026, the Department valued the rail network at £503.8 billion (31 March 2025 - £490.4 billion).

A DRC valuation involves determining the current cost of replacing an asset with its modern equivalent and adjusting this to reflect the asset's condition and capacity. A full revaluation is performed every five years, with the last such valuation in the 2023-24 financial year. The full revaluation exercise involved significant judgement in defining the 'modern equivalent asset' as well as the revaluation of the core costing rates used for track, stations and other networked assets.

Recognising the effect of inflation on the costing rates, management has used indexation to revalue the assets in 2025-26, as is the practice in interim valuation years. The upward revaluation of the Railway Network is predominantly driven by the impact of inflation on relevant cost indices described in Note 5.

Management discusses the nature and extent of estimation uncertainty associated with the valuation of the Railway Network in Notes 1.4.3 and 5.1. Uncertainty arises principally in respect of the ongoing appropriateness of the engineering assumptions made in assessing the design of the modern equivalent asset, the appropriateness of the costing rates applied, and the assessment of useful economic lives. I treat this matter as a significant risk for the audit because of the inherent complexity, judgement and estimation uncertainty in these areas.

Valuation of the Railway Network (continued)**How the scope of my audit responded to the risk**

A full revaluation of costing rates for the rail network was last performed as at 31 March 2024, at which point I performed appropriate audit work supported by an auditor's expert. I continue to rely on this work and have evaluated management's assertions on the continued appropriateness of underlying assumptions, including on the design of the modern equivalent asset and the methodology deriving useful economic lives.

I have also:

- evaluated the design and implementation of controls over the valuation, including management's review of the model that is used to generate the valuation;
- considered the appropriateness of costing rates and the cost indexation factors applied;
- carried out a full reperformance of indexation to ensure calculations are in line with the Department's accounting policy;
- reviewed the quantities of assets in each asset class;
- evaluated the reasonableness of the asset condition assessment for key network components based on data drawn from operational systems; and
- confirmed that inputs .

Key observations

Management identified a £13.7bn net error in the valuation of the network relating to the use of an incorrect figure for baseline indexation. This has been adjusted in the accounts. I am satisfied that the revised calculation is appropriate.

The assumptions supporting useful lives and design of the modern equivalent asset are consistent with the evidence I have obtained, and, following the adjustment, indexation has been properly applied to networked asset classes.

I did not identify any unadjusted material misstatements in the course of completing this work.

Valuation of the Strategic Road Network**Description of risk**

The Strategic Road Network (SRN) valuation comprises an estimate of the depreciated replacement cost (DRC) of the SRN and is valued in these financial statements at fair value using DRC methodology, in line with the requirements of HM Treasury's Financial Reporting Manual and the Royal Institute of Chartered Surveyors (RICS) Red Book. This provides a proxy for fair value in the absence of income or market-based sources. The estimate is derived from the actual costs of recent schemes, together with records about the number, type and condition of physical assets. As at 31 March 2026, the SRN is valued at £174.9 billion, including SRN assets held in the core Department (31 March 2025: £157.8 billion).

The SRN valuation contains multiple areas of judgement and estimation uncertainty. Management critical judgements and estimates relating to the SRN are disclosed in Notes 1.4.3 and 5.2.

As at 31 March 2026, management performed a quinquennial review (QQR) of Special Structures assets (net book value of £14.9 billion at 31 March 2026), comprising bridges and tunnels. The Special Structures QQR applies distinct valuation methodologies reflecting the differing characteristics of these assets. For bridges, where scheme-level cost data is limited, base rates are derived using SPONS commercial pricing data, supplemented by extrapolation and, where necessary, indexation of prior QQR rates. These are supported by a theoretical cost build-up using modern equivalent asset assumptions and relevant adjustment factors. For tunnels, a different methodology is applied, with valuations derived using the AtkinsRéalis Tunnel Cost Model (ATCM), which estimates the cost of constructing a modern equivalent asset based on key parameters and adjusts outputs to current prices through indexation and benchmarking.

Separately, for roads and land, existing valuations were updated in-year using the Implied Output Price Index (IOPI), while for structures, IOPI was applied alongside an additional uplift to reflect increases in concrete prices, which have exceeded general construction inflation.

I consider this matter to be a significant risk for the audit because of the inherent complexity and estimation uncertainty. Significant audit effort is involved in addressing risk around asset volumes, costing rates, indexation and assumptions, as well as assessing management's methodology and testing the application of the valuation model.

Valuation of the Strategic Road Network (continued)	
How the scope of my audit responded to the risk	I performed the following procedures over the SRN valuation: • I evaluated the design and implementation of controls over the valuation model. • I engaged my expert to assist in reviewing the methodology and assumptions applied by management in performing the QQR on special structures to confirm that they were appropriate, and reperformed management’s valuation model to ensure all data inputs were appropriately reflected in the valuation. • I also engaged experts to perform sample testing of costing rates used in the QQR, tracing them to backing documentation, ensuring rates were consistently applied and confirming that the underlying modern equivalent assets reflect current design and safety standards. • I requested and reviewed management’s judgement on key assumptions, including the greenfield assumption and the assumed level of preparation and supervision costs, among others. • I engaged an expert to evaluate a sample of road and structure assets to confirm that the condition-based depreciation methodology had been consistently and correctly applied. • I assessed the quantities and classifications of a sample of roads, land and structures, • I assessed the selection of indices used by management, and • I reviewed other movements in the SRN balance, and assessed disclosures in the accounts including those relating to estimation uncertainty Key observations Based on my audit work on the SRN, I found management’s key assumptions consistent with the evidence obtained. These assumptions are disclosed in notes 1.4.3 and 5.2 of the financial statements. My audit procedures found that costing rates, cost indexation and management’s assessment of condition are supported by the evidence obtained. As a result of my audit, a material prior period error of £6.2 billion in the Group and £2.5 billion in the parent in the valuation of Special Structures has been identified, arising from the treatment of preparation, supervision and preliminary costs. This has been corrected through retrospective restatement in accordance with IAS 8. I am satisfied that the revised valuation methodology is appropriate. I did not identify any unadjusted material misstatements in the valuation of the Strategic Road Network recognised and disclosed in the financial statements.

Defined Benefit Pension Schemes – Valuation of Assets and Liabilities

Description of risk

The Departmental Group has obligations under several defined benefit pension schemes described in Note 24. These are funded schemes with significant assets under management. The pension schemes of the TOCs, which are not consolidated in the Department's accounts, are not included here but the most recent published information on their financial position, including pension deficits, is provided at Note 27.

Based on risk and value, I focused my audit work principally on the Network Rail section of the Railway Pensions Scheme ('RPS'), the British Transport Police Force Superannuation Fund, the British Transport Police section of the RPS, and the core Department 1994 Section of the RPS.

The core Department 1994 Section of the RPS was in a deficit position at 31 March 2026. The total value of pension liabilities for all schemes in deficit on the Statement of Financial Position is £559 million (31 March 2025: £614m), including those in scope of this key audit matter.

At 31 March 2026, the Network Rail section of the RPS and the British Transport Police schemes were in surplus positions. Management assessed the terms of these schemes against the requirements of the relevant accounting standards, in particular the 'IFRIC 14' interpretation of 'IAS 19 – Employee Benefits'. The Group recognised assets of £1.7 billion on the Statement of Financial Position with respect to these schemes (31 March 2025: £1.2 billion).

There is significant complexity, and estimation uncertainty, in the valuation of both the assets and liabilities contributing to the net scheme positions, as described in Note 24 to the financial statements.

Scheme Liabilities

As with most large defined benefit pension schemes, an actuarial estimate of the liability reflecting amounts to be paid out to members in the future (£9.0 billion as at 31 March 2026 including members' share) involves significant estimation in respect of determining appropriate financial assumptions and other assumptions, including demographic assumptions.

Scheme assets

I placed particular emphasis on assurance over unquoted equity instrument valuations, particularly in respect of timing risk. The standard practice of the scheme assets managers is to value investments using the most recent evidence available, and to adjust for subsequent cash flows where necessary. This leads to a risk of unrecognised fair value differences where the valuations are for a period before the year end (typically, the end of the previous quarter). At 31 March 2026, harder-to-value investments (Level 3 instruments) represented £2.4 billion out of total group assets (excluding members' share) of £10.1 billion.

Defined Benefit Pension Schemes – Valuation of Assets and Liabilities (continued)	
How the scope of my audit responded to the risk	I evaluated the design and implementation of controls supporting the valuation of pensions assets and liabilities, including the review controls in place to scrutinise information provided by the actuary and the administrator. I reviewed the disclosures made by management, including estimation uncertainty disclosures, and confirmed that they are reasonable and consistent with the evidence obtained in the course of my audit. Scheme Liabilities • I contacted relevant actuaries to obtain an up to date understanding of the methodology used to calculate the main actuarial assumptions. • I performed my initial assessment of the independence and expertise of these actuaries. • I engaged an actuarially qualified auditor's expert to examine the assumptions and methodology used to value the obligations, including both financial assumptions and the roll-forward procedures used to update membership data. • I assessed financial assumptions against ranges provided by my expert for reasonableness, • I tested the input data used by the Scheme actuaries in the valuations, including cashflows arising from benefit payments and contributions, and • I reviewed the actuaries' recalculation of the pension liability to confirm that the model and methodology used are appropriate. Scheme Assets I engaged an expert to assist with my testing of scheme assets. With the support of my expert, I • Evaluated the competence, expertise and capacity of the Administrator to perform valuations of assets • confirmed the value of scheme assets to investment reports at the administrator, and custodian reports; • obtained asset schedules for the year ended 31st March 2026 and checked whether market movements for each asset class aligned with the movement suggested by appropriate benchmarks; • assessed the impact of the current geopolitical climate on asset valuations at 31st March 2026 • substantively tested hard-to-value investments for assurance over the valuation of those assets; and • confirmed the positioning of the valuation in the IFRS 13 fair value hierarchy; and In recognition of the timing risk described above, I also reviewed 31 March 2026 asset valuations received post year-end to judge the effect of time lags in the valuation presented for audit. I deemed the scope and quality of the work sufficient for the purpose of informing my own conclusion against the identified risks. Other judgements Management have concluded that, for both the Network Rail and British Transport Police schemes, an unconditional right to a refund with respect to the pension asset was in place and as such full surpluses were recognised for these schemes. I found management's judgements to recognise these full surpluses to be in compliance with 'IFRIC 14' I assessed management's conclusion that the Group's pension schemes are not materially affected by the Virgin Media court ruling. During the year, the Pension Schemes Act 2026 received Royal Assent, introducing legislation that allows pension schemes to obtain retrospective confirmation that historic benefit changes met the required legal standards. As a result, management concluded that the risk of additional pension liabilities arising from the ruling has been substantially addressed. I evaluated management's assessment, including consideration of the new legislation and advice obtained by the Department and its components. I found management's conclusion that no material additional liabilities are expected to arise from the Virgin Media ruling to be reasonable. Key observations In the course of completing this work, I did not identify any material misstatements in the valuation of defined benefit obligations in the financial statements.

Accounting for Train Operating Company assets and liabilities

Description of risk

During 2025-26 the Department commenced its programme to bring all of the Train Operating Companies (TOCs) into public ownership, starting with the South Western contract in May 2025. The holding company for publicly owned TOCs is DfT Operator Limited (DFTO), a wholly owned subsidiary of the Department.

DFTO and the TOCs are classified by the Office for National Statistics as Public Corporations. Under HM Treasury financial reporting rules, they are therefore excluded from the annual statutory instrument which prescribes the Department's accounting boundary. As a result, TOC assets and liabilities are not consolidated into the Department's accounts.

The TOCs' own financial statements include significant accounting judgements which are material to their balance sheets, arising from the relatively short-term duration of TOCs' operating contracts with the Department. Specifically, the TOCs cap pension and lease liabilities at the length of their contract with the Department. These judgements are described in more detail in Note 1.3 and in the Annual Report on page 28-29.

I identified a risk that, as the TOCs move into public ownership, the complexity of the Department's arrangements with TOCs and with industry could result in related assets and liabilities being omitted from the Department's balance sheet. The total value of uncapped TOC liabilities is estimated to be highly material.

How the scope of my audit responded to the risk

- I reviewed the National Rail Contracts (NRCs – for privately owned TOCs) and Services Agreements (for publicly owned TOCs) to identify any potential liabilities incurred by the Department.
- I identified and reviewed other key contracts and legislation which could confer rights and obligations on the Department for TOC-related assets and liabilities.

Key observations

Based on my audit work, I found the judgements made by management to be consistent with the evidence I obtained. I did not identify any misstatements as a result of my work.

IFRS 17: Insurance Contracts

Description of risk

IFRS 17 – Insurance Contracts was effective for the public sector for the first time from 1 April 2025. The introduction of this accounting standard required management to consider whether the Department insures any other bodies against specific risks.

The Department provides guarantees and indemnities to entities both within and outside the public sector, some of which could meet the definition of an insurance contract under IFRS 17.

The value of remote and non-remote contingent liabilities assessed by the Department to identify any insurance contracts is c. £12.6bn. The Department has provided information about how it assessed these arrangements in Note 1.17.

Significant judgement was required to evaluate whether arrangements meet the definition of an insurance contract. I therefore identified a risk that the Department may not identify all arrangements within the scope of IFRS 17, and that its assessment of arrangements it has identified may not be appropriate.

How the scope of my audit responded to the risk

- I assessed the design and implementation of the Department's controls for ensuring that all potential insurance contracts were identified and reviewed against the requirements of IFRS 17.
- I performed a detailed review of contracts underpinning the arrangements identified by the Department to confirm whether the Department had correctly assessed those arrangements, including challenging management to provide a more detailed assessment in some cases.
- I reviewed other contracts which could give rise to insurance risk to ensure that the Department's assessment was complete.

Key observations

Based on my review, I found management's judgements on the applicability of IFRS 17 to be appropriate. I did not identify any misstatements as a result of my work.

Application of materiality

Materiality

I applied the concept of materiality in both planning and performing my audit, and in evaluating the effect of misstatements on my audit and on the financial statements. This approach recognises that financial statements are rarely absolutely correct, and that an audit is designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement or irregularity. A matter is material if its omission or misstatement would, in the judgement of the auditor, reasonably influence the decisions of users of the financial statements.

Based on my professional judgement, I determined overall materiality for the Department and its group's financial statements as a whole as follows:

	Departmental Group	Additional Group Threshold	Department (Parent) materiality
Materiality	£6,420 million	£380 million	£330 million
Basis for determining overall account materiality	Approx 1% of the net book value of prior year infrastructure assets (note 5).	Approx 1% of prior year group gross expenditure excluding depreciation but including capital additions.	Approx 1% of prior year gross expenditure.
Rationale for the benchmark applied	Infrastructure assets are the largest item in the Departmental Group Statement of Financial Position. Significant economic activity relies on the road and rail networks, and there is significant user interest in the extent and condition of those networks. I used the prior year amount for prudence, as in year group infrastructure assets have slightly increased.	To reflect the sensitivity of financial statement users to transactions and balances reflecting taxpayer-backed financial activity. Capital additions are included since these reflect cash spending, and depreciation is excluded as – where relevant to infrastructure assets – it is assessed against the Departmental Group materiality. I used the prior year amount for prudence, as in year group gross expenditure (excluding depreciation but including capital additions) have slightly increased.	Aside from intra-Departmental loan balances, expenditure is the most significant financial statements element for the parent and is a fair proxy for user sensitivity given the Department's role as a spending Department. This materiality relates to the transactions and balances reported in the Core & Agencies columns. I used the prior year amount for prudence, as in year parent gross expenditure has slightly increased.

I determined that for non-infrastructure asset components of the financial statements, misstatements of a lesser amount to the overall Departmental Group materiality stated above could influence the decisions of users of the financial statements given the sensitivity of financial statement users to transactions and balances reflecting taxpayer-backed financial activity. I have therefore determined that the level of materiality to be applied to these components is described in the table above under the heading 'Additional Group threshold'.

My overall scheme of materiality thresholds is unchanged compared to 2024-25.

Performance Materiality

I set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality of the financial statements as a whole. Group performance materiality was set at 75% of Group materiality for the 2025-26 audit (2024-25: 75%). In determining performance materiality, I have also considered the uncorrected misstatements identified in the previous period. I set performance materiality at 75% for all other materiality bases under the same criteria.

Other Materiality Considerations

Apart from matters that are material by value (quantitative materiality), there are certain matters that are material by their very nature and would influence the decisions of users if not corrected. Such an example is any errors reported in the Related Parties note in the financial statements. Assessment of such matters needs to have regard to the nature of the misstatement and the applicable legal and reporting framework, as well as the size of the misstatement.

I applied the same concept of materiality to my audit of regularity. In planning and performing my audit work to support my opinion on regularity and in evaluating the impact of any irregular transactions, I considered both quantitative and qualitative aspects that would reasonably influence the decisions of users of the financial statements.

Error Reporting Threshold

I agreed with the Group Audit and Risk Assurance Committee that I would report to it all uncorrected misstatements identified through my audit in excess of £300k, as well as differences below this threshold that in my view warranted reporting on qualitative grounds. I also report to the Group Audit and Risk Assurance Committee on disclosure matters that I identified when assessing the overall presentation of the financial statements.

Total unadjusted audit differences reported to the Group Audit and Risk Assurance Committee would have decreased Departmental Group net assets by £283m and parent net assets by £30m.

Audit scope

The scope of my Group audit was determined by obtaining an understanding of the Department and its Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

The Department for Transport Group has total assets of £739.9 billion. The group's largest components are the Network Rail Limited group (excluding Network Rail Insurance Limited which, in accordance with the Government Financial Reporting Manual (FReM) is not consolidated), National Highways Limited, and High Speed Two (HS2) Limited. These components hold the Group's key infrastructure assets. In addition, the British Transport Police Fund component holds defined benefit pensions balances, which are inherently risky and are within scope of my key audit matter on defined benefit pension schemes.

In applying ISA 600 revised '*Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)*' I also deemed some transactions and balances at the Driver and Vehicle Licencing Agency, the Driver and Vehicle Standards Agency, and the Maritime and Coastguard Agency in scope of review by the Group engagement team. These consist of balances exceeding the respective component materialities, but which do not represent significant risks at the group level.

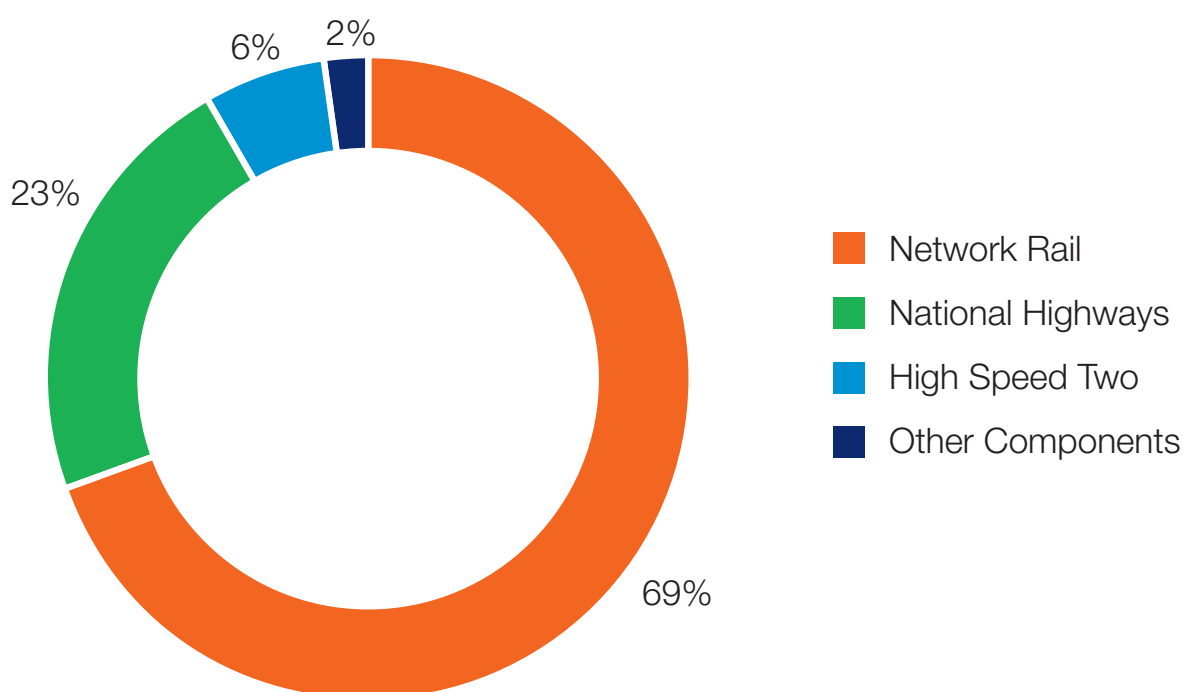
I have audited the full financial information of the Core Department, as well as the Group consolidation. As group auditor, I have gained assurance from the auditors of the components in scope of my review and engaged regularly on the Group significant risks, such as the valuation of the infrastructure assets and pension schemes.

This work covered substantially all of the Group's assets and net expenditure, and together with the procedures performed at group level, gave me the evidence I needed for my opinion on the group financial statements as a whole.

Below I have included a graph to illustrate the distribution of property across the group. Managing infrastructure assets is one of the key purposes of the Department for Transport, therefore the graphic below is key to understanding why I consider Network Rail, National Highways, and High Speed Two the most prominent components in this regard and why I attach significant risk at the group level to the Rail Network and Strategic Road Network property assets.

Note that while I do not attach significant risk at the group level to the High Speed Two PPE (including Assets Under Construction), I do attach a significant risk to expenditure driven by this component which contributes to assurance over PPE, as the vast majority of High Speed Two expenditure is capitalised as additions to Assets Under Construction.

Group PPE as at 31st March 2026



Other Information

The other information comprises the information included in the Annual Report, but does not include the financial statements and my auditor's certificate and report thereon. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion the part of the People and Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000.

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000;
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Department and its Group and their environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Report.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- Adequate accounting records have not been kept by the Department and its Group or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or

- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the People and Remuneration Report to be audited is not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Principal Accounting Officer's Responsibilities, the Accounting Officer is responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Department and its Group from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- preparing financial statements which give a true and fair view and are in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000;
- preparing the annual report, which includes the People and Remuneration Report, in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- assessing the Department and its Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Department and its Group will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are

considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below..

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of the Department and its Group's accounting policies.
- inquired of management, the Department's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Department and its Group's policies and procedures on:
 - identifying, evaluating and complying with laws and regulations;
 - detecting and responding to the risks of fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Department and its Group's controls relating to the Department's compliance with the Government Resources and Accounts Act 2000, Managing Public Money and the relevant Supply and Appropriation Acts;
- inquired of management, the Department's head of internal audit and those charged with governance whether:
 - they were aware of any instances of non-compliance with laws and regulations;
 - they had knowledge of any actual, suspected, or alleged fraud,
- discussed with the engagement team including component audit teams with balances within the scope of the group audit and the relevant internal and external specialists, including actuaries, engineering specialists and land valuation specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Department and its Group for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, bias in management estimates and manipulation of the accounts to avoid breach of control totals. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Department and Group's framework of authority and other legal and regulatory frameworks in which the Department and Group operate. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Department and its Group. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, Managing Public Money, Supply and Appropriation (Main Estimates) Act 2025, and relevant employment, pensions and tax law.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Group Audit and Risk Assurance Committee and in-house legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board and internal audit reports;
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements on estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;
- I reviewed the processes, verified the data used and evaluated the appropriateness of the assumptions and judgements applied for material estimates presented within the accounts, including those described in my key audit matters above;
- I confirmed that relevant approvals required under Managing Public Money have been obtained by management, and that the disclosures required by Managing Public Money are complete and have been appropriately included within the financial statements; and
- I confirmed that the Group has complied with the Parliamentary control totals set out in the Supply and Appropriations (Main Estimates) Act 2025 by confirming that the outturn is within the limits approved by Parliament, that the allocation of amounts to those control totals is appropriate, and that management have not vired amounts inappropriately between control totals.

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members including internal specialists and relevant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

Other auditor's responsibilities

I am required to obtain appropriate evidence sufficient to give reasonable assurance that the Statement of Outturn against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement.

I am required to obtain sufficient appropriate audit evidence to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General

Date: 15 July 2026

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP





Financial Statements



Group Statement of Comprehensive Net Expenditure

for the period ended 31 March 2026

This Statement summarises the expenditure and income generated and consumed on an accruals basis. It also includes other comprehensive income and expenditure, which include changes to the values of non-current assets and other financial instruments that cannot yet be recognised as income or expenditure.

		2025-26		2024-25 (restated)	
		Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	Note	£m	£m	£m	£m
Income from sale of goods and services	4	(199)	(3,851)	(161)	(3,823)
Other operating income	4	(2,012)	(3,370)	(2,071)	(3,449)
Total Operating Income		(2,211)	(7,221)	(2,232)	(7,272)
Staff costs	3.1	927	3,915	884	3,646
Purchase of goods and services	3.2	3,845	9,140	4,198	9,420
Grants	3.3	27,768	6,595	27,263	5,570
Depreciation and impairment charges	3.4	306	10,973	265	10,807
Provision expense	3.5	27	118	–	47
Other operating expenditure	3.6	83	189	116	413
Total Operating Expenditure		32,956	30,930	32,726	29,903
Net Operating Expenditure		30,745	23,709	30,494	22,631
Share of (profit)/loss of investments measured using equity accounting	4,14	(47)	(86)	–	(17)
Finance income	4	(1,534)	(92)	(1,208)	(152)
Finance expense	3.7	227	1,762	279	1,661
Net expenditure		29,391	25,293	29,565	24,123
Other Comprehensive Net Expenditure					
Items that will not be reclassified to net operating costs:					
Net (gain) / loss on revaluation of property, plant & equipment	5	(3,775)	(31,980)	(296)	(11,709)
Net (gain) / loss on revaluation of intangibles	6	–	–	(4)	(36)
Share of associate's other comprehensive net (income) / expenditure for investments measured using equity accounting	14	(44)	(44)	41	41
Actuarial (gain) / loss on pension schemes	24	(74)	(517)	(37)	(1,372)

		2025-26		2024-25 (restated)	
	Note	Core Department & Agencies £m	Departmental Group £m	Core Department & Agencies £m	Departmental Group £m
Deferred tax movement	21	–	530	–	425
Reversionary interest on M6 toll road	SoCTE	(42)	(42)	(8)	(8)
Items that will or may subsequently be reclassified to net operating costs:					
Financial assets – net change in fair values	SoCTE	(51)	(42)	(5)	(12)
Total comprehensive net expenditure		25,405	(6,802)	29,256	11,452

The Notes on pages 202 to 317 form part of these financial statements. Note 1.27 describes why the values for 2024-25 have been restated and the impact of the change.

Group Statement of Financial Position

as at 31 March 2026

This statement presents the financial position of the Department. It comprises three main components: assets owned or controlled; liabilities owed to other bodies; and equity, the remaining value of the Department.

	Note	31 March 2026		31 March 2025 (restated)		31 March 2024 (restated)	
		Core Department & Agencies £m	Departmental Group £m	Core Department & Agencies £m	Departmental Group £m	Core Department & Agencies £m	Departmental Group £m
Property, plant and equipment	5	16,778	727,880	13,002	690,696	12,899	673,128
Investment properties	8	–	199	–	195	–	227
Right of use assets	7	334	1,081	308	839	291	752
Intangible assets	6	184	609	192	630	187	363
Loans	11	34,496	2,059	34,172	2,331	34,343	2,494
Investment in equities	12	245	546	405	465	398	452
Derivatives	13	–	4	–	13	–	40
Investments measured using equity accounting	14	498	845	407	716	448	739
Trade and other receivables	16	48	92	89	52	130	55
Inventories	15	707	716	728	732	769	773
Pension Asset	24	–	1,680	–	1,238	–	92
Total non-current assets		53,290	735,711	49,303	697,907	49,465	679,115
Assets held for sale	9	5	32	3	17	7	20
Inventories	15	29	648	–	502	–	436
Derivatives	13	–	3	–	9	–	32
Trade and other receivables	16	611	2,160	651	2,194	836	2,519
Cash and cash equivalents	17	368	1,302	617	1,385	222	610
Total current assets		1,013	4,145	1,271	4,107	1,065	3,617
Total Assets		54,303	739,856	50,574	702,014	50,530	682,732
Trade and other payables	18	(1,937)	(5,922)	(2,436)	(6,149)	(2,613)	(6,610)
Borrowings	19	(106)	(382)	(128)	(751)	(129)	(267)
Derivatives	13	–	(17)	–	(20)	–	(54)
Provisions	22	(318)	(700)	(373)	(889)	(486)	(928)
Total current liabilities		(2,361)	(7,021)	(2,937)	(7,809)	(3,228)	(7,859)
Total Assets less net current liabilities		51,942	732,835	47,637	694,205	47,302	674,873

	Note	31 March 2026		31 March 2025 (restated)		31 March 2024 (restated)	
		Core Department & Agencies £m	Departmental Group £m	Core Department & Agencies £m	Departmental Group £m	Core Department & Agencies £m	Departmental Group £m
Provisions	22	(288)	(751)	(319)	(642)	(399)	(700)
Other payables	18	(823)	(1,811)	(872)	(1,903)	(929)	(2,060)
Borrowings	19	(4,511)	(34,694)	(4,404)	(33,560)	(4,372)	(33,005)
Financial guarantee contracts	20	(4,035)	–	(4,371)	–	(4,623)	–
Derivatives	13	–	(12)	–	(47)	–	(99)
Deferred tax liabilities	21	–	(8,291)	–	(7,630)	–	(6,995)
Total non-current liabilities		(9,657)	(45,559)	(9,966)	(43,782)	(10,323)	(42,859)
Assets less liabilities excl pension liabilities		42,285	687,276	37,671	650,423	36,979	632,014
Pension liability	24	(417)	(559)	(462)	(614)	(474)	(719)
Assets less liabilities		41,868	686,717	37,209	649,809	36,505	631,295
Taxpayers' equity and other reserves:							
General fund		32,035	123,150	30,984	117,479	30,578	110,418
Revaluation reserve		9,607	562,931	5,841	531,761	5,548	520,320
Financial assets at fair value through OCI reserve		226	636	384	569	379	557
Total equity and other reserves		41,868	686,717	37,209	649,809	36,505	631,295

The Notes on pages 202 to 317 form part of these financial statements. Note 1.27 describes why the values as at 31 March 2025 and 2024 have been restated and the impact of the change.

Jo Shanmugalingam CB

Permanent Secretary and Principal Accounting Officer
Department for Transport
Great Minster House
33 Horseferry Road
London SW1P 4DR

13 July 2026

Group Statement of Cash Flows

for the period ended 31 March 2026

The Statement of Cash Flows shows the changes in cash and cash equivalents of the Department during the reporting period. The statement shows how the Department generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of service costs and the extent to which these operations are funded by way of income from the recipients of services provided by the Department. Investing activities represent the extent to which cash inflows and outflows have been made for resources which are intended to contribute to the Department's future public service delivery.

		2025-26		2024-25	
		Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	Note	£m	£m	£m	£m
Cash flows from operating activities					
Net expenditure for year		(29,391)	(25,293)	(29,565)	(24,123)
Adjustments for non-cash transacitons	3, 4	(79)	12,118	(35)	11,993
(Increase) / decrease in inventories	15	(8)	(130)	41	(25)
less impairment of inventory		1	1	(42)	(42)
(Increase) / decrease in trade and other receivables	16	81	(6)	226	328
less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure		–	14	–	(10)
Increase / (decrease) in trade and other payables and borrowings	18, 19	(498)	149	(206)	337
less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure		513	65	(303)	(1,207)
(Increase) / decrease in derivative assets	13	–	15	–	–
Increase / (decrease) in derivative liabilities	13	–	(38)	–	–
less non-cash movements in derivatives		–	23	–	–
Use of provisions	22	(196)	(430)	(89)	(184)
Adjustment for capital and interest element of PFI payments		–	111	3	108
Net cash outflow from operating activities		(29,577)	(13,401)	(29,970)	(12,825)
Cash flows from investing activities					
Purchase of property, plant and equipment - additions	5	(204)	(16,075)	31	(16,572)
Purchase of property, plant and equipment - non-cash additions		42	43	8	8
Adjustments for movement in capital accruals relating to additions		1	1	1	1
Purchase of intangible assets - cash additions	6	(27)	(77)	(37)	(119)

	Note	2025-26		2024-25	
		Core Department & Agencies £m	Departmental Group £m	Core Department & Agencies £m	Departmental Group £m
Proceeds of disposal of assets and assets held for sale	9	9	266	5	28
Purchase of other Investments		(1)	(281)	(2)	(2)
Purchase of Investment Properties	8	–	–	–	(1)
Proceeds on disposal of investments		–	34	–	3
Capital element of lands provision		82	216	(104)	51
Loans to other bodies	11	(557)	–	(23)	(23)
Repayments from other bodies	11	234	232	194	186
Net cash outflow from investing activities		(421)	(15,641)	73	(16,440)
Cash flows from financing activities					
From the Consolidated Fund (Supply) – current year		29,997	29,997	30,536	30,536
Repayments of principal on external borrowings		–	(542)	(2)	(2)
Repayments of principal on leases		(67)	(204)	(69)	(216)
Capital element of payments in respect of on-balance sheet PFI contracts		–	(111)	(3)	(108)
Net financing		29,930	29,140	30,462	30,210
Net increase / (decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		(68)	98	565	945
Payments of amounts due to the Consolidated Fund		(181)	(181)	(170)	(170)
Net increase / (decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		(249)	(83)	395	775
Cash and cash equivalents at the beginning of the period		617	1,385	222	610
Cash and cash equivalents at the end of the period		368	1,302	617	1,385

The Notes on pages 202 to 317 form part of these financial statements.

Group Statement of Changes in Taxpayers' Equity

as at 31 March 2026

		General Fund	Revaluation Reserve	Financial assets at fair value through OCI reserve	Total Reserves
	Note	£m	£m	£m	£m
Balance at 1 April 2024 (Restated)		110,418	520,320	557	631,295
Net (gain) / loss on revaluation of property, plant and equipment (Restated)	5	–	11,709	–	11,709
Net (gain) / loss on revaluation of intangible assets	6	–	36	–	36
Net (gain) / loss on revaluation of investments	12	–	–	12	12
Non-cash charges – auditor's remuneration	3.2	1	–	–	1
Transfers between reserves		165	(165)	–	–
Net expenditure for the year		(24,123)	–	–	(24,123)
Reversionary interest on M6 toll road		8	–	–	8
Deferred tax movements	21	(286)	(139)	–	(425)
Actuarial (gain) / loss recognised in pension scheme	24	1,372	–	–	1,372
Share of other comprehensive net (income) / expenditure for investments measured using equity accounting	14	(41)	–	–	(41)
Other movements		6	–	–	6
Balance as adjusted by income and expense for 2024-25		87,520	531,761	569	619,850
Net Parliamentary Funding – drawn down		30,536	–	–	30,536
Net Parliamentary Funding – deemed		222	–	–	222
Supply payable / (receivable) adjustment		(617)	–	–	(617)
CFERs payable to the Consolidated Fund		(182)	–	–	(182)
Balance at 31 March 2025 (Restated)		117,479	531,761	569	649,809
Balance at 1 April 2025 (Restated)		117,479	531,761	569	649,809
Net (gain) / loss on revaluation of property, plant and equipment	5	–	31,980	–	31,980
Net (gain) / loss on revaluation of investments	12	–	–	42	42
Non-cash charges auditors remuneration	3.2	1	–	–	1
Transfers between reserves		400	(400)	–	–
Net expenditure for the year		(25,293)	–	–	(25,293)
Reversionary interest on M6 toll road		42	–	–	42
Deferred tax movements	21	(120)	(410)	–	(530)
Actuarial (gain) / loss recognised in pension scheme	24	517	–	–	517
Share of other comprehensive net (income) / expenditure for investments measured using equity accounting	14	44	–	–	44
Other movements		17	–	25	42
Balance as adjusted by income and expense for 2025-26		93,087	562,931	636	656,654

		General Fund	Revaluation Reserve	Financial assets at fair value through OCI reserve	Total Reserves
	Note	£m	£m	£m	£m
Net Parliamentary Funding drawn down		29,997	–	–	29,997
Net Parliamentary Funding deemed		617	–	–	617
Supply payable / (receivable) adjustment		(367)	–	–	(367)
CFERs payable to the Consolidated Fund		(184)	–	–	(184)
Balance at 31 March 2026		123,150	562,931	636	686,717

The Notes on pages 202 to 317 form part of these financial statements. Note 1.27 describes why the values for 2024-25 have been restated and the impact of the change.

