

Annual report and accounts 2025 to 2026

Financial statements

Statement of comprehensive net expenditure

For the year ended 31 March 2026

This account 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.

	Note	2025-26 £000	2024-25 £000
Revenue from contracts with customers	5	(42,958)	(40,364)
Other operating income	6	(475)	(457)
Total operating income		(43,433)	(40,821)
Staff costs	3	32,755	31,440

	Note	2025-26 £000	2024-25 £000
Other administration costs	4	10,606	9,295
Total operating expenditure		43,361	40,735
Net operating income		(72)	(86)
Finance expense	12	74	88
Net expenditure for the year		2	2
Other comprehensive net expenditure			
Actuarial loss/(gain) on pension scheme liabilities	15	(22)	12
Total comprehensive net expenditure/(income) for the year		(20)	14

The 'Notes to the departmental resource accounts' section form part of these accounts.

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 entity.

	Note	2025-26 £000	2024-25 £000
Non-current assets			
Property, plant and equipment	7	2,394	2,754
Right of use assets	8	3,274	3,804
Intangible assets		513	392
Total non-current assets		6,181	6,950
Current assets			
Trade and other receivables	9	2,568	2,295
Cash and cash equivalents	10	239	268

	Note	2025-26 £000	2024-25 £000
Total current assets		2,807	2,563
Total assets		8,988	9,513
Current liabilities			
Lease liabilities	12	(1,184)	(1,096)
Trade and other payables	13	(4,028)	(5,255)
Provisions	14	(77)	(66)
Total current liabilities		(5,289)	(6,417)
Non-current assets less net current liabilities		3,699	3,096
Non-current liabilities			
Lease liabilities	12	(2,979)	(3,997)

	Note	2025-26 £000	2024-25 £000
Provisions	14	(776)	(666)
Pension liabilities	15	(605)	(639)
Total non-current liabilities		(4,360)	(5,302)
Total assets less total liabilities		(661)	(2,206)
Taxpayers' equity			
General fund	SoCTE	(661)	(2,206)
Total taxpayers' equity		(661)	(2,206)

The 'Notes to the departmental resource accounts' section form part of these accounts.

Feras Alshaker

Accounting Officer

3 July 2026

Statement of cash flows

For the year 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.

	Note	2025-26 £000	2024-25 £000
Cash flows from operating activities			
Net expenditure for the year	SoCNE	(2)	(2)
Adjustments for non-cash transactions	4	2,002	1,922
Finance costs	12	74	88
Increase in trade and other receivables	9	(273)	(691)
Decrease in trade and other payables	13	(1,227)	(2,203)
Less: movement in payables relating to items not passing through statement of comprehensive net expenditure		-	1

	Note	2025-26 £000	2024-25 £000
Less: movement in Consolidated Fund creditor not passing through statement of comprehensive net expenditure		29	2,189
Adjustments to previous provisions	7, 8, 14	-	67
Use of provisions – by analogy pension	15	(44)	(43)
Net cash inflow from operating activities		559	1,328
Cash flows from investing activities			
Purchase of non-financial assets		(703)	(421)
Adjustment – non cash		-	(66)
Net cash outflow from investing activities		(703)	(487)
Cash flow from financing activities			
Repayment of principal on lease liabilities	12	(1,284)	(1,211)

	Note	2025-26 £000	2024-25 £000
Financing from the Consolidated Fund (Supply) – current year	SoCTE	1,200	-
Financing from the Consolidated Fund (Supply) – prior year	SoCTE	370	-
Advances from the Contingencies Fund		25,000	25,000
Repayments to the Contingencies Fund		(25,000)	(25,000)
Net cash flow inflow/(outflow) from financing activities		286	(1,211)
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		142	(370)
Payments of amounts due to the Consolidated Fund (Supply)		-	-
Payments of amounts due to the Consolidated Fund (non-Supply)		(638)	(2,457)

	Note	2025-26 £000	2024-25 £000
Amounts due to Consolidated Fund but not paid over (non-Supply)		467	638
Net decrease in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		(29)	(2,189)
Cash and cash equivalents at the beginning of the period	10	268	2,457
Cash and cash equivalents at the end of the period	10	239	268

In the prior year, adjustments for non-cash transactions relating to lease liabilities and the movement in payables relating to items not passing through the SOCNE were presented separately under cash flows from operating activities. For this year, the net effect of these two lines has been shown against the latter category to simplify the statement and the prior year has been re-presented.

