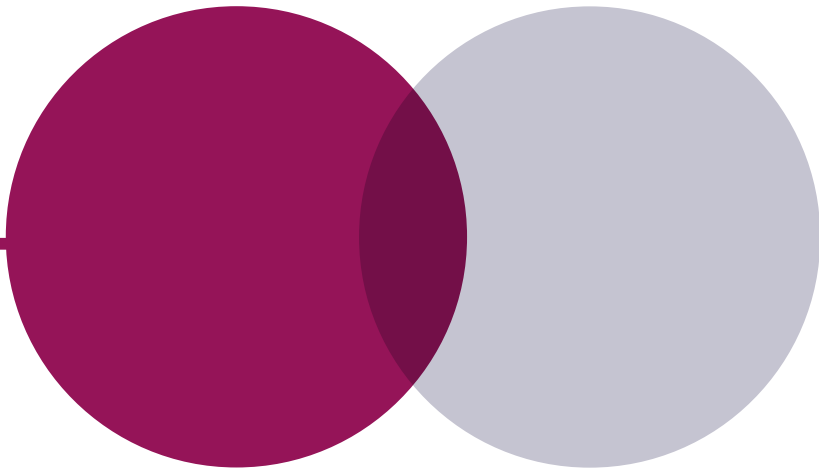




National Audit Office




# National Audit Office Estimate memorandum 2026-27

The Public Accounts Commission

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FEBRUARY 2026



**We are the UK's  
independent  
public spending  
watchdog.**

**We support Parliament  
in holding government  
to account and we  
help improve public  
services through our  
high-quality audits.**

The National Audit Office (NAO) scrutinises public spending for Parliament and is independent of government and the civil service. We help Parliament hold government to account and we use our insights to help people who manage and govern public bodies improve public services.

The Comptroller and Auditor General (C&AG), Gareth Davies, is an Officer of the House of Commons and leads the NAO. We audit the financial accounts of departments and other public bodies. We also examine and report on the value for money of how public money has been spent.

In 2024, the NAO's work led to a positive financial impact through reduced costs, improved service delivery, or other benefits to citizens, of £5.3 billion. This represents around £53 for every pound of our net expenditure.



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This document can be found on the National Audit Office website at [www.nao.org.uk](http://www.nao.org.uk)


If you need a version of this document in an alternative format for accessibility reasons, or any of the figures in a different format, contact the NAO at [enquiries@nao.org.uk](mailto:enquiries@nao.org.uk)

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# Summary

**1** The National Audit Office (NAO) is the UK's independent public spending watchdog. We play an essential role in our democracy, providing independent assurance to Parliament on government accounts and evidence-based insights on how well public money is spent. Parliament, the media and the public use our work to hold the government to account, and the government uses it to improve its efficiency and effectiveness. We deliver benefits that far exceed our cost. In 2024, our work led to a positive financial impact through savings, improved service delivery, or other benefits to citizens, of £5.3 billion, as well as substantial non-financial impacts.

**2** Our strategy from 2025 to 2030 sharpens the focus on improving outcomes through our work. Our ambitions are to increase our impact on the productivity and resilience of public services; and on the quality of financial management and reporting in government. This memorandum outlines what we will do in 2026-27 to help us achieve this and the resources we will need to deliver our programme of work.

**3** In 2026-27, we will:

- maximise our impact, working proactively with government representatives and with Parliament to increase the use of our findings, insights and recommendations, and commit to achieving £15 of positive financial impact for every £1 that we cost the taxpayer, a 50% increase on our previous target;
- support improvement in public services through a range of knowledge products which pull together our cross-government findings and lessons learned, and set out good practice;
- increase the scope of our work, taking on significant new audit responsibilities including more train operating companies, Great British Energy, Great British Energy – Nuclear, and the National Housing Bank;
- achieve our aim for 70% of audited accounts to be certified before the summer 2026 Parliamentary recess, building on progress last year;
- further embed the quality improvements we have made to our financial audits, illustrated by our much-improved quality review scores over the last 12 months;
- following our new approach this year, publish a further synthesis report bringing together all our financial audit insights to help improve financial management in government; and

- deliver a relevant and timely programme of value for money (VFM) audits which respond to the needs of Parliament and the public, cover all of the main spending departments and focus on helping government to innovate, improve its financial management and provide more productive and resilient public services.
- 4** We will improve our own productivity, efficiency and resilience in 2026-27 by:
- ensuring that we realise the benefits of our new audit methodology and software, Apex, and other digital solutions, delivering our audit work to the required standards with a more efficient audit approach;
  - investing further in new digital technologies, increasing our use of data acquisition software, building new data analytics capability, modernising our VFM reporting to increase its impact, expanding our use of artificial intelligence (AI) including Microsoft 365 Copilot in a well-managed way across our organisation, and increasing our use of 'digital and data plans' for our major financial audits;
  - continuing to invest in our digital, data and AI governance so that we are able to confidently and appropriately explore and adopt the opportunities that new technologies bring;
  - further embedding our 'People Deal', focusing on the capability and resilience of our people, with clearer expectations for our leaders, a stronger feedback and quality culture, measures to further promote wellbeing, inclusion and collaboration, and a learning and development programme that enables high-performing teams, increases technical, digital and data capabilities and strengthens influencing skills; and
  - planning to rent out a further three floors of our London building following its refurbishment, reducing our cost to Parliament, and reviewing options to reduce energy demand, emissions and costs in our London building over the longer term.
- 5** Our budget for 2026-27 factors in the expected growth overall in our audit work, our objective to certify 70% of government accounts pre-summer Parliamentary recess, and our commitment to secure cashable efficiencies. It includes a net resource requirement of £112.9 million and is £0.7 million more than in 2025-26 after allowing for £40.3 million of expected income. This is a real-terms reduction in our net resource requirement of 1.5% when adjusted for inflation. The budget also includes £4.5 million of capital spending, most of which will be used to refresh our IT devices on a rolling basis and a programme of essential maintenance for our London office (**Figure 1** overleaf).