Statement of Changes in Taxpayers' Equity

Core Department & Agencies as at 31 March 2026

		General Fund	Revaluation Reserve	Financial Assets at fair value through OCI reserve	Total Reserves
	Note	£m	£m	£m	£m
Balance at 1 April 2024 (Restated)		30,578	5,548	379	36,505
Net (gain) / loss on revaluation of property, plant and equipment (Restated)	5	–	296	–	296
Net (gain) / loss on revaluation of intangible assets	6	–	4	–	4
Net (gain) / loss on revaluation of investments	12	–	–	5	5
Non-cash charges – auditor's remuneration	3.2	1	–	–	1
Transfers between reserves		7	(7)	–	–
Net expenditure for the year		(29,565)	–	–	(29,565)
Reversionary interest on M6 toll road		8	–	–	8
Actuarial (gain) / loss recognised in pension scheme	24	37	–	–	37
Share of other comprehensive net (income) / expenditure for investments measured using equity accounting	14	(41)	–	–	(41)
Balance as adjusted by income and expense for 2024-25 Year End		1,025	5,841	384	7,250
Net Parliamentary Funding – drawn down		30,536	–	–	30,536
Net Parliamentary Funding – deemed		222	–	–	222
Supply (payable) / receivable adjustment		(617)	–	–	(617)
CFERs payable to the Consolidated Fund		(182)	–	–	(182)
Balance at 31 March 2025 (Restated)		30,984	5,841	384	37,209
Balance at 1 April 2025 (Restated)		30,984	5,841	384	37,209
Net (gain) / loss on revaluation of property, plant and equipment	5	–	3,775	–	3,775
Net (gain) / loss on revaluation of investments	12	–	–	51	51
Non-cash charges – auditor's remuneration	3.2	1	–	–	1
Transfers between reserves		217	(8)	(209)	–
Net expenditure for the period		(29,391)	–	–	(29,391)
Reversionary interest on M6 toll road		42	–	–	42
Actuarial (gain) / loss recognised in pension scheme	24	74	–	–	74
Share of other comprehensive net (income) / expenditure for investments measured using equity accounting	14	44	–	–	44
Other movements		1	(1)	–	–
Balance as adjusted by income and expense for 2025-26		1,972	9,607	226	11,805

	Note	General Fund £m	Revaluation Reserve £m	Financial Assets at fair value through OCI reserve £m	Total Reserves £m
Net Parliamentary Funding – drawn down		29,997	–	–	29,997
Net Parliamentary Funding – deemed		617	–	–	617
Supply (payable) / receivable adjustment		(367)	–	–	(367)
CFERs payable to the Consolidated Fund		(184)	–	–	(184)
Balance at 31 March 2026		32,035	9,607	226	41,868

The General Fund serves as the chief operating fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

The Revaluation Reserve reflects the unrealised element of the cumulative balance of the revaluation adjustments to property, plant and equipment and intangible assets.

The Financial Assets through Other Comprehensive Income (OCI) Reserve records the cumulative gains and losses on financial assets held at fair value through OCI respectively.

There are no Charitable Fund reserves in the Group.

The Notes on pages 202 to 317 form part of these financial statements. Note 1.27 describes why the values for 2024-25 have been restated and the impact of the change.

Notes to the financial statements

Notes to the financial statements provide additional information required by statute and accounting standards to explain a particular feature of the financial statements. The Notes which follow will also provide explanations and additional disclosure to assist readers' understanding and interpretation of the financial statements and expand upon the accounting policies in Note 1.

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1. Statement of significant accounting policies

This Note describes the accounting policies determining the recognition and valuation of material assets, liabilities, income and expenditure. Critical judgements, accounting estimates and sources of estimation uncertainty are disclosed within each accounting policy note.

As the Statement of Financial Position and Note 5 indicate, the Departmental Group's most material assets are the Strategic Road Network and the Railway Network. Their depreciation and maintenance costs (Note 3), are also material. These assets are specialised and complex, so their valuation requires significant use of judgement and estimation, so estimation uncertainties could cause material adjustments in future periods to the assets' values and the amount of depreciation. Further detail is provided in Note 1.4 and in Note 5.

In accordance with the FReM, these financial statements comprise a consolidation of the core Department, its agencies and those other entities falling within the Departmental boundary defined by Statutory Instrument 2025 No. 268 (as amended by Statutory Instrument 2025 No.1336) made under the Government Resources and Accounts Act 2000. When referencing 'the Group' within these financial statements, that is referring to DfT and entities within the consolidation boundary. This is outlined in Note 1.3 and Note 25 within these accounts.

Defined benefit pension balances (and their actuarial movements) are, to a lesser extent, also subject to material estimation uncertainty. This is discussed in Note 1.21, with sensitivity analysis in Note 24.

1.1 Basis of preparation

These financial statements have been prepared in accordance with the 2025-26 Government Financial Reporting Manual (FReM) issued by HMT, to give a true and fair view on that basis. The FReM adapts and interprets UK-adopted International Financial Reporting Standards (IFRS) to produce accounting policies suitable for the public sector.

Where the FReM permits a choice of accounting policies, the Department has selected those judged most appropriate to give a true and fair view of the Group's circumstances. They have been applied consistently to items considered material.

In addition to the IFRS primary statements, the FReM requires a Statement of Outturn against Parliamentary Supply and supporting Notes. They show the outturn against Estimates for the net resource and the net cash requirement, and appear in the Parliamentary Accountability section in this document.

The presentation and functional currency is pounds sterling.

In 2025-26, the FReM implemented IFRS 17 and changes to the valuation of some types of property, plant and equipment and intangible assets. The impact is explained in Notes 1.4.3, 1.5, 1.17.1 and 1.29.

1.2 Accounting convention

These financial statements are prepared on a going concern basis under the historical cost convention modified by the revaluation of certain non-current assets and financial instruments.

Valuation bases

Revaluing property, plant and equipment produces comparable and current values for assets and their components that have been accumulated over decades or, sometimes, centuries, whose costs would be materially affected by inflation.

Under IFRS 13, assets and liabilities are fair-valued using whichever of the following maximises the use of relevant observable inputs:

- A market-based approach,
- An income approach, or
- A cost approach.

The consequences are:

Assets held for their operational capacity are valued on an existing use basis. For specialised assets, most significantly the Strategic Road Network and the Railway Network, this requires the use of depreciated replacement cost (DRC), discussed in Note 1.4.3. This replacement cost approach reflects the value of publicly owned assets to the taxpayer, addressing the issue that specialised assets are rarely sold on an arm's length basis or acquired and held to generate income. This is consistent with the FReM and is applied by all government departments for inclusion in the Whole of Government Accounts.

Certain balances and transactions are underpinned by surveyors' valuations of land and buildings, including the Group's significant land and buildings (Note 5), and part of its investment in Platform4 Rail Regeneration Ltd (formerly LCR Ltd) (Notes 12.2 and 26.1), and pension assets (Note 24).

The Group appraises the valuation inputs and outcomes to categorise the valuation within the three-level fair value hierarchy, depending on the lowest-level significant input.

- A level 1 input is a quoted price in an active market for an identical asset or liability (for example, the price of a bond that is actively traded).
- A level 2 input is not a quoted price, but is still observable, directly or indirectly (for example, bond yield curves).
- A level 3 input is unobservable (for example, internally-generated forecast cash flows, or technical specifications).

Note 30 discloses valuations by their category in this hierarchy.

Going concern basis

Repayment of the Department's liabilities is met from Supply funding and income, voted by Parliament, and approved annually by the passing of the Supply and Appropriation (Main Estimates) Act. The Main Estimate for 2026-27 was published on 29 April 2026. The Department considers there is no reason to believe that future approvals will not be forthcoming to meet its liabilities as they fall due. Hence, the going concern basis is considered appropriate.

1.3 Basis of consolidation

In accordance with the FReM, these financial statements comprise a consolidation of the core Department, its agencies and those other entities falling within the Departmental boundary defined by Statutory Instrument 2025 No. 268 (as amended by Statutory Instrument 2025 No.1336) made under the Government Resources and Accounts Act 2000. The Departmental boundary typically covers bodies classified by the ONS to the central government sector, as non-market bodies controlled by the Department. Note 25 lists the entities within the boundary. Where two columns are presented for a financial year, the first contains amounts for the core Department and Agencies, the second contains amounts for the Departmental Group. This Note uses the terms ‘the Department’ and ‘the Group’ to refer to balances, transactions and policies applicable to the core Department and its Agencies and to the Group respectively.

Note 25 also lists entities that are controlled by the Department but not consolidated, including public corporations: this includes the Train Operating Companies. These are bodies that the ONS classifies as market bodies controlled by the Department and are not designated for consolidation. Notes 26 and 27 give the disclosures required by IFRS 12 for entities that are controlled but not consolidated. The Department has equity investments in some of them, measured consistently with the policies in Note 1.13.

On consolidation, accounting policies are harmonised across the Group and material intra-group transactions are eliminated. In their own statutory accounts, TOCs measure assets and liabilities in respect of rolling stock leases and defined benefit pensions only to the end date of their operating contract with the Department, which may be shorter than the lease contract duration and pension scheme duration. The TOCs are not designated for consolidation into these Group accounts and therefore the Department also does not recognise any assets and liabilities in respect of these pensions and leases. If in future the TOCs were to be designated for consolidation, the Department would reconsider this accounting judgement at that point. Further information in relation to arrangements with the TOCs including concerning the full term lease obligations of their rolling stock is dealt with in Note 27.

1.4 Property, plant and equipment

Property, plant and equipment is described and analysed in Note 5.

1.4.1 Recognition

Assets are recognised initially at cost, comprising the purchase price or construction cost and costs directly attributable to bringing them to the location and condition necessary for them to be capable of operating in the manner intended by the Group.

For infrastructure projects, costs are expensed until the project becomes reasonably certain to proceed; thereafter, capitalisation commences. See Notes 1.4.2 and 5.3, Assets Under Construction for more analysis.

Land and property required for infrastructure construction is acquired through several legal processes and recognised as an asset when the obligation to purchase it arises. The timing depends on the process and context of the relevant scheme, as described in Note 1.20.1. Land and properties on the infrastructure’s route are included in the asset under construction. Those outside this boundary and those acquired for HS2 Phase 2b are classified as inventory.

Capitalised costs include compensation due to landowners for access rights obtained through Temporary Possession, when required for construction.

1.4.2 Classification

The Group categorises property, plant and equipment into Infrastructure Assets, Assets Under Construction, Land and Buildings, and Other Assets. Brief descriptions are given below, with fuller disclosures in Note 5.

Infrastructure assets (including renewal and enhancement works in progress)

This category comprises the Railway Network, the Strategic Road Network and the HS1 concession. They are networked assets: integrated networks serving a significant geographical area. They display some or all of the following characteristics:

- Of specialised nature, with no alternative use;
- Immovable; and
- Potentially subject to constraints on disposal.

Given their integrated nature, renewal and enhancement works in progress on the Strategic Road Network and the Railway Network are recorded against the relevant networked asset from the works' commencement.

The Strategic Road Network (SRN) encompasses England's motorways and all-purpose trunk roads, comprising: carriageways, including earthworks; tunnelling and road pavements; roadside communications; bridges and other structures, and land within the highway's perimeter. It also includes the reversionary interest in the M6 Toll. Other roads are typically controlled by local authorities.

The Railway Network encompasses the infrastructure supporting the operation of Great Britain's national rail system, comprising: track; earthworks; signalling; power; telecommunications; bridges; fencing; coastal defences; stations and operational property; tunnels; and land. It includes only assets controlled by Network Rail. Other rail systems, including the Core Valley Lines; London Underground and other regional systems; and heritage lines are recorded in the financial statements of the organisations that control them.

Notes 1.4.1, 1.4.3 and 5.1 – 5.3 present further information about capitalisation and valuation policies.

Assets under construction

This category represents discrete items or projects, outside the networked infrastructures. The most significant element is HS2.

Land and buildings

This comprises properties outside the networks' perimeters, including surplus properties, and the General Lighthouse Authorities' lighthouses.

Other assets

This includes Plant and machinery; Fixtures and fittings; and IT hardware.

1.4.3 Valuation

The valuation approach used for specific assets depends on their function and materiality. Expert valuations underpin certain balances and transactions.

Infrastructure assets – Networked assets (including renewals and enhancements)

The Group's main networked assets (the Strategic Road Network and the Railway Network, but not HS1) are valued at DRC, which aims to reflect the cost, in today's money, of constructing a new network capable of delivering the same service capacity as the existing asset. This involves three significant sets of judgements:

1. The type of asset that would be constructed;
2. The cost of constructing it; and
3. The existing asset's service capacity.

The DRC is calculated by determining a gross replacement cost for the network (reflecting the first two sets of judgements) which is then adjusted (or 'depreciated') to reflect the network's condition and capacity (reflecting the third set of judgements), as described below. The gross replacement cost is determined according to RICS guidelines, which require certain assumptions, including: a modern equivalent asset, which the Group considers to be a network identical in function, scale and connectivity, but constructed using modern specifications and methods; and instantaneous build on a greenfield site. The adjustment to DRC reflects management's best estimate of the network's condition and capacity. A full valuation (of the entire infrastructure or significant elements) is commissioned every five years at least: this is typically referred to as a quinquennial review (QQR). In interim years, this is updated by applying input indices (selected specifically for each network and described in the relevant section) to a standard price list of network components.

Renewals and enhancements are recognised initially at cost. To measure the relevant network at DRC, the year-end valuation reflects the difference between the cost and DRC of works in progress which typically produces a downwards adjustment. This arises from DRC costing assumptions and the inherent challenge of adding value to a complex, integrated live asset, because it is more expensive to maintain normal service levels during upgrades than to close routes temporarily or build afresh on a greenfield site. The adjustment is recognised in Other Comprehensive Net Expenditure to the extent of any revaluation surplus of that asset and presented as 'Adjustment of renewal and enhancement works in progress to DRC' in Note 5.

The DRC valuation method reflects the cost of a modern equivalent asset, offering a commensurate operational capacity to the actual network. Present-day design, materials and construction standards are applied. Some component asset lives extend beyond the date from which the UK has committed to meeting decarbonisation targets, such as net zero by 2050. Given the multiple inherent uncertainties at present in determining the impact and cost of these matters, including transition and physical risk factors of climate change and of other environmental factors which may arise in future including in relation to meeting future sustainability requirements, on future asset design, materials and construction requirements they have not been quantified. The replacement cost at the year-end may not, therefore, be fully indicative of the actual replacement cost for these components at the end of their useful lives. Climate change may also affect future useful lives.

DRC valuations require many accounting assumptions, causing significant inherent estimation uncertainty. The specific drivers for each infrastructure asset are described later in this Note. Notes 5.1 and 5.2 disclose possible ranges of estimating uncertainty as an indicator of materiality, which while not statistically derived, are judged as being broadly indicative of that uncertainty. These ranges may produce a variation of +/- £36.9bn for the Railway Network and +/- £17.5bn for the Strategic Road Network, demonstrating a total estimation uncertainty of approximately +/-£54.4bn.

The Railway Network (including renewal and enhancement works in progress)

Differences in accounting framework relating to the Railway Network

Network Rail's own financial statements hold the Railway Network at fair value using an income approach, which differs significantly from the DRC included here. The differing treatments are considered reasonable because the nature of Network Rail's interest in the asset varies from the Group's interest, for the following reasons.

Network Rail has elected to measure the Railway Network on a revaluation basis, so must determine the Network's fair value consistently with IFRS 13, under un-adapted IFRS, in accordance with the Companies Act. Network Rail uses an income approach because it performs a regulated activity. From rail privatisation until 1 April 2019, when Control Period 6 (2019-2024) started, the ORR, Network Rail's regulator, calculated the income levels for the rail infrastructure operator (previously Railtrack, now Network Rail) by reference to the Regulatory Asset Base (RAB). This is a valuation of the infrastructure, which is derived from the initial market capitalisation of Railtrack plus subsequent qualifying capital expenditure. RAB-based income setting is widely used in regulated industries; it was applied to Network Rail while it was classified as a private-sector operator and thereafter up to 1 April 2019. While Network Rail's income determination is no longer RAB-based, reflecting its current public sector status; ORR advised that a RAB-based framework would be applied to any future private-sector operator. A RAB-based income approach is considered the most appropriate estimated exit value because it reflects the position of a theoretical private sector entity holding a railway network licence. It represents the discounted future cash flows that the rail network would be expected to generate, including an assessment of under- and outperformance against the current 5-year regulatory determination. There is insufficient observable data for a market approach, and a replacement cost approach would produce a higher valuation. The Railways Bill intends to establish GBR as the public body responsible for rail infrastructure in future: the valuation of the railway in GBR's own accounts will be considered alongside final decisions around the corporate structure and operating model of GBR.

By comparison, the higher DRC valuation includes the cost of significant elements funded before the RAB was introduced and not wholly reflected in Railtrack's initial market capitalisation, such as earthworks, long-life structures, and operational land. Together, they comprise much of the DRC and are essential to the railway network's operation.

Defining the modern equivalent asset for the Railway Network

The modern equivalent asset is a network identical in function, scale and connectivity to the actual network and is deemed to contain the same quantity of track and termini. Standardisation of assets, systems and technologies is assumed except where qualified engineers advise it to be impossible. These standardised assets, systems and technologies constitute repeatable components, or 'building blocks', which are aggregated to form the network. Finally, the modern equivalent network reflects technological advances only where they represent value for money. This is reflected by defining categories for different

technologies, then allocating the modern equivalent network's components into those categories.

Costing the modern equivalent asset for the Railway Network

A full DRC valuation was performed during 2023-24. Costings are taken from various sources, involving estimation. The sources include: final costs of recent projects; contractors' Framework Rates; Project Cost plans; first-principle estimation techniques; and actual costs from other UK contracts. Indirect construction costs come from benchmarking studies; ORR has reviewed and endorsed the principles and ranges. Costs have been benchmarked against actual costs of recent projects where possible; however, this is less feasible for components that are routinely maintained rather than fully replaced.

Estimates are adjusted using a risk allowance reflecting project maturity and contingencies for costs that vary between projects. The risk allowance assumes a high initial understanding of the project scope. In some cases, a modern equivalent component costs no more than the actual component.

Between full valuations, the modern equivalent asset value of the Railway Network is updated through annual indexation. Indexation applies relevant rail and construction cost indices to the existing asset base to reflect changes in replacement costs arising from inflation and market conditions. This ensures that the estimated gross replacement cost remains representative of current prices until the next comprehensive valuation is undertaken.

Accounting estimates in the valuation of the Railway Network

The accounting estimates described below are discussed more fully in Note 5.1.

Land compensation

The land valuation includes an assessment of land purchase compensation costs, reflecting the higher cost of actual purchases, compared with theoretical greenfield sites. As Network Rail rarely purchases large land parcels, this estimate of 65% is added based on assumptions derived from CBRE Ltd's latest QQR valuation.

Greenfield assumption

Where comparative costs for greenfield-site constructions are unavailable, the Group uses comparatives for construction in a live operational environment, which is more expensive, and reduces them to a greenfield cost by an estimate of 32%. Note 5.1 explains the basis for estimate selection.

Cost risk factor

After allowing for known construction costs, unknown and localised costs remain. These are captured using a risk factor of 20%, an assumption subject to a sensitivity analysis reflecting the range of potential adjustments. Note 5.1, scenario 4 explains the basis.

Sensitivity to estimation uncertainty in the valuation of the Railway Network

These accounting estimates are subject to multiple inherent uncertainties. The following boundaries indicate a range of reasonably possible outcomes:

Accounting estimate	Boundary (+/-)	Comment
Land compensation adjustment (normally -65%)	10%	Maximum and minimum compensation adjustments of -75% and -55%
Greenfield assumption adjustment (normally -32%)	10%	Maximum and minimum adjustments of -42% and -22%
Cost risk factor, currently +20%	10%	Maximum and minimum risk factors of +30% and +10%

The Sensitivity Analysis in Note 5.1 uses these boundaries to give the potential impact in monetary terms of the given level of uncertainty.

The Strategic Road Network (including renewal and enhancement works in progress)

Defining the modern equivalent asset for the Strategic Road Network

The modern equivalent asset (MEA) for the Strategic Road Network is defined as a network that provides the same level of service potential and functionality as the existing network, but is designed and constructed using current engineering standards, materials and construction techniques. In defining the MEA, judgement is applied to determine how existing assets would be represented if built today, including the specification of roads, structures, technology and associated infrastructure, whilst ensuring that the replacement asset delivers equivalent operational capacity and service potential. These judgements are informed by current engineering practice, technical expertise and professional valuation advice.

Costing the modern equivalent asset for the Strategic Road Network

The Group considers that the best costing approach is to use rates derived from actual construction costs of schemes completed recently. At each full revaluation, costing rates for specific asset types are derived, for example, bridges classified by width and length, according to their function. Where there is no up-to-date costing information, the Group determines costs using a combination of recent scheme costs, published pricing information, benchmarking and indexed historical data, as appropriate to the asset being valued. Judgement is required in assessing the relevance of the available evidence, particularly for complex or specialised structures where directly comparable and recent cost information may be limited.

Full and interim valuations of the Strategic Road Network

In 2025-26, a QQR of special structures was completed. This followed QQRs of pavements and land in 2024-25 and will be followed by QQRs of structures in March 2028 and roadside technology in March 2029. QQR judgements are made with appropriate engineering consultancy advice.

Between revaluations, values are adjusted using indices. Several construction-related indices are applied to the costing rates for various elements of the SRN, both in full revaluation exercises to update actual scheme information to current cost and in interim valuations to revalue overall SRN components. The Group chooses the indices which it considers most relevant to the components' replacement costs and to the determination of costs to produce an estimated standard cost valuation. These include:

Regional land and building indices	calculated by National Highways' engineering consultants, using: • the Savills Farmland Value Survey Index and • the Land Registry Office House Price Survey urban land indices, and
Inflation	the Implied Output Price Index (IOPI, an industry-specific index which is updated monthly as part of the output in the ONS' construction industry datasets; it is widely used across National Highways' contracts.)

As modern design standards require concrete barriers on new roads, a valuation adjustment is applied to reflect that approximately 85% of the existing network comprises lower-cost non-concrete barriers, ensuring the gross replacement cost remains representative of the current network.

Sensitivity to estimation uncertainty in the valuation of the Strategic Road Network

These accounting estimates are subject to material estimation uncertainty. The following boundaries indicate a range of reasonably possible outcomes; the sensitivity analysis in Note 5.2 uses them to indicate the potential impact of the given level of uncertainty:

Accounting estimate	Boundary (+/-)	Comment
Costing rates	10%	Sensitivity to the estimation approach of determining costs from recent pricing data is limited since recent actual costs are usually available for the most commonly-used asset types, which represent a large proportion of the asset value.
Cost index	10 basis points	The valuation is sensitive to other indices, but IOPI is the most significant because it is used for roads and structures.

These boundaries are used in the Sensitivity Analysis in Note 5.2, which gives the potential impact in monetary terms of these levels of uncertainty.

Infrastructure assets – HS1

The HS1 rail link infrastructure was originally constructed by HS1 Ltd (then a subsidiary of Platform4 Rail Regeneration Ltd (then LCR Ltd)) under a 99-year Private Finance Initiative concession. The Secretary of State acquired Platform4 Rail Regeneration Ltd in June 2009 to restructure the business and renegotiate the concession. HS1 Ltd, the concession holder, was sold to infrastructure investors in November 2010. ONS classified it to the private sector.

Under the renegotiated concession, ending in 2040, HS1 Ltd operates and maintains the infrastructure, generating track access charges from domestic and international train operating companies on a commercial basis. HS1 Ltd contracts the infrastructure maintenance to Network Rail (High Speed) Ltd, a Network Rail subsidiary. At the end of the concession, the infrastructure reverts to the Group, with the expectation that a further concession will then be granted.

The infrastructure is held to maximise returns to the Group, so is valued on an income basis. The initial gross book value was the sum of:

- £1,686m for the current concession period, reflecting the asset's impaired value-in-use, reported in Platform4 Rail Regeneration Ltd financial statements as at 31 December 2009. This value reflected the net present value of future cash flows up to 2040. A corresponding liability was recognised in deferred income. This follows the policy described in Note 1.8.

- £1,860m for the infrastructure's estimated remaining life (to 2086): reflecting the estimated present value of proceeds from subsequent concessions, using the price paid by Borealis and the Ontario Teachers' Pension Plan for HS1 Ltd and the concession, which represented the best estimate of the income the Group will receive in 2040 and beyond.

The Group impaired the asset in 2022-23, largely driven by observations that domestic demand in particular remained below pre-COVID levels. The Group revisited its calculations in subsequent years and determined that no further adjustment was required. The calculation method used is discussed in Note 1.8. The asset's carrying value will be reviewed annually for any further impairments or reversals.

The asset is depreciated on a straight-line basis over its remaining useful economic life, judged to be the length of the original concession ending in 2086.

Assets under construction (other than carried as part of a network asset)

Assets under construction are typically held at cost until completion. Where a construction project requires enabling legislation, capitalisation of an asset under construction commences when the Second Reading for the enabling legislation has successfully completed, when the legislation is substantively enacted.

HS2

HS2 Phase 1 is held at cost less impairment for abortive costs, until its future operating model becomes sufficiently clear to adopt an alternative basis. Some components of these costs represent best estimates pending the conclusion of commercial negotiations. Note 1.20 and Note 1.20.1 discuss the classification of the related liabilities. Note 1.8 describes the approach for testing these assets for impairment. All costs for Phases 2a and 2b have been expensed, following the 2023-24 impairment.

Other assets, including land and buildings

From 1 April 2025 the FReM requirements for revaluations of some asset types changed prospectively. For the Group, these types comprise non-infrastructure assets that are not under construction. In practice, the Group considers that this will not have a material impact.

Valuations will be performed with the following frequencies:

- Quinquennially, supplemented by annual indexation.
- A rolling programme over a 5-year cycle, supplemented by annual indexation.
- For non-property assets only, appropriate indices.

These assets are measured either at existing use value if they are held for their operational capacity, or otherwise at fair value. Surplus assets, including those originally required for HS2 Phase 2a, are measured at existing use value if there are restrictions on their sale, or at fair value if not. The basis used for specific assets depends on the surveyor's judgement, reflecting their function and value; DRC will be appropriate in some cases, and may reflect alternative locations if appropriate for the service that the asset delivers.

If the carrying value increases, the gain is recognised in the Revaluation Reserve through Other Comprehensive Net Expenditure. If the carrying value has decreased, the causes are analysed to determine whether this was a clear consumption of economic benefits, which

includes cases of physical damage, or a policy decision to use the asset for a less specialised purpose, which is the central government equivalent of a reduction in the asset's value-in-use. Decreases caused by a clear consumption of economic benefits, or which reduce the asset's value below its historic cost, are treated as impairments recognised in Net Operating Expenditure. Other decreases are recognised in Other Comprehensive Net Expenditure to the extent that the asset has a relevant balance available within the Revaluation Reserve.

1.4.4 Depreciation

Freehold land is not depreciated. Assets or definable components with determinable useful economic lives are depreciated on a straight-line basis. Note 5 details the weighted-average asset lives used for components of the major networked assets. 'Other assets' comprises multiple asset classes from across the Group. The material classes are depreciated over the following useful lives:

Lives of buildings can be from 25-150 years (for some freehold structures, with lighthouses achieving longer lives),
 Plant and machinery – 3-25 years
 Office equipment – 3-10 years
 IT assets – 3-15 years

Where material, lives are reviewed annually for condition assessment.

The calculation of depreciation for the networked assets is described below.

The Railway Network: Determining the remaining lives and condition of asset components

Given the complexity of the Network's structures, the estimated remaining useful economic lives in the table below are typically weighted averages, based on management judgements of the remaining lives for detailed categorisations of the underlying components.

Type	Remaining Life (Years)
Earthworks	95
Structures	62
Electrification, plant & signals	33
Operational property	26
Track	21
Telecoms	7
Land	–

This is a critical judgement reflecting the available data, including that used for Network Rail's whole-life costing assessments. However, careful evaluation is sometimes required, especially for components that are rarely replaced, such as structures and earthworks. Some are capable of very long lives; however, for this valuation, lives are capped at 100 years due to inherent uncertainty beyond that period.

Sensitivity to estimation uncertainty

Asset components' conditions are assessed using several methods, including physical inspection and data from electronic sensors. However, for some component types, the available data is limited, requiring the use of judgement and estimation. This causes a degree

of estimation uncertainty. The following boundaries are used in the Sensitivity Analysis in Note 5.1 to indicate the potential impact of the given level of uncertainty:

Accounting estimate	Boundary (+/-)	Comment
Asset lives of the components of the modern equivalent railway network	10%	See Note 5.1 for asset lives

The Strategic Road Network: Determining the remaining lives and conditions of significant asset components

The road pavement comprises a surface layer and supporting sub-layers. Experience shows that if the surface layer remains in good condition, the sub-layers do not deteriorate, which in turn means that the condition stays constant, and the remaining life is maintained. Therefore, the surface layer only is referred to as a renewable or depreciable element.

Structures also include renewable, depreciable, elements, and non-renewable elements. The latter predominantly comprise ground and earthworks, including expenditure on preliminary works.

The Strategic Road Network: Calculating the depreciation charge

The Group considers that the depreciation method which best reflects the expected consumption pattern of the SRN's future economic benefits is to expense an amount equal to the value of renewals performed during the year, adjusted to reflect changes in the asset's condition. This is applied to elements other than technology.

The depreciable element of the road pavement is calculated as 21% (2024-25: 21%) of the total value, representing the proportion of cost related to the elements regularly renewed, including the surface layer; drainage; road marking and studs; and rigid concrete roads. The remainder relates to elements (including sub-layers) for which the depreciation charge and accumulated depreciation would be immaterial, given the length of their useful lives, subject to regular renewal of the surface layer. The adjustment to the in-year depreciation charge to reflect changes in the asset's condition is based on measurements of the deterioration of the road's wearable element, reflecting four factors: rutting, texture, fretting, and longitudinal profile metrics obtained from Traffic Speed Road Assessment Condition Surveys (TRACS).

The road's actual condition is compared to its carrying value (after adjusting for renewals) and any movement is taken to depreciation as a charge or credit depending on whether the condition has deteriorated or improved.

For structures, the adjustment of the depreciation charge for condition changes is calculated using a depreciation factor, derived from the Element Condition Score (ECS) obtained from structure inspections. The ECS for each element is applied to a deterioration curve and averaged using a calculated replacement cost for that element. This results in a weighted average proportion of service life consumed which is applied to the asset's depreciable element.

Technology assets are depreciated over a useful economic life, which is determined using assumptions about the period during which they will provide operational capacity. Note 5.2 shows estimates of their useful economic lives, reflecting historic trends and expert knowledge.

1.5 Intangible assets

Intangibles are assets without physical substance, comprising software and development costs. They are described and analysed in Note 6.

Purchased software is classified either as operating (capitalised with the related hardware) or application software, which is capitalised if its life exceeds twelve months and its cost exceeds the threshold. Licences are capitalised as intangible rather than right-of-use assets. A pooled basis is used where the Group benefits from employees using the same application and version.

Internally-developed intangibles are capitalised when the Group's investment appraisal processes and other project governance controls confirm the project meets the following criteria:

- It is probable that it will deliver future economic benefits,
- The Group has the intention to complete and use or sell the asset,
- Sufficient funding has been granted to complete and use or sell the asset,
- The Group has the ability to use or sell the asset,
- The project is technologically feasible, and
- The related expenditures can be reliably measured.

Costs incurred before these criteria are met, and costs of research activities are expensed when incurred; however, some research costs score against capital budgets.

Once complete, assets are amortised over their useful lives. Assets were measured at fair value until 31 March 2025. Thereafter, assets acquired subsequently are measured at cost and the remainder at their most recent fair value, which is treated as deemed cost. Cost and deemed cost are adjusted for subsequent amortisation and impairment. Any revaluation surplus as at 1 April 2025 is transferred to the General Fund as the assets are amortised and ultimately derecognised.

1.6 Leases

1.6.1 Scope and classification

Government bodies typically lease properties used for administration, to maximise efficiency and flexibility. The Group also benefits from leases (with peppercorn or no consideration) of land, that could not be acquired outright. Other asset types may be leased if this represents value for money, typically depending on whether the underlying asset is required for its entire life or a shorter period, and the markets for specific asset types: airframes, in particular, where there is an active leasing market.

The Group classifies contracts as leases based on their substance. Contracts and parts of contracts, including contracts for services, are analysed to determine whether they convey the right to control the use of an identified asset, through rights to obtain substantially all the economic benefits from that asset and to direct its use. Significant examples include construction contracts using specialist equipment. The Group also applies the standard to arrangements with nil consideration, as required by the FReM, and accommodation-sharing arrangements with other government departments.

The Group excludes contracts:

- For low-value items, costing less than £5,000 when new, unless they are highly dependent on or integrated with other items; and
- With a term shorter than twelve months (comprising the non-cancellable period plus any extension options that the Group is reasonably certain to exercise and any termination options that the Group is reasonably certain not to exercise).

1.6.2 Initial recognition

At the lease commencement date (or the IFRS 16 transition date, if later), the Group recognises a right-of-use asset and a lease liability.

The lease liability is measured at the payments for the remaining lease term (as defined above), excluding value added tax, discounted either by the rate implicit in the lease, or, where this cannot be determined, the Group's incremental cost of borrowing. The liability includes payments that are fixed, or in-substance fixed, and excludes, for example, changes arising from future rent reviews or movements in an index. For most Group members, the incremental cost of borrowing is advised by HMT for that calendar year:

Calendar year	Rate
2020	1.27%
2021	0.91%
2022	0.95%
2023	3.51%
2024	4.72%
2025	4.81%
2026	5.32%

Lease liabilities are presented within Note 19.

Right-of-use assets are measured at the value of the liability, adjusted for: any payments made or amounts accrued before the commencement date; lease incentives received; incremental costs of obtaining the lease; and any disposal costs at the end of the lease. However, for peppercorn or nil consideration leases, the asset is measured at existing use value.

1.6.3 Subsequent measurement

The asset is subsequently measured using the fair value model. The Group considers the cost model to be a reasonable proxy except for leases of land and property without regular rent reviews. For these leases, the asset is revalued. In these financial statements, right-of-use assets held under index-linked leases are adjusted for changes in the index, while assets held under peppercorn or nil consideration leases are valued using market prices or rentals for equivalent assets.

The liability is adjusted for the accrual of interest, repayments, and reassessments and modifications. These are measured by re-discounting the revised cash flows; the impact is reflected in the liability and either in the asset valuation or expenditure as follows:

Scenario	Discount rate	Asset or expenditure
Reassessment		
The Group becomes or ceases to be reasonably certain to exercise an extension or termination option, due to a significant event or change in circumstances	Revised	Asset*
The non-cancellable period changes	Revised	Asset*
The amount payable under a residual value guarantee changes	Original	Asset*
There is a movement in an index or rate that will alter the cash flows (except for floating-rate arrangements)	Original	Asset* (with an adjustment to any revaluation surplus where a change in the liability has already been reflected in the asset value)
There is a change in the variable lease payments, that was not included in the measurement of the lease payments during the period in which the triggering event occurred	Original	Expenditure
Modification		
Other leased assets are included, priced on a standalone basis	New	Asset (presented as the creation of new right-of-use assets and lease liabilities, discounted by a new rate)
The scope is decreased	Revised	Asset and Expenditure (the asset is remeasured proportionately to the reduction in scope; any difference between the change in the value of the asset and liability is recognised as a gain or loss)
The lease term is increased	Revised	Asset*
The consideration is changed	Revised	Asset*

* Where the amount of a reduction to the asset exceeds its carrying value, the excess is expensed.

1.6.4 Lease expenditure

Expenditure includes interest, straight-line depreciation, any asset impairments and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred. Lease payments are debited against the liability. Rentals for leases of low-value items or shorter than twelve months are expensed.

1.6.5 The Group as lessor

The Group assesses whether the leases are finance or operating leases. For finance leases, it derecognises the asset and recognises a receivable. Interest is accrued throughout the financial year and recognised in income. For operating leases, rental income is recognised on a systematic basis, usually straight-line, over the lease term.

1.6.6 Estimates and judgements

The Group determines the amounts to be recognised as the right-of-use asset and lease liability for embedded leases reflecting the stand-alone price of the lease and non-lease components. This reflects prices for leases of the underlying asset, where these are observable; otherwise, it maximises the use of other observable data, including the fair values of similar assets, or contract prices for similar non-lease components.

Some contracts cover a lease of land which the lessee controls and access rights through adjacent land which the lessee does not control. In more remote locations, where stand-alone prices are not readily observable, the Group treats the entire contract as a lease as a practical expedient.

The Group's 'peppercorn' leases include historic, long-term leases as well as more recent arrangements. To ensure the assets are correctly valued, the Group has distinguished between nominal consideration and consideration that is low, but proportionate to the asset's value (for example, the lease of a small landholding with few alternative uses). This distinction reflects, so far as possible, recent, observable market arrangements for comparable assets (for example, current rentals); otherwise, based on the Group's own arrangements.

Existing use value calculations reflect the lease term: asset valuations under long-term leases will reflect purchase price, while those under shorter-term leases will reflect the present value of market rentals for comparable assets, where data is available.

1.7 Service concessions

The Group has contracts with private-sector suppliers who develop, finance, operate and maintain infrastructure used to deliver services to the public, directly or indirectly. The accounting treatment depends on the extent of the Group's control over the infrastructure, and how the supplier recovers its investment.

If the Group controls or regulates the service (including the price) and controls any significant residual interest in the infrastructure, the Group recognises the infrastructure as an asset, classified as property, plant and equipment, with a matching liability, which is presented on one of these bases:

- Where the supplier has a right to consideration from the Group (usually as unitary charges) the Group recognises a financial liability for the element relating to the asset's cost. Interest on the liability and expenditure on services provided under the concession are recognised in Net Operating Expenditure as they accrue. Payments are apportioned between: for services; interest on the liability; and repayments of the initial liability.
- Where the supplier has a right to charge the public, (for example, the HS1 concession) the Group recognises a deferred income balance, which is amortised to Net Operating Expenditure over the concession term.

Where contract payments are linked to an index, the liability will be adjusted in a manner consistent with the treatment of index-linked leases, as described in Note 1.6.3.

The Group neither controls nor regulates the M6 Toll Motorway, so the concession is outside the scope of IFRIC 12. However, because it reverts to the Group at the concession's end for no consideration, the Group controls a significant residual interest in it. The infrastructure was

not recognised as an asset from the concession's inception; instead, its expected fair value is recognised incrementally through Other Comprehensive Net Expenditure over the concession term, as a valuation increase in the Strategic Road Network (see Note 5). This ensures the proper allocation of the contractual payments between payments for services and acquisition of the residual interest.