The 'Notes to the departmental resource accounts' section form part of these accounts.

Statement of changes in taxpayers' equity

For the year ended 31 March 2026

This statement shows the movement in the year on the different reserves held by the department analysed into 'general fund reserves' (i.e. those reserves that reflect a contribution from the

Consolidated Fund). The general fund represents the total assets less liabilities of a department, to the extent that the total is not represented by other reserves and financing items.

	Note	General fund and total reserves £000
Balance at 1 April 2024		(2,655)
Amounts due from the Consolidated Fund	9	370
Net expenditure for the year	SoCNE	(2)
Actuarial gain relating to pension provision	15	(12)
Auditors' remuneration	4	93
Balance at 31 March 2025		(2,206)
Net parliamentary funding		1,200
Amounts due from the Consolidated Fund	9	228

	Note	General fund and total reserves £000
Net expenditure for the year	SoCNE	(2)
Actuarial loss relating to pension provision	15	22
Auditors' remuneration	4	97
Balance at 31 March 2026		(661)

The 'Notes to the departmental resource accounts' section form part of these accounts.

Notes to the departmental resource accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context by the 2025-26 'Government Financial Reporting Manual' (FReM) and the Accounts Direction issued by HM Treasury in accordance with the Government Resources and Accounts Act 2000. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of ORR for the purpose of giving a true and fair view has been selected. The particular policies adopted by ORR are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

ORR does not exercise in-year budgetary control over any other public or private body. ORR is a single entity department whose entire operations are within the accounting boundary reflected in these accounts. ORR is domiciled in the United Kingdom and its principal place of business is at 25

Cabot Square, London, E14 4QZ.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention.

1.2 Basis of preparation

The presentational and functional currency of ORR is pounds sterling. The financial statements are presented in thousands of pounds sterling (£000).

1.3 Going concern

In common with other government departments, the future financing of ORR's liabilities is to be met by future grants of Supply and the application of future income, approved annually by Parliament. Parliament has authorised spending for 2026-27 in the Central Government Main Supply Estimates and there is no reason to believe that future approvals will not be granted. It has therefore been considered appropriate to adopt a going concern basis for the preparation of these accounts.

1.4 New and amended standards and interpretations

The 2025-26 FReM also includes changes to *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors* and *IAS 16 Property, Plant and Equipment*. These do not have an impact for ORR.

IFRS 18 will replace *IAS 1 Presentation of Financial Statements* and is effective for annual reporting periods beginning on or after the 1 January 2027 in the private sector. The impact of *IFRS 18* on the Public Sector is still being assessed, and a decision has not yet been taken on an implementation date.

1.5 Property, plant and equipment and depreciation

Property, plant and equipment are initially recognised at cost. The minimum level for capitalisation is £5,000. The grouping of assets below the threshold has been restricted to IT and fit-out costs. Depreciated historical cost is used as a proxy for current value as this realistically reflects consumption of the asset. Updates to the 2025-26 FReM allow this treatment (paragraph 10.1.20) as

our PPE carrying value is made up of a high number of low-value items, many of which have short useful economic lives. Annual revaluations would not create a material difference to the carrying value of the assets which are individually of relatively low value.

Depreciation is provided at rates calculated to write off property, plant and equipment by equal instalments over their estimated useful lives. Lives are normally in the following ranges:

- Fitting out costs (limited to period of remaining lease) – up to 15 years
- Furniture and office equipment – 5 to 10 years
- Information technology – 3 to 5 years

Depreciation is provided in the month after purchase or on bringing the asset into use.

Right of use assets are depreciated as property, plant and equipment.

1.6 Leases

ORR accounts for its leases under IFRS 16 Leases. This includes memorandum of terms of occupation (MOTO) agreements. Associated costs, depreciation and disclosures are set out in note 8.

Items with an underlying value of less than £5,000 or with a lease term of 12 months or less are excluded following the exemption in the FReM.

Initial recognition

At the commencement of a lease (or the IFRS 16 transition date if later) ORR recognises a right of use asset and a lease liability.

The lease liability is measured at the value of the remaining lease payments discounted either by the interest rate implicit in the lease or, when this is not readily determinable, ORR's incremental rate of borrowing. This rate is advised annually by HM Treasury for that calendar year (2026: 5.32%, 2025: 4.81%). HM Treasury's weighted average discount rate applied to the lease liabilities on transition to IFRS 16 was 0.95%.