**Figure 1**

Summary of National Audit Office budgets, 2025-26 to 2026-27

	2025-26	2026-27	Variance	
	Estimate	Estimate		
	£mn	£mn	£mn	%
Audit and assurance work	148.0	153.2	5.2	3.5
Income	35.8	40.3	4.5	12.6
<b>Net resource expenditure</b>	<b>112.2</b>	<b>112.9</b>	0.7	0.6
<b>Net capital expenditure</b>	<b>4.0</b>	<b>4.5</b>	0.5	12.5
<b>Net cash expenditure</b>	<b>111.7</b>	<b>112.7</b>	1.0	0.9

**Notes**

- 1 Proposed budgets shown for 2026-27, subject to approval by the Public Accounts Commission. Figures may not sum due to rounding.
- 2 Parliament authorises separate resource, capital and cash budgets, which form totals within which the National Audit Office must manage. The figures in bold are the control limits, which will be voted by Parliament.
- 3 Audit and assurance work includes financial audit and value-for-money work.
- 4 Capital spending varies year on year depending on when we need to invest in the maintenance of our asset base.
- 5 Estimate for 2025-26 includes the Supplementary Estimate approved by the Public Accounts Commission.

Source: National Audit Office

# Part One

## Our strategy

**1.1** This part sets out who we are and what we do and describes our strategy for the period 2025 to 2030.

### **Who we are and what we do**

**1.2** The National Audit Office (NAO) is the UK's independent public spending watchdog. We play an essential role in our democracy, providing independent assurance to Parliament on government accounts and trusted insights on how well public money is spent. Parliament, the media and the public use our work to hold the government to account, and the government uses it to improve its efficiency and effectiveness. Among other impacts, our work saves public money. In 2024, the NAO's work led to a positive financial impact through reduced costs, improved service delivery, or other benefits to citizens, of £5.3 billion, around £53 for every pound of our net expenditure.

**1.3** The Comptroller and Auditor General, Gareth Davies, leads the NAO. He is an officer of the House of Commons with statutory authority to:

- audit and report on the financial accounts of all government departments and many other public bodies; and
- examine and report on the value for money of how public money has been spent.

**1.4** Our work is guided by our four values: we act with courage and integrity, we are curious and seek to learn, we are inclusive and respectful, and we strive for excellence.

## **The context for public finances and our strategy for 2025–2030**

**1.5** The position of public finances in the UK is challenging, with historically high levels of debt and many public services under significant strain. This puts increased focus on ensuring that public money is used productively and allocated as effectively as possible. In the 2025 Spending Review, the government set out spending priorities up to 2028-29 for resource spending and 2029-30 for capital spending. It required all departments to publish delivery plans to achieve at least 5% savings and efficiencies by 2028-29. Public spending will also need to take account of longer-term transitions relating to demographic change, climate change, and the international and domestic security context.

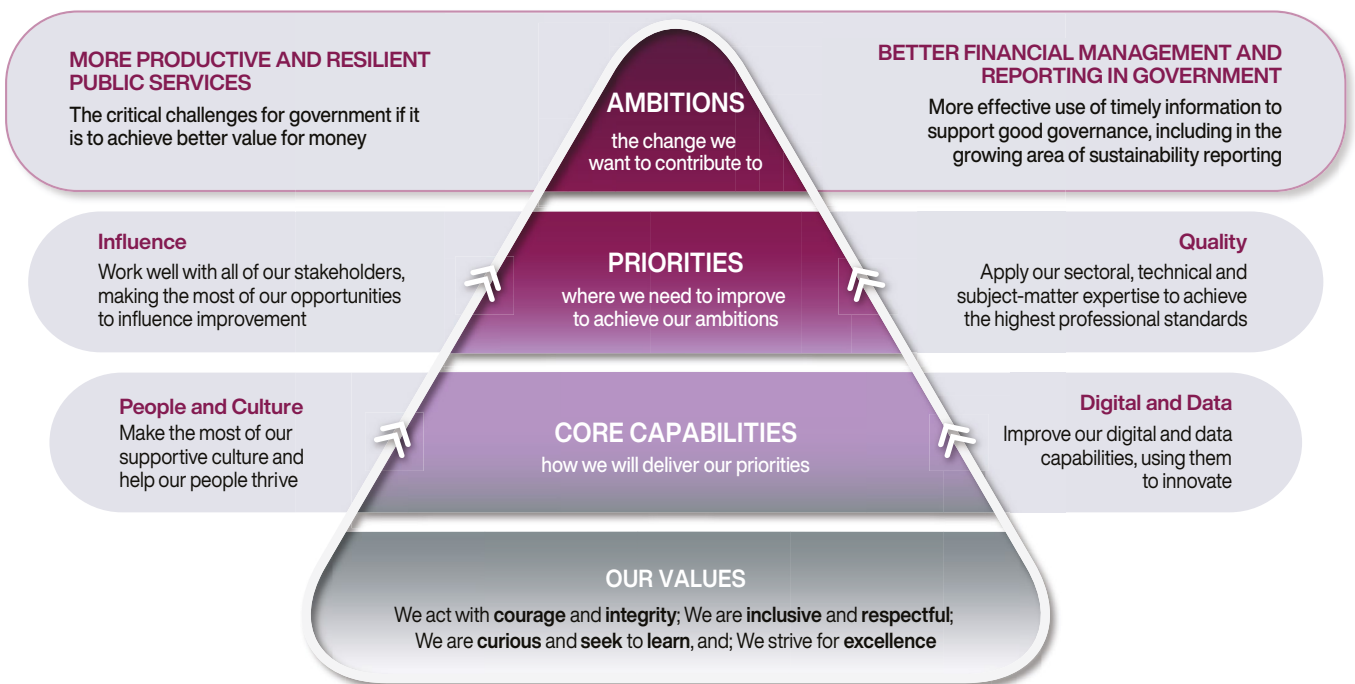
**1.6** Against this background, our five-year strategy is highly relevant, with its focus on improving the productivity and resilience of public services, and the quality of financial management and reporting in government (**Figure 2**). Addressing these outcomes supports greater transparency, accountability and trust, and enables better long-term value for money, regardless of the policy and fiscal choices available to the government.