1.7.1 Estimating the allocation of cash payments

Contractual payments must be apportioned between capital, interest and (for most service concessions) services provided by the supplier. If the contract or other information provided by the supplier does not delineate the apportionment, by specifying the interest rate and the values of the asset and services, the apportionment is estimated, making full use of the information that the supplier provides, supplemented with inputs including determinations of the asset's and any services' fair values, using the HMT investment appraisal discount rate.

1.8 Impairment of non-current assets

The Group tests all non-current assets for impairment annually, including assets under construction. Their carrying value is compared with their recoverable amount. For specialised assets held to deliver a service to the public, this is deemed to be the cost of replacing the service capacity currently used. For other assets, it is the higher of the value in use and the fair value, less selling costs. Where appropriate, losses are charged to the relevant revaluation reserve to the extent permitted for that asset type; any subsequent reversal of the impairment would be credited either against operating expenditure or to the revaluation reserve.

For major assets that are not held to deliver a service to the public, the following methods are used in assessing the recoverable amount:

- The HS2 asset under construction, which is valued at cost. The Group evaluates possible impairment indicators to determine whether they evidence actual impairment. Recognising that design work on major projects is by nature iterative, review for impairment indicators is restricted to significant changes in the planned location, nature or capability of major components. In assessing for impairment related to scope changes, the Group considers the policy decisions that have been made, and the optionality that has been retained. When the Group identifies an indication that there is loss of operational capacity, or abortive costs, the asset is impaired by the amount of the associated costs.
- The HS1 infrastructure. For this asset, the Group tests the net carrying value, deducting the deferred income balance, as this net balance reflects the benefits recoverable over the asset's life following the current concession's expiry date. The following estimates and judgements have been made when calculating the value-in-use:
 - Forecast cash flows assume that the charging structure applicable under the current concession remains in place. Under this charging structure, some components are regulated by ORR, and some are linked to the retail price index. Forecasts reflect internal and external information about future demand and service frequencies.
 - Forecast inflation rates are based on swap prices over different terms up to fifty years. The fifty-year rate is assumed to apply for the remainder of the asset life.
 - The discount rate is calculated to reflect the risk-free time value of money, the price for bearing the uncertainty inherent in the asset and other factors that market

participants would reflect in pricing future cash flows. The Group has selected the nominal Green Book social time preference rate ('STPR') to reflect the risk-free time value of money because the Group can influence the frequency of domestic services, and thus the cash flows received by the concessionaire, basing its decisions on the policy benefits delivered by those services. The STPR is used to determine the value for money of central government interventions; it is typically higher than gilt yields and reflects taxpayers' preferences for public services now rather than later. It is then adjusted by adding a risk premium reflecting the margin between gilt yields and the interest rate on debt and equity instruments issued by entities in the same sector. This addresses the relatively inactive market for such instruments.

If there are indications of impairment, a formal valuation may be performed outside the usual five-yearly cycle described in Note 1.4.3.

1.9 Inventories

The most significant inventory type is land and properties, comprising: assets acquired – typically under discretionary schemes – for infrastructure programmes but not reflected in the asset under construction, because:

- They are not required for construction (lying outside the route boundary) and will be sold post-completion; or
- Construction cannot proceed, pending further progress of legislation. The Group considers that land and properties should not be classified as an asset under construction until the enabling legislation has successfully completed its Second Reading, when it is substantively enacted. Until then, the Group classifies them as inventory because, if Royal Assent was not achieved, they would be sold; or
- Construction will not proceed: for example, properties acquired under HS2 Phase 2b Statutory Blight, because the site was safeguarded, to prevent conflicting developments.

The majority of land and properties classified as inventories relate to HS2.

After initial recognition at cost, these inventories are valued by the Valuation Office Agency.

The most significant assumptions by value underpinning the valuation of inventories are as follows:

- For land and properties outside the route boundary, the net realisable value assumes that when they are sold, they will be close to transport infrastructure; and
- For land and properties that may fall within the route boundary but are recognised as inventory pending further progress of the legislation, the net realisable value assumes that they will be sold in their current condition, so is usually no lower than cost.

For other inventories, cost is determined using the weighted average cost method.

Inventories are reclassified from non-current to current when the Department expects to sell or consume the asset within the next twelve months, consistently with the reclassification of property, plant and equipment as assets held for sale, described in Note 1.10.

On disposal, the gross sale proceeds are recognised in income, and the inventories' carrying amounts are recognised in expenditure.

1.9.1 Use of estimation in the measurement of land inventories

Land inventories comprise properties held over a dispersed area. Their net realisable value is determined by a desk-top review supplemented by a full revaluation of a rolling 20% sample. Valuations of properties acquired along the route of HS2 Phases 2a and 2b reflects the cancellation of these phases.

1.10 Investment properties and assets held for sale

Properties are classified as investment properties where they are held for capital appreciation, rental income, or both. They are held at fair value through Net Operating Expenditure.

Non-current assets are reclassified as held for sale when they are available for immediate sale in their present condition and being actively marketed. They are held at the lower of their carrying amount at the point of reclassification or fair value less material selling costs, and are not depreciated. Where property acquired for the construction of transport infrastructure has become surplus, the former owners may be entitled to repurchase it under the Crichel Down rules. The Group considers that the property will not meet the criteria for reclassification until that right has lapsed. For tenanted properties, judgement is required to determine whether they are available for sale. This will reflect the transaction terms – for example, whether the properties are marketed with sitting tenants – and normal practice in the sector.

They are derecognised on disposal, when the purchaser obtains control of them.

1.10.1 Valuation

The fair values of the Group's investment properties at 31 March 2026 are determined from a valuation performed as at that date by Jones Lang LaSalle.

The valuation, conforming to International Valuation Standards, was performed by splitting the portfolio between one-off properties, which are valued individually (19 properties, representing 53% of the total value; 2025: 20 properties, representing 51% of the total value) and the remainder, which are valued under the Beacon method, which stratifies them by type and location, then applies appropriate yields to the rental incomes specified by existing leases (assumed to reflect market rents).

1.11 Investments measured using equity accounting

The FReM adapts the IAS 28 and IFRS 11 requirements for the use of equity accounting as follows: investments in entities classified to the private sector and the rest of the world sector are measured using equity accounting where the Group has significant influence, joint control or control over the investee. Managing Public Money imposes restrictions on the establishment of publicly-owned entities outside the UK.

The investment is recognised initially at cost, then adjusted for the Group's share of the profits or losses and other comprehensive income, reflected in the Statement of Comprehensive Net Expenditure, and any distributions. Investments' carrying values are reviewed annually for

impairment. Where the investee is loss-making, the Group recognises its share of the losses until the investment's carrying value is reduced to nil, but does not recognise any further loss or liability unless it has a legal or constructive obligation to honour the investee's liabilities. If the investee subsequently becomes profitable, the Group recognises its share of profits only after they cover the unrecognised losses.

1.12 Loans, and current and non-current receivables

Loans (Note 11) and receivables (Note 16) are recognised when the Group becomes party to the contractual provisions, initially at fair value (usually the contractual value), plus transaction costs.

Where the cash flows are solely payments of principal and interest on the outstanding principal, they are subsequently held at amortised cost because the Group's business model is to hold them to collect the cash flows. The amortised cost is calculated by discounting the contractual cash flows by the effective interest rate. This is the rate that, at origination, discounts contractual cash flows back to the initial fair value. Issue costs are typically amortised on a straight-line basis, which is materially consistent with amortised cost measurement.

Balances are derecognised when the rights to the cash flows expire; on the transfer of control and of exposure to the risk and rewards of ownership of the assets; or when they have been written off because there is no reasonable expectation of recovery. A significant modification to the contractual terms and conditions may necessitate the derecognition of one asset and, potentially, the recognition of another.

Impairment is reflected on the following bases:

- No credit loss allowances are recognised for balances with other Group members, where the core Department ultimately controls the entity and would prevent losses from arising in practice, by enforcing repayment. Group members with loan balances due to the Department have adequate revenues to prevent a default.
- Credit loss allowances for trade receivables and similar arrangements are measured at the lifetime expected credit loss, using the IFRS 9 simplified approach for receivables of this nature.
- Credit loss allowances for loans to external borrowers are initially assessed as the 12-month expected credit loss, because the loans are not originated as credit-impaired. Thereafter, credit risk is reassessed, reflecting reasonable and supportable information, including forward-looking information. Where the loan has experienced a significant increase in credit risk or become credit-impaired, the credit loss allowance is assessed as the lifetime expected credit loss.

Material credit loss allowances are recognised. Data inputs to their calculation include the counter-party's credit rating or scoring (where available) and historic default patterns for comparable entities. The analysis will also reflect actual or expected significant adverse changes in a counter-party's financial performance or operating environment, or the macro-economic factors that influence them.

During the period covered by these financial statements, the Group had no material loan commitments that were at below-market rates, could be settled net in cash, or were designated as financial liabilities to be held at fair value through profit or loss.

1.13 Investments in equities

Following the FReM, the Group's equity investments are IFRS 9 financial instruments if the investee is classified:

- To the public sector but not designated for consolidation
- To another sector, but the investment does not confer significant influence or joint control over the investee.

Investees include DFTO (and its subsidiaries) and Platform4 Rail Regeneration Ltd (formerly LCR Ltd). Ownership of the latter was transferred to Network Rail Infrastructure Ltd on 1 April 2025. The organisation was restructured in the year then renamed Platform4 Rail Regeneration Ltd (further details of this are in Note 12). The investment is now reported as a Group asset rather than a Core Department asset, though prior-year comparatives still show it within the Core Department and Agencies. The transfer did not affect the cumulative surplus in the Group's FVOCI reserve. Equity investments are recognised initially at the transaction price, which indicates the fair value at that point, plus any transaction costs.

Thereafter, they are held at fair value, as the cash flows are not solely payments of principal and interest. For all equity investments, the Group has made an irrevocable election to recognise changes in fair value through other comprehensive income, because they are held strategically, to deliver the Group's policy objectives rather than to generate investment gains. Therefore, in-year valuation changes do not reflect the Group's performance during the year. Fair values are classified using the hierarchy described in Note 1.2. On disposal, any cumulative balance is transferred directly to the General Fund. This is further described in Note 12.3.

If there is no active market for an instrument, the Group uses estimation techniques which reflect, so far as practicable, those that market participants would use, maximising the use of observable inputs. The investees operate in many sectors; therefore, various techniques are used, which are described more fully in Note 12, with sensitivity disclosures. Using accounting estimates entails estimation uncertainty. The impact of any change in assumptions on asset values is considered immaterial.

The Group derecognises these assets when its rights to receive cash flows expire or have been transferred, provided that substantially all the risks and rewards of ownership and control of the asset have also been transferred.

1.14 Cash and cash equivalents

Cash and cash equivalents comprise: bank balances held; commercial paper; and money market deposits at varying rates. Their carrying amount approximates to their fair value.

1.15 Trade and other payables

These are financial liabilities other than financial guarantee contracts and those held at fair value through profit or loss (Net Operating Expenditure), mostly comprising trade payables and accruals.

They are recognised initially at fair value, typically the transaction price, when the Group becomes party to contractual provisions. Thereafter, where the time value of money is material, they are held at amortised cost and derecognised on settlement.

1.16 Borrowings

The Group has long-term borrowings in the forms of bonds and notes, issued mainly by Network Rail Infrastructure Finance plc within the Network Rail Group, but also by LCR Finance plc and CTRL Section 1 Finance plc. All have ceased new external borrowing. Before Network Rail's reclassification to the central government sector, so before it was part of the Group, it issued bonds under the Debt Issuance Programme.

They were recognised initially at fair value, usually the transaction amount, plus transaction costs. Two are held at fair value to prevent an accounting mismatch; their accounting treatment is described in Note 1.18. Those not held at fair value are measured at amortised cost. Issue costs may be amortised on a straight-line basis, where this is materially approximate to the effective interest method. Note 3.7 analyses interest between cash and non-cash components (accretion on outstanding principal).

Borrowings are derecognised when all obligations are satisfied.

1.17 Classification of mechanisms that transfer risk

The Group accepts risk to obtain best value in delivering its strategic outcomes.

When the Group accepts other parties' risks, it assesses whether there is a legally enforceable arrangement. For example, payments from the Air Travel Trust to the customers of failed tour operators are made at the trustees' discretion, and therefore unenforceable. Where the arrangement is enforceable, the Group evaluates whether it is one of the following, in order:

- A financial guarantee contract (see Note 1.19)
- An IFRS 17 insurance contract
- A financial instrument, such as a derivative (see Note 1.18) or a loan commitment (see Note 1.12)
- An arrangement within scope of IFRS 15 (see Note 1.25)
- Otherwise, it is treated as a contingent liability or provision, within scope of IAS 37 (see Note 1.20).

The Group concludes that materially all of these arrangements cover contractualised risks created by transport service programmes. They typically cover non-financial variables, such as force majeure or other stakeholders' non-performance, so are not financial instruments. They are outside the scope of IFRS 17, because, in general, they relate to risks created by the

contract, rather than the counterparty's pre-existing risks, and are outside the scope of IFRS 15 because the counterparty is not a customer. Consequently, where an unavoidable obligation exists, IAS 37 applies to the material arrangements: these are disclosed as a contingent liability or remote contingent liability where appropriate.

Risk relating to the price of future services is reflected when those services are received, unless the contract is onerous.

1.18 Derivatives and other financial instruments held at fair value through profit or loss (net operating expenditure)

Financial instruments are held at fair value through profit or loss because they are either:

- Classified as held for trading (predominantly derivatives not designated and effective as hedging instruments), for which this basis is required, or
- Those designated to be held on this basis to prevent an accounting mismatch (for example, bond liabilities sharing a risk with derivatives held, so their fair value changes will tend to offset each other).

They are initially recognised at fair value. The Group considers that the transaction amount is the best evidence of initial fair value. Any transaction costs are expensed.

They are remeasured to fair value at each 31 March: changes recognised in Net Operating Expenditure. Where no active market exists, the Group estimates values from predicted cash flows, forecast interest, exchange or inflation rates, creating some estimation uncertainty. Note 29.3 includes a sensitivity analysis of the impact of ± 1 percentage point changes in these rates, which is considered to be reasonably possible.

They are derecognised when all rights to cash flows expire (for assets); or all obligations are settled (for liabilities); or control or the risks and rewards of ownership are transferred.

The Group does not apply hedge accounting, largely because the potential hedged items are intra-group. Network Rail purchased most of the derivatives to manage the interest rate and foreign exchange risks on the borrowing programme discussed in Note 1.16, including planned borrowings. After its reclassification, it received loans from the Department instead of its planned borrowings, and the loans are eliminated on consolidation.

Other derivatives, specifically foreign exchange forwards, are held by HS2 Ltd to manage foreign exchange risk along its supply chain through a cost control programme implemented in 2020-21. The programme was not designed to qualify for hedge accounting.

1.19 Financial guarantee contracts

Financial guarantee contracts require the issuer to make specified payments to reimburse the holder for a loss incurred because a specified debtor fails to make payment when due according to the terms of a debt instrument.

The Department's only material financial guarantee contract is the Financial Indemnity Mechanism (FIM), a non-cancellable arrangement covering fixed-rate and index-linked debt instruments issued under Network Rail's borrowing programme, maturing in October 2052.

The Department considers and accounts for it as a financial instrument rather than an insurance contract. Consequently, it was recognised initially at fair value, then subsequently measured at the higher of the initial amount less, when appropriate, cumulative income recognised under IFRS 15, or the credit loss allowance. As the FIM covers debt issued by a Group member, the Department considers the credit loss allowance's value to be nil. The carrying amount is therefore measured at the initial fair value less cumulative income.

The Department provides a service of credit enhancement to Network Rail, allowing it to obtain a lower cost of borrowing, and to its lenders, which is performed over time. The service is priced at the credit spread between the yields on the guaranteed debt instruments and those on comparable non-guaranteed instruments; at the time of initial recognition, the Department charged a fee, which was set on this basis to reflect standard commercial terms. The initial fair value was calculated as the present value of that credit spread over the instruments' remaining terms, discounted by the rate prescribed by HMT for financial instruments. The remaining balance at each 31 March reflects the performance obligation to be satisfied in future periods. It is calculated as the latest forecast of outstanding debt over the remaining term of the Debt Issuance Programme, multiplied by the credit spread. This produces a fixed income stream for fixed-rate debt instruments and an inflation-linked income stream for index-linked debt instruments. The forecast income is then discounted by a nominal rate to reflect the materiality of the time value of money.

The amount of income recognised in each period is measured to reflect progress towards satisfaction of the performance obligation, which is to support the debt outstanding during each year and is therefore calculated as the average debt balance multiplied by the credit spread. The impact of financing is presented separately as an interest cost. The amount charged or released during the year is explained in Note 3.7.

The liability and related transactions are derecognised at Group level, because the Group's exposure does not exceed the outstanding balance of Network Rail's external borrowings (see Note 19).

1.19.1 Estimates and judgements

The credit spread reflects ORR's assessment at the point when Network Rail ceased new external borrowing; in July 2014. The discount rate is updated for any changes in the rate prescribed by HMT. The liability's carrying value is also influenced by differences between actual and forecast borrowings, particularly for index-linked debt. Inflation is forecast at 2.5% per annum for the next twelve months and 2% per annum thereafter as at 31 March 2026 (3.6% for the next twelve months and 3% thereafter as at 31 March 2025); differences between forecast and actual inflation movements in any year are recognised in income and expenditure for that year.

1.20 Provisions and contingent liabilities

The Group's provisions and contingent liabilities comprise those arising from accepting other parties' risks, as described in Note 1.17, and those arising within the Group. Provisions and contingent liabilities arising within the Group include several types, such as compensation for industrial diseases and obligations to purchase land and properties, particularly for the HS2 programme.

The Group recognises provisions where, at the reporting date, it considers it more likely than not that it has a legal or constructive obligation to transfer resources, arising from a past event and where the amount can be reliably estimated. If it cannot be reliably estimated, the obligation is disclosed as a contingent liability.

Descriptions of the significant provision balances, including those identified above, are given in Note 22, with their specific recognition points. Estimates and assumptions made in quantification are discussed below. Land and properties purchased for HS2 are owned by the Secretary of State; consequently, this provision is disclosed under the Core and Agencies classification. As HS2 Ltd is a non-departmental public body, liabilities from its activities are disclosed under the Group classification.

The Group discloses potential future obligations arising from past obligating events as contingent liabilities, where their existence remains uncertain pending the outcome of future events outside of its control. Note 23 lists contingent liabilities whose likelihood is greater than remote, as required by IAS 37. The Accountability Report presents remote contingent liabilities, so that Parliament remains aware of all arrangements that may require funding. They include guarantees, indemnities and letters of comfort reported to Parliament as required by Managing Public Money.

1.20.1 Obligations to purchase land and property: recognition, measurement and classification

Full provisions for compulsory purchase of land and property are recognised at different points reflecting an analysis of the relevant scheme and process.

- For many schemes, especially road constructions, enabling powers for specific acquisition areas are provided by the Secretary of State confirming a Compulsory Purchase Order (CPO) or granting a DCO. The Group concludes that CPO/DCOs create a constructive obligation on issue for these schemes, because the identified land's owners will then have a valid expectation that their land will be purchased, given the substantial available precedent. These schemes form part of a significant portfolio with a high evidence base that a General Vesting Declaration or Notice to Treat and Notice of Entry will be made and the land acquired. This principle is applied to every National Highways scheme.
- For schemes of unusual scale or complexity or which are relatively independent, this precedent-based approach is inappropriate. The recognition point occurs when the Group is legally unable to withdraw from the obligation, generally assessed as being at the point a General Vesting Declaration is executed. This principle is applied for HS2 acquisitions.

Before CPO obligations arise, the Group may be required to compensate some categories of owners for statutory planning blight. This occurs when their property's value is, in specific legal circumstances, substantially reduced by a detailed proposal to perform works, leaving the owner unable to sell it at a scheme-unaffected price. Blight obligations are recognised (subject to existence and measurement uncertainty) from the event which legally results in eligible claims, such as the safeguarding or announcement of a preferred route, but specifically when the Secretary of State confirms the property owner's eligibility for compensation. Blight obligations remain enforceable against the Group until safeguarding is lifted.

The amount typically represents surveyors' estimated valuations at the deemed acquisition date. However, provisions for specific agreements are measured at the minimum value the Group would pay if the scheme was cancelled. Uncertainties affecting the actual cost of settling the obligation arise from inherent valuation factors (such as the appraisal of a property's development potential). Property owners may submit their own surveyors' estimates and ultimately proceed to the Lands Tribunal.

Different estimation approaches are used for active and inactive cases. Active cases are those where a claim is live or HS2 Ltd has commenced valuation in anticipation of a claim. The remainder are inactive.

For active cases, detailed outturn forecasts are created, and for inactive cases, the Property Cost Estimates (PCEs) are used, adjusted to reflect market conditions. Both types could ultimately settle for an amount other than the provision balance. The Group manages this risk at a portfolio level, undertaking a quantified cost risk assessment (QCRA) at each baseline. This QCRA allowance (10% of the PCE, including irrecoverable VAT, according to the latest approved baseline) forms part of the HS2 funding envelope and values the contingency required for Phase 1 property acquisitions. While the provision is valued at the Group's best estimate of the consequences of its obligations at the reporting date, including the outcome of detailed valuations for active cases, this QCRA value indicates the extent of estimation uncertainty affecting existing and planned Phase 1 obligations.

Obligations are reclassified as accruals when the timing and amount of the payment become materially, rather than absolutely, certain. Consequently, part of the consideration for a specific property may be reclassified, leaving the remainder as a provision. The Group judges that the amount becomes materially certain when its valuation reaches a high degree of cost maturity, which occurs when the Group approves an advance payment request or makes a time-limited offer.

The Group also has obligations to the owners of land under temporary possession. The amount payable includes compensation for losses and the costs of restoring the land to an agreed condition.

Sensitivity to estimation uncertainty of HS2 land and property provisions

Valuing obligations arising from the compulsory purchase of land and property, which represents the majority of this provision, requires significant use of estimation.

Under Compulsory Purchase, owners are entitled to receive market value for their interest; for the small number of specialised properties with no market value, compensation is assessed on a re-instatement basis. Other statutory entitlements may arise, including: compensation for business loss or damage; relocation costs; professional fees; and statutory loss. These are estimated using agreed assumptions which provide a consistent approach across high volumes of cases, enabling risk to be measured and contingencies carried until knowledge of individual cases improves. These assumptions reflect specific legislative requirements; for example, that the market value assessment excludes the effect of the scheme for which the compulsory purchase is made.

Uncertainties in estimating the quantum and timing of compensation claims include: the extent to which the Group will bear irrecoverable VAT because of elections made by the previous owner; the timing and extent of construction requirements; the acquisition method; the underlying land use; and any proposals for development. Inherent uncertainty is also

higher where a CPO has been issued, but no claim has been received, or the claim provides insufficient supporting detail; in either situation, the Group must rely on its own valuation and risk assessment, absent a robust counterparty position.

The Group assesses risk and bases provisions on its view of a most likely settlement value, informed by professional valuations.

For active cases, this reflects detailed valuation work performed after a CPO on the relevant case, following the principles above. Key assumptions, including VAT treatment and development value, reflect the valuers' advice on a case-by-case basis.

For inactive cases, the Group relies on desktop valuations prepared to inform the PCE. PCE valuations are produced for the entire expected population of acquisitions for Phase 1, and are regularly updated. The valuations assume that a property's market value reflects its existing use, unless the development value is known to be appropriate. HS2 Ltd staff review the PCE line-by-line to contribute to development-value assessments and to ensure that appropriate adjustments are made. The PCE is prepared on an interest-by-interest basis, enabling values to be used to measure provisions for interests on which notice has been served, but where a claim or detailed valuation is currently unavailable.

Certain valuation assumptions for inactive cases are set at a portfolio level, including the proportion of counterparties who will opt to tax. Considering the rate of election for VAT observed in the 2020-21 actuals for commercial cases, the Group estimates that 14.5% by value of the inactive cases will opt to tax (2024-25: 14.5%). Additionally, because the PCE for inactive cases reflects Q32019 prices, the Group uplifts them to reflect market movements, by applying a blended rate of indexation to reflect the mix of property prices and locations.

For temporary possession claims, quantifying compensation for losses requires estimation of the revenues and expenditure that the landowner would otherwise have experienced. The cost of restoration depends on the scope of the works, which is negotiated with landowners, but ultimately determined by the Secretary of State.

1.20.2 Legal claims: classification

Legal claims are classified as contingent liabilities or provisions, valued, and presented as current or non-current provisions using legal and other professional advice.

1.20.3 Measurement of industrial diseases provision

Obligations to compensate former British Rail employees for industrial diseases contracted during that employment are valued using a model developed by independent actuaries, reflecting the average cost of previous settlements over recent years and assumptions about the diseases' incidence and impact across different industries over time. Actuarial forecasts reflect a bell curve of claims arising over time; given the ages of those at risk and the differing latency periods of specific diseases, the incidence of claims should peak over different timescales. Therefore, judgement is required in assessing how many years of past claims should be reflected in the average, to avoid an over- or under-estimate. Cash flows are discounted using the rates provided by HMT for general provisions.

1.21 Pensions and other employee benefits

1.21.1 Defined benefit plans provided by the Principal Civil Service Pension Scheme

Past and present employees of the core Department and its agencies are generally members of the Principal Civil Service Pension Scheme (PCSPS), which is an unfunded multi-employer defined benefit scheme. It is treated as a defined contribution arrangement because there is insufficient information to identify the Group's share of the scheme liabilities and costs. The core Department and its agencies expense the contributions payable as incurred. The PCSPS pays pension benefits and accounts for the liability.

Ministerial pension benefits are provided by the Parliamentary Contributory Pension Fund.

The People and Remuneration Report in the Accountability section provides further details for both schemes.

1.21.2 Other defined benefit plans

Past and present employees of Network Rail and British Transport Police, and pre-privatisation employees of British Rail may be members of one of eight defined benefit arrangements, as shown in Note 24. The core Department is treated as the employer for schemes covering historic British Rail employees. These are funded schemes that are legally separate from the Group. Members' pensions are paid from these funds. Some are 'shared cost' arrangements, where contributions are typically shared between the employer and the members on a basis specified in the scheme rules.

Full actuarial funding valuations are performed for each scheme triennially using the projected unit method, reflecting assumptions that the employer and the actuary agree to be appropriate. Separate valuations are prepared for the financial statements as at the reporting date consistent with IAS 19: assets are measured at fair value, using current market bid values; liabilities are measured using the projected unit method reflecting neutral assumptions. The projected unit method estimates the ultimate cost of the pension benefits earned in the current and prior years. This requires:

- Determining how much pension benefit is attributable to the current and prior years;
- Estimating (making actuarial assumptions) demographic variables (such as mortality) and financial variables (including changes in earnings and inflation) that will affect the cost of pension benefits.

The obligations are discounted using the current yield on a high-quality corporate bond of equivalent term and currency to the obligations. The assumptions that materially affect this valuation are:

- Inflation (for pensions linked to Retail Price Index (RPI) or Consumer Price Index (CPI);
- Discount rates (selected to match the liabilities' weighted average duration and therefore influenced by mortality assumptions);
- Mortality assumptions (which affect the total amount and timing of payments); and
- Earnings assumptions (reflecting linkages to final or average salaries).

The scheme actuaries advise the reasonable bounds for uncertainty; Note 24 discloses those for the most significant schemes, with a sensitivity analysis. The assumptions vary between the schemes, reflecting differences between the benefits offered (some are linked to CPI; others to RPI) and between the ages and life-expectancies of scheme members.

The difference between the values of the scheme assets and liabilities represents a surplus or a deficit. A surplus is recognised as an asset to the extent that it is recoverable, and a deficit is recognised in full as a liability. For ‘shared cost’ arrangements, the Group’s liability may be calculated as the part of the deficit equivalent to the employer’s share of the contributions, subject to the scheme rules. The extent to which a surplus is recognised is a matter of judgement; it reflects an assessment of the scheme rules including the scheme employer’s legal rights to veto consumption of funding surpluses. Where the scheme rules relating to the treatment of a surplus are considered unclear, the Group has taken a prudent view regarding recoverability.

Changes in the surplus or deficit are categorised between:

- (a) Service cost (including current service cost, past service cost (resulting either from a plan amendment (the introduction or withdrawal of, or changes to, a defined benefit plan) or a curtailment (a significant reduction by the entity in the number of employees covered by a plan) and any gain or loss on settlement (a transaction that eliminates all further legal or constructive obligations for part or all of the benefits provided under a defined benefit plan, other than a payment of benefits to, or on behalf of, employees that is documented in the plan’s terms and included in the actuarial assumptions);
- (b) Net interest expense or income, which is the change during the period in the net defined benefit liability that arises from the passage of time, and
- (c) Re-measurement.

The Group presents the first two components in Net Expenditure. Past service costs are recognised in the period of a plan amendment. Net interest is calculated by applying the discount rate that was in effect at the beginning of the period to the net surplus or deficit.

Re-measurements, comprising actuarial gains and losses and the return on plan assets (excluding interest), are reflected immediately in the balance sheet with a charge or credit recognised in Other Comprehensive Net Expenditure, which is not reclassified to Net Operating Expenditure.

1.21.3 Early retirement

If employees retire early, other than on approved medical grounds, the Group is required to pay (as termination benefits) the cost of benefits, beyond the normal PCSPS pensions. The Group provides for them (including pensions payable up to the normal retirement age and lump sums) in full when it becomes demonstrably committed to covering them.

1.21.4 Defined contribution plans

Some employees are members of defined contribution plans, including the Network Rail Defined Contribution Scheme and (from October 2023) the British Transport Police Group Personal Pension Police Staff Pension Scheme. These are post-employment benefit plans under which the employer pays fixed contributions into a separate entity and has no further

legal or constructive obligation. Contributions are recognised as an employee benefit expense in Net Operating Expenditure in the periods when services are rendered by employees.

1.22 Grants payable

Grants payable are recognised when the event or activity that gives entitlement occurs. Where the recipient must demonstrate compliance with performance conditions, any subsequent adjustments are recognised in the period when these conditions are fulfilled. The expenditure recognition point is assessed in line with this policy on a case-by-case basis considering the grant's specific circumstances, including whether the Department continues to demonstrate control over the economic resources at the reporting date.

1.23 Taxation

1.23.1 Corporation Tax

Some Group members, most significantly, Network Rail and National Highways, are within the scope of corporation tax. The tax expense comprises current and deferred tax. The current tax liability is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax arises from temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, where these will result in adverse or favourable tax effects on the realisation of assets or settlement of liabilities.

Deferred tax is calculated using the tax rates expected to be applied when the temporary differences reverse, based on legislation that has been enacted or substantively enacted by the reporting date. Liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised on deductible temporary differences to the extent that it is probable that there will be taxable profits available against which they can be utilised.

Where the Group has a deferred tax liability, a deferred tax asset is also recognised up to the value of that liability, arising from carried forward trading losses where the taxable temporary difference and the losses will reverse in the same period and jurisdiction.

Revaluing the Railway Network to DRC is not considered to create a taxable temporary difference, because it does not reflect conditions which are expected to produce taxable amounts when determining future years' taxable profits.

Deferred tax is charged or credited in Operating Expenditure unless it relates to items charged or credited directly to Other Comprehensive Net Expenditure, when the deferred tax is also recognised in Other Comprehensive Net Expenditure.

1.23.2 Value Added Tax

Under central government VAT rules, government bodies may recover VAT on specified goods and services only. Irrecoverable VAT is classified as a levy within the scope of IFRIC 21 and is recognised at the point specified in legislation, typically when the goods or services are received.

It is presented as follows:

- Where the recognition point specified in legislation is the point when the goods or services are received, it is charged to the relevant expenditure category and accruals balance;
- Where another standard requires it to be included in the cost of an asset, such as inventories or property, plant and equipment, it is recognised on that basis;
- Otherwise, it is presented as a separate expenditure line and accruals balance. This predominantly relates to VAT on leases.

Income and expenditure are otherwise shown net of VAT.

Other types of income and expenditure, including grants or rail passenger service contracts, are outside the scope of VAT.

1.24 Rail passenger services contracts

In November 2024, the Passenger Railway Services (Public Ownership) Act 2024 obtained royal assent, setting the legislative framework through which the Department will transition all rail passenger services contracts to a public ownership model when the current contracts expire. The transition process commenced in 2025-26.

Over the period reflected in these financial statements, two mechanisms have been used to deliver railway services.

Most services were delivered by companies owned by DfT Operator Limited (DFTO), after the preceding contract with a privately-owned operator concluded.

Some services were provided under National Rail Contracts (NRCs), a concession model, by privately-owned operators, with the Department taking cost and revenue risk, and train operators being rewarded for meeting agreed performance metrics.

Both include a mechanism for balancing the operator's net costs/revenues from performing the service, but have different approaches to allowing the operator to generate a profit. While they contain multiple components to ensure that performance is reflected accurately, each contract is presented as a single net flow because the components do not relate to distinct goods or services. As their purpose is to support the delivery of a service to the public, all transactions are recognised in expenditure, including any contracts that generate a net credit during a financial year.

The expenditure is described as 'support for passenger rail services' in Note 3.

1.24.1 National Rail Contracts

NRCs include a fee payable to the operator with fixed and performance-based elements. Operators are potentially exposed to financial loss if they operate inefficiently. They are incentivised to minimise cancellations, delays and short formations, and to co-operate with other stakeholders, including other operators, to increase passenger satisfaction. The business plan can be amended as conditions change. Given the pricing structure, the calculation of expenditure is not considered to be subject to material estimation uncertainty.

1.24.2 DFTO Service agreements

Under these agreements, amounts transferred between the Group and the operator are calculated to ensure that the operator makes a fixed operating profit margin each financial year. Consequently, there may be a net flow to or from the operator, depending on the difference between passenger revenues and operating costs. The Group considers that each year of the agreement is distinct, as the amount is calculated to reflect the operator's financial performance for that year. The expenditure recognised in any financial year will be the same as the amounts due to or from the operator for that year without any adjustment to reflect developments in any other year under that agreement.

1.25 Recognition of revenues from contracts with customers

Government bodies can only retain receipts if permitted by statute or Treasury consent. Other amounts are usually not presented as revenue and are surrendered to the Consolidated Fund.

The Group earns material revenues from providing services, including access to the railway network and river crossings, policing services, and the UK's participation in Eurocontrol.

IFRS 15 (as interpreted by the FReM) also covers revenues arising from:

- Legislation and regulations which enable the Group to obtain revenue that is not classified as taxation by the ONS; and
- Taxation, fines and penalties that the Group is permitted to retain by statute or Treasury consent.

Franchised network access and freight revenue is recognised each period in the financial year. Performance obligations are based upon fixed and variable volume access to the railway during the relevant year. Performance obligations are satisfied by providing track access over time under agreements with the train operating companies. No significant judgments are required to determine whether performance obligations have been satisfied. The input method is applied based on time lapsed.

River crossings charges comprise two types: charges for using the crossing and penalties for non-payment. The former are recognised when the vehicle uses the crossing; the latter when the payment deadline passes, after which the penalty notice is raised. Measurement reflects the probability that the consideration will be collected, reflecting experience of non-payment.

Fees for driver services, such as practical and theory tests, and vehicle services, such as heavy vehicle testing, are recognised on completion of the tests. MOT revenues are recognised when authorised examiners purchase test 'slots', being the opportunity to deliver the test, issue the certificate and book the results, because DVSA has no further obligation, even if the slot is not used.

Income from the sale of registration marks is recognised on receipt for fixed-price sales and on the fall of the auctioneer's hammer for auction sales. Payment is immediate for online transactions and within five days of auction. Uncompleted sales are provided for after 90 days and written off after twelve months, when those marks become available for resale. Fee income from the assignment, transfer and retention of cherished marks and from statutory services is recognised on receipt, when the transaction is processed, which is the point when the customer obtains control of the right to display the mark.

1.25.1 Accounting estimates and sources of estimation uncertainty

Track access contracts specify targets for network availability, and mechanisms for compensating train operators (including open access operators) when those targets are not met. This may result in variable consideration.

1.26 Operating segments

Note 2 discloses the Group's net expenditure by reportable operating segments, which are the Director General-led groups, reflecting the organisation structure, as this is how information is reported to the Executive Committee and the Board.

1.27 Prior period adjustments

Items are restated retrospectively to:

- Correct a material prior year error;
- Apply a material change in accounting policy; or
- Reflect some types of change in consolidation boundaries, such as Machinery of Government changes.

If it is impracticable to determine the period-specific or cumulative effects of a policy change or error, re-statements are made to the earliest practical period.

1.27.1 Prior Period Adjustment: Valuation of the Strategic Road Network

During the year ended 31 March 2026, National Highways undertook a full revaluation of Special Structures. These assets are specialist in nature and are measured using a depreciated replacement cost (DRC) methodology, supported by cost data derived from SPONS price books, consistent with the valuation approach adopted in the last quinquennial revaluation of this asset category in 2020–21.

As part of the current year valuation process, the methodology applied in the 2020–21 valuation was subject to detailed review. This review identified errors in the application of certain assumptions relating to the treatment of preparation and supervision costs and preliminaries.

In the 2020–21 valuation, SPONS rates had been reduced on the assumption that they included preparation and supervision costs. As these preparation and supervision costs were separately added in the valuation process, these costs were removed from the SPONS rates, to avoid double counting. Subsequent review confirmed that SPONS rates exclude such costs. In addition, no allowance had been made for preliminaries. Although preliminaries do not form part of the permanent asset, they are considered necessary to deliver the project and therefore should be included in the DRC valuation.

These errors resulted in an understatement of the carrying value of Special Structures across the Strategic Road Network since the 2020–21 valuation. Both categories of costs represent a significant proportion of overall scheme expenditure. The cumulative impact of these misstatements at the Group level amounts to £6.2 billion, which is material to the Department's consolidated financial statements.