Where the lease includes extension or termination options, the lease payments will be for the non-cancellable period together with any extension options the department is reasonably certain to exercise and any termination option ORR is reasonably certain not to exercise. The measurement

of lease payments excludes any VAT payable, and irrecoverable VAT is expensed at the point it falls due.

The right of use asset is measured at the value of the lease liability date, adjusted for any lease payments made before the commencement date, any incremental costs of obtaining the lease, and any costs of removing the asset and restoring the site to the conditions required by the lease terms and conditions at the end of the lease.

Subsequent measurement

After initial recognition the right of use asset is measured using the fair value model. ORR considers that the cost model (measurement by reference to the lease liability) is a reasonable proxy for fair value for its leases as they are either less than five years in duration or have regular rent reviews.

Right of use assets are depreciated on a straight line basis from commencement date to the earlier of the end of the useful life of the asset and the lease term.

Lease liabilities are remeasured to reflect changes in lease payments, lease modifications or reassessments. Remeasurements are accounted for by discounting the revised cash flows at a revised discount rate. The amount of remeasurement is recognised as an adjustment to the right of use asset with any difference between the asset and liability at the remeasurement date being reflected as a profit or loss on disposal.

1.7 Cash

Cash represents balances held at the Government Banking Service.

1.8 Revenue from contracts with customers and other operating income

The FReM's definition of a contract under IFRS 15 Revenue from Contracts with Customers includes legislation and regulations which enable an entity to obtain revenue that is not classified as a tax by the Office of National Statistics. This definition captures the majority of ORR's income streams.

ORR raises income from the rail sector and the Department for Transport such that it covers its costs in full. Revenue is stated net of VAT. Revenue from contracts with customers relates directly

to ORR's operating activities. It comprises: licence fees; concession fees (HS1); safety levies; safety-related income and grant funding for highways-related activity and Transport for London funding framework advice. ORR does not have one specific performance obligation for each contract. Instead, the performance obligation represents ORR carrying out its duties throughout the year.

Other operating income comprises rental income, government grant funding in respect of the apprenticeship levy and costs awarded to ORR arising from successful prosecutions and is also accounted for on an accruals basis.

Since invoiced amounts are based on estimated costs, any over-recovery is treated as deferred income within current liabilities, and any under-recovery is treated as accrued income within current assets. Over-recoveries of the railway safety levy are refunded in accordance with the provisions of the Railway Safety Regulations 2006. As such, net expenditure will always be equal to the token resource budget of £2,000.

1.9 Pensions

ORR recognises the expected pension costs on a systematic basis over the period during which it benefits from employees' services by payment to the Principal Civil Service Pension Scheme (PCSPS) of amounts calculated on an accruing basis. PCSPS is an unfunded, defined benefit plan. Liability for payment of future benefits is a charge on the PCSPS. PCSPS is accounted for as a defined contribution scheme as there is insufficient information available to be able to identify ORR's share of the scheme liabilities and costs. In respect of defined contribution schemes, ORR recognises the contributions payable for the year.

In addition, one present employee (2024-25: one) is covered by the provisions of the Railways Pension Scheme (RPS) which is contributory and funded. The scheme is treated as a defined contribution arrangement because there is insufficient information to identify ORR's share of the scheme liabilities and costs. The contributions paid in respect of these pensions is shown under staff costs in the Statement of Comprehensive Net Expenditure (SoCNE).

Past rail regulators have separate pension arrangements that are broadly analogous with the PCSPS. The arrangements provide for an unfunded defined benefit scheme. However, unlike the PCSPS, a pension liability is included in the accounts provision to meet ORR's liability for future payment.

1.10 Provisions

ORR provides for legal or constructive obligations where it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is significant, the estimated cash flows are discounted using the combined rate set by HM Treasury.

The discount rate applied to provisions for past rail regulators' pension commitments is the Treasury's post-employment benefits rate.

1.11 Reserves

The general fund records elements of the accounts which are not charged to the industry, and therefore do not pass through the SoCNE. These include the effect of changes in accounting policy, actuarial gains and losses in relation to our pension provision, auditors' remuneration, cash to be returned to the Consolidated Fund and our token annual £2,000 operating expenditure for the year voted by Parliament.