**1.7** Part Two of this memorandum describes what we plan to do in 2026-27 to contribute to more productive and resilient public services and to better financial management and reporting in government. It also describes the steps we are taking to further improve our own efficiency, productivity and resilience. Part Three presents our budget for 2026-27 based on our plans. Part Four shows how we will measure and report our progress in 2026-27.

**Figure 2**  
National Audit Office (NAO) Strategy, 2025 to 2030

We will increase our impact on the productivity and resilience of public services and the quality of financial management and reporting in government

**TRUST ■ VALUE ■ IMPACT**  
**NAO STRATEGY | 2025-30**



Source: National Audit Office

## Part Two

### Our plans for 2026-27

**2.1** In this part we set out what we are doing to:

- maximise our impact, including the work that we will do to achieve our strategy ambitions to improve financial management and reporting in government and to contribute to more productive and resilient public services;
- increase further our own productivity, efficiency and resilience; and
- provide wider support for local audit reforms and international audit.

#### **Maximising our impact**

**2.2** While our financial audit and value-for-money (VFM) work has huge potential to lead to improvement, we cannot rely solely on our reporting to influence behaviours in government and deliver impact. We need to work proactively with Parliament and with government representatives to make sure that our findings are heard and our recommendations acted upon. We want to share more of our insights with government ministers and officials, with audit and risk assurance committees, with Parliamentarians and others – revisiting, reinforcing, integrating and tailoring key messages from our financial audit and VFM work streams to achieve stronger impact.

**2.3** To demonstrate our commitment to making a difference from our work, we have increased our annual target for achieving positive financial impact from £10 to £15 for every £1 we cost the taxpayer. We will measure ourselves against this higher target in our annual report later this year.<sup>1</sup> We will also aim to increase our contribution in ways that may not lead immediately to a financial impact but are nevertheless crucial in helping the government to improve. This includes, for example, where our work leads to more effective decision-making and planning, better quality of information or more appropriate governance.

<sup>1</sup> While our financial contribution will vary year on year, the higher target indicates our clear commitment to maximising the benefit of our work.

## Making more use of our findings and recommendations

**2.4** Our reports provide assurance to Parliament, and our recommendations help to drive improvement in government. We want to improve how we identify the root causes of poor value for money and to be clearer about what needs to change. As part of this, we will review our previous reports to identify the key characteristics of recommendations that led to significant improvement in government operations and services. We will take the lessons from this exercise to strengthen further the quality of our future recommendations, in particular, their diagnosis of the problem and prescription of what should change.

**2.5** In 2025-26, we reviewed how we communicate with our different audiences and, in response, developed a comprehensive plan for more effective engagement to increase our impact. In 2026-27, we will use our findings to target groups, including senior civil servants at deputy director level, with whom we have engaged less in the past but who are important in delivering improvements in government processes and outcomes. We will ensure that our findings can be easily retrieved by artificial intelligence (AI) tools so that the insights from our evidence-based analysis and recommendations are readily accessible. We will also provide further guidance, tools and training for our teams so that they can become even more capable and influential communicators. We will continue to prioritise high-profile events to share our work, such as the Comptroller & Auditor General's (C&AG's) annual speech in Parliament, convening meetings of audit and risk assurance committee chairs, and engaging in events such as Civil Service Live and other professional forums.

## Getting more from our specialist Insights teams

**2.6** Our seven Insights teams combining specialist, financial audit and VFM knowledge and skills are a key component of our work to increase our impact. These teams were reviewed by our external auditors in 2025 who concluded that they provided good value for money and had enabled us to deepen our audit knowledge and increase our influence in areas thematically important for the government, such as digital and major project delivery. In 2026-27, our Insights teams will deliver a targeted programme of lessons learned and good practice guides, including on operational resilience, government workforce planning, and the governance and oversight of major infrastructure projects, to help senior civil servants, audit committees and heads of professions in government improve financial management and deliver more productive and resilient public services.