Assessment under IAS 8

In accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, the Department has assessed the nature of these adjustments.

The Department concluded that reliable information was available at the time of the 2020–21 valuation regarding the appropriate treatment of preparation and supervision costs and preliminaries, but this information was not appropriately applied. Accordingly, these adjustments are classified as prior period errors as defined by IAS 8.5, rather than changes in accounting estimates.

The error has therefore been corrected through retrospective restatement of comparatives. Comparative balances have been restated as if the error had not occurred, with the cumulative impact recognised in opening balances across the Group.

Quantitative Impact

The quantitative impact of the prior year restatement is set out below. The Strategic Road Network infrastructure asset within Property, Plant and Equipment has been restated, along with the Revaluation Reserve within the Statement of Changes in Equity and Statement of Comprehensive Net Expenditure.

Departmental Group – The Strategic Road Network

Cost	Previously reported (£m)	Restatement (£m)	Restated (£m)
Balance at 1 April 2024	180,564	8,151	188,715
Additions	3,593	–	3,593
Adjustment of WIP to DRC	(1,693)	–	(1,693)
Disposals	(34)	–	(34)
Impairments	(423)	–	(423)
Reclassifications	(3)	–	(3)
Revaluation (cost)	(8,603)	465	(8,138)
Balance at 31 March 2025	173,401	8,616	182,017

Depreciation	Previously reported (£m)	Restatement (£m)	Restated (£m)
Balance at 1 April 2024	(20,877)	(2,258)	(23,135)
Charged in year	(1,343)	–	(1,343)
Disposals	11	–	11
Revaluation (depreciation)	421	(108)	313
Balance at 31 March 2025	(21,788)	(2,366)	(24,154)

Net Book Value (NBV)	Previously reported (£m)	Restatement (£m)	Restated (£m)
NBV at 31 March 2024	159,687	5,893	165,580
NBV at 31 March 2025	151,613	6,250	157,863

Property, Plant and Equipment – Group	Previously reported (£m)	Restatement (£m)	Restated (£m)
Balance at 1 April 2024	667,235	5,893	673,128
Balance at 31 March 2025	684,446	6,250	690,696

Revaluation Reserve – Group	Previously reported (£m)	Restatement (£m)	Restated (£m)
Balance at 1 April 2024	(514,427)	(5,893)	(520,320)
Revaluation in year	(11,352)	(357)	(11,709)
Other equity movements	268	–	268
Balance at 31 March 2025	(525,511)	(6,250)	(531,761)

Core Department & Agencies – The Strategic Road Network

Due to legacy arrangements relating to the concession model which was in place up to 2018, the Severn River Crossing (SRC) is legally owned by the Secretary of State and therefore is accounted for by the Core Department. As the SRC is operated and managed by National Highways, it is reported as part of the Strategic Road Network infrastructure asset and is valued on the same basis. The SRC is the largest component of the Special Structures asset sub-category which was professionally revalued in 2025-26. The value of the SRC has therefore been restated in line with the overall Strategic Road Network. The impact of the re-statement of SRC on the Core Department & Agencies' financial results is summarised below.

Core Department and Agencies – PPE	Previously reported (£m)	Restatement (£m)	Restated (£m)
Balance at 1 April 2024	10,471	2,428	12,899
Balance at 31 March 2025	10,458	2,544	13,002

Revaluation Reserve – Core Department and Agencies (£m)	Previously reported	Restatement	Restated
Balance at 1 April 2024	(3,120)	(2,428)	(5,548)
Revaluation in year	(180)	(116)	(296)
Other movements	3	–	3
Balance at 31 March 2025	(3,297)	(2,544)	(5,841)

1.28 Statement of cash flows

This section describes the Group's policies and related judgements for the classification and presentation of certain items in this Statement.

1.28.1 Operating cash flows

Operating cash flows are reported using the indirect method, reconciled from Net expenditure for the year, the sub-total after finance income and expense.

Reconciling items include changes in working capital, but exclude changes that:

- Do not affect the SoCNE. For example, CFERs, which are recognised directly in the General Fund, or
- Relate to other cash flow classifications. For example, changes in PFI liabilities include repayments of imputed capital, which are classified as financing.

Receipts and payments of interest, dividend receipts and flows under derivative contracts are classified as operating cash flows.

1.28.2 Investing cash flows

For properties acquired by compulsory purchase or under statutory blight, there are delays between acquisition and payment and provisions are recognised (see Note 1.20.1). The cash flow reflects provision utilisation rather than the asset recognition.

The Core Department and Agencies' investing cash flows include loans to Network Rail, collectively forming a long-term part of its capital structure. However, individual loans are refinanced over shorter periods. Where refinancing is settled net, the cash flows are presented consistently.

1.28.3 Financing cash flows

Financing flows include Supply receipts from the Consolidated Fund, which are not repayable, and repayments of principal or imputed capital on borrowings (presented in Note 1.16), leases, and PFI liabilities (see Note 1.7.1). Note 17 includes a more detailed disclosure of changes in financing liabilities.

1.28.4 Payments of amounts due to the Consolidated Fund (CFERs)

Note 1.25 explains that some receipts are not recognised as revenue, but surrendered to the Consolidated Fund. Some receipts that the Group may recognise must also be surrendered. The payments appear in this category.

1.29 Adoption of new and revised standards

1.29.1 IFRS 17

IFRS 17 Insurance Contracts became effective in central government from 1 April 2025, with retrospective application.

In the 2024-25 financial statements, the Group disclosed that some of its contingent liabilities might cover insurance risk. Subsequently, HMT issued guidance on how to apply the IFRS 17 scoping exemption for risks created by the contract. Note 1.17 shows the Group's re-evaluation of these contingent liabilities against that guidance and the IFRS Interpretations Committee paper 'Guarantees Issued on Obligations of Other Entities'.

1.29.2 Standards that will be effective in future years

IFRS 18 Presentation and Disclosure in Financial Statements was issued in April 2024 and will come into effect for accounting periods commencing on, or after, 1 January 2027. The UK Endorsement Board published its adoption in December 2025. It will change the presentation of the performance statement and statement of cash flows and require additional disclosures for any alternative financial performance measures used by the entity. As the Statement of Comprehensive Net Expenditure required by the FReM and Department Yellow adapts the standard IFRS performance statement to reflect the circumstances of central government, it is currently unclear how IFRS 18 will affect the Group.

IFRS 19 Subsidiaries without Public Accountability: Disclosures was issued in May 2024 and will come into effect for accounting periods commencing on, or after, 1 January 2027. The UK Endorsement Board has yet to endorse it for adoption in the UK. It permits entities within scope to omit certain disclosures that would otherwise be required by IFRS. The Group awaits HMT's views on the extent to which it should be applied within central government.

The Group does not expect any other new, or revised standard, or interpretation to have a material impact.

2. Statement of operating costs by operating segment

The core Department reports to the Board in accordance with its organisational structure and this is reflected in the segmental analysis. The core Department’s operations are organised into Director General-led groups, with some functions reporting directly to the Permanent Secretary. The main reportable segments combine outturn information of the core Department and its arm’s length bodies for each segment. No operating segments have been aggregated. The groups and associated delivery bodies are described in more detail in the Directors’ Report.

Rail Services

The group is responsible for support for passenger rail services and ensuring the delivery of the transition of Train Operating Companies into public ownership. This group is also responsible for oversight of the Department’s portfolio of major rail infrastructure projects (excluding HS2), including the Transpennine Route upgrade; the East West Rail Company that plans to reinstate a direct rail link between Oxford and Cambridge; and other Network Rail enhancements, through the Rail Network Enhancements Pipeline.

Rail Reform Strategy

This group is responsible for all of the elements of rail reform, working closely with the department’s key delivery partners. The group also leads on performance and sponsorship of rail services, delivering strategic analysis and modelling to inform policy, and leads research, statistics and evidence development. It also includes industry standards and capability, supports workforce pay and productivity reform, and advances international rail and freight priorities. Sponsorship of Network Rail, the DfT Operator Limited, and Transport Focus sits within this group, in addition to DfT Operator Ltd that is not consolidated.

Public Transport and Local

This group is responsible for setting national policy, allocate funding, and driving delivery for local and public transport across England, with a focus on buses and place-based transport systems. Its core purpose is to ensure that everyday journeys are accessible, reliable, integrated, and sustainable, by working closely with local authorities and regional bodies, aligning transport with housing and economic growth, improving inclusion and accessibility, and supporting the transition to lower-carbon travel while integrating different modes into a coherent network for users. The group also leads on delivering the devolution agenda by simplifying and standardising funding to local and mayoral authorities, enabling greater local flexibility and more efficient, place-based investment.

Major Rail Projects

This group is responsible for the resetting and delivery of HS2, and the infrastructure that supports it including Euston, rolling stock and programme integration. This group is also responsible for Northern Powerhouse Rail.



Roads Transport

This group is responsible for support towards driving and roads related activities, overseeing key agencies to ensure high quality public services. It also supports the transition to zero emission vehicles, freight and border operations, and enables a more sustainable, future ready road transport system. The Group also sponsors National Highways, improving the safety, reliability and performance of the strategic road network.

Aviation, Maritime and Security

Key activities of this group are aviation policy including airports, environment, decarbonisation, consumer protection and security and safety; maritime policy including infrastructure, environment, decarbonisation, security and trade; security and safety of the transport network; Accident Investigation Branches; and sponsorship of relevant arm's-length bodies including the CAA, Air Travel Trust Fund, Maritime and Coastguard Agency and the General Lighthouse Authorities.

Decarbonisation, Technology and Strategy

The Decarbonisation, Technology & Strategy Group covers cross-cutting themes including reducing environmental impact, growing and levelling up the economy, co-ordinating the Department's R&D activities and increasing our global impact. The group also has responsibility for the sponsorship of the Department's legal advisors.

Corporate Delivery

This group supports the activities of the other groups. It leads on: finance; human resources; procurement; communications; corporate finance; property; assurance; digital, and the Secretary of State's shareholding interests in ALBs.



2025-26	Decarb- onisation, Technology and Strategy	Corporate Delivery	Aviation, Maritime, Security	Roads Transport	Major Rail Projects	Public Transport and local	Rail Reform & Strategy	Rail Services	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Gross	149	443	848	7,541	127	5,633	15,338	2,613	32,692
Income	(1)	(101)	(245)	(1,420)	(28)	(263)	5,339	(2)	(7,399)
Net Expenditure	148	342	603	6,121	99	5,370	9,999	2,611	25,293

2024-25 (Restated)	Decarb- onisation, Technology and Strategy	Corporate Delivery	Aviation, Maritime, Security	Roads Transport	Major Rail Projects	Public Transport and Local	Rail Reform & Strategy	Rail Services	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Gross	131	436	864	6,727	194	1,980	18,237	2,995	31,564
Income	(7)	(120)	(262)	(1,357)	(25)	(648)	(5,014)	(8)	(7,441)
Net Expenditure	124	316	602	5,370	169	1,332	13,223	2,987	24,123

The prior year segmental analysis has been restated to reflect updated DG groups within the Department and ensure that 2024-25 is presented on a comparable basis.

The Board considers capital spending and liabilities by monitoring outturn against the budgetary control totals shown in the Statement of Outturn against Parliamentary Supply. Consequently, the Department does not report asset and liability balances on an IFRS-basis to the Board.

3. Expenditure

3.1 Staff costs

Information on staff numbers, exit packages and other relevant disclosures (including ministers) is included in the People and Remuneration Report in the Accountability Report.

	2025-26			2024-25
	Permanently employed staff	Other Staff	Total	Total
	£m	£m	£m	£m
Wages and salaries	4,151	38	4,189	3,989
Social security costs	553	–	553	437
Other pension costs	414	–	414	400
Sub Total	5,118	38	5,156	4,826
Less recoveries in respect of outward secondments	(1)	–	(1)	(1)
Less capitalised staff costs	(1,227)	(13)	(1,240)	(1,179)
Total Net Costs	3,890	25	3,915	3,646
Of the total:				
Core Department & Agencies	910	17	927	884
Departmental Group	3,890	25	3,915	3,646

Other staff includes ministers, whose cost of remuneration was £138k (2024-25: £217k).

3.2 Purchase of goods and services

	2025-26		2024-25	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£m	£m	£m	£m
Cash items:				
Rail network maintenance	–	2,148	–	2,177
Support for passenger rail services	2,329	2,329	2,536	2,536
Strategic Road Network maintenance	–	521	–	608
Accommodation	132	744	114	693
Professional services	155	527	142	457
PFI service charges	3	540	23	525
Eurotunnel payments	377	377	356	356
Information & communications technology	252	606	242	564
Search & rescue helicopters	154	154	165	165
Support services	9	173	74	249
PFI interest charges	–	71	–	78
Consultancy	44	109	62	135
Rentals under operating leases	9	15	12	18
Travel and subsistence	29	81	30	67
Research and development expenditure	85	95	209	221
Publicity	8	21	7	22
Auditors' remuneration and expenses	–	3	–	4
Other costs	258	625	225	544
Non-cash items:				
Auditors' remuneration and expenses	1	1	1	1
	3,845	9,140	4,198	9,420

Other costs include £210m of Network Rail expenses relating to external operational charges (2024-25: £179m). £50m relates to training courses in Network Rail (2024-25: £48m).

Support for passenger rail services in 2025-26 included £127m management and performance fees payable to the operators (2024-25: £191m).

Auditors' remuneration is disclosed in the accountability report. See page 122.

3.3 Grants

	2025-26		2024-25	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£m	£m	£m	£m
Local roads	2,020	2,020	1,612	1,612
Subsidies to Transport for London	485	485	83	83
Other local transport	1,709	1,710	1,484	1,484
Subsidies to bus sector	1,133	1,133	1,296	1,296
Low emission motoring	465	465	370	370
Levelling up fund	279	279	245	245
Cycling and walking	167	167	126	126
Local and regional rail initiatives	164	164	221	223
Maritime	2	2	2	2
Aviation	55	55	19	19
Subsidies to light rail sector	2	2	2	2
Low carbon Fuels	65	65	35	35
Road safety and freight	32	32	61	61
Other	13	16	12	12
Grant in Aid and other grants to ALBs	21,177	–	21,695	–
Total	27,768	6,595	27,263	5,570
Capital	7,120	5,162	5,820	3,854
Current	3,523	1,433	3,468	1,716
Grant in Aid	17,125	–	17,975	–
Total	27,768	6,595	27,263	5,570

Local Road funding increased £408m this year as part of the Highways maintenance and investment policies for local authorities. Subsidies to Transport for London increased by £402m in the year due to the higher settlement agreed to deliver transport priorities. Other local transport has increased by £227m due to new funding arrangements agreed with local authorities to deliver transport improvements, maintenance and local priorities outside of major cities.

3.4 Depreciation and impairment charges

		2025-26		2024-25	
		Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	Note	£m	£m	£m	£m
Non-cash items:					
Depreciation	5	206	10,322	155	10,052
Depreciation on right-of-use assets	7.1	65	210	70	226
Amortisation	6	32	95	35	58
Impairment of PPE and assets held for sale	5	3	346	4	438
Downward / (upward) revaluation of PPE & Investment Properties		–	–	1	33
		306	10,973	265	10,807

3.5 Provision expenses

		2025-26		2024-25	
		Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	Note	£m	£m	£m	£m
Non-cash items:					
Provisions (released) / provided in year	22	21	128	(4)	32
Unwinding of discount on provisions	22	4	4	4	4
Credit loss allowance		2	(14)	–	11
		27	118	–	47

3.6 Other operating expenditure

	Note	2025-26		2024-25	
		Core Department & Agencies £m	Departmental Group £m	Core Department & Agencies £m	Departmental Group £m
Cash items:					
Other operating expenditure – Cash					
Air traffic payments		58	58	48	48
Non-cash items:					
Net (increase) / decrease in fair value of non-hedge accounted debt		–	2	–	–
Loss / (gain) on derivatives not hedge accounted		–	(16)	–	(27)
Loss / (gain) on disposal of PPE		(1)	(45)	(1)	22
Pension scheme costs	24	28	16	25	121
Corporation tax (refund) / charge		–	176	–	205
Impairment / (reversal in impairment) of inventory		–	–	42	42
Loss / (gain) on remeasurement of right of use assets	7	(2)	(2)	2	2
		83	189	116	413

3.7 Finance expenses

		2025-26		2024-25	
		Core Department & Agencies £m	Departmental Group £m	Core Department & Agencies £m	Departmental Group £m
Cash items:					
Finance expense		241	727	218	752
Non-cash items:					
Finance expense		(14)	1,035	61	909
		227	1,762	279	1,661

Finance expenses include interest accruing on borrowings, leases and, for DfT Core Department & Agencies, non-cash, the FIM. An increase in the discount rate applied to the FIM, from 2.15% to 2.45% produced a credit movement of £124m (2024-25: an increase from 2.05% to 2.15% produced a credit of £46m), offset against a debit movement of £110m (2024-25: a debit movement of £107m). This results in the £14m credit movement shown in the table above.

4. Income

	Note	2025-26		2024-25	
		Core Department & Agencies £m	Departmental Group £m	Core Department & Agencies £m	Departmental Group £m
Cash Items					
Sale of good and services					
Franchised track access income		–	(3,280)	–	(3,318)
Rental income		–	(300)	(2)	(276)
River crossings charges		(199)	(199)	(159)	(159)
Freight income		–	(72)	–	(70)
Other Income					
Income from rail policing services		–	(271)	–	(257)
Fees & charges to external customers		(1,141)	(1,413)	(1,099)	(1,363)
Transport for Scotland – SLA Receipt*		–	(589)	–	(632)
Eurotunnel Recharge		(363)	(363)	(340)	(340)
Capital grant income received		–	(218)	–	(253)
Eurocontrol Receipts		(52)	(52)	(53)	(53)
Fees & charges to other public bodies		(55)	(54)	(97)	(97)
Claims for damages to road network		–	(38)	–	(22)
EU income		–	–	–	(1)
Grant income received		(1)	(8)	(4)	(11)
Other income		(24)	(310)	(47)	(302)
Sub Total – Cash items		(1,835)	(7,167)	(1,801)	(7,154)
Non cash items					
Amortisation of deferred income		(376)	(54)	(431)	(118)
Share of (profit) / loss of investments measured using equity accounting	14	(47)	(86)	–	(17)
Sub Total – Non cash items		(423)	(140)	(431)	(135)
Operating Income		(2,258)	(7,307)	(2,232)	(7,289)
Interest receivable		(1,500)	(58)	(1,121)	(65)
Dividends receivable		(34)	(34)	(87)	(87)
		(3,792)	(7,399)	(3,440)	(7,441)

The Department received £34m dividends in the year from its investment in NATS (NATS Holdings Ltd). More information on the investment in NATS can be found in Note 14.1.

5. Property, Plant and Equipment

	2025-26						
	Infrastructure assets			Assets under Construction	Land, buildings & other		
	Rail Network	Strategic Road Network	HS1 infrastructure asset	AUC including HS2	Land and buildings	Other assets	Total
	£m	£m	£m	£m	£m	£m	£m
Cost or valuation							
At 1 April 2025 (Restated)	727,129	182,017	3,279	37,755	1,948	1,042	953,170
Additions	5,763	3,225	–	7,024	17	46	16,075
Adjustment of renewal and enhancement works in progress to Depreciated Replacement Cost	(1,844)	(2,669)	–	–	–	–	(4,513)
Disposals	(30)	(60)	–	(4)	(153)	(67)	(314)
Impairments	–	(240)	–	(5)	(96)	(7)	(348)
Reclassifications	(5)	(14)	–	(148)	87	96	16
Revaluations (cost)	22,704	22,629	–	–	30	40	45,403
As at 31 March 2026	753,717	204,888	3,279	44,622	1,833	1,150	1,009,489
Depreciation							
At 1 April 2025 (Restated)	(236,739)	(24,154)	(713)	–	(375)	(493)	(262,474)
Charged in year	(8,656)	(1,473)	(42)	–	(52)	(99)	(10,322)
Disposals	–	15	–	–	20	65	100
Impairments	–	–	–	–	11	–	11
Reclassifications	–	–	–	–	(9)	(1)	(10)
Revaluations (depreciation)	(4,563)	(4,334)	–	–	(5)	(12)	(8,914)
As at 31 March 2026	(249,958)	(29,946)	(755)		(410)	(540)	(281,609)
Carrying amount at 31 March 2026	503,759	174,942	2,524	44,622	1,423	610	727,880
Carrying amount at 31 March 2025 (Restated)	490,390	157,863	2,566	37,755	1,573	549	690,696
Asset financing:							
Owned	503,759	146,713	2,524	44,622	1,423	610	699,651
On Balance Sheet (SoFP) PFI & other service concession arrangements	–	28,229	–	–	–	–	28,229
Carrying amount at 31 March 2026	503,759	174,942	2,524	44,622	1,423	610	727,880
Of the total:							
Core Department	–	9,638	2,524	3,658	470	99	16,389
Agencies	–	–	–	22	256	111	389
Other designated bodies	503,759	165,304	–	40,942	697	400	711,102
Carrying amount at 31 March 2026	503,759	174,942	2,524	44,622	1,423	610	727,880

‘Infrastructure assets’ comprise the railway in Great Britain and the strategic road network in England. These are each treated as single assets for accounting purposes, due to the integrated nature of these networks. HS1 is accounted for as a distinct asset, reflecting the service concession agreement between the Department and HS1 Ltd.

‘Assets under construction’ comprise assets which are not yet operationally live. This category includes construction works undertaken to-date by HS2 Ltd, land and property acquired by the Core Department in support of HS2 construction, and other routine assets in the course of construction which are not yet complete. See Note 5.3.

‘Land, buildings and other’ comprise other items of Property, Plant and Equipment. These chiefly comprise operational land and buildings held by the Group in support of its activities.

	2024-25						
	Infrastructure assets			Assets under Construction	Land, buildings & other		
	Rail Network £m	Strategic Road Network (Restated) £m	HS1 Infrastructure Asset £m	AUC including HS2 £m	Land and buildings £m	Other assets £m	Total £m
Cost or valuation							
At 1 April 2024 (Restated)	704,170	188,715	3,279	31,132	1,719	997	930,012
Additions	6,050	3,593	–	6,875	23	31	16,572
Adjustment of renewal and enhancement works in progress to Depreciated Replacement Cost	(1,936)	(1,693)	–	–	–	–	(3,629)
Disposals	(16)	(34)	–	–	(29)	(66)	(145)
Impairments	–	(423)	–	(5)	(3)	(1)	(432)
Transfers	–	–	–	–	–	(3)	(3)
Reclassifications	–	(3)	–	(247)	9	59	(182)
Revaluations (cost)	18,861	(8,138)	–	–	229	25	10,977
As at 31 March 2025 (Restated)	727,129	182,017	3,279	37,755	1,948	1,042	953,170
Depreciation							
At 1 April 2024 (Restated)	(232,249)	(23,135)	(671)	–	(362)	(467)	(256,884)
Charged in year	(8,531)	(1,343)	(42)	–	(42)	(94)	(10,052)
Disposals	–	11	–	–	26	64	101
Transfers	–	–	–	–	–	2	2
Reclassifications	–	–	–	–	–	–	–
Revaluations (depreciation)	4,041	313	–	–	3	2	4,359
As at 31 March 2025 (Restated)	(236,739)	(24,154)	(713)	–	(375)	(493)	(262,474)
Carrying amount at 31 March 2025 (Restated)	490,390	157,863	2,566	37,755	1,573	549	690,696
Carrying amount at 31 March 2024 (Restated)	471,921	165,580	2,608	31,132	1,357	530	673,128
Asset financing:							
Owned	490,390	125,997	2,566	37,755	1,573	549	658,830
On Balance Sheet (SoFP) PFI & other service concession arrangements	–	31,866	–	–	–	–	31,866
Carrying amount at 31 March 2025 (Restated)	490,390	157,863	2,566	37,755	1,573	549	690,696
Of the total:							
Core Department	–	5,934	2,565	3,545	483	108	12,635
Agencies	–	–	–	17	248	102	367
Other designated bodies	490,390	151,929	1	34,193	842	339	677,694
Carrying amount at 31 March 2025 (Restated)	490,390	157,863	2,566	37,755	1,573	549	690,696

5.1 Rail Network

In 2025-26 the overall increase in the value of the Railway Network by £13.4bn (2024-25: £18.5bn increase) reflected in these accounts is driven by the following factors.

- Capital additions were £5.8bn (2024-25: £6.1bn).
- This was broadly offset by £8.7bn (2024-25: £8.5bn) depreciation expense on the rail network.
- The total revaluation movement for 2025-26 was £16.3bn (2024-25: £21.0bn). The increase in valuation is primarily driven by the impact of inflation on replacement costs. This revaluation increase is partially offset by the adjustment of renewal and enhancement works to DRC, which reflects the typically higher cost of building on a live network compared with new build assumptions in relation to DRC.

Details of the valuation adopted by the Department

The Railway Network was valued by Network Rail and Turner & Townsend (a RICS-accredited valuation firm) using data provided by Network Rail following the quinquennial valuation approach described in Note 1.4.3. The most recent full valuation was undertaken during 2023-24, with values updated through indexation in intervening years.

The key components of this valuation, associated remaining lives and depreciation charges are shown in the table below:

Type	2025-26		
	Depreciated Replacement Cost	Remaining Life	Depreciation Charge
	£m	Years	£m
Asset Under Construction	2,917	–	–
Structures	66,171	62	997
Earthworks	150,902	95	1,496
Telecoms	2,686	7	365
Operational property	37,457	26	1,450
Electrification, plant and signals	59,034	33	1,957
Track	53,240	21	2,391
Land	131,352	–	–
TOTAL	503,759		8,656

Sensitivity analysis

The following sensitivity analysis reflects the sources of estimation uncertainty disclosed in Note 1.4.3, showing the impact of changes in assumptions at the reasonable boundaries of uncertainty. This analysis demonstrates that the valuation of the rail network is materially sensitive to these assumptions. As these assumptions function independently within the overall valuation, the scenarios described below are not mutually exclusive and so more than one of these scenarios could arise simultaneously.

Scenario 1

Shows the impact of increasing or decreasing the remaining asset lives of the components of the modern equivalent railway network by 10%.

Scenario 2

Shows the impact if the land compensation adjustment (normally 65%) were to increase or decrease by 10%; i.e. a compensation adjustment of 75% or 55% respectively.

Scenario 3

Shows the impact if the adjustment for building on a greenfield site rather than in an operational environment (normally 32%) were to increase or decrease by 10%, showing the impact of an adjustment at 42% and 22%. This adjustment applies only to costing rates built up using a methodology not already reflecting greenfield build.

Scenario 4

Shows the impact of an adjustment to the risk factor applied to the overall DRC valuations, currently 20%, by an increase or decrease of 10%, effectively showing risk factors of 30% and 10%.

Sensitivity Analysis for Rail Network – Depreciated Replacement Cost

Type	2025-26		
	Depreciated Replacement Cost (-)	Depreciated Replacement Cost	Depreciated Replacement Cost (+)
	£m	£m	£m
Base Case inc 20% risk		503,759	
Scenario 1	466,810		540,708
Scenario 2	495,798		511,720
Scenario 3	487,861		519,657
Scenario 4	472,968		534,550

Sensitivity Analysis for Rail Network – Depreciation Charge

Type	2025-26		
	Depreciation Charge (-)	Depreciation Charge	Depreciation Charge (+)
	£m	£m	£m
Base Case inc 20% risk		8,656	
Scenario 1	8,514		8,806
Scenario 2	8,656		8,656
Scenario 3	8,097		9,216
Scenario 4	7,935		9,378

5.2 Strategic Road Network (SRN)

In 2025-26 the overall increase in the value of the Strategic Road Network by £17.1bn (2024-25 (restated): £7.7bn decrease) was driven by the following factors.

- National Highways invested in additions into the Strategic Road Network of £3.2bn (2024-25: £3.6bn) in line with their capital investment programme, offset by £1.5bn (2024-25: £1.3bn) of depreciation reflecting the latest condition of the network.
- The overall revaluation movement on the network was an upward revaluation of £15.6bn (2024-25 (restated): downward revaluation of £9.5bn). This increase is primarily attributable to a full revaluation of Special Structures, which identified that previous cost assumptions had materially understated replacement costs. This was driven by SPONS rate updates with higher costs, particularly linked to concrete, exceeding prior indexation, alongside associated methodological refinements including the treatment of preliminaries within rates. The updated SPONS price book reflected significant increases in construction costs over the five-year period since the previous valuation, with the increase predominantly driven by rising concrete costs, which have had a disproportionate impact on Special Structures compared with other Strategic Road Network asset categories. Whilst modern equivalent asset (MEA) adjustments partially offset these increases, the overall impact remained a significant uplift in replacement costs. In addition, an adjustment was applied to non-Special Structure assets to reflect increases in material costs since these assets were last fully valued in 2022-23. This reflects that indexation alone may not fully capture asset-specific cost movements where underlying material costs have increased more significantly.

The prior year impacts of these methodological changes have been treated as a prior period adjustment, with prior year revaluation movements restated accordingly. See section 1.27.1 for further details.

The depreciation charge for the roads has two elements. The first is the value of renewals performed during the year, which is a proxy for the reduction in depreciated replacement cost. The second is that the condition of the road is compared to its carrying value (after adjusting for renewals) and any movement is taken to depreciation as a charge or credit depending on whether the condition has deteriorated or improved.

Valuation approach

The Strategic Road Network (SRN) is valued using a DRC approach. The valuation is principally built up using: an understanding of the extent of the network and its component parts on a modern equivalent basis; the application of a number of costing rates for those component parts, by type; and the condition of the network. Key components of the SRN, their valuations, asset lives and associated depreciation charges are included in the table below:

Component valuations, asset lives and depreciation charges

Type	2025-26		
	Depreciated Replacement Cost	Asset Life	Depreciation Charge
	£m	Years	£m
Assets Under Construction	2,085	N/A	
Roads	91,955	N/A	600
Structures	65,433	N/A	695
Technology	1,959	15-20	178
Land	13,510	N/A	
Total	174,942		1,473

The Road Network is valued by Atkins (a RICS-accredited valuation firm) using data provided by National Highways. A quinquennial review of Special Structures was undertaken in 2025-26, following quinquennial reviews of pavements and land in 2024-25. Values are updated through indexation in intervening years as described in Note 1.4.3.

Sensitivity analysis

The valuation relies on the accounting estimates and estimation uncertainties described in Note 1.4.3. The following analysis shows the impact on the balance recognised for the SRN (including the part under construction) of alternative estimates, at the boundary levels of estimation uncertainty. This estimation includes the values for the Serpen River Crossing and M6 Toll which are owned by the Department.

- The impact of increasing or decreasing the costing rates by 10%, would increase or decrease the DRC valuation by £17.5bn.
- The impact of increasing the Implied Output Price Index (IOPI) by 10 points would increase the DRC valuation by £15.3bn.

5.3 Assets under Construction

Assets under construction are recorded in Note 5. The balances included in assets under construction were:

	31-Mar-26	31-Mar-25
	£m	£m
Preparatory work for construction of HS2 (core Department and HS2 Ltd elements)	44,430	37,537
National Highways (non-SRN)	132	128
Vessel building costs	–	43
Other	60	47
Total	44,622	37,755

The material additions to assets under construction were:

	31-Mar-26	31-Mar-25
	£m	£m
Preparatory work for construction of HS2 (core Department and HS2 Ltd elements)	6,892	6,766
National Highways (non-SRN)	95	63
Vessel building costs	2	26
Other	35	20
Total	7,024	6,875

6. Intangible Assets

	2025-26			
	Software Licences £m	Development Expenditure £m	Assets under Construction £m	Total £m
Cost or valuation				
At 1 April 2025	549	699	35	1,283
Additions	6	48	23	77
Disposals	(34)	–	–	(34)
Impairments	(1)	(1)	(3)	(5)
Transfers	–	–	–	–
Reclassifications	151	(129)	(22)	–
Revaluations (cost)	–	1	–	1
At 31 March 2026	671	618	33	1,322
Amortisation				
At 1 April 2025	(332)	(321)	–	(653)
Charged in year	(76)	(19)	–	(95)
Disposals	34	–	–	34
Transfers	–	–	–	–
Reclassifications	–	1	–	1
Revaluations (depreciation)	–	–	–	–
At 31 March 2026	(374)	(339)	–	(713)
Carrying amount at 31 March 2026	297	279	33	609
Carrying amount at 31 March 2025	217	378	35	630
Asset financing:				
Owned	297	279	33	609
Finance Leased	–	–	–	–
PFI & other service concession arrangements	–	–	–	–
Carrying amount at 31 March 2026	297	279	33	609
Of the total:				
Core Department	3	41	19	63
Agencies	101	6	14	121
Other designated bodies	193	232	–	425
Carrying amount at 31 March 2026	297	279	33	609

2024-25				
	Software Licences	Development Expenditure	Assets under Construction	Total
	£m	£m	£m	£m
Cost or valuation				
At 1 April 2024	450	494	19	963
Additions	7	82	30	119
Disposals	(5)	–	–	(5)
Impairments	(3)	(2)	–	(5)
Transfers	–	–	–	–
Reclassifications	100	89	(14)	175
Revaluations (cost)	–	36	–	36
At 31 March 2025	549	699	35	1,283
Amortisation				
At 1 April 2024	(294)	(306)	–	(600)
Charged in year	(43)	(15)	–	(58)
Disposals	5	–	–	5
Transfers	–	–	–	–
Reclassifications	–	–	–	–
Revaluations (depreciation)	–	–	–	–
At 31 March 2025	(332)	(321)	–	(653)
Carrying amount at 31 March 2025	217	378	35	630
Carrying amount at 31 March 2024	156	188	19	363
Asset financing:				
Owned	217	366	35	618
Finance Leased	–	12	–	12
PFI & other service concession arrangements	–	–	–	–
Carrying amount at 31 March 2025	217	378	35	630
Of the total:				
Core Department	4	6	–	10
Agencies	99	48	35	182
Other designated bodies	114	324	–	438
Carrying amount at 31 March 2025	217	378	35	630

7. Leases

The Group's lease contracts comprise leases of operational land and buildings, plant and machinery and motor vehicles. Most are individually insignificant. Three elements, however, are significant in their own right:

- The Core Department's most significant lease relates to its London headquarters building: this lease commenced in December 2018 for a term of twenty-five years with no extension options. Rentals increase annually in line with the consumer price index, subject to a cap and floor. The value of the asset as at 31 March 2026 was £51m (2024-25: £57m).
- Maritime Coastguard Agency provides UK-wide services from ten bases operating under the UK Search and Rescue Helicopter Service contract. This contract also includes non-lease components. The value of the right of use asset as at 31 March 2026 was £118m (2024-25: £79m).
- Network Rail holds £229m of property leases and £381m of other leases (2024-25: £196m and £189m respectively).

7.1 Right-of-use lease assets

2025-26						
	Land and buildings	Other assets	Core Department & Agencies Total	Land and buildings	Other assets	Departmental Group Total
	£m	£m	£m	£m	£m	£m
Cost or valuation						
At 1 April 2025	302	392	694	665	654	2,013
Additions	6	70	76	116	272	464
Impairments	(2)	–	(2)	–	–	(2)
Transfers	–	–	–	–	–	–
Reclassifications	8	(34)	(26)	–	(26)	(52)
Revaluations (cost)	(1)	1	–	–	–	–
Derecognition	(1)	(110)	(111)	(8)	(4)	(123)
Remeasurement	23	10	33	–	–	33
At 31 March 2026	335	329	664	773	896	2,333
Depreciation						
At 1 April 2025	(105)	(281)	(386)	(352)	(436)	(1,174)
Charged in year	(21)	(44)	(65)	(55)	(90)	(210)
Reclassifications	(4)	15	11	–	1	12
Revaluations (depreciation)	–	–	–	–	–	–
De-recognition	1	109	110	8	2	120
At 31 March 2026	(129)	(201)	(330)	(399)	(523)	(1,252)
Carrying amount at 31 March 2026	206	128	334	374	373	1,081

2024-25

	Land and buildings £m	Other assets £m	Core Department & Agencies Total £m	Land and buildings £m	Other assets £m	Departmental Group Total £m
Cost or valuation						
At 1 April 2024	292	308	600	594	523	1,717
Additions	11	84	95	67	38	200
Impairments	(2)	–	(2)	–	–	(2)
Reclassifications	–	–	–	–	1	1
Revaluations (cost)	(2)	2	–	–	(1)	(1)
Derecognition	(1)	(7)	(8)	(24)	–	(32)
Remeasurement	4	5	9	28	93	130
At 31 March 2025	302	392	694	665	654	2,013
Depreciation						
At 1 April 2024	(86)	(223)	(309)	(312)	(344)	(965)
Charged in year	(20)	(50)	(70)	(61)	(95)	(226)
Reclassifications	–	(15)	(15)	–	–	(15)
Revaluations (depreciation)	–	–	–	–	3	3
De-recognition	1	7	8	21	–	29
At 31 March 2025	(105)	(281)	(386)	(352)	(436)	(1,174)
Carrying amount at 31 March 2025	197	111	308	313	218	839

7.2 Lease liabilities

A maturity analysis of contractual undiscounted cash flows relating to lease liabilities is given below. The cash flows and balances are presented net of irrecoverable VAT.