2. Statement of operating expenditure by operating segment

	Gross expenditure £000 (2025-26)	Gross income £000 (2025-26)	Net expenditure £000 (2025-26)	Gross expenditure £000 (2024-25)	Gross income £000 (2024-25)
Economic regulation	20,281	(20,279)	2	18,900	(18,898)
Health and safety regulation	19,803	(19,803)	-	18,711	(18,711)

	Gross expenditure £000 (2025-26)	Gross income £000 (2025-26)	Net expenditure £000 (2025-26)	Gross expenditure £000 (2024-25)	Gross income £000 (2024-25)
Highways regulation	3,351	(3,351)	-	3,212	(3,212)
Total	43,435	(43,433)	2	40,823	(40,821)

Short description of segments

Economic regulation: as the economic regulator of the mainline railway, ORR sets the outputs which Network Rail must achieve.

Health and safety regulation: ORR regulates the health and safety of the entire mainline network in Britain as well as London Underground, light railways, trams and heritage.

No individual train operating company contributes more than 10% of ORR income. However, Network Rail paid £6.8 million safety levy in 2025-26 (£6.1 million in 2024-25).

Highways regulator: ORR is responsible for monitoring and enforcing the performance and efficiency of National Highways.

The analysis of services for which a fee is charged is provided for fees and charges purposes, as required by the FReM, not for IFRS 8 purposes.

3. Staff costs

	Permanently employed staff £000 (2025-26)	Others £000 (2025-26)	Total £000 (2024-25)	Total £000 (2024-25)
Wages and salaries	22,327	1,152	23,479	22,877
Social security costs	3,178	31	3,209	2,638
Other pension costs	6,067	-	6,067	5,925
Total costs	31,572	1,183	32,755	31,440

Further information is provided in the 'Staff report' section.

4. Other administration costs

	Note	2025-26 £000	2024-25 £000
Non-cash items			
Depreciation	7 and 8	1,690	1,611
Amortisation		202	185
(Profit)/loss on lease variations (note 1)	8 and 12	(21)	2
Loss on disposal of intangible assets		2	-
Interest charges in respect of by analogy pension scheme	15	32	31
Auditors' remuneration and expenses (note 2)		97	93
Total non-cash items		2,002	1,922

	Note	2025-26 £000	2024-25 £000
Other			
Travel and subsistence		1,021	1,075
Hospitality		23	18
Consultancy		2,536	1,359
IT and telecoms		1,489	1,290
Rent		(5)	8
Landlord service charges and rates		1,044	1,091
Printing and stationery		94	80
Recruitment and training		848	646
Staff-related		186	166

	Note	2025-26 £000	2024-25 £000
Building-related		447	650
External services – internal audit, payroll, banking and finance		113	111
External services – other		758	840
Hire of office equipment	12	27	19
Other costs		23	20
Total other		8,604	7,373
Total other administration costs		10,606	9,295

Note 1: This relates to the variation of two IFRS 16 leases. The profit on disposal is the difference between the net book values of the right of use assets and the lease liabilities outstanding at the variation dates.

Note 2: The Comptroller and Auditor General carries out the audit of ORR's financial statements. The notional cost of auditing the financial statements was £96,500 (2024-25: £93,000). No remuneration, actual or notional, was paid to the National Audit Office for non-audit work (2024-25: none).

5. Revenue from contracts with customers

	Note	2025-26 £000	2024-25 £000
Licence fees		18,818	19,189
Less: income (deferred)/accrued to next year	9	542	(643)
Add: prior year income deferred		643	257
Safety levy and related safety income		17,895	16,422
Less: income deferred to next year	13	(319)	(591)
Add: prior year income deferred		591	1,154
Income from roads regulation		3,351	3,212
Channel Tunnel regulation income		1,437	1,364
Total		42,958	40,364

This year, the note has been updated to show the income accrued/deferred from the prior year and

to next year as well as stating the Channel Tunnel income separately. The prior year has been re-presented.

All revenue from contracts with customers relates to ORR’s operating activities carried out throughout the year. In terms of the operating segments set out in note 2, licence fees are included within economic regulation, safety levy and Channel Tunnel income are included within health and safety regulation and income from roads regulation is included within highways regulation.

6. Other operating income

	2025-26 £000	2024-25 £000
Other operating income	475	457

Other operating income consists mainly of costs awarded to ORR arising from successful safety prosecutions, costs recovered from other organisations resulting from ORR safety inspectors being engaged to work on their behalf, rental income and government grants for apprenticeship funding.