## Providing more support to Parliament

**2.7** Our objective is to use the independent, impartial and expert audit and analysis from all that we do to provide consistently excellent support to Parliament in its work to hold the government to account. We share and summarise our reports for Parliamentarians and give advice and briefings in one-to-one meetings and support to select committees. Our principal relationship is with the Committee of Public Accounts (PAC) where we support twice-weekly evidence sessions when Parliament is sitting, but our role and wide remit also means that our work with other select committees, individual MPs and wider Parliament is also vital if we are to support Parliament effectively. As an officer of the House of Commons, the C&AG engages widely with Members of both Houses to maximise the value from our insights.

**2.8** In 2026-27, we will increase our offer to Members and their staff to meet our aim of being a go-to source of information when preparing for their Parliamentary work. For select committees, we will continue to produce a series of annual overviews to support their scrutiny of government. These overviews will focus on our strategy ambitions and will be informed by our recent audit and analysis of government departments. We will also provide 10 secondees to assist select committees and other teams in Parliament in their scrutiny work. In addition, we will target and refine our parliamentary communications and offer bespoke briefings on our work to Members, Members' staff, peers and staff of both Houses. We will again conduct a survey of MPs to obtain feedback on our progress in supporting Parliament.

## **Helping to improve financial management and reporting in government and contributing to more productive and resilient public services**

**2.9** Our unique role spanning financial audit and VFM analysis across government means that we have a critical part to play in challenging and supporting the government to improve. Our strategy makes clear that we will innovate in our ambition to increase our impact, drawing on all our findings in ways that we have not done previously.

## Generating added value from our financial audit work

**2.10** We certify more than 400 accounts every year, including the accounts of all central government departments and entities, as well as certain government-owned companies, and organisations such as the BBC. We conduct our financial audit in accordance with international auditing standards, providing assurance through the C&AG's opinion to Parliament and other stakeholders that financial statements are true and fair. For most of our audits, the C&AG also certifies that income and expenditure are in accordance with Parliament's intentions, known as the regularity opinion.

**2.11** We want all of the public bodies that we audit to see our work as more than a compliance hurdle to be overcome. Our financial audit provides the foundation for many insights on financial management and reporting, and public service delivery. We will do more to share the value that comes from this work, engaging with Parliament and the government. In January 2026, for example, and for the first time, we published insights from our annual cycle of financial audit to help us work with Parliament and the government to promote lasting improvements in financial management and reporting. We are also working with the government and others to support a more proportionate audit approach for smaller public bodies to reduce the regulatory burden and cost for these organisations.

### **New audit developments**

**2.12** We expect the number of accounts that we audit to increase in 2026-27 as we take on more train operating companies (TOCs), Great British Energy, Great British Energy – Nuclear, the new National Housing Bank and several other entities. These developments follow on from the significant changes we saw for the 2025-26 cycle, including our appointment as auditor of DfT Operator Limited and seven TOCs. The new work will be partly offset by a reduction in audit in other areas as the government moves the functions of a small number of arm's-length entities back into parent departments from April 2026.

**2.13 Figure 3** on pages 14 and 15 summarises the main developments for our financial audit work in 2026-27 based on our understanding of the government's plans as of January 2026. Much of the new audit work will be funded by charging a fee direct to the audited body, but we seek additional one-off funding from Parliament where we incur significant up-front, non-recurring costs in preparing for these audits (see paragraph 3.24). We will offset some of the additional costs to Parliament from new audit responsibilities by delivering cashable efficiencies elsewhere in our audit work and business operations (see paragraph 2.30 and Figure 4). Our 2026-27 costs will also be reduced slightly as some Parliament-funded audits will no longer be needed following the government's decision to move the functions of a few arm's-length bodies back into their parent departments.

### **Timeliness**

**2.14** Being able to publish timely and accurate annual reports and accounts is a core indicator of sound financial management and essential for effective transparency and accountability for public money. In 2025, 64% of the bodies we audit published their NAO-certified accounts before the summer Parliamentary recess, an improvement on the 55% achieved in 2024. Our target for 2026-27 is for 70% of audited accounts to be certified before the summer 2026 recess. Achieving this target partly depends on our audited bodies preparing their accounts to an earlier timeline. We will continue to support them to do so, working with HM Treasury (HMT) and the Government Finance Function, monitoring progress carefully and escalating emerging audit issues promptly, including through audit and risk assurance committees.