	2025-26		2024-25	
	Core Department & Agencies £m	Departmental Group £m	Core Department & Agencies £m	Departmental Group £m
Amounts falling due:				
Not later than one year	(128)	(374)	(81)	(190)
Later than one year and not later than five years	(149)	(604)	(164)	(439)
Later than five years	(411)	(597)	(384)	(528)
	(688)	(1,575)	(629)	(1,157)
Less: Unaccrued interest	263	416	239	295
Balance as at 31 March	(425)	(1,159)	(390)	(862)
Of which:				
Current	(58)	(288)	(82)	(187)
Non-current	(367)	(871)	(308)	(675)
	(425)	(1,159)	(390)	(862)

Amounts recognised in the Statement of Comprehensive Net Expenditure

	2025-26		2024-25	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£m	£m	£m	£m
Depreciation	65	210	70	226
Interest expense	19	47	15	33
Rental on leases of low-value assets	–	3	–	6
Low value and short term leases	–	–	–	51
	84	260	85	316

Amounts recognised in the Statement of Cash Flows

	2025-26		2024-25	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£m	£m	£m	£m
Interest expense	19	47	15	33
Repayments of principal on leases	67	204	69	216
	86	251	84	249

Group as a lessor

Network Rail has material amounts receivable under leases, which are disclosed in the table below. Other amounts receivable are not material to the Group and therefore not included in the table below.

	31 March 2026	31 March 2025
	£m	£m
Within 1 year	561	525
Between 1 and 2 years	400	393
Between 2 and 5 years	698	578
After 5 years	1,993	1,975
Total	3,652	3,471

8. Investment Properties

	Departmental Group £m
Balance at 1 April 2024	227
Additions	1
Disposals	(3)
Reclassifications	–
Revaluations (cost)	(30)
Balance at 31 March 2025	195
Balance at 1 April 2025	195
Additions	–
Disposals	(3)
Reclassifications	7
Revaluations (cost)	–
Balance at 31 March 2026	199

All investment properties are controlled by Network Rail. The rental income earned from investment properties amounted to £14m (2024-25: £13m). Direct operating expenses incurred on the properties during the year amounted to £5m (2024-25: £4m). The properties are let on a tenant repairing basis. The maintenance obligations are limited to common areas and vacant property units.

9. Assets Held for Sale

	Core Department & Agencies £m	Departmental Group £m
Cost or Valuation		
Balance at 1 April 2024	7	20
Additions	–	–
Disposals	(3)	(6)
Impairments	–	(2)
Reclassifications	–	6
Revaluations (cost)	(1)	(1)
Balance at 31 March 2025	3	17
Balance at 1 April 2025	3	17
Additions	–	1
Disposals	(4)	(6)
Impairments	–	(5)
Reclassifications	6	25
Revaluations (cost)	–	–
Balance at 31 March 2026	5	32

10. Commitments

		2025-26		2024-25	
Commitment Type	Note	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
		£m	£m	£m	£m
Capital commitments	10.1	7	5,938	4	6,955
Capital element of PFI commitments	10.2	7	867	–	972
Other financial commitments	10.3	19,267	2,809	24,174	2,104
Total		19,281	9,614	24,178	10,031

10.1 Capital commitments

Contracted and approved commitments at 31 March not otherwise included in these financial statements:

		2025-26		2024-25	
Contracted capital commitments at 31 March not otherwise included in these financial statements		Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
		£m	£m	£m	£m
Property, plant and equipment		4	5,935	2	6,953
Intangible assets		3	3	2	2
		7	5,938	4	6,955

10.2 Commitments under PFI and other service concession arrangements

National Highways has obligations under on-balance sheet PFI contracts. These arrangements fall within the scope of IFRIC 12 Service Concession Arrangements. Consequently, a PFI liability has been recognised to reflect the work capitalised. This liability is reduced over the life of the contract as payments are made. In accordance with FReM requirements, the interest element of the unitary charge relating to the assets capitalised has been calculated using the actuarial method.

National Highways has six PFI contracts for the design, build, financing and operation of sections of the strategic road network. The on-balance sheet capital element as at 31 March 2026 was £860m (2024-25: £971m). Lease charge commitments under these contracts comprise this capital element, future interest charges of £497m (2024-25: £568m) and future service charges of £6,327m (2024-25: £6,678m).

The most significant PFI contract is the 30-year M25 London Orbital Motorway contract that commenced in 2010, which requires the contractor to: operate, maintain; renew, reconstruct, repair and reinstate the road facilities within the designated area. For the M25 contract specifically, the on-balance sheet capital element as at 31 March 2026 was £679m (2024-25: £708m). Commitments under this contract comprise this capital element; future interest charges of £437m (2024-25: £493m); and future service charges of £5,772m (2024-25: £5,926m). The future total imputed charges under on-balance sheet PFIs to which the

Department is committed are given in the table below, analysed according to the period in which the commitment expires.

In 2025-26, 5 of National Highway's PFI contracts ended. No PFI liabilities remains for these contracts, and the assets have returned directly to National Highways management.

Imputed obligations under on balance sheet PFI contracts comprise:

	2025-26		2024-25	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£m	£m	£m	£m
Rentals due:				
Not later than one year	7	126	–	182
Later than one year and not later than five years	4	435	–	442
Later than five years	3	810	–	916
	14	1,371	–	1,540
Less: interest element	–	(498)	–	(568)
	14	873	–	972

The capital element under on balance sheet PFI contracts comprises:

	2025-26		2024-25	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£m	£m	£m	£m
Not later than one year	1	56	–	111
Later than one year and not later than five years	4	217	–	209
Later than five years	2	594	–	652
	7	867	–	972

The interest element under on balance sheet PFI contracts comprises:

	2025-26		2024-25	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£m	£m	£m	£m
Not later than one year	–	64	–	71
Later than one year and not later than five years	1	219	–	233
Later than five years	–	215	–	264
	1	498	–	568

Future charges to the Statement of Comprehensive Net Expenditure

	2025-26		2024-25	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£m	£m	£m	£m
Not later than one year	1	468	–	538
Later than one year and not later than five years	4	1,711	–	1,673
Later than five years	2	4,155	–	4,467
	7	6,334	–	6,678

10.3 Other financial commitments

The Departmental Group has entered into non-cancellable contracts (which are not leases, PFI contracts or other service concession arrangements). The payments, to which the Group is committed, and which have not been provided for in these accounts, are as follows:

	2025-26		2024-25	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£m	£m	£m	£m
Not later than one year	11,334	548	11,288	308
Later than one year and not later than five years	7,061	1,389	11,897	806
Later than five years	872	872	989	990
	19,267	2,809	24,174	2,104

The Core department has commitments to Network Rail for the remainder of Control Period 7 of up to £16,512m (2024-25: £22,118m): these amounts eliminate to nil on consolidation. These amounts are disclosed as a commitment due to the level of regulatory oversight for Network Rail's Control Period funding.

Core Departmental commitment to Train Operating Companies

The Secretary of State has statutory responsibilities under the Railways Act for provision of passenger rail services. The Department subsidises the TOCs' allowable costs, net of operating revenues, of which were £2,154m in 2025-26 and £2,419m in 2024-25 (Note 27). The value of the Department's commitment is considered to be unquantifiable because the level of subsidy is dependent upon uncertain future passenger volumes and revenues. Further details on these contracts and on TOCs' revenues and costs are provided in Note 27.

11. Loans

The Department has provided interest-bearing loans when the borrower is expected to be able to service and repay the debt and where the borrower's customers should cover the full cost (including financing).

The first table shows loans external to the Group whilst the second table shows all loans external to the Core Department and Agencies. The second table shows that there is significant intra-group lending.

The Department provided the following loan funding for the Crossrail project:

- £1.3bn to the GLA, drawn down in full between February 2019 and April 2020; principal repayable between 2021 and 2030;
- £750m to TfL, drawn down in full between April 2020 and April 2021; principal repayable between 2022 and 2031;
- £825m to the GLA, drawn down from May 2021; principal repayable between 2038 and 2040.

Following a thorough evaluation of the probability of default and losses given default, the Department considers there is no material impairment of the balance or the remaining loan commitment as at 31 March 2026, because both entities retain strong sub-sovereign credit ratings, and the GLA has the power to levy taxation for the purposes of funding the project.

	General Lighthouse Fund	Crossrail	Other loans	Departmental Group
	£m	£m	£m	£m
Balance at 1 April 2024	52	2,441	1	2,494
Impairments	–	–	–	–
Reclassifications	–	–	–	–
Advances	23	–	–	23
Repayments	(12)	(174)	–	(186)
Balance at 31 March 2025	63	2,267	1	2,331
Balance as at 1 April 2025	63	2,267	1	2,331
Impairments	–	–	–	–
Reclassifications	(40)	–	–	(40)
Advances	–	–	–	–
Repayments	(23)	(209)	–	(232)
Balance at 31 March 2026	–	2,058	1	2,059

	Core Department external loans	Loans to Network Rail	Vessel Loans	DfT Core Department & Agencies
	£m	£m	£m	£m
Balance at 1 April 2024	2,494	31,849	–	34,343
Impairments	–	–	–	–
Reclassifications	–	–	–	–
Advances	23	15,690	–	15,713
Repayments	(186)	(15,698)	–	(15,884)
Balance at 31 March 2025	2,331	31,841	–	34,172
Balance as at 1 April 2025	2,331	31,841	–	34,172
Impairments	–	–	–	–
Reclassifications	(40)	–	40	–
Advances	–	8,297	15	8,312
Repayments	(232)	(7,755)	(1)	(7,988)
Balance at 31 March 2026	2,059	32,383	54	34,496

The Departmental Group total reflects all external loans issued by the Group. The Core Department external loans column reflects external loans issued by the Core Department, excluding loans issued by ALBs.

The Group considers that none of its loans has experienced a significant increase in credit risk since origination or become credit impaired in 2025-26 or 2024-25 and that the 12-month expected credit loss is immaterial.

12. Equity Investments

	London and Continental Railways Ltd	DFTO	Subsidiaries	Direct Subsidiaries	Department & Agencies Total	Core	Platform4	Network Rail Consulting Ltd	Interests in jointly controlled entities	Departmental Group Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 1 April 2024	232	149	17	17	398	–	23	31	452	
Additions	–	–	2	2	2	–	–	–	2	
Disposals	–	–	–	–	–	–	–	–	–	
Impairments	–	–	–	–	–	–	–	–	–	
Revaluations (cost)	(15)	20	–	–	5	–	7	(1)	11	
Profit / (Loss) share	–	–	–	–	–	–	–	–	–	
Balance at 31 March 2025	217	169	19	19	405	–	30	30	465	
Balance at 1 April 2025	217	169	19	19	405	–	30	30	465	
Additions	–	–	1	1	1	280	1	–	282	
Disposals	(211)	(1)	–	–	(212)	–	–	(31)	(243)	
Impairments	–	–	–	–	–	–	–	–	–	
Revaluations (cost)	(6)	57	–	–	51	(9)	(6)	6	42	
Profit / (Loss) share	–	–	–	–	–	–	–	–	–	
Balance at 31 March 2026	–	225	20	20	245	271	25	5	546	

12.1 Valuation methodologies and techniques

The Group's interests in the material components of this asset class are equity investments held at fair value. They have been measured using alternative valuation techniques described below, because the instruments are not regularly traded on an active market. The direct subsidiaries are typically dormant entities, whose assets are receivables from the Group.

12.2 Platform4 Rail Regeneration Ltd (formerly LCR Ltd)

On 1 April 2025 the Secretary of State's shareholding in London & Continental Railways Ltd (LCR Ltd) was transferred to Network Rail Infrastructure Ltd, treated as an intra-group grant in kind from the Department with nil cash consideration from Network Rail. This is included in grant expenditure (Note 3.3) in Core and Agencies and is eliminated on consolidation at a Group level.

Following the transfer, Network Rail invested a further £69m into the Company. The Company used this cash to purchase the Solum and Innova property joint ventures from Network Rail Development Limited and Blocwork from Network Rail Infrastructure Limited for £31m to integrate Network Rail's property development activities. Following this restructure, LCR Ltd was renamed as Platform4 Rail Regeneration Ltd.

As the company is excluded from the Designation Order which prescribes the Group's consolidation boundary, the shareholding is recognised as an investment. The investment is recognised at fair value as at 31 March 2026 and 31 March 2025. The valuation is based on the following components: investment properties; cash and working capital; and its property development vehicles. The disclosures in Note 26.1 indicate the carrying values of these components in Platform4 Rail Regeneration Ltd's annual report and accounts.

The valuation was performed by selecting, for each component, the valuation techniques that a knowledgeable investor would use. For the most part, particularly for the investment property portfolio, these reflect surveyors' valuations of properties. In performing these valuations, surveyors make estimates and assumptions around rental yields, voids, occupancy rates and rent-free periods. Changes in these assumptions could increase or decrease the reported valuations. It is considered that all properties and developments are currently being held or developed for their highest and best use. Given the valuation approach, the resulting valuation is considered to be at level 3 in the IFRS 13 hierarchy.

The valuation identified the following reduction in valuation of £8m (2025-26) and £15m (2024-25), which have been recognised through other comprehensive income.

The change in fair value between 31 March 2025 and 31 March 2026 of £55m was mostly driven by the £69m capital injection into the Company offset by valuation losses on the investment properties.

12.3 DfT Operator Ltd (DFTO)

DFTO holds the Secretary of State's equity interest in train operating companies who have been brought into public ownership. DFTO is treated as a portfolio of investments as outlined in Note 27. Each of these component companies has been measured at its net assets as a proxy for fair value, based on its current financial statements. These net assets chiefly comprise working capital balances and IFRS 16 balances. The assets and liabilities held directly by DFTO are included at their book value. This is based on DFTO's accounts for the year.

We consider that the resulting valuation is level 3 in the IFRS 13 hierarchy.

The valuation identified the following increases in value £57m (2025-26), £20m (2024-25) which have been recognised in other comprehensive net expenditure.

The increase in fair value is driven by the ongoing public ownership programme during 2025–26.

Further information on DFTO is provided in Note 26.2.

12.4 Interests in Jointly Controlled Entities

Network Rail's joint venture investments in Solum were sold to Platform4 Rail Regeneration Ltd at an aggregated amount of £31m as per note 12.2.

12.5 Network Rail Consulting Limited

The Group's investment in Network Rail Consulting Limited is recognised at fair value based on its estimated market value. The disclosures in Note 26.3 indicate the carrying values of these components in the company's annual report and accounts. Given the valuation approach, the resulting valuation is considered to be at level 3 in the IFRS 13 hierarchy.

13. Derivatives

Materially, all of the Group's derivatives are held by Network Rail. Before Network Rail was reclassified to the central government sector in 2014, it raised debt finance principally through the sale of bonds. To manage the associated risks, such as foreign currency exchange risk and interest-rate risk, it purchased derivatives which fix the exchange rate or interest rate. The significant majority of remaining derivatives from this risk management programme are forward-starting interest rate swaps under which Network Rail fixed its cash flows relating to interest ahead of its debt drawdowns. The net effect of this arrangement was to give the company certainty over its cost of debt ahead of the point of drawdown. Hedge accounting is not used at Departmental Group level as a result of the relevant drawdowns having been made from the Department, following Network Rail's reclassification. Network Rail has no active derivatives purchase programme. Note 29.2 shows when derivatives mature.

The fair value of derivatives is estimated by discounting the future contractual cash flows using appropriate yield curves based on quoted market rates as at the current financial year end. These are considered to be level 2 valuations.

Interest rate risk is described in Note 29.

Financial assets held at fair value through the SOCNE

	2025-26		2024-25	
	Departmental Group		Departmental Group	
	Fair Value	Notional amounts	Fair Value	Notional amounts
	£m	£m	£m	£m
Non-hedge accounted derivatives				
Cross-currency swaps to hedge debt issued under the debt issuance programme	–	–	–	–
Interest rate swaps	7	490	22	1,015
Forward foreign exchange contracts	–	–	–	15
	7	490	22	1,030
Included in non-current assets	4	200	13	490
Included in current assets	3	290	9	540
	7	490	22	1,030

Financial liabilities held at fair value through the SOCNE

	2025-26		2024-25	
	Departmental Group		Departmental Group	
	Fair Value	Notional amounts	Fair Value	Notional amounts
	£m	£m	£m	£m
Non-hedge accounted				
Cross-currency swaps to hedge debt issued under the debt issuance programme	(7)	(56)	(10)	(56)
Interest rate swaps to hedge debt issued under the Debt Insurance Programme	(20)	(490)	(54)	(1,015)
Forward foreign exchange contracts	(2)	(27)	(3)	(27)
	(29)	(573)	(67)	(1,098)
Included in non-current liability	(17)	(373)	(47)	(525)
Included in current liability	(12)	(200)	(20)	(573)
	(29)	(573)	(67)	(1,098)

14. Investments measured using equity accounting

The Group has the following material investments measured using equity accounting, in accordance with the policy described in Note 1.10.

	Core Department & Agencies	Departmental Group
	£m	£m
Balance at 1 April 2024	448	740
Share of profits / (loss)	86	103
Share of other comprehensive net income / (expenditure)	(41)	(41)
Dividends paid from NATS to DFT	(86)	(86)
Balance at 31 March 2025	407	716
Balance at 1 April 2025	407	716
Share of profits / (loss)	81	119
Share of other comprehensive net income / (expenditure)	44	44
Dividends paid from NATS to DFT	(34)	(34)
Balance at 31 March 2026	498	845

14.1 NATS Holdings Ltd (NATS)

The Department holds an investment in NATS, which is the sole provider of en route air traffic control services to flights within the UK Flight Information Regions and the Shanwick Oceanic Control Area and provides air traffic control services to UK airports. NATS is accounted for as an associate as the Department holds minority voting rights in NATS (31 March 2025 and 2026: 48.9%).

	Investment in NATS
	£m
Balance at 1 April 2024	448
Share of profits / (loss)	86
Share of other comprehensive net income / (expenditure)	(41)
Dividends paid from NATS to DFT	(86)
Balance at 31 March 2025	407
Balance at 1 April 2025	407
Share of profits / (loss)	81
Share of other comprehensive net income / (expenditure)	44
Dividends paid from NATS to DFT	(34)
Balance at 31 March 2026	498

Carrying value as at 31 March 2025 and 31 March 2026

The value recognised on the Statement of Financial Position represents the Department's share of NATS' net assets as presented in NATS' audited financial statements for the years to 31 March 2025 and 2026.

Financial results of NATS

	2025-26	2024-25
	£m	£m
Balance at 31 March		
Non-current assets	1,925	1,840
Current assets	732	513
Current liabilities	(255)	(308)
Non-current liabilities	(1,384)	(1,214)
Net assets	1,018	831
Total revenue and regulatory allowances	1,077	1,072
Profit/(loss) for the year	166	175
Other comprehensive income/(expenditure) for the year	90	(88)
Dividends paid during the year	69	171

Following the requirements of IAS 28, the Department is required to assess whether the carrying value of this investment asset, calculated using the equity method, exceeds its recoverable amount. NATS' revenues are regulated by the Civil Aviation Authority (the CAA) using a Regulatory Asset Base (RAB) method. In October 2023, the CAA published its Final Decision for the NR23 price control for the period from 1st January 2023 to 31st December 2027. In December 2025, the CAA published its consultation on its draft method statement for the next NATS (En route) plc price review covering the period January 2028 to December 2032. CAA published its method statement in April 2026. The Department considers the recoverable amount continues to meet the carrying value of the investment.

14.2 Network Rail Insurance Limited

Network Rail Insurance Ltd was established by Network Rail to act as a 'captive' insurance company, to have direct access to reinsurance markets, minimising the volatility of insurance premia and retaining profits within the Network Rail Group. It is a wholly owned subsidiary of the Network Rail Group and is consolidated in Network Rail's financial statements. The profit in the financial results below do not exactly tie-in to the movement in the investment due to a change in the final numbers in Network Rail Insurance Ltd after the 2024-25 DfT ARA was published. As Network Rail Insurance Ltd is domiciled outside the UK, per FReM is not consolidated into the Department's financial statements and instead is accounted for using equity accounting.

Investment in Network Rail Insurance Ltd.

	£m
Balance at 1 April 2024	293
Share of profits / (loss)	16
Share of other comprehensive net income / (expenditure)	–
Balance at 31 March 2025	309
Balance at 1 April 2025	309
Share of profits / (loss)	38
Share of other comprehensive net income / (expenditure)	–
Balance at 31 March 2026	347

Financial results of Network Rail Insurance Limited

	2025-26	2024-25
	£m	£m
Balance at 31 March		
Non-current assets	–	–
Current assets	388	375
Current liabilities	(41)	(9)
Non-current liabilities	–	(57)
Net assets	347	309
Profit/(loss) for the year	38	26

15. Inventories

	2025-26		2024-25	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£m	£m	£m	£m
Current assets				
Properties acquired under the HS2 exceptional hardship and related schemes	29	29	–	–
Raw materials, consumables & work-in-progress	–	619	–	502
	29	648	–	502
Non-current assets				
Properties acquired under the HS2 exceptional hardship and related schemes	698	698	721	721
Raw materials, consumables & work-in-progress	9	18	7	11
	707	716	728	732

Inventories reported under Core Department & Agencies for HS2 comprise of land and properties acquired during construction. These are mainly classified as non-current assets, as most properties will be held for over one year.

In 2025–26, £2m of surplus land was disposed of related to HS2 Phase 1. The £29m balance in current assets represents planned disposals in 2026–27.

16. Trade and other receivables

	2025-26		2024-25	
	Core Department & Agencies £m	Departmental Group £m	Core Department & Agencies £m	Departmental Group £m
Amounts falling due within one year:				
Trade receivables	16	44	71	92
Trade receivables – contracts with customers	–	421	–	433
Deposits and advances	–	121	–	133
VAT receivables	25	512	25	541
Other receivables	117	81	137	90
Collateral placed with banking counterparties	–	21	–	45
Prepayments and accrued income	453	960	418	860
Total current	611	2,160	651	2,194
Amounts falling due after more than one year:				
Trade receivables	17	17	17	17
Other receivables	31	29	31	30
Network Rail Collateral Facility	–	–	40	–
Finance leases	–	–	1	1
Prepayments and accrued income	–	46	–	4
Total non-current	48	92	89	52
Total current and non-current	659	2,252	740	2,246

17. Cash and cash equivalents

	2025-26		2024-25	
	Core Department & Agencies £m	Departmental Group £m	Core Department & Agencies £m	Departmental Group £m
At 1 April	617	1,385	222	610
Net change in cash and cash equivalents	(249)	(83)	395	775
At 31 March	368	1,302	617	1,385
The following balances were held at:				
Government Banking Service	361	565	612	845
Commercial banks and cash in hand	7	737	5	540
At 31 March	368	1,302	617	1,385

The following table provides disclosures that enable users of the financial statements to evaluate the changes in liabilities arising from financing activities, including both cash and non-cash

	At 1 April 2025	Cash flows	Non-Cash Changes				At 31 March 2026
			Net cash requirement	Acquisition	Capital accretion	Fair value and other movements	Total
	£m	£m	£m	£m	£m	£m	£m
Supply	(617)	(29,997)	30,247	–	–	–	(367)
Lease liabilities	(861)	204	–	(464)	–	(38)	(1,159)
PFI liabilities	(973)	111	–	–	–	(4)	(866)
Derivatives	(41)	6	–	–	–	13	(22)
Collateral	44	(23)	–	–	–	–	21
Bonds and Notes	(33,449)	542	–	–	(1,081)	72	(33,916)
	(35,897)	(29,157)	30,247	(464)	(1,081)	43	(36,309)

	At 1 April 2024	Cash flows	Non-Cash Changes				At 31 March 2025
			Net cash requirement	Acquisition	Capital accretion	Fair value and other movements	Total
	£m	£m	£m	£m	£m	£m	£m
Supply	(222)	(30,536)	30,141	–	–	–	(617)
Lease liabilities	(815)	216	–	(169)	–	(93)	(861)
PFI liabilities	(1,079)	101	–	(1)	–	6	(973)
Derivatives	(81)	9	–	–	–	31	(41)
Collateral	82	(37)	–	–	–	(1)	44
Bonds and Notes	(32,478)	(21)	–	–	(969)	19	(33,449)
	(34,593)	(30,268)	30,141	(170)	(969)	(38)	(35,897)

18. Trade and other payables

	2025-26		2024-25	
	Core Department & Agencies £m	Departmental Group £m	Core Department & Agencies £m	Departmental Group £m
Amounts falling due within one year:				
Trade payables	(43)	(982)	(49)	(1,044)
Other payables	(43)	(327)	(42)	(370)
VAT, other taxation and social security	(10)	(169)	(16)	(125)
Pension	–	–	–	–
Accruals	(1,308)	(3,766)	(1,556)	(3,632)
Deferred income	(63)	(127)	(63)	(137)
Deferred income – contracts from customers	(80)	(106)	(74)	(94)
Current part of imputed finance lease element of Public Finance Initiative (PFI) contracts and other service concession arrangements	(1)	(56)	–	(111)
Third Party payables	–	–	–	–
Amounts issued from the Consolidated Fund for supply but not spent at year end	(367)	(367)	(617)	(617)
Consolidated Fund Extra Receipts due to the Consolidated Fund	(22)	(22)	(19)	(19)
Total current	(1,937)	(5,922)	(2,436)	(6,149)
	£m	£m	£m	£m
Amounts falling due after more than one year:				
Other payables	(33)	(109)	(33)	(130)
Deferred income	(771)	(878)	(825)	(899)
Deferred income – contracts from customers	(14)	(14)	(14)	(14)
Non current part of imputed finance lease element of Public Finance Initiative (PFI) contracts and other service concession arrangements	(5)	(810)	–	(860)
Total non-current	(823)	(1,811)	(872)	(1,903)
Total current and non-current	(2,760)	(7,733)	(3,308)	(8,052)

19. Borrowings

Financial liabilities

Balances in the Core Department and Agencies column relate to the core Department's obligations to CTRL Section 1 Finance plc and LCR Finance plc for their external borrowings. These obligations are eliminated on consolidation.

Departmental Group borrowings are instruments issued by Network Rail, CTRL Section 1 Finance plc and LCR Finance plc. Further information of the movement of borrowings is available in the financial statements of Network Rail, CTRL Section 1 Finance plc and LCR Finance plc.

Lease liabilities

The majority of the Group's leases are recognised on-balance sheet as right-of-use assets (Note 7) and lease liabilities. Lease liabilities are presented under borrowings, because they have similar characteristics: they are interest-bearing and have long-term maturities. However, they are not financial instruments within the scope of IFRS 9, and therefore are not subject to all of the disclosure requirements.

Interest costs are disclosed in Note 3.7.

	2025-26		2024-25	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£m	£m	£m	£m
1.085% sterling index linked bond due 2052	–	(197)	–	(190)
0% sterling index linked bond due 2052	–	(226)	–	(216)
2.334% Asset Backed Index Linked Notes due 2051	(1,141)	(1,132)	(1,092)	(1,085)
5.1% sterling bond due 2051	(1,102)	(1,102)	(1,102)	(1,101)
1.003% sterling index linked bond due 2051	–	(37)	–	(36)
0.53% sterling index linked bond due 2051	–	(190)	–	(183)
0.517% sterling index linked bond due 2051	–	(190)	–	(184)
0% sterling index linked bond due 2051	–	(227)	–	(217)
0.678% sterling index linked bond due 2048	–	(187)	–	(181)
1.125% sterling index linked bond due 2047	–	(7,986)	–	(7,712)
0% sterling index linked bond due 2047	–	(150)	–	(142)
1.1335% sterling index linked bond due 2045	–	(76)	–	(74)
1.5646% sterling index linked bond due 2044	–	(434)	–	(414)
1.1565% sterling index linked bond due 2043	–	(86)	–	(83)
1.1795% sterling index linked bond due 2041	–	(105)	–	(101)
1.2219% sterling index linked bond due 2040	–	(424)	–	(404)
1.2025% sterling index linked bond due 2039	–	(115)	–	(110)
4.5% sterling bond due 2038	(429)	(429)	(429)	(429)
4.6535% sterling bond due 2038	–	(100)	–	(100)
1.375% sterling index linked bond due 2037	–	(7,929)	–	(7,648)

	2025-26		2024-25	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£m	£m	£m	£m
5.234% Asset Backed Fixed Rate Notes due 2035	(280)	(280)	(280)	(280)
4.75% sterling bond due 2035	–	(1,240)	–	(1,239)
1.6492% sterling index linked bond due 2035	–	(645)	–	(615)
4.375% sterling bond due 2030	–	(874)	–	(873)
4.5% sterling bond due 2028	(1,240)	(1,240)	(1,239)	(1,239)
1.75% sterling index linked bond due 2027	–	(7,545)	–	(7,296)
4.615% Norwegian krone bond due 2026	–	(39)	–	(37)
4.57% Norwegian krone bond due 2026	–	(11)	–	(10)
1.9618% sterling index linked bond due 2025	–	–	–	(522)
Index-linked European Investment Bank due 2036 (£243m) and 2037 (£241m)	–	(721)	–	(688)
Other				
Vessel Loan from the GLF	–	–	–	(40)
Financial liabilities	(4,192)	(33,917)	(4,142)	(33,449)
Lease Liabilities	(425)	(1,159)	(390)	(862)
Total borrowings	(4,617)	(35,076)	(4,532)	(34,311)
Of which;				
Current	(106)	(382)	(128)	(751)
Non-current	(4,511)	(34,694)	(4,404)	(33,560)
	(4,617)	(35,076)	(4,532)	(34,311)

Current borrowings include bonds maturing in the next 12 months plus stage repayments of other bonds, and lease liabilities due within the next 12 months.

The following table analyses the Department's exposure to interest and inflation risk on the financial liabilities above. Note 30 analyses the financial liabilities by IFRS 9 treatment and the fair value hierarchy.

	2025-26		2024-25	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£m	£m	£m	£m
Analysis by interest rate and inflation risk exposure				
Nominal	(3,051)	(5,315)	(3,050)	(5,309)
Index-linked	(1,141)	(28,602)	(1,092)	(28,100)
	(4,192)	(33,917)	(4,142)	(33,409)

An analysis of the movement in borrowings during the year is included in Note 17.

20. Financial guarantee contracts

The Department has given an indemnity to Network Rail's debt holders covering the total outstanding debt as at 31 March 2026 of £29,733m (31 March 2025: £29,274m). The indemnity expires in 2052 and is recognised as a financial guarantee contract. The indemnity reduces the cost of borrowing for Network Rail. The table below shows the carrying value calculated in accordance with the accounting policies in Note 1.15. The amount amortised to income reflects the amount of debt supported, multiplied by the credit spread. The impact of financing is presented separately as an interest cost. The amount charged or released during the year is explained in Note 3.7.

	Core Department & Agencies
	£m
Balance at 1 April 2024	(4,623)
Release in year	38
Amortised to income	313
Unwinding of discount	(99)
Balance at 31 March 2025	(4,371)
Release in year	118
Amortised to income	322
Unwinding of discount	(104)
Balance at 31 March 2026	(4,035)

21. Deferred taxation

Deferred tax relates to the activities of Network Rail and National Highways. The majority of the Departmental Group's other activities are classified as non-business and therefore are out of scope of deferred tax.

The deferred tax liability balance relates principally to taxable temporary differences arising because accelerated capital allowances that affect the tax base exceed accounting depreciation. No adjustment is made in respect of the revaluation of the Railway Network to DRC, which produces a higher depreciation charge in these financial statements than those of Network Rail. The Department considers that the valuation of the Railway Network in Network Rail's own financial statements (on which the deferred tax workings are based) provides the best basis for assessing temporary differences that would affect the future assessment of tax if the relevant assets were realised.

Corporation tax in National Highways is payable only on certain commercial income streams, with a charge arising in the year from the renewal of a number of Motorway Service Area leases.

UK corporation tax is calculated at 25% in 2025-26 (2024-25: 25%). The corporation tax rate increased to 25% with effect from 1 April 2023. Accordingly, deferred tax at 31 March 2026 is calculated at a rate of 25% (2025: 25%) based on the tax rate expected to prevail based on legislative enactments at the point temporary differences resolve. The amount at which temporary differences crystallise is sensitive to the decisions on future tax laws to be taken by Parliament.

Movements in the deferred tax balance are set out in the table below:

	2025-26	2024-25
	Departmental Group	Departmental Group
	£m	£m
At 1 April 2025	(7,630)	(6,995)
Operating gain / (loss)	(131)	(210)
Other comprehensive income/(expenditure)	(530)	(425)
At 31 March 2026	(8,291)	(7,630)
Deferred tax liabilities	(9,015)	(8,350)
Deferred tax assets	724	720
	(8,291)	(7,630)

Deferred tax assets of £724m (31 March 2025: £720m) shown in the table above relate to carried forward tax losses of £2,879m (31 March 2025: £2,879m). A deferred tax asset is recognised in respect of carried forward trading losses where the deferred tax liability in the same entity will reverse in the same period and jurisdiction as the losses would also reverse. This is described further in Notes 1.19 and 1.25.

22. Provisions for liabilities and charges

	High Speed 2 Land & Property £m	Industrial disease claims £m	National Freight Company Pension £m	Others £m	Core Department & Agencies £m	National Highways Land & Property £m	ATTF £m	Others £m	Total £m
Balance at 1 April 2024	(747)	(95)	(14)	(29)	(885)	(539)	(1)	(267)	(1,628)
Provided in year	(32)	-	-	(8)	(40)	(259)	(3)	(74)	(376)
Provision written back	136	6	-	6	148	123	-	22	293
Provision utilised	68	8	2	11	89	58	2	35	184
Unwinding of discount	-	(4)	-	-	(4)	-	-	-	(4)
Balance at 31 March 2025	(575)	(85)	(12)	(20)	(692)	(617)	(2)	(284)	(1,531)
Balance at 1 April 2025	(575)	(85)	(12)	(20)	(692)	(617)	(2)	(284)	(1,531)
Provided in year	(178)	(6)	(8)	(10)	(202)	(247)	(1)	(181)	(632)
Provision written back	95	-	-	1	96	180	-	9	285
Provision utilised	175	10	2	9	196	112	-	122	430
Unwinding of discount	-	(4)	-	-	(4)	-	-	-	(4)
Balance at 31 March 2026	(483)	(85)	(18)	(20)	(606)	(572)	(3)	(334)	(1,451)
Of which:									
Later than five years	-	(61)	(11)	(5)	(77)	-	-	(1)	(78)
Between one and five years	(184)	(18)	(5)	(4)	(211)	(491)	-	(35)	(673)
Non-current	(184)	(79)	(16)	(9)	(288)	(491)	-	(36)	(751)
Current / within one year	(299)	(6)	(2)	(11)	(318)	(81)	(3)	(298)	(700)

Industrial Disease Claims

The British Railways Board was a major employer for some 50 years (with up to three-quarters of a million employees at one time) and was responsible for industrial injuries, and other employment- and environment-related claims resulting from its activities. Some industrial diseases are slow to develop, and therefore the claims do not arise until many years after the relevant employment ceases. In 2001, following privatisation, the responsibility and liability for these claims transferred to British Railways Board (Residuary) Ltd (BRBR), and when BRBR was abolished in 2013, they passed to the DfT.

HS2 Land and Property

The Department holds various provisions to cover the purchase of land and properties acquired under different HS2 schemes and processes (31 March 2026: £483m; 31 March 2025: £575m). These include: compulsory purchase orders £414m; statutory blight legislation £13m; the Need to Sell scheme £9m; Rural Support Zone Scheme £1m and specific agreements with various corporate entities £46m. Note 1.20.1 describes the key estimation factors affecting the valuation of land and property provisions connected with compulsory purchase orders. The provision for compulsory purchases mainly reflects the first phase, where CPO powers lapsed on 23rd February 2022.

National Highways Land and Property

Land and property acquisition provisions relate principally to the estimated cost of: planning blight; discretionary and compulsory acquisition of property; and compensation for property owners arising from physical construction of a road scheme (31 March 2026: £572m; 31 March 2025: £617m). It may take several years from the announcement of a scheme to completion of the road and the final settlement of all liabilities. Note 1.20.1 explains the points at which provisions for compulsory purchase of land and property are recognised. The first bullet point within Note 1.20.1 applies to the majority of National Highways provisions.

National Freight Company Pension

The National Freight Company (NFC) was created by the Transport Act 1980 to be a successor to the nationalised transport company, the National Freight Corporation, in anticipation of privatisation. The Government agreed to fund some benefits already granted to employees. This provision includes two elements:

- Reimbursement to NFC pension trustees in respect of payments covering unfunded pension service with NFC before 1 April 1975 (Part III, Transport Act 1980); and
- Reimbursements to NFC and its subsidiaries for providing travel concessions to staff previously employed by the road transport division of British Rail (s21, Transport Act 1978 and Schedule 6 to the Transport Act 1980).

Other

These headings cover a range of smaller provisions, including:

- British Railways Board's (BRB) ex employees' pensions (31 March 2026: £3m; 31 March 2025: £3m) – reimbursement from the core Department to trustees of the British Transport Police Force Superannuation Fund in respect of unfunded proportions of pensions deriving from service with the BRB before 1 January 1975 (Part III, Transport Act 1980).
- Other material balances included under 'Other' include: £173m in respect of Network Rail, £46m in respect of National Highways, £10m in respect of British Transport Police and £97m in respect of High Speed 2. Those entities own accounts provide further details.