7. Property, plant and equipment

	Fitting out costs £000	Furniture, office equipment and telecoms £000	Information technology £000	Total £000
Cost or valuation				

	Fitting out costs £000	Furniture, office equipment and telecoms £000	Information technology £000	Total £000
At 1 April 2025	5,003	634	1,030	6,667
Additions	-	58	319	377
Revaluations	55	-	-	55
Disposals	(51)	-	(81)	(132)
At 31 March 2026	5,007	692	1,268	6,967
Depreciation				
At 1 April 2025	2,880	384	649	3,913
Charged in year	523	75	194	792
Disposals	(51)	-	(81)	(132)

	Fitting out costs £000	Furniture, office equipment and telecoms £000	Information technology £000	Total £000
At 31 March 2026	3,352	459	762	4,573
Carrying amount at 31 March 2026	1,655	233	506	2,394
Carrying amount at 31 March 2025	2,123	250	381	2,754
	Fitting out costs £000	Furniture, office equipment and telecoms £000	Information technology £000	Total £000
Cost or valuation				
At 1 April 2024	4,955	609	1,259	6,823
Additions	-	25	285	310

	Fitting out costs £000	Furniture, office equipment and telecoms £000	Information technology £000	Total £000
Revaluations	48	-	-	48
Disposals	-	-	(514)	(514)
At 31 March 2025	5,003	634	1,030	6,667
Depreciation				
At 1 April 2024	2,342	320	973	3,635
Charged in year	538	64	226	828
Disposals	-	-	(512)	(512)
Reclassifications	-	-	(38)	(38)
At 31 March 2025	2,880	384	649	3,913
Carrying amount	2,123	250	381	2,754

	Fitting out costs £000	Furniture, office equipment and telecoms £000	Information technology £000	Total £000
at 31 March 2025				
Carrying amount at 31 March 2024	2,613	289	286	3,188

All tangible assets are owned by ORR. In 2024-25, there was a reclassification of accumulated depreciation from PPE to Intangible Assets as a result of a disposal of historic assets which has been miscoded.

8. Right of use assets

	Buildings £000	Other £000	Total £000
Cost or valuation			
At 1 April 2025	6,001	22	6,023
Additions	284	17	301
Disposals	-	(22)	(22)

	Buildings £000	Other £000	Total £000
Revaluations	67	-	67
At 31 March 2026	6,352	17	6,369
Depreciation			
At 1 April 2025	2,200	19	2,219
Charged in year	892	6	898
Disposals	-	(22)	(22)
At 31 March 2026	3,092	3	3,095
Carrying amount at 31 March 2026	3,260	14	3,274
Carrying amount at 31 March 2025	3,801	3	3,804

	Buildings £000)	Other £000	Total £000
Cost or valuation			
At 1 April 2024	5,585	22	5,607
Additions	428	-	428
Revaluations	(12)	-	(12)
At 31 March 2025	6,001	22	6,023
Depreciation			
At 1 April 2024	1,425	11	1,436
Charged in year	775	8	783
At 31 March 2025	2,200	19	2,219
Carrying amount at 31 March 2025	3,801	3	3,804

	Buildings £000)	Other £000	Total £000
Carrying amount at 31 March 2024	4,160	11	4,171

A maturity analysis of lease liabilities is given within note 12 'lease liabilities'. Three leases were varied in 2025-26 and the net increase in the assets is reflected in the additions.

9. Trade and other receivables

	2025-26 £000	2024-25 £000
Amounts falling due within one year		
Trade receivables	457	853
Staff receivables	8	9
Accrued Income	714	142
Prepayments	1,003	884
HM Revenue and Customs (VAT) receivable	158	37

	2025-26 £000	2024-25 £000
Amounts due from the Consolidated Fund in respect of Supply	228	370
Total	2,568	2,295

Accrued income and prepayments were previously presented as one line in this note but they have been split into two lines for this year's report and the prior year figures have been re-presented.