**Figure 3**

## Changes to audit responsibilities affecting the National Audit Office's work in 2026-27

**We are planning for a significant number of new or changed audits**

Public body	Function	Audit size (fee-paying or directly Parliament-funded)
<b>Accepted new audits</b>		
Seven train operating companies (TOCs)	Train companies	Each is medium or large (fee paying)
DFT Operator Limited	Government's public sector rail owning group	Medium (fee-paying)
Great British Energy	Energy company	Medium (fee-paying)
Global Combat Air Programme (GCAP)	Multinational initiative to develop a new fighter jet	Medium (fee-paying)
Great British Energy – Nuclear	Support to UK's nuclear industry	Small (fee-paying)
<b>Existing audits with significant scope changes</b>		
Sizewell C funding component of National Wealth Fund	Nuclear power station construction	Large (fee-paying)
Skills England (evolved out of Education and Skills Funding Agency and Institute for Apprenticeships and Technical Education, and transferring from the Department for Education to the Department for Work & Pensions)	Analysis of skills needs and training requirements	Small (Parliament-funded)
<b>Likely new audits</b>		
Further TOCs for 2026-27 audit cycle	Train companies	Each is medium or large (fee paying)
Student loans assurance-related work on behalf of the three devolved audit offices	Student loans	Each is large (fee-paying)
National Housing Bank	Public financial institution	Medium (fee-paying)
Independent Appeals Body	New body for asylum appeals	Medium (fee-paying)
Independent Football Regulator	Regulator of football	Small (fee-paying)
Fair Work Agency (expected to replace the Gangmasters and Labour Abuse Authority)	Regulator of employment practices	Small (fee-paying)
<b>Possible new audits</b>		
Great British Railways (expected to replace Network Rail)	Responsible for passenger services and infrastructure	Large (fee-paying)
Warm Homes Agency	Energy efficiency in domestic housing	Small (Parliament-funded)
Passenger Standards Authority	Passenger watchdog	Small (fee-paying)

**Figure 3** *continued*

Changes to audit responsibilities affecting the National Audit Office's work in 2026-27

Public body	Function	Audit size (fee-paying or directly Parliament-funded)
<b>Audits transferring into core department for 2026-27 audit cycle</b>		
Valuation Office Agency (moving into HM Revenue & Customs)	Valuations and property advice	Medium (Parliament-funded)
Child Maintenance Group (consolidated into Department for Work & Pensions)	Support with child maintenance for separated parents	Medium (Parliament-funded)
Social Fund (consolidated into Department for Work & Pensions)	Assistance for people facing financial difficulties	Medium (Parliament-funded)
UK Space Agency (moving into Department for Science, Innovation & Technology)	Delivering the National Space Strategy	Small (Parliament-funded)
Building Digital UK (moved into the Department for Science, Innovation & Technology on 1 November 2025)	Responsible for Project Gigabit and Shared Rural Network	Small (Parliament-funded)
LocatED (moving into Department for Education)	Property company supporting schools and colleges	Small (previously fee-paying, moving into Parliament funded audit)

**Notes**

- 1 Audit cycles typically span two financial years. For example, the 2025-26 audit cycle usually covers the second half of financial year 2025-26 (planning and interim audit) and the first half of financial year 2026-27 (final audit).
- 2 Audits are classified as either large, medium or small based on their estimated cost. The threshold for a large audit is greater than £400,000; medium is £100,000 to £399,999; small is less than £100,000.
- 3 We are funded principally by Parliament, and this funding pays for the cost of audits of government departments. However, we also charge fees for the cost of audits for certain other bodies such as trading funds, non-departmental public bodies and government-owned companies where the body is operating in a commercial environment or at arm's-length from the government.
- 4 In March 2025, the government said that it would transfer the functions of **NHS England**, a fee-paying audit, over two years into the Department of Health & Social Care. Our assumption is that we will not audit NHS England as a separate body from the 2027-28 audit cycle. In relation to the planned abolition of **Owat** and the creation of a new regulator, our assumption is that this will not lead to a material change in the audit requirement and cost.
- 5 Based on information available at the time of writing, focusing on the most significant developments. The precise timing, scale and nature of future audits, and how they are funded, will be confirmed in liaison with the HM Treasury Officer of Accounts and others in the government and are subject to engagement acceptance. We anticipate further changes to our audit portfolio as the government's plans continue to develop.

Source: National Audit Office based on information available to January 2026

## **Quality**

**2.15** Achieving positive impact with the bodies we audit depends on the quality of our work. We are committed to meeting international auditing standards in our financial audit and are pleased that investment in our approach and digital platform is reflected in scores from the latest completed audit quality reviews conducted by the Financial Reporting Council (FRC). In 2025, all reviews by the FRC of our 2023-24 audits met our target quality level, a significant improvement on the year before.<sup>2</sup> Our focus for 2026-27 is now on maintaining these improvements.

**2.16** Our Quality First Plan underpins the continuous improvement steps that we are taking. It uses a 'whole system' approach to identify all the factors influencing audit quality. To that end, we are also working with audited bodies, HMT, the Government Finance Function, and professional bodies to improve government financial data systems so that we can use more efficient controls-based and digitally enabled audit approaches in future. We are also working with government to promote more streamlined reporting and auditing requirements for smaller government bodies, and we plan further steps to make better use of our financial audit recommendations.

## Using our value-for-money (VFM) work

### **VFM work programme**

**2.17** We will deliver a comprehensive and relevant programme of VFM audits to support Parliament's scrutiny role. We will publish at least 60 reports that meet our quality standards and cover all the main spending departments, draw on international comparisons, assess cross-government working, and lead to recommendations that can deliver long-term financial management and public service productivity and resilience improvements.

**2.18** Our 2026-27 VFM programme will evaluate the government's management of its financial investments through the Financial Transaction Control Framework, HMT's management of public sector pensions, the impact of devolution in England and how devolved funding is changing public service delivery, the government's oversight of energy levies and the impact on energy prices, and the Home Office's plan to recover more of the proceeds of crime. We will also re-examine significant change programmes, looking again at the BBC's progress in implementing its savings and reform programme, HM Revenue & Customs' progress in reducing the tax debt balance, and the management of the Ministry of Defence's (MoD's) service family accommodation contracts.