23. Contingent liabilities

Contingent liabilities may result in an obligation to transfer cash in the future depending on future developments outside the Group's control. They are not recognised in the Statement for Financial Position unless it becomes probable that the Group will need to transfer cash. This Note discloses contingent liabilities for which the risk of crystallisation is higher than remote but not probable in accordance with IAS 37. Where these can be quantified, they are disclosed in the table below; where they cannot be quantified with any degree of accuracy, they are disclosed in the paragraphs after the table below. Amounts disclosed reflect the highest reasonable estimate of the possible liability. These are summarised by the nature and purpose of the contingent liability:

Quantifiable contingent liabilities disclosed under IAS 37

	31 March 2026 £m	31 March 2025 £m
Mersey Gateway Commitment by the Department to fund any shortfall of toll revenue from the Mersey Gateway Bridge to meet Halton Council's financial obligations under the Demand Management Participation Agreement.	1,005	1,070
HS2 – Undertakings and Assurances HS2 Ltd has given a number of undertakings and assurances where there is an uncertainty over whether a 'present obligation' (as defined by IAS37) exists at year end that could lead to expenditure by HS2 Ltd.	10	10
Legal claims From time to time, the Departmental Group experiences legal claims and challenges which it defends wherever appropriate. The change in exposure reflects changes in the volume and values of active cases during the year.	233	341
Guarantees to promote investment in railway assets Under the Railways Act 1993, the Transport Act 2000 and the Channel Tunnel Rail Link Act 1996, the Secretary of State has provided quantifiable (disclosed) and unquantifiable guarantees to promote investment in the rail sector.	46	52
HS2 protective provision arrangements As part of the normal course of business, indemnities have been given by HS2 Ltd and also by the core Department on behalf of HS2 Ltd to individuals and companies who could be impacted by the construction of HS2. A number of Protective Provision Agreements have been made with either special status or utility companies that include indemnities in relation to HS2 Ltd's work as Nominated Undertaker for constructing HS2. These agreements go no further than the provisions made in the Phase 1 Hybrid Act and the Phase 2A Hybrid Bill that provide for protection, repair, compensation and indemnification from third party claims. This includes some items that can be quantified (amounts disclosed) and others that cannot be meaningfully quantified.	91	191
Total	1,385	1,664

Unquantifiable contingent liabilities

The following guarantees, indemnities, statutory obligations and letters of comfort cannot be quantified with any degree of accuracy:

Statutory blight due to transport infrastructure projects

- In furtherance of transport infrastructure projects, the Secretary of State has incurred potential liabilities for statutory blight. This includes obligations in respect of Crossrail 2 and Heathrow expansion. Property owners within the affected areas may be eligible to serve a Blight Notice asking the Secretary of State to buy their property. As this is unquantifiable, it is presented as a contingent liability.

Potential compensation obligations in the HS1 Concession Agreement

- Under the HS1 Concession Agreement, the Secretary of State would be liable for compensation in the event of changes in law or other events equivalent to increases in operating costs or loss of revenues. It is considered impracticable to provide a reliable single-point estimate. However, the maximum potential exposure during the remaining term of the current Control Period is considered not to exceed £100m.

HS2 Ltd protective provision agreements

- As part of the normal course of business, indemnities have been given by HS2 Ltd and by the Department on behalf of HS2 Ltd to individuals and companies who could be impacted by the construction of HS2. A number of Protective Provision Agreements have been made with either special status or utility companies that include indemnities in relation to HS2 Ltd's work as Nominated Undertaker for constructing HS2. These agreements go no further than the provisions made in the Phase 1 Hybrid Act and the Phase 2A Hybrid Bill that provide for protection, repair, compensation and indemnification from third party claims. This includes some items that can be quantified (amounts disclosed above) and others that cannot be meaningfully quantified.

Other

- From time to time, the Departmental Group experiences legal claims and challenges which it defends wherever appropriate. The probability and potential exposure of each case is assessed against IAS 37, based on legal advice. Some claims may have a sufficiently broad range of potential outcomes as to be unquantifiable for practical purposes.
- The Department has a potential constructive obligation to cover the costs of managing the SS Richard Montgomery, which ran aground off Sheerness in 1944, with a cargo of munitions. The Department has funded the costs of marking, guarding, inspections and mitigation works, indicating that it would fund other works as required. The potential cost is considered to be unquantifiable.

The Core Department has provided the following guarantees and letters of comfort to and for other Group members:

- A guarantee of National Highways' obligations under its PFI contracts and to the Civil Service Pension Scheme;
- A letter of comfort to the British Transport Police to evidence its status as a going concern;
- Guarantees given between 1999 and 2002 to the holders of Government Guaranteed Bonds issued by LCR Finance plc. In 2009, the Department became the primary obligor to LCR Finance plc, but the guarantees remain;
- A parent company guarantee in respect of some of Network Rail's insurance arrangements.
- Members of the Network Rail Group have provided cross-guarantees in respect of other members' banking arrangements.

The ATTF's purpose, set out in its trust deed, is to compensate customers who have purchased package holidays or 'flight plus' holidays from a tour operator that holds an ATOL (air travel organiser's licence) issued by the Civil Aviation Authority. Any material provision balance is disclosed in Note 22. This Note discloses the Department's approach to ensuring that the ATTF remains a going concern and that its operations continue to be ring-fenced. As the ATTF has received ATOL Protection Contributions ('APC') for holidays that have not completed, there is a risk of further calls on the ATTF if the operator were to fail before the holiday is complete. The amount of any provision would depend on the size of the operator and therefore cannot meaningfully be quantified. No provision is recognised in respect of potential operator failures. The Department considers that no obligation or risk exists in respect of holidays that have not been booked and for which, therefore, no APC has been received.

Annex D provides a reconciliation between contingent liabilities reported in the Supply Estimate and those reported in the Annual Report and Accounts – either as remote in the Parliamentary Accountability Disclosures or as higher than remote but not probable in Note 23.

24. Pension schemes

Past and present employees of the core Department and its agencies are generally covered by the provisions of the Principal Civil Service Pension Scheme. The Principal Civil Service Pension Scheme and defined contribution retirement benefit schemes are described in the People and Remuneration Report in the Accountability Report.

Overview of the schemes

This Note provides disclosures on the Departmental Group's obligations in respect of the defined benefit pension arrangements for which it is the designated employer.

The Department applies IAS 19 to all these schemes; consequently, the share of any deficits or recoverable surplus in the pension funds is recognised in the Statement of Financial Position.

Network Rail and the British Transport Police Authority are the designated employers for their own defined benefit pension schemes, and the Secretary of State for Transport acts as designated employer for the other four schemes listed below.

Key data

Scheme	Open/closed	Basis	Accrual Rate	Normal retirement age
Network Rail (RPS) (includes RPS 60 and RPS 65)*	Open to employees with five years' service (RPS 60 closed to new joiners from 1 July 2012).	Shared cost (employer's share: 60%) final salary based (subject to capping); linked to CPI.	1/60 (RPS 60 and RPS 65) average final pensionable salary minus 150% final basic state pension (RPS 60) or 75% final basic state pension.	Either 60 (for RPS 60) or 65 (for RPS 65) (reflected in contribution rate).
Network Rail (CARE)*	Open to all employees.	Shared cost (employer's share: 60%) career average revalued earnings, linked to RPI up to 31 March 2016 and CPI thereafter.	1/60 average pensionable salary.	65
1994 Section (RPS)	Closed to new members and accruals: members are those who were pensioners and preserved pensioners of BR at the time of privatisation.	Final salary-based, linked to CPI.	Not applicable, as scheme is closed to new accruals.	60
British Railways Superannuation Fund (BRSF)	Closed to new members and accruals.		Not applicable, as scheme is closed to new accruals.	60
British Railways Shared Cost Section (RPS)	Open to eligible members.	Shared cost (employer's share: 60%), final salary-based, linked to CPI.	1/60 final salary.	60
British Railways (1974) Pension Fund	Closed to new members and accruals.	Supplementary to other RPS schemes.	Not applicable, as scheme is closed to new accruals.	60

Key data

Scheme	Open/closed	Basis	Accrual Rate	Normal retirement age
British Transport Police Force Superannuation Fund (BTPFSF)*	Pre-2007 and 2007-2015 schemes: closed to new members. Post-2015 scheme: open to eligible members.	<i>Pre-2007 scheme: final salary-based. 2007-2015 scheme: final salary-based. Post-2015 scheme: career average revalued earnings, linked to CPI.</i>	Pre-2007 scheme: 1/45 less 1/30 the basic state pension. 2007-2015 scheme: 1/70 final salary. Post-2015 scheme: 1/55.3.	Pre-2007 scheme: 55. 2007-2015 scheme: 55 or 65 depending on circumstances. Post-2015 scheme: 60 or 65 depending on circumstances.
British Transport Police Section of the Railways Pension Scheme (RPS)*	Closed to new members, open to accruals.	Shared cost (employer's share: 60%), final salary-based, linked to CPI.	1/60 final average salary less 1/40 of the basic state pension.	60

*More details about these schemes can be found in the accounts of Network Rail and the British Transport Police.

Formal actuarial valuations

Scheme	Actuary	Effective date of funding valuation	Valuation report date	Effective date of next funding valuation
1994 Section	WTW & GAD	31-Dec-25	The 2025 valuation is ongoing	31-Dec-28
BR Shared Cost Section	WTW & GAD	31-Dec-25	The 2025 valuation is ongoing	31-Dec-28
British Railways Superannuation Fund	WTW & GAD	31-Dec-25	The 2025 valuation is ongoing	31-Dec-28
Network Rail schemes	WTW	31-Dec-25	The 2025 valuation is ongoing	31-Dec-28
British Transport Police Force Superannuation Fund	XPS	31-Dec-24	27-Mar-26	31-Dec-27
British Transport Police Railways Pension Scheme	WTW & XPS	31-Dec-25	The 2025 valuation is ongoing	31-Dec-28

GAD: Government Actuaries Department. WTW: Willis Towers Watson

All valuations were undertaken using the projected unit method. The valuations for the 1994 section and BR Shared Cost Section are currently underway with a projected completion in early 2027.

In April 2026, the Pension Schemes Act 2026 received Royal Assent, introducing a statutory mechanism to address uncertainties relation to historic amendments to contracted-out defined benefit pension schemes following the Virgin Media case. The legislation enables retrospective actuarial confirmation of affected amendments and has significantly reduced the uncertainty surrounding potential liabilities. Based on the work undertaken to date, no adjustment has been recognised in these financial statements and the Group does not expect a financial impact to arise from this matter. The Group will continue to monitor developments in this area.

The net pension liability by scheme

The (deficit)/surplus comprises the following balances:

	2025-26		2024-25	
	Core Department & Agencies £m	Departmental Group £m	Core Department & Agencies £m	Departmental Group £m
NR (RPS)	–	1,403	–	1,075
NR (CARE)	–	(142)	–	(152)
1994 Section	(414)	(414)	(461)	(461)
BR Shared Cost Section	(2)	(2)	–	–
British Railways Superannuation Fund (BRSF)	–	–	–	–
BR (1974) Pension Fund	(1)	(1)	(1)	(1)
BTP Force Superannuation Fund (BTPFSF)	–	224	–	114
BTP Section of the Railways Pension Scheme (RPS)	–	53	–	49
Total (deficit)/surplus at the end of the period	(417)	1,121	(462)	624

British Railways Superannuation Fund (BRSF) reported a surplus of scheme assets over scheme liabilities at 31 March 2026 of £40m. The Department assessed these balances against the requirements of IFRIC 14, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction and determined that the surplus should not be recognised in the financial statements. Accordingly, an asset ceiling adjustment of these amounts is recognised in Other Comprehensive Income.

The weighted average scheme duration for each of the Group's material defined benefit schemes, is:

- 1994 Section: 8 years.
- Network Rail schemes: 19 years.
- British Transport Police Force Superannuation Fund: 20 years.
- British Transport Police Railway Pensions Scheme: 29 years.

Across the Group, expected employer contributions in 2026-27 are £168m.

Network Rail's RPS and CARE schemes, in addition to the BR Shared Cost Section, are shared cost in nature. The cost of benefits earned and of funding any shortfall in the schemes are normally split in the proportion 60:40 between the employer and the members. The surplus/(deficit) recognised in these statements is the proportion relating to the employer only. However, where IFRIC 14 requires the recognition of a surplus, Network Rail recognises 100% of this: this reflects the legal right to veto consumption of any scheme surpluses.

The RPS and the BTPFSF schemes both had a surplus in accordance with the interpretation IFRIC 14. IFRIC 14 states this can be recognised if the entity can realise it at some point during the life plan or when the plan liabilities are settled.

Reconciliation of net pension (liability)/surplus

	Core Department & Agencies Deficit	Asset	Departmental Group Liabilities	Deficit
	£m	£m	£m	£m
As at 31 March 2024	(474)	9,565	(10,192)	(627)
Current service cost including members' share	(1)	–	(245)	(245)
Past service costs	–	–	–	–
Interest on pension deficit	(21)	455	(481)	(26)
Administration expenses	(4)	(15)	–	(15)
Return on plan assets greater than the discount rate	(94)	(468)	–	(468)
Section amendment	–	–	–	–
Actuarial gain/(loss) arising from changes in financial assumption	127	395	1,435	1,830
Actuarial gain/(loss) on defined benefit obligation due to demographic assumptions	–	–	14	14
Actuarial gain/(loss) arising from experience adjustments	4	–	(3)	(3)
Regular contributions by employer	1	164	–	164
Contributions by employees	–	19	(19)	–
Benefits paid	–	(561)	561	–
As at 31 March 2025	(462)	9,554	(8,930)	624
Current service cost including members' share	(1)	–	(193)	(193)
Past service costs	–	–	–	–
Interest on pension deficit	(24)	516	(498)	18
Administration expenses	(5)	(11)	–	(11)
Return on plan assets greater than the discount rate	76	305	–	305
Section amendment	–	–	–	–
Actuarial gain/(loss) arising from changes in financial assumption	38	128	144	272
Actuarial gain/(loss) on defined benefit obligation due to demographic assumptions	(25)	–	(54)	(54)
Actuarial gain/(loss) arising from experience adjustments	(15)	–	(6)	(6)
Regular contributions by employer	1	166	–	166
Contributions by employees	–	18	(18)	–
Benefits paid	–	(555)	555	–
As at 31 March 2026	(417)	10,121	(9,000)	1,121

The 'return on plan assets' represents the interest and gains or losses generated by the assets that the scheme invests in.

Past service costs or credits arise when an employer undertakes to provide a different level of benefits than previously promised. Following the Lloyds judgement in October 2018, pension schemes are required to equalise in respect of Guaranteed Minimum Pensions (GMP) accrued after 17 May 1990. Analyses of the scheme memberships in the Group found that only a low number of members are within the scope of this initiative, therefore, the schemes initially made allowances of up to 1% of the total liabilities in 2018-19 for the cost of GMP equalisation, which were revised down to 0.4% in 2019-20; analysis of recent benefit payments including interest indicate that these allowances remain appropriate.

Net interest costs reflect the increase in the present value of the pension liability during the year because the benefits are one period closer to settlement. The financing cost is based on the discount rate (including inflation) at the start of the year and is calculated on the gross liability of unfunded schemes and the net liability of funded schemes. The expense from unwinding the discount rate is recognised against net expenditure.

The actuarial gain/loss arising from changes in financial assumptions recorded in the Scheme Assets column reflects the IFRIC 14 adjustment described earlier in this Note.

Analysis of scheme assets

The asset values disclosed reflect the Departmental Group's exposure to underlying asset classes through holdings of units of the pooled funds in which the underlying assets are held. Underlying assets are managed by the pension administrator, Railpen, and the control over economic benefits for Departmental entities is established through the unitisation of those funds. The table below illustrates the underlying assets proportional to the Departmental entities' unit holdings in various pooled funds, and their position in the fair value hierarchy as defined by IFRS 13 of the underlying assets.

Level 1 and 2 assets include diversified exchange-traded funds valued at open trading prices. Level 3 includes property, private equity and equity in non-exchange traded pooled investment vehicles, which are measured using valuation techniques that include inputs based on unobservable market data (unobservable inputs) and therefore are inherently more subjective than Level 1 and 2 assets.

2025-26				
	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
1994 Scheme	897	550	153	1,600
BTPFSF and BTP RPS	1,057	312	613	1,982
Network Rail RPS	3,151	746	1,634	5,531
Network Rail CARE	111	104	8	223
Total	5,216	1,712	2,408	9,336
DFTC minor schemes				267
IFRIC 14 adjustment				518
Total pension assets				10,121

2024-25				
	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
1994 Scheme	1,009	469	196	1,674
BTPFSF and BTP RPS	902	231	738	1,871
Network Rail RPS	2,777	613	1,780	5,170
Network Rail CARE	29	137	10	176
Total	4,717	1,450	2,724	8,891
DFTC minor schemes				273
IFRIC 14 adjustment				390
Total pension assets				9,554

Amounts charged to operating costs

	2025-26		2024-25	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£m	£m	£m	£m
Current service cost	1	194	1	240
Past service cost	–	–	–	–
Section amendment	–	–	–	–
Net interest expense / (income)	24	(18)	21	24
Administrative costs and taxes	5	11	4	20
Total	30	187	26	284
Of which:				
Employer contributions included in Note 3 'other pension costs'	2	171	1	164
Pension scheme costs per Note 3.6	28	16	25	121

The current service cost is the expected cost of benefits accrued in the year following the valuation date. This is calculated using the expected benefits accrued over the year, and considering the expected payments made in relation to this benefit. This takes account of any expected salary and pension increases. The cost is the amount needed at the valuation date, such that after receiving expected interest, the payments are covered.

Amounts recognised in other comprehensive expenditure

	2025-26		2024-25	
	Core Department & Agencies	Departmental Group	Core Department & Agencies	Departmental Group
	£m	£m	£m	£m
Return on plan assets greater than discount rate	76	305	(94)	(468)
Actuarial gain/ (loss) arising from changes in assumptions	38	272	127	1,843
Actuarial gains/(losses) on defined benefit obligation due to demographic assumptions	(25)	(54)	–	–
Actuarial gain/ (loss) arising from experience adjustments	(15)	(6)	4	(3)
Total gain/(loss)	74	517	37	1,372

The key assumptions used in the calculation of the pension deficit are shown in the table below. The discount rate is based on market yields on high quality corporate bonds at the end of the reporting period. Inflation represents the projected increases to pensions in payment. At present, CPI is the government's inflation measure for increases under the Pension (Increase) 1971. CPI is calculated in reference to market rates. The net gain or loss in OCI is mainly driven by the balance of the movement in net discount rate assumption (net of CPI) and the return on assets in excess of the discount rate at the beginning of the year.

Principal actuarial assumptions at the reporting date (expressed as weighted average):

	NR (RPS)	NR (CARE)	1994 Section	BTP Force Superannuation Fund (BTPFSF)
2024-25				
Discount rate	5.80%	5.80%	5.60%	5.75%
Future pension increases	3.10%	3.10%	2.75%	2.80%
Future prices increase (CPI unless otherwise stated)	2.80%	2.80%	2.75%	2.80%
Rate of increase in salaries	2.80%	2.80%	N/A	2.80%
2025-26				
Discount rate	6.20%	6.20%	5.90%	6.10%
Future pension increases	3.30%	3.30%	2.85%	3.05%
Future prices increase (CPI unless otherwise stated)	3.10%	3.30%	2.85%	3.05%
Rate of increase in salaries	3.10%	3.10%	2.85%	3.05%

The majority of the Group's pension obligations are linked to inflation, where higher inflation will lead to higher value being placed on the obligation. Some of the scheme assets are either unaffected by inflation or loosely correlated with inflation (e.g. assets). On 4 September 2019, the Government and UK Statistics Authority (UKSA) published correspondence relating to the future of RPI. Following the consultation, in November 2020, UKSA noted their intention that from 2030 RPI will be aligned with CPIH. CPIH reflects CPI including owner occupiers' housing costs and Council Tax: it has historically been closely aligned with CPI. The implications of these developments during the current and prior years are reflected in the assessment of the most suitable CPI assumptions for each scheme at 31 March 2025 and 2026.

* The detailed arrangements for CPI/RPI indexation of this scheme are set out on page 288.

Scheme	Average life expectancy on retirement			
	Members aged 45		Members aged 65	
	Males	Females	Males	Females
1994 Section	not applicable	not applicable	22	24.2
Network Rail (RPS and CARE)	22.7	24.8	21.1	23
BTPFSF	23.8	26.1	21.8	24.7

Sensitivity Analysis

The table below shows the impact of changes to assumptions on the net deficit of schemes where economic and actuarial assumptions have a material impact on the financial statements. Increases to the deficit are presented as positive numbers. Decreases to the deficit are shown in brackets as negative numbers.

	31 March 2026			31 March 2025		
	NR (RPS & CARE)	1994 Section	BTPFSF	NR (RPS & CARE)	1994 Section	BTPFSF
	£m	£m	£m	£m	£m	£m
Discount rate						
+0.25%	(310)	(35)	(52)	(302)	(40)	(53)
-0.25%	330	40	55	320	40	56
Life expectancy						
+1 year	238	85	40	235	90	39
-1 year	(246)	(85)	(41)	(242)	(90)	(40)
Earnings increase						
+0.25%	77	n/a	n/a	75	n/a	n/a
-0.25%	(75)	n/a	n/a	(73)	n/a	n/a
Price inflation						
+0.25%	200	30	47	226	35	52
-0.25%	(195)	(30)	(45)	(206)	(35)	(46)
+0.50%	400	120	98	453	135	104
-0.50%	(390)	(120)	(90)	(413)	(130)	(95)

Risk analysis

Defined benefit scheme liabilities expose the Departmental Group to material financial uncertainty, arising from factors such as changes in life expectancy and in the amount of pensions payable. Some scheme investments, such as equities, should offer long-term growth, but are typically more volatile in the shorter term than government bonds.

The cost of financing defined benefit pension deficits is borne by a number of parties. For shared cost schemes, such as the RPS shared cost sections, any increase in contributions will be met in part by the employees and this element of the deficit is not recorded as a liability on the balance sheet. In the case of the employer's contributions to both the Network Rail and British Transport Police schemes, any deficits will be met by increased contributions by all of the employer participants in the schemes. Shared cost arrangements result in a restriction of net deficit recognition to the employer's share, unless there is a pattern of evidence of the employer accepting responsibility, on a discretionary basis, for deficits arising beyond their nominal share.

Potential obligation to Merchant Navy Officers' Pension Fund

As participating employers in the MNOF the GLAs are liable for any deficit contributions should the fund not be able to meet its future liabilities. The GLAs have paid the deficit contributions which were due for payment on 30 June 2013 in respect of the 2012 valuation. Further actuarial valuations were carried out as at 31 March 2015, 31 March 2018, 31 March 2021 and 31 March 2024 which resulted in no further calls for deficit contributions. The 31 March 2024 actuarial report estimated a technical funding level of 99% and a deficit of £11m. As the deficit is considered to be small, the MNOF trustees determined that, allowing for an investment outperformance compared to technical provision, no additional contributions would be required at this time. The next full valuation is due 31 March 2027.

25. Entities within and outside the departmental boundary

Within the Departmental Accounting boundary

The following entities were within the Departmental boundary as defined by the Statutory Instrument 2025 No. 268 (as amended by Statutory Instrument 2025 No.1336) and are reported as part of the Department's consolidated financial statements. All these entities publish their own annual report and accounts.

Executive Agencies

- Maritime and Coastguard Agency.
- Driver and Vehicle Licensing Agency.
- Vehicle Certification Agency.
- Driver and Vehicle Standards Agency.
- Active Travel England.

Arm's Length Bodies (Executive Non-Departmental Public Bodies)

- National Highways.
- Network Rail.
- British Transport Police Authority.
- East West Railway Company Limited.
- High Speed Two (HS2) Limited.
- The Commissioners of Irish Lights.
- The Commissioners of Northern Lighthouses.
- Trinity House Lighthouse Service.
- Transport Focus.

Arm's Length Bodies (Other than Non-Departmental Public Bodies)

- CTRL Section 1 Finance plc.
- LCR Finance plc.
- Air Safety Support International Limited.
- Air Travel Trust Fund.
- Train Fleet (2019) Limited.

Not reported within the Departmental Accounting boundary

Financial information for the following entities can be obtained from their separately published annual reports and accounts.

Public Corporations

- DfT Operator Limited.
- London North Eastern Railway Limited.
- Northern Trains Limited.
- SE Trains Limited.

- TransPennine Trains Limited.
- South Western Railway Limited.
- c2c Railway Limited.
- GA Trains Limited.
- WM Trains Limited.

As described in Note 27 the remaining Train Operating Companies not controlled by DFTO were also reclassified as public corporations with effect from 1 April 2020.

- Platform4 Rail Regeneration Ltd (Previously London & Continental Railways Limited, see Notes 12.2 and 26.1 for further information).
- Crossrail International Limited.
- Civil Aviation Authority.
- Dover Harbour Board.
- Milford Haven Port Authority.
- Port of London Authority.
- Port of Tyne Authority.
- Shoreham Port Authority.
- Blyth Harbour Commissioners.
- Harwich Haven Commissioners.
- Poole Harbour Commissioners.
- Staithes Harbour Commissioners.
- Chichester Harbour Conservancy.
- Hope Cove Harbour Commissioners.
- Langstone Harbour Board.
- Littlehampton Harbour Board.
- River Yealm Harbour Commissioners.
- Sandwich Port and Haven Commissioners.
- Saundersfoot Harbour Commissioners.

Non-Ministerial Department and Regulator

- Office of Rail and Road

Other Entities and Reportable Activities

- Network Rail Insurance Limited (Guernsey) (see Note 14.2 for further information).
- Network Rail Consulting Limited (see Notes 12.5 and 26.3 for further information).
- NATS Holdings Limited (see Note 14.1 for further information).
- Marine and Aviation Insurance (War Risks) Fund.
- General Lighthouse Fund.
- VCA Southern Europe Srl.

26. Investments in controlled entities that are not consolidated

IFRS 10 requires the consolidation of all investees controlled by the entity. Control gives the entity the ability to deploy assets and liabilities and allocate financial risks and benefits between investees, to maximise the success of the Group as a whole. Consolidation ensures that the financial statements reflect this process transparently. Control is commonly evidenced by ownership of the majority of voting shares in the investee. However, for central government departments, consolidation boundaries are defined by ONS sector classifications, which are reflected in the Statutory Instrument that dictates which entities are consolidated. This departure from IFRSs 3 (Business Combinations) and 10 (Consolidated Financial Statements) is in accordance with the FreM and the defined by Statutory Instrument 2025 No. 268 (as amended by Statutory Instrument 2025 No.1336) made under the Government Resources and Accounts Act 2000. This refers to classifications in determining the Department's accounting boundary; see Note 1.3 for more details. In some cases, the Department holds controlling shareholdings in entities that are not consolidated in its financial statements, typically because the ONS has classified them to sectors other than central government. This Note provides a disclosure of these entities' strategic role, their financial performance and position, and their transactions with the consolidated group.

26.1 Platform4 Rail Regeneration Ltd (formerly LCR Ltd)

Strategic role

LCR Ltd was established by a consortium of investors to deliver the Channel Tunnel Rail Link (HS1) project. It was brought into the public sector in 2009 because the Department had taken the majority of the project risk. The company now manages and develops properties with historic associations with the rail sector (HS1 and former British Rail sites) to maximise the commercial benefits to the taxpayer. On 1st April 2025, the Secretary of State's shareholding in LCR Ltd was transferred to Network Rail Infrastructure Ltd. Following a restructure of Network Rail's property development business activities, the company was renamed as Platform4 Rail Regeneration Ltd.

Financial performance and position

	2025-26	2024-25
	£m	£m
Joint ventures	33	5
Investment properties and PPE	128	142
Non-current receivables from related parties (including joint ventures)	26	24
Financial assets	19	–
Other non-current receivables – deferred tax	5	4
Current assets	127	79
Current liabilities	(33)	(21)
Non-current liabilities	(34)	(23)
Net assets	271	210
Revenue	28	23
Cost of sales	(23)	(19)
Administrative expenses	(11)	(7)
Gain/(loss) on revaluation of investment properties and joint venture loan note	(12)	(10)
Gain/(loss) on revaluation of financial assets	13	–
Net finance income	–	1
Share of gains/(losses) of associates and joint venture	(7)	(1)
Profit/(loss) before tax	(12)	(13)
Tax	1	1
Profit/(loss) for the year and Total comprehensive income	(11)	(12)

The figures above are book values and will not agree to fair value figures included in other Notes to these financial statements.

The Company's most significant assets are investments in property development partnerships, investment properties and cash realised from property sales. These in turn drive the most material components of its profits. The data comes from the company's financial statements for the year ending 31 March 2026. These are prepared in accordance with IFRS, and all items are measured on the same basis as applied by the Department.

Transactions with the consolidated group

During 2025-26, Network Rail Infrastructure Ltd invested £69m cash into the Company which then purchased the Solum and Innova property joint ventures from Network Rail Development Limited and Blocwork from Network Rail Infrastructure Limited for £35m to structurally integrate Network Rail's property development activities. During 2024-25 the Company paid a dividend of £1m to the Department. There were no other material transactions with the Group in 2025-26 and 2024-25. The company does not benefit from any guarantees from the Department, and there are no material financial commitments with the Department.

Carrying value of the Group's investment in Platform4 Rail Regeneration Ltd

The Group's investment in the Company is held at fair value (see Note 12.2), with a carrying value of £271m as at 31 March 2026 (2024-25: £217m).

26.2 DfT Operator Limited (DFTO)

Strategic role

DFTO holds the Secretary of State's equity interests in publicly owned train operating companies. The Passenger Railway Services (Public Ownership) Act 2024 provides the statutory framework for railway services to be brought into public ownership under DFTO. The public ownership programme is expected to complete in 2027. In parallel, the Railways Bill will establish Great British Railways as a new ALBs of the Department which will be responsible for both rail infrastructure and railway services. DFTO's active subsidiaries during the year are outlined in Note 25. DFTO performs an oversight role as parent company to the publicly owned train operating companies, making investments of debt and equity in them and thus setting performance criteria for them. From 1st April 2026, the Department formally instructed DFTO to act as the Department's agent in administering National Rail Contracts with those train operating companies still legally owned by the private sector.

DFTO also acts as a parent to Train Fleet (2019) Ltd, however Train Fleet (2019) Ltd is consolidated in these financial statements and is therefore not reflected in the valuation of the investment in Note 12.

Financial performance and position

The following analysis and disclosure reflects DFTO's consolidated accounts. The consolidated financial statements and the Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). DFTO's publicly owned train operating companies have fixed term Services Agreement contracts with the Secretary of State. The Secretary of State retains discretion over how to deliver railway services at the end of the contract. In some cases, train operating companies may hold leases for rolling stock which have a longer contract duration than the Services Agreement. In these cases, in line with established industry practice, DFTO measures its right-of-use assets and lease liabilities up to the end of the Services Agreement contract. Further disclosure of rolling stock assets and liabilities is provided in the Financial Overview within the Performance Report. For the same reason, DFTO recognises defined benefit pension schemes in its statement of financial position only in respect of contributions payable during its Services Agreement term. Further details of these pension arrangements are provided in Note 27.

	2025-26	2024-25 (Restated)
	£m	£m
Non-current assets	1,660	1,094
Current trade and other receivables	701	388
Cash and cash equivalents	561	415
Other current assets	26	15
Current trade and other payables	(1,850)	(1,101)
Non-current liabilities	(867)	(618)
Net assets	231	193
Revenue	5,771	3,912
Other operating costs	(5,679)	(3,866)
Net finance income/(charge)	(53)	(17)
Profit before tax	39	29
Tax	(10)	(8)
Profit for the year	29	21

Material amounts of revenue were amounts receivable from the Department. Net subsidies paid by the Department were £1,389m (2024-25: £1,341m).

The amounts related to Trainfleet (2019) Limited in the table above were immaterial to the Group's financial position.

Transactions with the consolidated group

During the year, the Department had the following balances and transactions with members of the DFTO Group:

- The Department paid subsidies to Northern Trains Limited, SE Trains Limited, LNER Limited, TransPennine Trains Limited, South Western Railway Limited, c2c Ltd, Greater Anglia Trains Limited and West Midlands Trains Limited, as disclosed in Note 27.
- Network Rail is one of DFTO's main industry stakeholders and transactions between Network Rail and DFTO are at arm's length.

Carrying value of the Group's investment in DFTO

The Group's investment in DFTO is held at fair value (see Note 12.3), with a carrying value of £225m as at 31 March 2026 (2024-25: £172m).

26.3 Network Rail Consulting Limited

Strategic role

Network Rail Consulting Limited was established as an international rail consultancy in 2012, to provide specialist consulting services to the global market. It offers impartial expertise in running and developing a rail infrastructure business. Network Rail Consulting shares Network Rail's expertise with the world's rail owners and operators, and has significant operations in Australia, North America, and the Middle East. Network Rail Consulting Limited acts as a service company for its holding company Network Rail International Ltd and fellow subsidiaries of Network Rail International Ltd.

Financial performance and position

The following analysis and disclosure reflects Network Rail International Limited's not yet audited consolidated accounts, which also include Network Rail Consulting Pty Ltd – Australia, Network Rail Consulting Inc. – USA and Network Rail Consulting (Canada) Inc. – Canada. These are prepared in accordance with IFRS, and all items are measured on the same basis as applied by the Department.

	2025-26	2024-25
	£m	£m
Non-current assets	2	1
Current trade and other receivables	8	20
Cash and cash equivalents	7	11
Current borrowings from parent organisations	(2)	(8)
Current lease liabilities	(1)	(1)
Current corporation tax	–	–
Current trade and other payables	(4)	(16)
Non-current liabilities	–	–
Net assets	10	7
Revenue	35	51
Net operating costs	(34)	(47)
Finance costs	(1)	–
Profit before tax	–	4
Tax	(1)	–
Profit for the year	(1)	4

Transactions with the consolidated group

Carrying value of the Group's investment in Network Rail Consulting Limited

The Group's investment in Network Rail Consulting Limited is held at fair value (see Note 12.5), with a carrying value of £25m as at 31 March 2026 (2024-25: £30m).

26.4 Joint ventures

Network Rail has joint control over several entities, including the Station Office Network and West Hampstead Square. Network Rail's investment in these entities does not give rise to material financial risk to the Group.

No other investees give rise to material financial risks or benefits to the Group as a whole.

27. Entities controlled but not consolidated: Train Operating Companies

Train operating companies

Ordinarily, an investor consolidates those investees that it controls. However, in accordance with the FReM, government departments consolidate only those bodies that have been classified to the central government sector and included on the Designation Order for the relevant year. As the train operating companies have not been classified to the central government sector, they have not been consolidated in these accounts.

The Department's interest in the DFTO Group is recorded as an equity investment (Note 12) measured at fair value. Consequently, the Department holds an indirect 100% interest in the equity of LNER, c2c Railway Limited, Greater Anglia, Southeastern Trains Limited, West Midlands Railway Limited, West Midlands Trains (London Northwestern Railway), SE Trains Ltd, and Northern Trains Ltd (NTL) via their parent entity DfT Operator Ltd, and therefore has full rights to any dividends or capital appreciation.

The Department does not hold any equity instruments in privately-owned TOCs. While contractual arrangements with these operators expose the Department to the costs and revenues of these companies' operations, they do not confer a residual interest in their net assets, such as a right to distributions on liquidation. Accordingly, the Department does not recognise any investment in these entities in its Statement of Financial Position.

Within these financial statements, the costs of subsidising passenger rail services have been recognised as expenditure, following the accounting policy disclosed in Note 1.22.

To meet the transparency requirements of IFRS 12, the Department presents the disclosures required for unconsolidated structured entities, which it considers to be the best fit for these circumstances. The Financial Overview within the Performance Report provides a summary of recent legislative and contractual developments in the Train Operating Company sector.

Transactions and balances between the Department and the Train Operating Companies

The table below lists the privately-owned companies controlled through contracts, followed by the companies that the Department owns. We have included both types of company, given the similarity of the Department's financial risk exposure. There are contractual close out adjustments with the private sector entities following the transfer into public ownership: these are reflected in the table. We have not separated the amounts paid under the different types of contract for either 2025-26 or 2024-25, given the substantial degree of similarity between them.

Company name	Franchise details (e.g. region, start to latest end dates)	Departmental expenditure on NRC for 2025-26 (£m)	Department's prepayment/ accrual balance as at 31 March 2026 (£m)	Departmental expenditure on ERMA/NRC for 2024-25 (£m)	Department's prepayment/ accrual balance as at 31 March 2025 (£m)
The Chiltern Railway Company Limited (03007939)	Chiltern: franchise (March 2002 – December 2021); National Rail Contract (December 2021 – September 2026)	65	(72)	40	(76)
XC Trains Limited (04402048)	Cross Country: franchise (October 2016 – October 2020, October 2020 – October 2023); National Rail Contract (October 2023 – October 2027)	24	(37)	48	(36)
Transport UK East Anglia Limited (formerly Abellio East Anglia Limited) (07861414)	East Anglia: franchise (October 2016 – September 2021); National Rail Contract (September 2021 – October 2025)	(84)	(12)	(113)	(72)
Transport UK East Midlands Limited (formerly Abellio East Midlands Limited) (09860485)	East Midlands: franchise (August 2019 – October 2022); National Rail Contract (October 2022 – October 2030)	88	(15)	88	(22)
Trenitalia c2c Limited (07897267)	Essex Thameside: Franchise (November 2014 – July 2021); National Rail Contract (July 2021 – July 2025)	18	(4)	63	(30)
First Greater Western Limited (05113733)	Great Western: franchise (April 2006 – June 2022); National Rail Contract (June 2022 – December 2026)	397	(21)	413	(33)
London and South Eastern Railway Limited (04860660)	South Eastern: franchise (October 2014 – October 2021)	–	(2)	(1)	(2)
First MTR South Western Trains Limited (07900320)	South Western: franchise (August 2017 – May 2021); National Rail Contract (May 2021 – May 2025)	7	(20)	123	(73)
Govia Thameslink Railway Limited (07934306)	Thameslink, Southern and Great Northern: Franchise (September 2014 – April 2022); National Rail Contract (April 2022 – May 2026)	203	(80)	201	(104)
First TransPennine Express Limited (09111801)	TransPennine Express: franchise (April 2016 – May 2023)	(2)	–	(1)	(1)

Company name	Franchise details (e.g. region, start to latest end dates)	Departmental expenditure on NRC for 2025-26 (£m)	Department's prepayment/ accrual balance as at 31 March 2026 (£m)	Departmental expenditure on ERMA/NRC for 2024-25 (£m)	Department's prepayment/ accrual balance as at 31 March 2025 (£m)
First Trenitalia West Coast Rail Limited (10349442)	West Coast Partnership: Franchise (December 2019 – March 2031); National Rail Contract (October 2023 – October 2026)	(176)	(29)	(122)	(57)
West Midlands Trains Limited (09860466)	West Midlands: Franchise (December 2017 – September 2021); National Rail Contract (September 2021 – January 2026)	224	(3)	289	(8)
Sub-total, companies under ERMAs/EMAs		764	(295)	1,028	(514)
Northern Trains Limited (03076444)	Northern: franchise (March 2020 – November 2028)	656	44	714	(12)
SE Trains Limited (03266762)	South Eastern: franchise (October 2021 – May 2028)	398	49	419	32
London North Eastern Railway Limited (04659712)	East Coast Mainline: franchise (June 2018 – April 2028)	68	(1)	91	30
TransPennine Trains Limited (12544930)	TransPennine Express Railways 2023 OLR rail services contract (May 2023 – August 2028)	145	12	167	4
South Western Railway Limited (03266760)	(May 2025 – May 2028)	104	2	–	–
c2c Railway Limited (04659669)	(July 2025 – July 2028)	29	(1)	–	–
GA Trains Limited (12544897)	(October 2025 – October 2028)	(51)	(15)	–	–
WM Trains Limited (12545250)	(February 2026 – February 2029)	41	28	–	–
Grand total, ERMAs/EMAs and Pubically- owned rail companies		2,154	(177)	2,419	(460)

Historic information on Train Operating Companies' financial position and financial performance

The table on the next page provides relevant data from the TOCs' most recent published, audited accounts. Some TOCs have not yet published their accounts for 2025-26, and some do not have a 31 March year-end for their own statutory accounts. As such, the period for which the most recent published accounts are available differs by TOC: details of the most recent relevant period and the financial year-end is included for each company in the table on the next page.