10. Cash and cash equivalents

	2025-26 £000	2024-25 £000
Balance at 1 April	268	2,457
Net change in cash balances	(29)	(2,189)
Balance at 31 March	239	268

The following balances at 31 March were held at:

	2025-26 £000	2024-25 £000
Government Banking Service	239	268
Total	239	268

11. Reconciliation of liabilities arising from financing activities

	1 April 2025 £000	Financing cash flows £000	Additions £000 (Non- cash)	Finance costs £000	Other non- cash adjustment £000	31 March 2026 £000
Lease liabilities	5,093	(1,284)	301	74	(21)	4,163
Total	5,093	(1,284)	301	74	(21)	4,163
	1 April 2024 £000	Financing cash flows £000	Additions £000 (Non- cash)	Finance costs £000	Other non- cash adjustment £000	31 March 2025 £000
Lease liabilities	5,854	(1,211)	428	88	(66)	5,093

	1 April 2024 £000	Financing cash flows £000	Additions £000 (Non- cash)	Finance costs £000	Other non- cash adjustment £000	31 March 2025 £000
Total	5,854	(1,211)	428	88	(66)	5,093

12. Lease liabilities

Analysis of expected timing of lease liability discounted cash flows

	Buildings £000 (2025-26)	Other £000 (2025-26)	Total £000 (2025-26)	Buildings £000 (2024-25)	Other £000 (2024-25)	Total £000 (2024-25)
Not later than one year	1,181	3	1,184	1,094	2	1,096
Later than one year and not later than	2,129	9	2,138	3,091	-	3,091

	Buildings £000 (2025-26)	Other £000 (2025-26)	Total £000 (2025-26)	Buildings £000 (2024-25)	Other £000 (2024-25)	Total £000 (2024-25)
five years						
Later than five years	841	-	841	906	-	906
Total	4,151	12	4,163	5,091	2	5,093

ORR's leases are for office accommodation and ziptaps. A break option is available for our Glasgow office but there are no plans to exercise this.

Amounts recognised in the statement of comprehensive net expenditure

	2025-26 £000	2024-25 £000
Interest expense	74	88
Depreciation	898	783
Low value and short-term leases	27	19

	2025-26 £000	2024-25 £000
Total	999	890

Amounts recognised in the statement of cash flows

	2025-26 £000	2024-25 £000
Repayments of principal on leases	(1,284)	(1,211)
Total	(1,210)	(1,123)

13. Trade and other payables

	2025-26 £000	2024-25 £000
Amounts falling due within one year		
Trade payables	400	269
Other payables	1,411	1,270
Other taxation and social security	4	5

	2025-26 £000	2024-25 £000
Accruals	1,427	1,839
Deferred income	319	1,234
Balance of Intergovernmental Commission levy payable to the Consolidated Fund	386	394
Balance of DfT roads funding payable to the Consolidated Fund	81	244
Total	4,028	5,255

In previous years, payroll payables has been referred to as "Other payables". This has been updated to improve clarity of reporting. Deferred income has reduced by £915k as a result of how income is recognised, set out in note 1.8. Invoiced amounts are based on estimated costs and when actual costs vary, this leads to the accrual or deferral of income which can vary by year.

14. Provisions for liabilities and charges

The provision for dilapidations has been established in order to satisfy the obligation to return our offices to their original condition, calculated on a cost per square foot basis and discounted from the end of the lease date.

	Dilapidations £000 (2025-26)	Total £000 (2025-26)	2024-25 Total £000
Balance at 1 April	732	732	629
Provided for in the year	114	114	109
Provisions no longer required	-	-	(12)
Borrowing costs (unwinding of discounts)	7	7	6
Balance at 31 March	853	853	732

Analysis of expected timing of discounted cash flows

	Dilapidations £000 (2025-26)	Total £000 (2025-26)	2024-25 Total £000
Not later than one year 77	-	77	66
Later than one year and not later than five years	733	733	-

	Dilapidations £000 (2025-26)	Total £000 (2025-26)	2024-25 Total £000
Later than five years	43	43	666
Total	853	853	732

15. Pension liabilities

Analysis of movement in scheme liability

	2025-26 £000	2024-25 £000
Net pension liability at 1 April	639	639
Interest cost	32	31
Actuarial loss/(gain)	(22)	12
Benefits paid	(44)	(43)
Net pension liability at 31 March	605	639

Former rail regulators and a former ORR Chair benefit from a defined benefit pension scheme by-analogy with the PCSPS. An actuarial assessment was carried out on the scheme by the Government Actuary's Department (GAD) as at 31 March 2026. The current Chair has no pension

arrangements with ORR.