<sup>2</sup> See NAO Transparency Report 2024-25, available at: <https://www.nao.org.uk/corporate-information/nao-transparency-report-2024-25/> (accessed 21 January 2026).

**2.19** Our 2026-27 programme will prioritise productivity-related themes, reporting on progress with digital transformation plans in the NHS and the Ministry of Justice (MoJ), examining the Government Finance Function's role in supporting productivity improvements across government, and assessing the Department for Work & Pensions' (DWP's) Workplace Transformation Programme to re-configure its estate and deliver services in new ways to support claimants more effectively.

**2.20** We will continue to assess how resilient the government is to critical risks on the National Risk Register, examining its preparations for another pandemic and the lessons learned from COVID-19, the resilience of the UK's food supply chain to disruptions, the Department for Science, Innovation & Technology's progress in modernising the UK's telecommunications network, NHS England's plans to improve accident and emergency performance, and the MoJ's management of its electronic monitoring service. We will also continue to review and report on the MoD's long-term investment plans as it seeks to further develop the UK's defence capabilities.

**2.21** As set out in our five-year strategy, we want public audit to support well-managed innovation in government to achieve better value for money. In 2026-27, we will consider how the government is pursuing these opportunities as part of our work programme and will highlight examples of well-managed innovation through our reporting. For example, we will review DWP's approach to innovation in service delivery, assess whether the government is learning the lessons from previous programmes in developing its Digital ID scheme, evaluate the Department for Education's 'Best start in life' plans for children aged 0-5 years, and assess the Department for Transport's management of its research and innovation investment programmes.

### **Implementing a VFM change programme**

**2.22** We are proud of our VFM reports, which receive very positive feedback, but we want to maximise their value and effectiveness. We will implement a significant change programme in 2026-27 for our VFM audit work, intended to increase our focus on our strategic ambitions and strengthen how we influence developments in government. This programme will consider, among other things, what we can do to improve the impact of our recommendations and make better use of international comparisons, and how we can implement a more modern approach to the creation and publication of our work.

## **Further increasing our own productivity, efficiency and resilience**

### Progress to date

**2.23** Our focus on improving productivity and resilience is delivering results.

- Our new audit methodology and software platform, Apex, and investment in digital tools such as 'DataSnipper' enables much more automation and standardisation. This helps us to speed up routine audit tasks and meant that we were able to reduce our trainee intake by five people in 2025-26, compared with our original plans. These investments also mean that we can spend more time on difficult audit judgements leading to more robust conclusions and stronger insights.
- We are building our in-house capability through our Financial Audit Centres of Expertise and Insights teams where it makes sense to do so, reducing the amount of advice that we would otherwise need to buy in. We are contracting out fewer of our more straightforward audits to take advantage of the difference in relative costs between firms conducting this work on our behalf and us doing it in-house (see paragraph 3.12).
- In 2025-26, we launched a new 'people deal', to further build capability through a programme of structured learning and development, and resilience through a new wellbeing strategy. These changes are making a difference, with sickness absence in the 12 months to December 2025 down by around a third from levels in December 2023.
- We have continued to invest in critical business support functions such as digital, technology, and information security, recognising that high-quality and productive corporate support teams and resilient business operations enable our front-line teams to focus on audit.
- We are reducing our cost to Parliament by renting out our surplus office space in London and had seven floor areas let from early in 2025-26. We allocate our resources productively so that at least 80% of our budget is spent on frontline audit, and 85% to 95% of the working day for senior auditor practitioners is on chargeable work, keeping time allocated to administrative tasks to the minimum necessary.

## Our plans for 2026-27

### **Exploiting digital technologies, data and AI**

**2.24** Our recent investment in transforming our financial audit approach, in our new audit platform, and in other digital innovations has enabled us to deliver like-for-like audit work to the required standards with greater efficiency. In 2026-27, this means that we plan to recruit 55 accountancy trainees, around 10 fewer than in 2025-26, for our financial audit work. Our approach to workforce planning ensures that we balance the skills and supply of people we need to deliver our current and future audit work efficiently, maintaining a steady pipeline of trainees who can progress to become qualified professionals.

**2.25** We will continue to invest in digital technologies, data analytics tools, and managed deployment of AI to support further improvements in our productivity, resilience, quality and impact. Specific measures include work to:

- increase our use of data acquisition software, make more use of data analytics tools and develop a new data analytics platform, as well as a secure AI platform to test new ways of processing and analysing large volumes of information;
- modernise our VFM reporting to strengthen its impact;
- expand our use of Microsoft 365 Copilot, an AI support tool, in areas where our pilot work to-date suggests it has potential, like basic analysis of financial data, reviewing, synthesising and summarising large volumes of information, assisting with audit documentation, and helping with early drafting, subject to continued careful review of the business benefits;
- continue developing 'digital and data plans' for major audit bodies, including the larger government departments and the BBC, enabling more structured use of digital approaches and data in our audits;
- maintain and regularly update the Apex platform to ensure that it continues to provide the foundation for high-quality and more efficient audit; and
- further invest in our information security in the face of rising threats, and making sure that our oversight and governance relating to the use of data, and of digital and AI technologies is appropriate.