Material judgements in Train Operating Company Accounts

Given the time-limited nature of their role, TOCs have applied the following judgements in preparing their accounts. TOC employees are typically members of a section of the Railways Pension Scheme (RPS), which are defined benefit, shared-cost arrangements. Defined benefit arrangements are usually accounted for by recognising the net surplus/(deficit) on balance sheet and recognising the cost of the additional benefits earned during the year and net interest income/(expenditure) on the surplus/(deficit).

TOCs limit their recognition under IAS 19 of defined benefit pension scheme deficits and surpluses for their sections of the Railways Pension Scheme (RPS). This adjustment reflects that the time-limited periods of the TOCs' operating contracts with DfT are significantly shorter than the remaining average scheme duration of these pension sections, and therefore that the long term surpluses and deficits in those pension sections are unlikely to produce any economic benefits or costs to the TOCs during their current contract period, other than the obligation to meet employer contributions as they fall due.

TOCs also limit their measurement of lease liability and right-of-use asset valuations to the shorter of the lease term and the remaining duration of the TOC's own contract with DfT. TOCs lease their rolling stock from private sector rolling stock companies (ROSCOs). In some cases, this approach produces a materially lower measurement of the lease liability and right-of-use asset in the TOCs' own Financial Statements than would be produced if valued for the full remaining lease term. An estimate of the gross lease liability is provided in the Financial Overview from page 17.

Consequences for the consolidated Group accounts

The TOCs are not consolidated in these financial statements consistent with the consolidation boundary outlined in Note 1.3.

In their own statutory accounts, TOCs measure assets and liabilities in respect of rolling stock leases and defined benefit pensions only to the end date of their operating contract with the Department, which may be shorter than the lease contract duration and pension scheme duration. The consolidated Group does not recognise assets or liabilities relating to those future periods. This reflects the fact that the relevant rights and obligations rest with entities outside the Group consolidation boundary.

The Group may bear certain risks associated with railway assets including rolling stock, with such arrangements considered in accordance with the policies set out in Notes 1.17–1.20.

In respect of TOCs' sections of the Railways Pensions Scheme, the consolidated group is not the scheme employer, has provided no formal undertaking and has no present legal obligation in relation to pension surpluses or deficits.

As arrangements for rail passenger services for subsequent periods are formalised, the Group will form a judgement about the future appropriate accounting treatment.

Company name basis	Reporting Year ended	Employer's share of pension scheme			Net assets/ (liabilities) adjustment	Employer's share of pension scheme			Gross revenues: turnover and other income (£m)	Gross expenditures: cost of sales and other operating costs (£m)	Operating profits/ (losses) interest etc (£m)	Employer's share of pension scheme costs before franchising adjustment (current service cost interest etc) (£m)
		surplus/ (deficit)	before franchising adjustment	assets before franchising adjustment		liabilities before franchising adjustment*						
2025-26												
Current operators participating in National Rail Contracts and ERMAS												
The Chiltern Railway Company Limited	FRS 101	31-Mar-25	39	21	152	(131)	252	(245)	7	4		
XC Trains Limited	FRS 101	31-Mar-25	19	46	351	(305)	522	(522)	-	10		
Transport UK East Anglia Limited (formerly Abellio East Anglia Limited)	IFRS	31-Mar-25	20	59	368	(309)	805	(786)	19	8		
Transport UK East Midlands Limited (formerly Abellio East Midlands Limited)	IFRS	31-Mar-25	6	40	296	(256)	580	(568)	12	10		
Trentitalia c2c Limited	FRS 101	31-Mar-25	4	10	99	(89)	236	(231)	5	4		
First Greater Western Limited	FRS 102	31-Mar-25	25	142	849	(707)	1,684	(1,652)	32	31		
London and South Eastern Railway Limited	FRS 101	31-Dec-24	15	-	-	-	-	-	-	-		
First MTR South Western Trains Limited	FRS 102	31-Mar-25	41	113	766	(653)	1,210	(1,190)	20	28		
Govia Thameslink Railway Limited	FRS 101	31-Mar-25	32	87	1,625	(1,538)	1,999	(1,951)	48	42		
First TransPennine Express Limited	FRS 102	31-Mar-25	(19)	-	-	-	-	1	1	-		
First Trenitalia West Coast Rail Limited	FRS 102	31-Mar-25	9	98	580	(482)	1,018	(1,003)	15	19		
West Midlands Trains Limited	IFRS	31-Mar-25	3	71	434	(363)	717	(703)	14	14		
			194	687	5,520	(4,833)	9,023	(8,850)	173	170		

*RPS is a shared cost scheme between the employer (60%) and employee (40%). Pension scheme assets disclosed here represent the employer's 60% share only. No further adjustment is made in this disclosure for sections in surplus under IFRIC 14.

DFTO owned franchisees										
London North Eastern Railway Limited	FRS 101	31-Mar-26	25	103	494	(391)	1,071	(1,050)	21	5
TransPennine Trains Limited	FRS 101	31-Mar-25	3	16	172	(156)	509	(502)	7	6
SE Trains Limited	FRS 101	31-Mar-26	22	144	709	(565)	1,279	(1,256)	23	8
c2c Railway Limited	FRS 101	31-Mar-26	1	14	105	(91)	150	(147)	3	1
GA Trains Limited	FRS 101	31-Mar-26	2	72	386	(314)	379	(374)	5	1
South Western Railway Limited	FRS 101	31-Mar-26	1	146	817	(671)	1,073	(1,049)	24	9
WM Trains Limited	FRS 101	31-Mar-26	1	81	463	(382)	128	(126)	2	1
Northern Trains Limited	FRS 101	31-Mar-26	41	179	941	(762)	1,219	(1,202)	17	13
			96	755	4,087	(3,332)	5,808	(5,706)	102	44
Grand Total			290	1,442	9,607	(8,165)	14,831	(14,556)	275	214

* Statutory profits can, in part, be a function of technical accounting adjustments and therefore may not represent profits arising from fees payable by DfT under contractual agreements.

28. Related-party transactions

The DfT is a parent of the executive agencies listed at Note 25 and a sponsor of the non-departmental public bodies and other central government organisations listed there.

These bodies are regarded as related parties with which the Department has had various material transactions during the year. Ian King is a non-executive director of High Speed Two (HS2 Limited).

In addition, the DfT has had various material transactions with other public sector bodies. Most transactions have been with the Greater London Authority, Transport for London, HMRC, Transport Scotland and HMT.

As disclosed in Note 25, the Department is the sponsor of various bodies that it is deemed to control which are classified as public corporations because they are market bodies, typically covering at least half of their costs through external revenues. The Department's material routine transactions with these bodies are disclosed in Notes 26 and 27. During the year, no minister, board member, key manager or other related party has undertaken any material transactions with the DfT except for the item reported below.

Tony Poulter is a non-executive director of DFTO, a company owned by the Department. Transactions between DFTO Group and the Department are disclosed in Note 27. Tony Poulter is also a non-executive director of Platform4 Rail Regeneration Ltd, a company owned by Network Rail Infrastructure Limited. Transactions between the Department and Platform4 Rail Regeneration Ltd are disclosed in Note 26.

Please refer to the People and Remuneration Report from page 128 for details of salaries paid to ministers, Board members and senior managers. There are no potential conflicts of interest to report.

29. Financial Risks

This Note describes the nature and extent of risks arising from financial instruments to which the Departmental Group was exposed during the period and at the end of the reporting period, and how those risks were managed. The specific financial risks borne by the Departmental Group are: Credit risk (described in Note 29.1); Liquidity risk (described in Note 29.2) and Market risk (including interest rate risk) (described in Note 29.3).

This table summarises the material sources of financial risk in the Group.

Entity	Funding mechanism	Risk	Downside Impact	Residual Risk
Core Department	Supply and cash drawn down from Consolidated Fund (voted by Parliament) with further access to the Contingencies Fund	Liquidity risk.	When entities experience any shortfall in income or financing, they need to consider reducing their costs where appropriate before seeking additional funding from the Exchequer; were such funding not available from Voted budgets, this could lead to an excess vote and receiving a qualified audit opinion over the Statement of Outturn against Parliamentary Supply.	Low
Network Rail, Vehicle Certification Authority, Driver and Vehicle Licensing Agency, Driver and Vehicle Standards Agency, British Transport Police Authority	Income from delivery of services, and grants from the core Department.	Liquidity risk; credit risk.		
Air Travel Trust Fund and the General Lighthouse Authorities	Taxation and levies	Liquidity risk		
Network Rail	Debt financing (from core Department and external lenders); use of derivatives for hedging.	Liquidity risk; credit risk; market risk on index-linked borrowings; market risk on ineffectual hedges; foreign exchange risk; counterparty risk.		
LCR Finance plc; CTRL Section 1 Finance plc.	Interest income from core Department to cover interest expenditure.	Liquidity risk; credit risk; market risk on index-linked borrowings.		

29.1 Credit risk

Credit risk arises from financial assets; specifically, the possibility that counterparties may fail to pay amounts owing to the Departmental Group.

The Departmental Group is exposed to credit risk through the loan balances disclosed in Note 11 and trade and other receivables disclosed in Note 16. Most of these balances are with other public sector bodies and the risk is considered to be low. None of the loans disclosed in Note 11 are past due and there has been no significant deterioration of credit quality. Consequently, no credit loss allowance or other adjustment is recognised in respect of these balances.

The Departmental Group is also exposed to credit risk through the derivative arrangements disclosed above in Note 13. These derivatives were acquired by Network Rail to manage interest rate risk, inflation risk and foreign exchange risk on their borrowings; they are discussed in more detail in Note 29.3. Network Rail may apply hedge accounting to these arrangements in its financial statements, where they are judged to be highly effective in accordance with IFRS 9. However, hedge accounting cannot be applied on consolidation to derivatives used to hedge loans from the Department, so they are held at fair value through profit or loss.

For Network Rail's derivatives, the credit risk with regard to all classes of derivative financial instruments entered into before 1 January 2013 is limited because Network Rail has arrangements in place which limit each bank to a threshold (based on credit ratings), which if breached requires the bank to post collateral in cash or eligible securities. The members of

the banking group are required to post collateral on positive mark to market swaps above the threshold. In December 2012 the Network Rail Group entered into new collateral agreements in respect of derivative trades entered into after 1 January 2013. Under the terms of the new agreements Network Rail posts collateral on adverse net derivative positions with its counterparties. The new agreements do not contain a provision for thresholds; as such Network Rail or its counterparties are required to post collateral for the full fair value of net out of the money positions. At 31 March 2026 the fair value of collateral held was £21m (2024-25: £0m). The group is the beneficial owner of this collateral. The Group is free to invest or otherwise utilise the collateral at its discretion, subject to acting within the authority sanctioned by the treasury committee. The balance of collateral posted by the Group at 31 March 2026 was £0m (2024-25: £45m).

The Group considers its maximum exposure to credit risk to be the sum of its financial assets, as set out in Notes 11 and 16.

29.2 Liquidity risk

Liquidity risk is the possibility that the Departmental Group may be unable to meet its financial obligations to be settled with cash as they fall due. The Department is exposed to this risk through its trade and other payables balances, leases, borrowings and requirements to place collateral under derivative arrangements.

Many central government bodies hold relatively small cash balances compared to their forecast cash outflows, to maximise efficient cash management across government as a whole.

In accordance with normal government practice, most Group members do not hold commercial insurance, because it does not offer value for money, however, Network Rail and HS2 Ltd hold commercial insurance where it is legally required or to avoid taxpayer subsidy of costs that should be borne by the private sector. As the Department can draw down cash from the Consolidated Fund and Contingencies Fund, its liquidity risk is low. The table below outlines the extent to which this is true for other Group members: some are, under normal conditions, expected to be self-financing through income from third parties over the medium to longer-term; others will be funded from Supply or Grant in Aid on a routine basis.

Liquidity risk within Network Rail is managed on a standalone basis for historical reasons to ensure that the price of delivering the Railway Network is allocated in accordance with ORR expectations. Network Rail employs an appropriate liquidity risk management framework covering its short, medium and long-term funding and liquidity management requirements. Its treasury committee establishes policies and provides oversight designed to ensure liquidity is managed to meet Network Rail's needs, while reducing financial risks and prudently maximising interest receivable and minimising credit risk on surplus cash. Network Rail manages liquidity risk by maintaining sufficient cash and borrowing facilities to cover at least one year's working capital requirement by continuously monitoring forecast and actual cash flows.

As noted above, Network Rail is required to post collateral on adverse net derivative positions at the full fair value of net 'out-of-the-money' positions. Collateral placed is disclosed in Note 16 and collateral held is disclosed in Note 18. As this leads to uncertainty in short-term cash requirements, the treasury function is managed at a departmental group level.

The following table details the Departmental Group's remaining contractual maturity for its financial liabilities. The values reflect the undiscounted cash flows of financial liabilities, based on the earliest date on which the Group can be required to pay and therefore differs from both the carrying value and the fair value. The table includes both interest and principal cash flows.

31 March 2026					
Group	Within one year £m	1–2 years £m	2–5 years £m	5+ years £m	Total £m
Non-derivative financial liabilities					
Bank loans and overdrafts	(9)	(9)	(25)	(778)	(821)
Bonds issued under the NR Debt Issuance Programme					
– Sterling denominated bonds	(102)	(102)	(1,182)	(1,682)	(3,068)
– Sterling denominated index-linked bonds	(361)	(7,886)	(689)	(21,533)	(30,469)
– Foreign currency denominated bonds	(52)	–	–	–	(52)
Bonds issued by LCR Finance plc and CTRL Section 1 Finance plc					
– Sterling denominated bonds	(145)	(145)	(1,630)	(3,014)	(4,934)
– Sterling denominated index-linked bonds	(27)	(27)	(80)	(1,477)	(1,611)
– Trade and other payables	–	–	–	–	–
Derivative financial liabilities					
Net settled derivative contracts	–	–	–	–	–
Gross settled derivative contracts – receipts	29	–	–	–	29
Gross settled derivative contracts – payments	(2)	–	–	–	(2)
Total	(669)	(8,169)	(3,606)	(28,484)	(40,928)

31 March 2025					
Group	Within one year £m	1–2 years £m	2–5 years £m	5+ years £m	Total £m
Non-derivative financial liabilities					
Bank loans and overdrafts	(8)	(8)	(25)	(759)	(800)
Bonds issued under the NR Debt Issuance Programme					
– Sterling denominated bonds	(102)	(102)	(307)	(2,659)	(3,170)
– Sterling denominated index-linked bonds	(893)	(351)	(8,087)	(21,085)	(30,416)
– Foreign currency denominated bonds	(2)	(49)	–	–	(51)
Bonds issued by LCR Finance plc and CTRL Section 1 Finance plc					
– Sterling denominated bonds	(145)	(145)	(1,645)	(3,143)	(5,078)
– Sterling denominated index-linked bonds	(25)	(26)	(77)	(1,446)	(1,574)
– Trade and other payables	–	–	–	–	–
Derivative financial liabilities					
Net settled derivative contracts	(18)	(10)	(4)	–	(32)
Gross settled derivative contracts – receipts	29	28	–	–	57
Gross settled derivative contracts – payments	(35)	(33)	–	–	(68)
Total	(1,199)	(696)	(10,145)	(29,092)	(41,132)

29.3 Market risk

29.3.1 Foreign exchange risk

The most material exposure to foreign exchange risk comes from Network Rail, through its investing, financing and operating activities. This risk is managed using forward exchange contracts and currency swaps to limit the effects of movements in exchange rates on foreign currency denominated liabilities.

As this risk arises from arrangements with external counterparties, the position remains hedged on consolidation. It is estimated that a general increase of up to ten percentage points in the value of any currency against sterling would have no material effect on Network Rail's profit before tax or equity, due to all currency positions being 100% hedged so no sensitivity analysis is produced.

In addition, HS2 Ltd commenced a programme of purchasing forward contracts during 2020-21 to manage foreign exchange risk in its supply chain. These do not qualify for hedge accounting.

29.3.2 Interest rate and inflation risk

Network Rail is exposed to changes in interest rates from funds borrowed at both fixed and floating interest rates. The hedging strategy approved by its treasury committee defines the appropriate mix between fixed and floating borrowings. Cross-currency and interest rate swap contracts are used to manage the fixed/floating ratio. On consolidation, debt issued by the Department is eliminated, producing a different fixed/floating ratio at Departmental Group level.

Network Rail has arranged or swapped debt with a carrying value of £980m (2024-25: £2,034m) into fixed interest rates. Other borrowings were arranged at or swapped into floating rates, thus exposing the Group to cash flow interest rate risk.

Network Rail and CTRL Section 1 Finance plc have some debt issuances that are index-linked, so are exposed to movements in inflation rates. Neither company enters into any derivative arrangements to hedge its exposure to inflation in relation to its index-linked debt.

In November 2020, HMT and the UKSA published their response to the "Consultation on the Reform to Retail Prices Index (RPI) Methodology", concluding that changes in the RPI should be calculated using the methods and data sources used to calculate the Consumer Prices Index including owner occupiers' housing costs (CPIH) from 2030 onwards which should result in lower rates of change in the RPI. However, the transaction documents for index-linked debt instruments may include provisions that protect the anticipated investor returns.

Sensitivity analysis

This sensitivity analysis has been determined based on the exposure to interest rates and inflation for both derivative and non-derivative financial instruments at the reporting date. A one percentage point (pp) increase or decrease represents management's assessment of the reasonably possible changes in average interest rates and inflation.

A one pp decrease in the above rates would have an equal and opposite effect.

Interest rate sensitivities have been calculated by comparing the average rates of the derivative financial instruments to the market rate for similar instruments.

The impact of a change in GBP RPI has been calculated by applying a change of one pp to the RPI at the reporting date to the carrying value of the index linked bonds issued by both Network Rail and CTRL Section 1 Finance plc.

	31 March 2026	31 March 2025
	Impact on net expenditure £m	Impact on net expenditure £m
1pp increase in the interest rate	(23)	(26)
1pp increase in GBP RPI on index linked bonds	230	216

The impact of sensitivities on the Financial Guarantee contract held by the Core Department & Agencies only.

	31 March 2026	31 March 2025
	Impact on net expenditure £m	Impact on net expenditure £m
1pp increase in GBP RPI on index linked bonds- Impact on FIM	39	42

This balance is intra-group and therefore eliminates on consolidation with Network Rail. This is described in Note 1.15. The maturity of the FIM is in line with the maturity of the underlying Network Rail debt as disclosed above.

29.3.3 Other market risk

The Departmental Group has material investments in entities involved in the property sector. As discussed in Note 12, and particularly Note 12.2, the carrying amounts of these investments are based on expert valuations of their property assets, which will be influenced at least in part by changes in the performance of the UK property market. The level of estimation uncertainty in these valuations at 31 March 2025 and 31 March 2026 can be assessed from the disclosed valuation method discussed in Note 12.2 and the carrying values disclosed in Note 26.1.

29.3.4 Offsetting financial assets and liabilities

Financial assets

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements. The balances have not been presented on a net basis in the financial statements.

	Gross amounts of financial assets	Gross amounts of recognised financial liabilities set off in the SoFP	Net amount of financial assets in the SoFP	Related amounts not set off in the SoFP Financial instruments	Cash collateral received	Net amount
	£m	£m	£m	£m	£m	£m
31 March 2026	7	–	7	(7)	19	19
31 March 2025	22	–	22	(22)	7	7

Financial liabilities

The following financial liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements. The balances have not been presented on a net basis in the financial statements.

	Gross amounts of financial liabilities	Gross amounts of recognised financial assets set off in the SoFP	Net amount of financial liabilities in the SoFP	Related amounts not set off in the SoFP Financial instruments	Cash collateral paid	Net amount
	£m	£m	£m	£m	£m	£m
31 March 2026	(64)	–	(64)	22	37	(5)
31 March 2025	(64)	–	(64)	22	37	(5)

Cash flow hedges

The significant majority of derivatives relate to forward-starting interest rate swaps which are designated by Network Rail as cash flow hedges, but not hedge accounted at Departmental Group level for the reasons described in Note 13. These will have matured by 2027.

Borrowings

Details of the Group's undrawn committed facilities and types of debt instrument used can be found in Note 19.

30. Fair value disclosures

These financial statements include assets and liabilities which are measured at fair value, and others which are measured on an alternative basis, but whose fair value is disclosed to enable the reader to assess historic and future financial performance of the entity and its management.

This Note summarises the fair values disclosed or recognised in these financial statements, their classification in the fair value hierarchy, providing comparability with carrying values where these are measured on a different basis. Since the Group's bonds and notes are traded with varying frequency, valuations are derived with reference to both directly observed activity on the instruments themselves and to observations of frequently traded reference gilts which have similar characteristics, resulting in a level 2 valuation. A review of the categorisation of financial instruments into the three levels is made at each reporting date. There were no

transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements in the current or prior years.

Note a: These instruments are designated as fair value through profit and loss upon initial recognition.

Note b: These instruments either meet the IFRS 9 definition of held for trading or are designated and effective hedging instruments. The fair values are disaggregated in Note 13.

		31 March 2026					
Group	Note	Recognised at Basis	Carrying Amount £m	Fair Value Total £m	Level 1 £m	Level 2 £m	Level 3 £m
Assets							
Property, plant and equipment	5	Fair value	727,880	727,880	–	–	727,880
Investment properties	8	Fair value	199	199	–	–	199
Intangible assets	6	Fair value	609	609	–	–	609
Financial assets							
Loans and non-current receivables	11,16	Amortised cost	2,151	2,151	–	2,151	–
Investments in equities	12	Fair value	546	546	–	–	546
Derivatives (note b)	13	Fair value	7	7	–	7	–
Financial liabilities							
Borrowings	19	Amortised cost	(33,867)	(31,966)	–	(31,966)	–
Borrowings (note a)	19	Fair value	(50)	(50)	–	(50)	–
Derivatives (note b)	13	Fair value	(29)	(29)	–	(29)	–

		31 March 2025 (Restated)					
Note		Recognised at Basis	Carrying Amount £m	Fair Value Total £m	Level 1 £m	Level 2 £m	Level 3 £m
Assets							
Property, plant and equipment	5	Fair value	690,696	690,696	–	–	690,696
Investment properties	8	Fair value	195	195	–	–	195
Intangible assets	6	Fair value	630	630	–	–	630
Financial assets							
Loans and non-current receivables	11,16	Amortised cost	2,383	2,383	–	2,383	–
Investments in equities	12	Fair value	465	465	–	–	465
Derivatives (note b)	13	Fair value	22	22	–	22	–
Financial liabilities							
Borrowings	19	Amortised cost	(33,402)	(31,882)		(31,882)	–
Borrowings (note a)	19	Fair value	(47)	(47)	–	(47)	–
Derivatives (note b)	13	Fair value	(67)	(67)	–	(67)	–

31. Events after the reporting period

Post-Balance Sheet Events

On 31 May 2026, the operation of all Greater Thameslink Railway services transferred from Govia Thameslink Railway Limited to Thameslink Southern Great Northern Limited ('TSGN'), a DFTO subsidiary. TSGN was given a Service Agreement contract by the DfT to operate for a period of three years. Funding agreements were also put in place which give TSGN access to sufficient funds for the required operations. All assets and liabilities were transferred to TSGN, at values to be agreed between the parties. The financial impact of the transfer is not material to these financial statements, reflecting the accounting treatment of DFTO as an equity investment.

On 19 June 2026, there was a collision between two passenger trains near Elstow. The Rail Accident Investigation Branch (RAIB) published the initial findings of its investigation into the incident on 24th June 2026. At the date of publication of these Annual Report & Accounts, the RAIB continues to review further evidence, whilst this is in the early stages, the financial impact cannot currently be determined.

On 30 June 2026, the government announced the Defence Investment Plan, requiring some reprioritisation of spending across Government. The Department agreed to launch a consultation on whether to discontinue further investment into the A46 Newark Bypass and A38 Derby Junctions road schemes. At the reporting date, £124 million of costs have been capitalised (excluding land assets and net of related provisions). If a decision is taken to discontinue the schemes, this balance, along with scheme costs capitalised in 2026-27, would be impaired to nil in the 2026-27 financial year.

Authorised for issue

These financial statements are laid before the Houses of Parliament by HMT. The Accounting Officer has authorised these financial statements to be issued on the same day as the Comptroller and Auditor General signs the audit certificate.





Annexes



Annex A: Glossary of financial terms (not subject to audit)

Accounting Officer		A person appointed by HMT or designated by a department to be accountable for the operations of an organisation and the preparation of its accounts. The appointee is, by convention, usually the head of a department or other organisation, or the Chief Executive of a non-departmental public body.
Administration budget		A Treasury budgetary control that forms part of the resource Departmental Expenditure Limit. It is normally spent on the running costs of the Department and its agencies, including back-office staff, accommodation and ICT.
Annually Managed Expenditure	AME	A Treasury budgetary control. AME is spending included in Total Managed Expenditure, which does not fall within Departmental Expenditure Limits (DEL). Expenditure in AME is generally less predictable and controllable than expenditure in DEL.
Arm's length body	ALB	An NDPB, company in which the department has a significant shareholding, or other sponsored body.
Budgetary controls		The means by which government plans and controls expenditure to meet its objectives.
Capital		Capital is for spending on assets and investment. By having a separate total for Capital DEL, funding for capital investment is both protected and controlled.
Consolidated Fund		The Government's current account, operated by HMT, through which pass most government payments and receipts.
Consolidated Fund Extra Receipt	CFER	Income, or related cash, received by a department that it is not authorised to retain, and which are surrendered/paid over to the Consolidated Fund.
Departmental Expenditure Limit	DEL	A Treasury budgetary control. DEL spending forms part of Total Managed Expenditure and includes that expenditure which is generally within the departments control and can be managed with fixed multi-year limits. Some elements may be largely demand led.
Departmental Group		Departments are required to prepare consolidated financial statements that incorporate the results of all of the bodies that form the group. Details of these entities that form the group are in Note 25.

Estimate		Supply Estimates are the means by which Parliament gives approval to (and grants resources for) Departmental Spending Plans. The amount approved by Parliament is often termed the Vote. The resources granted in the Vote are specifically for the set of Departmental operations covered under the ambits. The Vote also includes the Net Cash Requirement. Budgets may be amended via the Supplementary Estimate. This allows the Department to make various changes, including: taking account of new internal allocations; increasing or decreasing the net cash requirement; and Reserve claims to increase funding. Most departmental net spending needs to be voted annually by Parliament but some spending has separate standing legislative authority and does not need to be voted; this is referred to as ‘non-voted’.
Executive Agency		A body established to undertake the executive functions of government, as distinct from policy advice. They are within central government and can be departments in their own right or a part of a department.
Financial Reporting Manual	FReM	A technical guide for producing the accounts of public bodies ¹⁸ .
General Lighthouse Fund	GLF	The GLF was created by statute in 1898 to provide funding for the three General Lighthouse Authorities (GLAs): Trinity House (TH), the Commissioners of Northern Lighthouses (known as the Northern Lighthouse Board or NLB) and the Commissioners of Irish Lights (known as Irish Lights or IL).
Government Actuaries Department	GAD	The Government department responsible for providing actuarial valuations and advice for public sector pension schemes; advice to the Government on occupational pension schemes, social security and on private pensions policy; and advice on insurance, contingent liabilities and on the pricing and management of risk.
Greater London Authority	GLA	The GLA is the devolved regional governance body of London with powers over transport, policing, economic development and fire and emergency planning. TfL reports to the GLA.
Grant		Payment made by a department, or other public body, to outside bodies to reimburse expenditure on agreed items or functions, and often paid only on statutory conditions being met. May be made for resource or for capital purposes.

¹⁸ <https://www.gov.uk/government/collections/government-financial-reporting-manual-frem>

Grant in Aid	GiA	Financing payment made by a department to an NDPB or other arm's length body.
Hybrid Bills		These are public bills that have a significant impact on the private interests of a particular person, group or organisation. They are a hybrid of: public bills that involve the general interests of the people at large or of the whole community; and private bills that involve the private interests of a particular person, group or organisation.
Managing Public Money	MPM	A publication produced by HMT which is concerned with regularity and propriety and sets out the main principles for dealing with resources used by public sector bodies ¹⁹ .
National Audit Office	NAO	Office of the Comptroller and Auditor General, which audits accounts of government bodies and carries out value for money inspections within the bodies it audits ²⁰ .
National Loans Fund	NLF	The fund through which passes most of the government's borrowing transactions and some domestic lending transactions.
Net Cash Requirement	NCR	The limit voted by Parliament reflecting the maximum amount of cash that can be released from the Consolidated Fund to a department in support of expenditure in its Estimate. It is not ring-fenced between any of the other voted limits.
Non-Cash		Expenditure where there is no directly related cash transaction but which reflects resources used. Examples include depreciation and provisions.
Non-Departmental Public Body	NDPB	A body that has a role in the process of government but is not a government department or part of one (though NDPBs fall inside the budgetary, Estimates and accounting boundary of government departments). NDPB's operate, to a greater or lesser extent, at arm's length from ministers.
Non-Voted		Spending which has separate legal authority from the Supply and Appropriation Act.
Public Corporation		Publicly controlled trading bodies with substantial financial day to day operating independence.
Programme budget/ expenditure		A form of resource expenditure which is normally spent on the delivery of the Department's frontline objectives, including funding for many agencies and arm's length bodies.
Regularity		The principle that all consumption of resources should be made in accordance with the legislation authorising them, any applicable delegated authority and Managing Public Money.

¹⁹ <https://www.gov.uk/government/publications/managing-public-money>

²⁰ <https://www.nao.org.uk/>

Resource income or expenditure		Reflecting the consumption of resources (and the income so generated) in that year. Examples include, pay, current grants and depreciation.
Spending Review		A cross-government review of departmental aims and objectives and analysis of spending programmes. Results in the allocation of multi-year budgetary limits.
Supply		The funds paid to the Department by HMT are known as Supply; the amount paid in the year is shown in the Statement of Changes in Taxpayers' Equity.
Total Managed Expenditure	TME	A measure defined by HMT to cover all public expenditure.
Transport for London	TfL	Transport for London is a local government body responsible for the transport system in Greater London, England. TfL has responsibility for London's network of principal road routes, for various rail networks including the London Underground, London Overground, Docklands Light Railway and TfL Rail.
Trading Fund		Public sector organisation that has a financing framework allowing it to meet outgoings from commercial revenues.
Voted Budget		That which has been authorised by Parliament in response to Supply Estimates. See Estimates above.

Annex B: DfT's Financial Reporting Landscape

The Department's financial reporting landscape is summarised below. This comprises publications by key government authorities including: HMT, Cabinet Office, National Audit Office and Parliament.

Category	Product	Description	Produced by	Link
Government financial reporting	Government Financial Reporting manual (FReM)	The government financial reporting manual is the technical accounting guide for the preparation of departmental financial statements.	HMT, December 2024	https://www.gov.uk/government/publications/government-financial-reporting-manual-2025-26
	The government's planning and performance framework	A description of how the government sets priorities, plans activity, allocates money and monitors progress and performance using a collective set of processes.	HMT & CO, November 2025	https://www.gov.uk/government/publications/planning-and-performance-framework/the-governments-planning-and-performance-framework#Spending-reviews
Medium term Planning	Spending Review	The Treasury carries out Spending Reviews to determine how to spend public money – usually over a multiyear period – in line with the government's priorities.	HMT, June 2025	https://www.gov.uk/government/publications/spending-review-2025-document
	Department for Transport Outcome Delivery plan	The outcome delivery plan sets out the Department's priority outcomes and strategic enablers and how we will achieve them.	DfT, July 2021	https://www.gov.uk/government/publications/department-for-transport-outcome-delivery-plan
Annual Planning	Budget	The Budget is a statement the Chancellor of the Exchequer makes to the House of Commons on the nation's finances and the government's proposals for changes to taxation and spending. The Budget also includes forecasts for the economy by the Office for Budget Responsibility.	HMT, November 2025	https://www.gov.uk/government/collections/budget-2025
	OBR Reports	Economic & fiscal outlook: Five-year forecasts for the UK economy and public finances and an assessment of whether the Government is likely to achieve its fiscal targets. Fiscal sustainability report: Long-term projections of the UK public finances and public sector balance sheet analysis.	OBR	https://obr.uk/
	Estimates	Supply Estimates are the bi-annual process by which the Treasury presents the government's spending plans, based on departmental settlements allocated at the Spending Review, to Parliament for approval. This covers 'Main Estimates' and 'Supplementary Estimates'.	HMT, Apr 2026 for 2026-2027 HMT, Feb 2026 for 2025-26	https://www.gov.uk/government/collections/hmt-main-estimates https://www.gov.uk/government/collections/hmt-supplementary-estimates

Category	Product	Description	Produced by	Link
	Estimates Memorandum	Government departments are required to produce an Estimates Memorandum for the relevant select committee to explain what is proposed in their Main Estimate and how proposals compare to past spending plans.	DfT, May 2026	https://committees.parliament.uk/committee/153/transport-committee/publications/10/estimate-memoranda/
	Parliamentary Scrutiny Unit Visualisations	The visualisations show spending trends, changes since last year and how current plans for 2022-23 compared to original proposals in previous Spending Reviews, together with some context. Also, an interactive spending chart showing all government spend.	PSU	https://www.parliament.uk/mps-lords-and-offices/offices/commons/scrutinyunit/reports-and-publications/
	Accounting Officer System Statements	Accounting Officer System Statements set out to Parliament all of the accountability relationships and processes within a department.	HMT, December 2025	https://www.gov.uk/government/collections/accounting-officer-system-statements
	Government Transparency Data	Wide range of transparency data published by individual departments including Central government spending over £25k, contracts over £10k and Gender Pay Gap information. Cabinet Office also produce cross-government data on Civil Service sickness and absence data, ministers' interest declarations, ministers' salary data, Senior civil servants' names, grades, job titles and annual pay rates, Special advisers' names, grades and annual pay. GOV.UK registers provide structured datasets of government information.	DfT + CO	https://www.gov.uk/search/advanced?group=transparency&topic=%2Ftransport https://www.gov.uk/government/collections/dft-spending-over-500 https://www.gov.uk/government/publications/dft-gender-pay-gap-report-and-data-2022/dft-gender-pay-gap-report-and-data-2022 https://www.gov.uk/government/collections/dft-ministerial-gifts-hospitality-travel-and-meetings https://www.gov.uk/government/collections/dft-workforce-management-information
In-year Reporting	OSCAR data	The dataset provides quarterly updates to monthly outturn data. The outturn information is taken from OSCAR data submitted by departments. The public will be able to see monthly patterns in spend by organisations reporting data on OSCAR. At the same time, users will be able to drill down beneath previously released high-level aggregates.	DfT via HMT	https://www.gov.uk/government/collections/hmt-oscar-publishing-from-the-database
	Public Sector Finances Bulletin	The public sector finances statistical bulletin is published jointly by the Office for National Statistics and the Treasury on a monthly basis and provides the latest available estimates for key public sector finance statistics, such as public sector net borrowing, public sector net debt and public sector current budget deficit/surplus.	ONS + HMT	https://www.gov.uk/government/statistics/public-sector-finances-bulletin

Category	Product	Description	Produced by	Link
	Public Sector Spending Statistics	Treasury Public Spending Statistics provide a range of information about public spending, showing central government spending by department on a budgetary basis over 5 years, public sector spending by service over 5 years, and public sector spending by function and economic category over 21 years.	HMT	https://www.gov.uk/government/collections/national-statistics-release
Outturn Reporting	Public Expenditure Statistical Analyses	Public Expenditure Statistical Analyses is the yearly publication of information on government spending. It brings together recent outturn data, estimates for the latest year, and spending plans for the rest of the current spending review period. It also shows spending by region.	HMT	https://www.gov.uk/government/collections/public-expenditure-statistical-analyses-pesa
	ONS Civil Service Statistics	Employment statistics for the Civil Service population, providing regional analyses, diversity and earnings data.	CO	https://www.gov.uk/government/collections/civil-service-statistics
	Infrastructure and Projects Authority Major Projects Report	The Infrastructure & Projects Authority Annual Report publishes the whole life cycle costs on projects in the Government Major Projects Portfolio which comprises the most complex and strategically significant projects and programmes across government.	Infrastructure & Projects Authority, January 2025	https://www.gov.uk/government/publications/infrastructure-and-projects-authority-annual-report-2023-24
	Departmental statistics	National and official statistics relating to the department's policies and priorities.	DFT	https://www.gov.uk/government/organisations/department-for-transport/about/statistics
	National Audit Office Value for Money Studies	Each study examines a major area of government expenditure and forms a judgement on whether value for money has been achieved, which Parliament use to hold government to account for how it spends public money.	NAO	https://www.nao.org.uk/search/department/department-for-transport/
	National Audit Office Departmental Overview	Departmental Overviews focus on the Department's responsibilities and how it spends its money, key developments in its areas of work and findings from our recent reports.	NAO, November 2025	https://www.nao.org.uk/overviews/department-for-transport-2024-25/

Annex C: Expenditure Tables (not subject to audit)

These tables present actual expenditure by the Department for the years 2020-21 to 2024-25 and planned expenditure for 2025-26. The data relates to the Department's expenditure on an Estimate and budgeting basis. The data is available in an Excel file, which can be found via the Department's Annual Report and Accounts web page.