The pension provision is unfunded, with benefits being paid as they fall due and guaranteed by the employer. There is no fund, and therefore no surplus or deficit.

ORR has recognised all actuarial gains and losses immediately through the general fund.

Present value of scheme liabilities

Liability in respect of		2025-26 £000		2024-25 £000	
Current pensioners		605		639	
Total present value of scheme liabilities		605		639	
Liability in respect of	Value at 31/3/26 £000	Value at 31/3/25 £000	Value at 31/3/24 £000	Value at 31/3/23 £000	Value at 31/3/22 £000
Current pensioners	605	639	639	680	953
Total present value of scheme liabilities	605	639	639	680	953

Actuarial assumptions

Under IAS 19 employers must disclose any other material actuarial assumptions used for the

assessment. The main actuarial assumptions used by the actuary are shown below:

Liability in respect of	2025-26	2024-25
Gross discount rate	5.60%	5.15%
Rate of increase of pensions in payment	2.55%	2.65%
CPI inflation	2.55%	2.65%

Rates are as prescribed by HM Treasury.

Life expectancy at retirement

The life expectancies shown below illustrate the longevity assumption used for the assessment. There were no future pensioners in the scheme at 31 March 2026 or 2025.

Current pensioners exact age	Men (years) (2025-26)	Women (years) (2025-26)	Men (years) (2024-25)	Women (years) (2024-25)
60	26.6	28.6	26.5	28.5
65	22.0	23.7	21.9	23.6

Cumulative amount of actuarial gains and losses

The cumulative actuarial loss for the year to 31 March 2026 amounts to £255,000 (31 March 2025:

£277,000).

Sensitivity of the defined benefit obligation (DBO) to changes in the significant actuarial obligations

Change in assumption [note 1]		Impact on DBO %	Impact on DBO £000
Gross discount rate	+0.5% a year	(5)	(28)
Rate of increase in CPI	+0.5% a year	4	27
Life expectancy: each member assumed 1 year younger than their actual age		2	13

Note 1: Opposite changes in the assumptions will produce approximately equal and opposite changes in the DBO. Doubling the changes in the assumptions will produce approximately double the change in the DBO. The sensitivities show the change in assumption in isolation. In practice such assumptions rarely change in isolation and, given the interdependencies between the assumptions, the impacts may offset to some extent.

16. Financial and capital commitments

16.1 Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	2025-26 £000	2024-25 £000
Information technology	-	170

Capital commitments in 2024-25 were for enhancements to the train driver licencing portal and the public consumption API.

16.2 Other financial commitments

ORR has entered into non-cancellable contracts (which are not leases, PFI contracts or other service concession arrangements), for licences for the HR and Finance system. The payments to which the department are committed are as follows:

	2025-26 £000	2024-25 £000
Not later than one year	180	261
Later than one year and not later than five years	-	155
Later than five years	-	-
Total	180	416

17. Financial instruments

As the cash requirements of the department are mainly met through the licence fee, safety levy and grant, with advances from the Contingencies Fund to cover timing differences between income and expenditure, financial instruments play a more limited role in creating and managing

risk than would apply to a non-public sector body of a similar size. We are therefore exposed to little credit, liquidity or market risk. ORR is also not exposed to any significant interest rate or foreign currency risks.

Fair values

The carrying amounts for current assets (Note 9) and current liabilities (Note 13) approximate to their fair value due to their short-term nature.

18. Contingent liabilities

There are no contingent liabilities at 31 March 2026 or 2025.

19. Related party transactions

The ORR has numerous transactions with the Consolidated Fund (see notes 9, 13, the Statement of Cash Flows and the Statement of Changes of Taxpayers' Equity). In addition to these the ORR has received grant funding from the Department for Transport and there have been a small number of transactions with other government departments and other central government bodies.

No Board member, key manager or other related parties has undertaken any material transactions with ORR during the year, other than remuneration. Full details of compensation for key management personnel are disclosed in the remuneration report.

20. Events after the reporting period

John Larkinson left his role as Chief Executive and Accounting Officer on 29 April 2026, after the reporting period. He has been replaced on an interim basis by Feras Alshaker.

The Accounting Officer authorised the issue of these financial statements on the date of the Comptroller and Auditor General's audit certificate. The financial statements do not reflect events after this date.

-  Previous Accountability report: Parliamentary accountability and audit report
-  Next Annex: Common Core Tables