**2.26** Achieving our aim to make greater use of data and digital techniques in our audit work depends on close collaboration with audited bodies over a sustained period, and may require improvements to government financial management, controls and data quality. We will continue to work with the Government Finance Function and with government shared services to facilitate more efficient and cross-government approaches and will prioritise work with larger and complex audited bodies who are keen for us to make use of digital methods.

### **Getting the best from our people and culture**

**2.27** We will embed our 'People Deal' to further build our capability and resilience. We will support colleagues' growth through clearer expectations for our leaders, develop a stronger feedback ethos and quality culture, target wellbeing, and emphasise inclusion and collaboration to make us more efficient and effective. Our learning and development programme will focus on enabling high-performing teams, increasing technical, digital and data analytics capabilities, and strengthening our influencing skills.

### **Future-proofing our estate**

**2.28** Our main assets are our London office, held on a very long peppercorn lease until 2111, and our Newcastle office, held on a 10-year lease from 2023. Our Newcastle office is recently constructed, and provides excellent environmental standards, low-carbon energy, and modern building and waste management. Our London building, occupied since 1986, is owned by Network Rail. In recent years, we have sub-let part of this building to maximise value for money from our asset and reduce the amount of funding that we need to request from Parliament. In 2024, we began a two year refurbishment of the floors that we use. This work, on track to complete by March 2026, will increase the number of workstations and 'hybrid' meeting rooms, and improve internal acoustics and IT equipment; it also means that we can let out more of our London office space (see paragraph 2.31).

**2.29** In keeping with government targets to significantly reduce direct emissions from public sector buildings, and to make sure that our London office is as climate-resilient and efficient as it can be, we are conducting a project to explore options to reduce our longer-term heating and cooling costs as our current gas boilers approach the end of their economic life. We expect to have a clearer view of the options available to us by summer 2026. We will brief the Public Accounts Commission on the most cost-effective options in due course. We are also taking the opportunity of this project to inform our audit work with public bodies on achieving value for money in the energy transition.

### **Our efficiency plans**

**2.30** Our proposals are underpinned by a commitment to deliver cashable efficiencies over the next three years of £5.5 million, equivalent to 5% of our net resource baseline budget in 2025-26. This will result in a reduced funding request to Parliament and lower audit fees than would have been the case without these efficiencies. For 2026-27 specifically, our Estimate assumes that we will achieve cashable efficiencies of £1.6 million (**Figure 4**). We will monitor our progress in delivering these efficiencies over time.

**Figure 4**

## National Audit Office efficiency plan, 2026-27 to 2028-29

We will achieve **£1.6 million in cashable efficiencies in 2026-27, the first of a three-year plan**

Efficiency category	2026-27	2027-28	2028-29
Estates	1.0	1.3	1.4
Commercial	0.1	1.2	1.4
Digital and workforce	0.5	1.0	2.7
<b>Total cashable efficiencies (£mn)</b>	<b>1.6</b>	<b>3.5</b>	<b>5.5</b>
<b>Total cashable efficiencies (%)</b>	<b>1.5</b>	<b>3.2</b>	<b>5.0</b>

**Notes**

- 1 The table shows the cumulative value of efficiencies achieved, compared with a 2025-26 baseline, such that by year 3 (2028-29) we expect to have delivered £5.5 million in cash-releasing efficiencies, equivalent to 5.0%. Figures may not sum due to rounding.
- 2 Our 2025-26 baseline for this calculation is £109.5 million which is our net resource budget for 2025-26 (including our Supplementary Estimate) excluding one-off, non-recurring budget amounts relating to new audit work.

Source: National Audit Office

**2.31** We will achieve cashable efficiencies by consolidating our use of space and renting out more surplus areas in our London office, sharing the cost of common areas, and receiving additional income from tenant use of meeting spaces, including the auditorium. We aim to let out three further floors by 1 April 2026 and one further, final, floor by 1 April 2027.

**2.32** We will target efficiencies from our engagement with commercial suppliers as contracts reach their end dates. We will review the services that we use and aim to negotiate better terms. We are in the final stages of a significant re-procurement of our audit contracts and, following work to build our in-house capacity over the last two years, are now well placed to take a more selective approach to our use of private firms. We expect to contract out fewer whole audits compared to the recent past, and costs saved from reduced time needed for contractor oversight and quality review mean that we anticipate significant efficiencies compared with our previous outsourcing model (see paragraph 3.12). These efficiencies are expected to materialise from 2027-28, once new contracts are properly embedded.

**2.33** Our continued investment in digital ways of working will reduce the time that our auditors spend on routine audit tasks, through our audit software, Apex, and through implementation of further digital tools and AI. This will deliver cash-releasing efficiencies as the number of colleagues, including temporary agency auditors, required to produce the same volume of work is reduced. We expect that these efficiencies will be realised across the three-year period as new digital tools are scaled up and workforce plans are refined. Our work with the government and others to develop a more proportionate audit regime for smaller public bodies is intended to reduce the demands on our teams as well as on the audited bodies themselves.

## Wider support

### Supporting the government in implementing its local audit reforms

**2.34** The C&AG currently has statutory responsibility for setting the Code of Audit Practice (the Code), which governs the work of local auditors, external audit firms, who are responsible for reporting their opinion on whether local public bodies' financial statements give a true and fair view, and for concluding on whether these bodies have made proper arrangements for securing value for money.