Table 1 Total Departmental Spending – summarises expenditure on functions administered by the Department. Consumption of resources includes programme and administration costs. Total Departmental expenditure is analysed by Departmental Supply Estimates. Please note may not sum due to rounding.

All values in £k	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Resource DEL	OUTTURN	OUTTURN	OUTTURN	OUTTURN	OUTTURN	PLANS	PLANS	PLANS
A: Tolled Crossings	(106,774)	(102,636)	(98,908)	(94,981)	(96,639)	(181,461)	(180,958)	(190,955)
B: Local Authority Transport	460,517	334,257	382,152	329,902	411,358	391,147	514,575	503,919
C: National Highways (net)	2,393,290	2,562,801	3,472,871	3,284,951	3,303,727	1,478,000	1,463,500	1,495,500
D: Funding of Other ALBs (net)	(15,842)	(45,831)	(44,036)	(60,920)	(19,671)	(80,650)	6,111	3,812
E: Other railways	139,994	88,672	84,000	86,014	85,578	197,233	185,125	158,196
F: Sustainable Travel	145,603	144,700	166,405	156,916	67,875	158,392	84,404	92,394
G: Bus Subsidies & Concessionary Fares	755,085	751,840	957,433	1,067,930	810,444	700,374	917,343	926,645
H: GLA transport grants	1,719,404	445,417	184,823	1,035	158	500	1,545	1,545
I: Crossrail	(27,838)	(36,761)	(42,196)	(36,793)	(35,851)	(34,807)	(32,440)	(30,799)
J: Aviation, Maritime, Security and Safety	217,365	107,611	77,643	90,964	132,384	155,728	152,643	171,499
K: Maritime and Coastguard Agency	369,299	411,317	424,645	434,525	457,193	387,508	366,000	360,000
L: Motoring Agencies	29,338	35,859	50,601	78,988	118,982	78,558	(9,047)	(2,348)
M: Science, research and support functions	25,146	39,826	30,802	27,378	26,396	28,335	44,208	45,170
N: Central Administration	319,448	311,536	396,087	315,202	337,354	292,651	289,733	324,801
Departmental Unallocated Provision	–	–	–	–	–	51,014	41,009	139,584
O: Support for Passenger Rail Services	4,509,724	2,958,646	2,502,923	2,437,487	2,159,209	2,084,049	1,562,235	1,257,776
P: High Speed Rail	(5,064)	26,621	25,248	80,072	23,804	53,420	41,404	51,054
Q: Transport Development Fund	47,556	64,952	10,583	85,737	58,967	–	–	–
R: High Speed Two Limited (net)	219,246	44,762	1,110,799	67,120	50,345	–	–	–
S: East West Rail Company Limited (net)	74,358	65,679	95,391	125,672	190,969	2,176	146,617	41,617

All values in £k		2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
		OUTTURN	OUTTURN	OUTTURN	OUTTURN	OUTTURN	PLANS	PLANS	PLANS
T: Network Rail (net)		7,299,722	8,667,512	9,783,866	10,231,379	10,622,350	2,109,002	2,211,500	2,265,000
U: Funding of Other ALBs (net)		14,488	9,656	17,634	19,519	26,492	(200)	–	–
Total Resource DEL		18,584,065	16,886,436	19,588,765	18,728,096	18,731,424	7,870,969	7,805,507	7,614,410
Of which:									
Staff costs (Note C)		3,058,554	2,987,353	3,292,109	3,375,439	3,660,576	4,108,185	4,277,169	3,757,330
Purchase of goods and services (Note C)		5,277,926	6,002,473	6,594,474	7,226,758	7,305,930	5,395,802	6,855,982	7,282,272
Income from sales of goods and services		(968,709)	(1,056,075)	(1,130,792)	(1,142,176)	(1,207,794)	(1,143,808)	(1,168,917)	(1,179,609)
Current grants to local government (net)		2,440,816	1,459,756	1,097,870	1,263,359	813,507	1,055,761	1,278,496	1,234,189
Current grants to persons and non-profit bodies (net)		55,231	38,571	22,098	30,945	51,703	71,371	105,000	131,431
Current grants abroad (net)		6,860	8,282	(25,789)	(2,324)	8,777	12,981	3,026	1,724
Subsidies to private sector companies		5,347,481	3,318,378	730,693	545,173	376,254	186,265	515,000	515,000
Subsidies to public corporations		406	(66,314)	2,432,558	2,280,565	2,051,098	1,917,000	1,254,000	1,000,000
Net public service pensions (Note B)		12,369	12,448	13,135	11,794	12,860	11,528	3,000	3,000
Rentals (Note C)		(196,658)	(235,312)	(260,318)	(282,021)	(331,278)	(19,784)	(298,347)	(283,761)
Depreciation (Notes A & C)		8,129,305	8,512,616	11,694,124	10,830,572	11,129,047	–	–	–
Change in pension scheme liabilities		212	233	233	257	290	285	–	–
Other resource		(4,579,728)	(4,096,052)	(4,871,630)	(5,413,127)	(5,139,556)	(3,724,617)	(5,018,902)	(4,847,166)
Take up of provisions		–	80	–	2,881	9	–	–	–

Resource AME									
V: National Highways (net)		9,380	11,201	27,635	197	39,504	2,216,982	2,638,233	2,738,476
W: Network Rail (net)		3,136,601	3,123,570	2,443,198	1,910,634	1,661,299	12,673,441	12,325,528	12,455,528
X: Funding of Other ALBs (net)		87,277	101,780	16,341	18,156	(5,421)	137,677	141,348	141,348
Y: Other Railways		199,658	469,367	231,822	181,871	210,479	200,431	213,042	213,042
Z: Aviation, Maritime, Security and Safety		(1,421)	(1,066)	(711)	(592)	(474)	847	8,356	8,356
AA: Maritime and Coastguard Agency		1,212	(772)	(2,555)	(299)	657	63,229	68,572	68,572
AB: Motoring Agencies		(5,476)	(4,070)	4,423	7,363	2,456	70,145	63,386	63,386
AC: Central Administration		17,888	22,588	28,913	22,278	33,587	91,550	113,038	113,038
AD: High Speed Rail		13	(105)	645	–	–	–	–	–
AE: High Speed Two Limited (net)		4,264	(1,231)	33,642	3,155	(2,485)	(2,734)	3,487	3,487

All values in £k		2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
		OUTTURN	OUTTURN	OUTTURN	OUTTURN	OUTTURN	PLANS	PLANS	PLANS
AF: East West Rail Company Limited (net)		–	–	882	(465)	(1,067)	–	1,984	1,984
AG: Funding of ALBs (net)		4,874	4,859	(10,084)	(11,097)	(15)	21,741	7,308	7,308
AH: Renewable Transport Fuels Obligation		–	–	–	–	–	14,065	6,243	6,243
AJ: Tolled Crossings		–	–	–	–	–	46,045	44,302	44,302
Total Resource AME		3,454,270	3,726,121	2,774,151	2,131,201	1,938,520	15,533,419	15,634,827	15,865,070
<i>Of which:</i>									
Staff costs (Note C)		–	–	1,330	205	747	450	534	534
Purchase of goods and services (Note C)		1,327	(677)	(2,450)	(183)	124	110	102	102
Current grants to/from local government (net)		–	–	–	–	–	–	–	–
Rentals (Note C)		–	–	–	–	–	–	–	–
Depreciation (Notes A & C)		(11,861)	159,585	(51,466)	(28,110)	(15,269)	12,070,740	12,286,182	12,516,425
Take up of provisions		928,235	(726,883)	126,714	421,299	204,379	143,776	457,306	457,306
Release of provision		(40,873)	(5,877)	(56,287)	(31,604)	(18,731)	(16,825)	(3,000)	(3,000)
Change in pension scheme liabilities		374,204	414,746	76,217	226,106	(3,280)	90,683	332,809	332,809
Unwinding of the discount rate on pension scheme liabilities		84,030	130,857	18,663	10,862	(5,090)	20,660	15,000	15,000
Other resource		2,119,208	3,754,370	2,661,430	1,532,625	1,775,641	3,223,825	2,556,754	2,556,754
Total Resource Budget		22,038,335	20,612,557	22,362,916	20,859,297	20,669,944	23,404,388	23,451,194	23,490,340
<i>Of which:</i>									
Depreciation (Note A)		8,117,444	8,672,201	11,642,658	10,802,462	11,113,778	12,070,740	12,286,182	12,516,425
Capital DEL									
A: Tolled Crossings		459	121	721	–	2	–	1,321,000	(430,000)
B: Local Authority Transport		1,810,158	1,353,206	1,770,231	1,712,774	2,475,916	2,834,175	4,759,034	5,473,057
C: National Highways (net)		3,184,289	3,208,655	3,446,436	3,662,363	3,287,143	4,203,000	3,508,516	3,551,419
D: Funding of Other ALBs (net)		36,397	29,321	14,463	59,684	18,048	26,593	174,500	174,500
E: Other railways		122,955	143,913	216,486	149,564	97,635	268,837	421,876	543,127
F: Sustainable Travel		788,934	498,237	408,734	486,661	682,267	832,604	936,775	1,000,028
G: Bus Subsidies & Concessionary Fares		238,829	166,812	262,122	235,699	333,298	212,321	207,970	211,538
H: GLA transport grants		3,211	509,531	818,039	82,059	485,012	918,250	537,480	572,420
I: Crossrail		477,987	122,673	(150,821)	(218,966)	(209,000)	(209,000)	(66,000)	(275,000)

All values in £k		2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
		OUTTURN	OUTTURN	OUTTURN	OUTTURN	OUTTURN	PLANS	PLANS	PLANS
J: Aviation, Maritime, Security and Safety		303,068	106,866	133,718	224,328	103,931	69,746	191,899	273,647
K: Maritime and Coastguard Agency		31,848	31,514	32,510	85,207	103,052	134,528	47,951	57,160
L: Motoring Agencies		99,529	56,521	62,801	67,889	51,900	138,120	135,125	142,922
M: Science, research and support functions		26,978	18,113	18,989	19,810	13,482	34,408	43,293	40,705
N: Central Administration		47,183	48,395	17,666	7,309	17,079	13,344	9,635	23,882
Departmental Unallocated Provision		–	–	–	–	–	–	–	–
O: Support for Passenger Rail Services		296,649	171,400	110,502	104,484	114,748	47,000	3,874	1
High Speed Two		–	–	–	–	–	–	–	–
P: High Speed Rail		251,947	174,765	403,043	92,391	207,896	34,600	(11,655)	(7,508)
Q: Transport Development Fund		849,338	1,074,142	1,185,101	1,169,632	1,060,561	–	–	–
R: High Speed Two Limited (net)		5,001,680	6,883,199	7,385,879	6,845,607	6,778,484	7,100,000	7,100,000	5,600,000
National Productivity Investment Fund		–	–	–	–	–	–	–	–
S: East West Rail Company Limited (net)		315	121	3,901	1,166	3,671	–	–	–
T: Network Rail (net)		5,579,337	5,939,534	5,952,974	5,735,198	5,714,944	5,658,200	5,575,727	5,854,102
U: Funding of ALBs (net)		–	1,231	1,199	397	19,002	–	–	–
Total Capital DEL		19,151,091	20,538,270	22,094,694	20,523,256	21,359,071	22,316,726	24,897,000	22,806,000
Of which:									
Purchase of goods and services		91,434	84,278	116,215	212,047	83,881	136,948	320,061	293,695
Current grants to persons and non-profit bodies (net)		18,546	19,513	32,653	21,370	–	13,388	10,800	10,800
Capital support for local government (net)		3,326,488	3,370,290	3,941,722	3,003,284	4,101,783	4,187,549	7,404,392	6,658,347
Capital grants to persons & non-profit bodies (net)		(20,685)	(43,896)	(3,172)	(32,175)	32,387	(210,322)	(67,275)	(276,277)
Capital grants to private sector companies (net)		600,911	98,094	82,725	140,002	410,814	658,003	211,429	241,035
Capital grants abroad (net)		(1,327)	(1,151)	(819)	–	–	–	–	–
Capital support for public corporations		514,891	193,979	112,434	100,389	120,499	62,420	1,054	–
Purchase of assets (Note C)		14,784,415	16,997,788	17,931,084	17,227,201	16,670,498	17,263,937	17,088,219	15,975,699
Income from sales of assets		(12,197)	(9,074)	(3,543)	(6,579)	(3,605)	–	–	–
Net lending to the private sector and abroad		–	–	–	2,632	1,132	–	–	–
Other capital		(151,385)	(171,551)	(114,605)	(144,915)	(58,387)	204,803	(71,680)	(97,299)
Take up of provisions		–	–	–	–	70	–	–	–

All values in £k	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
	OUTTURN	OUTTURN	OUTTURN	OUTTURN	OUTTURN	PLANS	PLANS	PLANS
Capital AME								
V: National Highways (net)	(156,443)	109,691	133,978	85,167	(50,379)	100,000	100,000	100,000
Network Rail (net)	–	–	–	–	0	–	–	–
Funding of Other ALBs (net)	–	–	–	–	0	–	1,000	1,000
Y: Other Railways	(12)	(13)	(14)	(15)	(16)	–	–	–
Z: Aviation, Maritime, Security and Safety	(11,667)	(23,333)	–	(11,667)	(23,452)	(11,667)	(11,667)	(11,667)
Central Administration	–	–	–	–	–	–	–	–
High Speed Two	–	–	–	–	–	–	–	–
AD: High Speed Rail	237,724	(232,832)	(261,193)	(171,265)	(93,083)	58,265	56,144	56,044
AE: High Speed Two Limited (net)	8,735	34,181	(968)	5,817	10,914	–	1,505	1,505
AF: East West Rail Company Limited (net)	–	–	2,475	–	4,705	3,000	916	916
Total Capital AME	78,337	(112,306)	(125,722)	(91,963)	(151,311)	149,598	147,898	147,798
<i>Of which:</i>								
Take up of provisions	8,735	34,181	24,391	2,830	4,705	–	–	–
Release of provision	(307,152)	(226,262)	(468,769)	(145,872)	(192,498)	(296,164)	(56,678)	(56,778)
Capital support for local government (net)	–	–	–	(121)	–	–	–	–
Purchase of assets (Note C)	388,433	103,121	318,670	59,893	59,950	457,429	204,576	204,576
Income from sales of assets	–	–	–	–	–	–	–	–
Other capital	(11,679)	(23,346)	(14)	(8,693)	(23,468)	(11,667)	–	–
Total Capital Budget	19,229,428	20,425,964	21,968,972	20,431,293	21,207,760	22,466,324	25,044,898	22,953,798
Total departmental spending (Note D)	33,150,319	32,366,320	32,689,230	30,488,128	30,763,926	33,799,972	36,209,910	33,927,713
<i>Of which:</i>								
Total DEL	29,605,851	28,912,089	29,989,335	39,251,352	40,090,495	30,187,695	32,702,507	30,420,410
Total AME	3,544,468	3,454,230	2,699,895	2,038,441	1,787,209	3,612,277	3,507,403	3,507,303

Notes:

A. Includes impairments and non-cash movement in derivatives.

B. Pension schemes reported under IAS 19 accounting requirements. These figures include cash payments made, as well as certain non-cash items.

C. Total departmental spending is the sum of the resource budget and the capital budget less depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL less depreciation in DEL, and total AME is the sum of resource budget AME and capital budget AME less depreciation in AME.

Table 2 Administration Costs – provides a more detailed analysis of the administration costs of the Department. It retains the high level functional analysis used in table 1.

Please note that totals may not sum due to rounding.

All values in £k	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
	OUTTURN	OUTTURN	OUTTURN	OUTTURN	OUTTURN	PLANS	PLANS	PLANS
Resource DEL								
National Highways (net)	45,292	44,948	45,028	44,743	44,091	45,000	45,000	45,000
Funding of Other ALBs (net)	996	1,221	1,290	1,301	1,276	1,281	1,236	1,236
Maritime and Coastguard Agency	7,463	7,704	8,081	8,776	8,913	8,656	8,704	8,704
Central Administration	273,354	280,766	305,880	313,649	312,844	303,635	293,443	284,443
High Speed Two Limited (net)	1,834	1,366	1,720	1,350	1,793	-	-	-
East West Rail Company Limited (net)	171	168	167	166	177	176	1,617	1,617
Funding of Other ALBs (net)	34	34	20	33	21	(200)	-	-
Total administration budget	329,144	336,207	362,187	370,018	369,115	358,548	350,000	341,000
Of which:								
Staff costs	197,063	204,934	229,021	235,234	252,963	362,812	262,426	253,426
Purchase of goods and services	122,204	124,330	124,955	133,337	117,563	7,072	96,052	96,052
Income from sales of goods and services	(11,537)	(12,964)	(13,743)	(23,542)	(21,136)	(611)	(11,703)	(11,703)
Subsidies to private sector companies	-	-	-	-	-	-	-	-
Current grants to local government	-	-	-	-	-	(452)	-	-
Rentals	80	76	85	107	110	-	103	103
Depreciation	15,767	16,849	17,344	20,654	18,862	-	-	-
Other resource	5,257	2,978	4,525	4,227	753	(10,273)	3,122	3,122
Take up of provisions	-	4	-	-	-	-	-	-

Annex D: Reconciliation between contingent liabilities reported in the Supply Estimate and those reported in the Annual Report and Accounts (not subject to audit)

This table shows how contingent liabilities reported in the Supply Estimate reconcile with those reported in the Annual Report and Accounts. It covers both contingent liabilities which are classified as more than remote – disclosed in Note 23 of the Financial Statements under IAS 37, and those which are classified as remote – listed in the Parliamentary Accountability Disclosures section of the Annual Report and Accounts. It includes contingent liabilities, which are both quantifiable and non-quantifiable.

Quantifiable contingent liabilities						
Category in Estimates	£m	Remote Narrative	£m	More than remote Narrative	Total £m	Difference Explanation
Statutory liabilities						
Channel Tunnel Act 1987, s 25, 26 and 29 : potential liabilities in the event of termination of Eurotunnel's concession.	100	Channel Tunnel Restoration	100		100	-
Marine and Aviation Insurance Act 1952, s 1 : Government war risk reinsurance for British shipowners	Unquantifiable	Marine and Aviation Insurance Act 1952, s 1 : Government war risk reinsurance	Unquantifiable		Unquantifiable	-
Railways Act 1993, s 29(5) : Liabilities in direct agreements with rolling stock companies re Environmental Deed of Indemnity	Unquantifiable	Indemnities entered into by the Office of Passenger Rail Franchising	Unquantifiable		Unquantifiable	-

Quantifiable contingent liabilities		Category in Estimates		Remote		More than remote (Note 23)		Total		Difference		Explanation	
				Narrative		Narrative		£m		£m			
Railways Act 1993, Transport Act 2000:		£m		£m		£m		£m		£m			
Contingent liabilities arise from signing of new, replacement and extended passenger rail franchise and successor agreements, and other agreements to encourage railways investment, and other agreements to encourage railways investment, including investments in assets that will be leased to train operating companies. This includes new undertakings that cover the period after an individual National Rail Contract (NRC) has expired. Due to the NRCs' terms and conditions, the Department has narrowed the range of risks to which it is exposed, compared to the predecessor arrangements, so the likelihood of payment would be lower		1,505		Passenger Rail Franchise Agreements – Rolling Stock		Guarantees to promote investment in railway assets		1,370		1,495		Most of the guarantees and undertakings cover lease agreements, and the exposure reduces as the leases are repaid	
				79									
				Passenger Rail Franchise Agreements – Legacy									
CTRL Act 1996. Undertaking under the HS1 concession agreement. The amount payable in the event of crystallisation would reflect the financial circumstances of the concession agreement and of its operator at that time, and will therefore fluctuate in line with market conditions		3,739		HS1 Concession Agreement – potential compensation on termination				3,610		129		The amount varies in line with HS1 Ltd's outstanding borrowings, including break costs	
Town and Country Act 1990, The Department has issued a Safeguarding Order for the proposed route of HS2. This creates an obligation on the Department to purchase properties that have been blighted.		Unquantifiable				Statutory blight due to HS2		Unquantifiable		Unquantifiable			
Liabilities for statutory blight for the furtherance of transport infrastructure projects		Unquantifiable				Statutory blight due to transport infrastructure projects		Unquantifiable		Unquantifiable			
Legacy liabilities for railway structures sold by British Rail and transferred from British		Unquantifiable		Statutory responsibility for legacy railway structures				Unquantifiable		Unquantifiable			
Railways Board (Residuary) Limited (BRBR) on its abolition													



Quantifiable contingent liabilities		Remote		More than remote (Note 23)		Total		Difference	
Category in Estimates		£m	Narrative	£m	Narrative	£m	£m	£m	Explanation
Non-statutory liabilities									
Reinstatement of International Maritime Organisation (IMO) building, and abatement of rent, if IMO building destroyed; and rehousing of IMO during rebuilding. The reinstatement cost has been updated based on a valuation commissioned during the year		136	Premises for the International Maritime Organization (IMO)	136		136		–	
Indemnities have been issued to non-executive members of the departmental board, and to civil servants appointed to represent the Department on the boards of other organisations, and to individuals in analogous roles		1	Non-executive member indemnities	2		2		(1)	
North Atlantic Treaty Organisation (NATO) agreement relating to the indemnification of civil aircraft in respect of their use on NATO tasks in times of crises and war		Unquantifiable	Indemnities within a NATO agreement	Unquantifiable		Unquantifiable		–	
Letters of comfort have been issued providing an indemnity in relation to legal action taken against the Judge, Counsel, solicitors and secretaries to the Thames Safety Inquiry (report published in year 2000) and the Victim Identification Inquiry (report published in year 2001) following major transport disasters. The amount has been updated to reflect a current estimate of the costs		10	Transport disaster indemnities	10		10		–	
Under the HS1 Concession agreement the Secretary of state may be liable for a number of quantifiable and unquantifiable payments. As the unquantifiable proportion is significant, the category is presented as unquantifiable		Unquantifiable	Potential compensation obligations in the HS1 Concession Agreement	Unquantifiable		Unquantifiable		–	
In 2013 the Secretary of State agreed to quantifiable (disclosed) and unquantifiable assurances, warranties, indemnities and potential losses to external parties under the Thameslink Rolling Stock contracts with Siemens, Network Rail and Cross London Trains		607	Thameslink	607		607		–	Some of the undertakings cover lease agreements, and the exposure reduces as the leases are repaid

Quantifiable contingent liabilities Category in Estimates	Remote		More than remote (Note 23)		Total		Difference	Explanation
	£m	Narrative	£m	Narrative	£m	£m		
In 2012 the Secretary of State agreed to quantifiable (disclosed) and unquantifiable assurances, warranties, indemnities and potential losses to external parties under the Inter City Express Rolling Stock contracts with Agility Consortium and Network Rail.	5,900	Inter City Express Rolling Stock	5,900		5,900	-		
Indemnities issued to businesses at Rail privatisation and transferred from the British Railways Board (Residuary) Limited (BRBR) on abolition.				Business indemnities				
Commitment by the Department to fund any shortfall of toll revenue from the Mersey Gateway Bridge to meet Halton Borough Council's financial obligations under the Demand Management Participation Agreement. The financial exposure reduces as toll revenues are collected	1,070			Mersey Gateway Bridge	1,005	65		The disclosed amount reduces as tolls are collected and used to pay for the bridge, thus reducing the Department's exposure.
Gross-guarantees within NR Group – indemnities given by companies within the Network Rail Group to support entities that are not consolidated within the DfT resource accounts, to deliver value for money to the taxpayer.	151	Network Rail	151	Network Rail	151	-		
Other contingent liabilities, including legal claims, comprising both quantifiable (disclosed) and unquantifiable amounts. This summarises more than thirty individual items. The change in amount reflects the expiry of some claims, and net reductions in the amount of others.	192	Other contingent liabilities, including legal claims.	13	Legal claims	246	(38)		This contingent liability covers a range of items and claims. Over time, the population, its probability and potential cost, will change, as individual items arise and lapse. The greater part of the variance reflects new claims received
National Highways (formerly Highways England) third party claims	16					-		

Quantifiable contingent liabilities		Remote		More than remote (Note 23)		Total	Difference	
Category in Estimates	£m	Narrative	£m	Narrative	£m	£m		Explanation
Indemnities to stakeholders relating to infrastructure works, comprising quantifiable (disclosed) and unquantifiable elements. This comprises existing indemnities that have now been classified separately due to materiality, and indemnities given since the Main Estimate	101		91	HS2 protective provision agreements	101			
HS2 – Undertakings and Assurances								
The Department has a potential constructive obligation to cover the costs of managing the SS Richard Montgomery, which ran aground off Sheerness in 1944, with a cargo of munitions. The Department has funded the costs of marking, guarding, inspections and mitigation works, indicating that it would fund other works as required. The potential cost is considered to be unquantifiable.	Unquantifiable	Unquantifiable		A potential constructive obligation regarding the SS Richard Montgomery		Unquantifiable		
The Department has accepted obligations to indemnify operators under the Space Industry Act 2018 (the 2018 Act) and Space Industry Regulations 2021 for losses occurring before the satellite reaches orbit. During 2022-23, one launch took place: Cosmic Girl, on 9 January 2023. There was no cost to the taxpayer under the indemnity. There have been no further launches to date	Unquantifiable	Unquantifiable				Unquantifiable		

Annex E: Information on Agencies and Arm's Length Bodies Spending and Performance (not subject to audit)

This table shows the Department's, Agencies and ALBs' contributions to the Group's financial performance, in accordance with PES [(2023) 01 issued on 16 January 2023].

Total operating income, total operating expenditure and net expenditure reported here will be inconsistent with the financial statements of individual Agencies and ALBs because:

- There are differences in the way the Department and the individual Agencies and ALBs present certain categories of income, expenditure, assets and liabilities. The Department has classified them on a consistent basis for the Departmental Group financial statements, which assists comparability here;
- There are differences in certain accounting policies adopted by the Department and the individual Agencies and ALBs. The Department has applied consistent policies to all entities in the Departmental Group financial statements;
- The values are after intra-group transactions and balances that are eliminated on consolidation; and
- There are immaterial audit adjustments for smaller entities whose accounts are audited after the Departmental Group financial statements are published.

This annex is not subject to audit.

	Total Operating Income	Total Operating Expenditure	Net Expenditure (including financing)	Permanently employed staff Number of employees	Staff costs	Other staff Number of employees	Staff costs
	£m	£m	£m	FTE	£m	FTE	£m
Department for Transport	(726)	10,033	9,188	3,397	286	20	6
Driver and Vehicle Licensing Agency	(686)	559	(126)	5,403	257	23	1
Maritime and Coastguard Agency	(18)	466	453	1,197	80	45	4
Vehicle Certification Agency	(24)	32	8	262	15	23	3
Driver and Vehicle Standards Agency	(435)	504	79	4,837	264	21	3
Network Rail	(4,820)	14,992	11,651	41,552	2,381	724	–
National Highways	(69)	3,404	3,336	6,860	202	13	1
High Speed Two (HS2) Limited	–	44	44	1,863	10	68	1
British Transport Police	(280)	411	132	4,810	322	352	1
Trinity House Lighthouse Board	(46)	52	6	316	22	10	–
Northern Lighthouse Board	(32)	37	5	189	15	6	1
Commissioners of Irish Lights	(3)	3	–	126	1	4	–
Train Fleet (2019) Limited	–	–	–	–	–	–	–
Active Travel England	–	178	178	101	8	2	–
Transport Focus	(2)	9	7	46	4	2	–
Air Safety Support International	–	4	4	23	2	2	–
Air Travel Trust Fund	(80)	12	(79)	–	–	–	–
CTRL Section 1 Finance plc	–	–	86	–	–	–	–
LCR Finance plc	–	–	131	–	–	–	–
East West Rail	–	190	190	192	21	13	4
TOTALS	(7,221)	30,930	25,293	71,174	3,890	1,328	25

Spending and Performance

The table below links the spending information in the tables above to the service and performance information in the performance report. Activities denoted by an asterisk are not referred to explicitly in the Performance Report.

Activity		Pages in the performance report
Central functions		
M	Science, research and support functions	19, 32, 66, 69
N, AC	Central administration	17-30
Local		
A	Tolled Crossings	20
B	Local authority transport	19, 41, 42, 51, 57, 70
F	Sustainable travel	19, 35
G	Bus subsidies & Concessionary fares	19
H	GLA transport grants	22
Q	Transport Development Fund	19
Rail		
T, W	Network Rail	79
P, R, AD, AE	High Speed Two Ltd and High Speed Rail	16, 19, 20, 22, 24, 25, 26, 27, 45, 46, 48, 51, 58, 74, 79
I	Crossrail	16, 27
S, AF	East West Rail	16, 26, 37, 79
O	Support for Passenger Rail services	19
E, Y	Other Railways	19
Road		
C, V	National Highways	16, 19, 24, 25, 26, 30, 39, 40, 52, 57, 68, 69, 74
L, AB	Motoring agencies	51
Aviation, maritime, security and safety		
J, Z	Aviation, maritime, security and safety	19
K, AA	Maritime and coastguard agency	16, 19, 68
Funding of other ALBs not referred to above		
D, E, U, X, AG	Funding of other ALBs	19

Glossary

Acronym	Full Name
AAIB	Air Accidents Investigation Branch
ACOBA	Advisory Committee on Business Appointments
AF	Alternative Fuel
AIB	Accident Investigation Branch
ALB	Arm's Length Body
AME	Annually Managed Expenditure
ANPS	Airports National Policy Statement
AO	Accounting Officer
AOA	Airport Operators Association
APC	ATOL Protection Contributions
AQA	Assessment and Qualifications Alliance
APS	Automated Passenger Services
ATE	Active Travel England
ATOL	Air Travel Organiser's Licence
ATTF	Aviation Training and Technical Forum
AUC	Assets Under Construction
AV	Automated Vehicle
AWDL	Average Working Days Lost
AWE	Atomic Weapons Establishment
BAE	British Aerospace
BARs	Business Appointment Rules
BEIS	Department for Business, Energy and Industrial Strategy
BER	Business Energy Relief
BNG	Biodiversity Net Gain
BR	British Rail
BRB	British Railways Board
BRBR	British Railways Board Residuary
BRSF	British Railways Superannuation Fund
BTP	British Transport Police
BTP RPS	British Transport Police Railway Pension Scheme
BTPa	British Transport Police Authority
BTPFSF	British Transport Police Force Superannuation Fund
C&AG	Comptroller and Auditor General
CAA	Civil Aviation Authority

Acronym	Full Name
CARE	Career Average Revalued Earnings
CAST	Climate Adaptation Strategy for Transport
CBE	Commander of the Order of the British Empire
CDG	Corporate Delivery Group
CDEL	Capital Departmental Expenditure Limit
CEO	Chief Executive Officer
CETV	Cash Equivalent Transfer Value
CFER	Consolidated Fund Extra Receipts
CI	Crossrail International
CIPS	Chartered Institute of Procurement & Supply
CMDC	Clean Maritime Demonstration Competition
CMI	Chartered Management Institute
CMP	Carbon Management Plan
CNG	Compressed Natural Gas
CO	Cabinet Office
CO₂e	Carbon Dioxide Equivalent
CORSIA	Carbon Offsetting and Reduction Scheme for International Aviation
CP7	Control Period 7 (rail funding and delivery period)
CRSTS	City Region Sustainable Transport Settlements
CWIS3	Cycling and Walking Investment Strategy 3
DARe	Decarbonised, Adaptable and Resilient Transport Infrastructure
DBT	Department for Business and Trade
DfT	Department for Transport
DfTc	Department for Transport central
DPTAC	Disabled Persons Transport Advisory Committee
DfTO	Department for Transport Operator
DRT	Demand Responsive Transport
DTS	Decarbonisation, Technology and Strategy
DVLA	Driver and Vehicle Licensing Agency
DVSA	Driver and Vehicle Standards Agency
ECA	Emission Control Area
ECDP	East Coast Digital Programme
ECG	Electric Car Grant
EDI	Equality, Diversity and Inclusion
EES	Entry and Exit System
EMR	East Midlands Railway

Acronym	Full Name
EPPS	Environmental Principles Policy Statement
ETCS	European Train Control System
ETS	Emissions Trading Scheme
EV	Electric Vehicle
EWR	East West Rail
ExCo	Executive Committee
FASI	Future Airspace Strategy Implementation
FOI	Freedom of Information
FReM	Financial Reporting Manual
GARAC	Group Audit and Risk Assurance Committee
GB	Great Britain
GBR	Great British Railways
GCS	Government Car Service
GGCs	Greening Government Commitments
GHG	Greenhouse Gas
GIAA	Government Internal Audit Agency
GLAs	General Lighthouse Authorities
HGV	Heavy Goods Vehicle
HM	His Majesty's
HMRC	His Majesty's Revenue and Customs
HMT	HM Treasury
HS2	High Speed 2
ICAO	International Civil Aviation Organization
IMO	International Maritime Organization
IPDC	Investment Portfolio and Delivery Committee
ITC	Inland Transport Committee
ITF	International Transport Forum
ITSO	Integrated Transport Smartcard Organisation
KMRF	Kent and Medway Resilience Forum
KSI	Killed or Seriously Injured
LEVI	Local Electric Vehicle Infrastructure
LLM	Large Local Majors
LTAs	Local Transport Authorities
MCA	Maritime and Coastguard Agency
MDGs	Millennium Development Goals
MEPC	Marine Environment Protection Committee

Acronym	Full Name
MHCLG	Ministry of Housing, Communities and Local Government
MHFAs	Mental Health First Aiders
MRH	Midlands Rail Hub
MRN	Major Road Network
MRPG	Major Rail Projects Group
NAO	National Audit Office
NBFC	National Bus Fare Cap
NDPB	Non-Departmental Public Body
NEBM	Non-Executive Board Member
NISTA	National Infrastructure and Service Transformation Authority
NH	National Highways
NHS	National Health Service
NMD	Non-Ministerial Department
NOX	Nitrogen Oxides
NPR	Northern Powerhouse Rail
NR	Network Rail
NSAR	National Skills Academy for Rail
ODP	Outcome Delivery Plan
ORR	Office of Rail and Road
PAYG	Pay As You Go
PCSPS	Principal Civil Service Pension Scheme
PHSO	Parliamentary and Health Service Ombudsman
PHV	Private Hire Vehicle
PM_{2.5}	Fine particulate matter (≤ 2.5 micrometres)
PSED	Public Sector Equality Duty
PwC	Price-waterhouse-Coopers
PTLG	Public Transport and Local Group
R&D	Research and Development
RAB	Regulated Asset Base
RDEL	Resource Departmental Expenditure Limit
RIDDOR	Reporting of Injuries, Diseases and Dangerous Occurrences Regulations
RIS2	Road Investment Strategy 2
RIS3	Road Investment Strategy 3
RMF	Rural Mobility Fund
ROSCO	Rolling Stock Company
RPC	Regulatory Policy Committee

Acronym	Full Name
RRSG	Rail Reform and Strategy Group
RSG	Rail Services Group
RSSB	Rail Safety and Standards Board
RTFO	Renewable Transport Fuel Obligation
RTG	Road Transport Group
SAF	Sustainable Aviation Fuel
SAR2G	Second-generation Search and Rescue contract
SCANNER	Surface Condition Assessment for the National Network of Roads
SCS	Senior Civil Service
SDG	Sustainable Development Goal
SR25	Spending Review 2025
SRN	Strategic Road Network
STAR	Sustainable Technology Advice and Reporting
TCF	Transforming Cities Fund
TCFD	Task Force on Climate-related Financial Disclosures
TNFD	Taskforce on Nature-related Financial Disclosures
TOC	Train Operating Company
TOCs	Train Operating Companies
TRIG	Transport Research and Innovation Grants
TRU	Transpennine Route Upgrade
UAV	Unmanned Aerial Vehicle
UK SHORE	UK Shipping Office for Reducing Emissions
UKADS	UK Airspace Design Service
UKCP18	UK Climate Projections 2018
UKCP23	UK Climate Projections 2023
UNECE	United Nations Economic Commission for Europe
VAWG	Violence Against Women and Girls
VCA	Vehicle Certification Agency
WMR	West Midlands Railway
WMRE	West Midlands Rail Executive
WMT	West Midlands Trains
WYCA	West Yorkshire Combined Authority
ZEB	Zero Emission Bus
ZEBRA	Zero Emission Bus Regional Areas
ZEHD	Zero Emission HGV and Infrastructure Demonstrator
ZEV	Zero Emission Vehicle