**2.35** The local audit system has been in crisis for several years and the government has introduced draft legislation to Parliament to establish a new single specialist body to lead this system in England, with responsibilities for the Code transferring as part of this. We are supporting the government and others in their reforms and have worked with it to establish statutory deadlines for publishing local bodies' audited accounts. We will continue to maintain the Code and, where necessary, will develop fresh statutory guidance to support the reset and recovery of the local audit system, prior to the implementation of more substantial reforms and transfer of the Code function to the new body, the Local Audit Office.

### Contributing to international audit forums

**2.36** To strengthen our core work, and to support the government's overseas programmes, we also work with other national audit bodies known as Supreme Audit Institutions (SAIs) and their related organisations. While modest in expenditure terms, this work improves our offer to Parliament by bringing global perspectives, gives us access to comparative data, good practice on implementation of auditing standards, data analytics and AI, and helps to strengthen accountability and transparency in international institutions and countries receiving UK taxpayer funding. There are three aspects to our international engagement.

- **International relations:** This includes our participation in international forums such as the Governing Board of the European Organisation of Supreme Audit Institutions (EUROSAI).
- **International audit:** We are currently the external auditor of the International Telecommunications Union, giving us membership of the United Nations Panel of External Auditors.
- **Technical cooperation:** We participate in funded projects to help national audit offices in countries receiving UK aid to improve their professional public audit service, and to support the UK's Overseas Territories, working with the Commonwealth Parliamentary Association and the Government Internal Audit Agency.

**2.37** Beyond 2026-27, we are considering whether to seek a nomination to be appointed to the United Nations Board of Auditors (UNBOA) and are engaging on this with the Foreign, Commonwealth & Development Office. UNBOA was established in 1946 to provide external audit to the United Nations, its funds and programmes, and comprises three SAIs elected for six-year non-renewable terms. The current members are Brazil, France and China. France's term ends in 2028, which will open a position for the *Western European and Others Group*. We held this position previously between 2010 and 2016 and played a key role during that period in overseeing the introduction of modern accounting standards and annual financial reporting.

## Part Three

### Our estimate for 2026-27

#### Introduction

**3.1** This section details the budgets that we are requesting for the next financial year (the Estimate). Each year, Parliament is asked to approve a resource budget that covers the annual running costs of the National Audit Office (NAO), a capital budget which permits the NAO to buy assets used for more than one year, and a cash requirement, which covers resource and capital cash spending in-year. These budgets are summarised in Figure 1 (page 6) and are referred to in more detail below. They are also set out in a format requested by HM Treasury in the accompanying NAO Main Supply Estimate 2026-27, to be laid in Parliament. Subject to the Public Accounts Commission's (TPAC's) approval, the Estimate will be presented to Parliament for consideration and will be voted on as part of the Supply and Appropriation (Main Estimates) Bill.

#### Uncertainty

**3.2** Our Estimate is based on our latest understanding of our 2026-27 audit programme. As agreed previously with TPAC, our Estimate does not include any contingency. Consequently, and should we be asked to take on more work, we may need to return to TPAC during 2026-27 to request an in-year adjustment to our budget using the Supplementary Estimate process to ensure that we have the appropriate resources to deliver our work on behalf of the Comptroller and Auditor General (C&AG). We are not aware of any such requests at the time of writing.

#### Resource budget

**3.3** Our Estimate includes a net resource requirement for 2026-27 of £112.9 million, after allowing for £40.3 million of income, an overall increase in net resources of 0.6% on 2025-26 (**Figure 5**). This is a 1.5% decrease in real terms (adjusting for the effect of inflation). We have also set out our preliminary budgetary expectations for the period until 31 March 2029.

**Figure 5**  
National Audit Office resource spending plans, 2025-26 to 2028-29

	2025-26	2026-27	2027-28	2028-29
	Estimate		Plan	
<b>Total expenditure (£mn)</b>	<b>148.0</b>	<b>153.2</b>	<b>154.2</b>	<b>155.0</b>
Income (£mn)	35.8	40.3	41.6	42.6
<b>Net expenditure (£mn)</b>	<b>112.2</b>	<b>112.9</b>	<b>112.6</b>	<b>112.4</b>
Percentage change year on year		0.6%	-0.3%	-0.2%
Percentage change over period				0.2%
Annual real growth rate in GDP <sup>1</sup>		2.2%	2.0%	1.9%
<b>Net expenditure (GDP-adjusted) (£mn)</b>		<b>110.5</b>	<b>108.0</b>	<b>105.8</b>
Percentage change year on year		-1.5%	-2.3%	-2.0%
Percentage change over period				-5.7%
<b>Staff numbers</b>	<b>1,088</b>	<b>1,122</b>	<b>1,115</b>	<b>1,098</b>

**Notes**

- 1 Gross Domestic Product (GDP) deflators reflect the prices of all domestically produced goods and services in the economy. HM Treasury considers that the wider coverage of the GDP deflator makes it appropriate for deflating public expenditure series.
- 2 Figures may not sum due to rounding.
- 3 Estimate for 2025-26 includes the Supplementary Estimate approved by the Public Accounts Commission.

Source: National Audit Office, with reference to the Office for Budget Responsibility's Economic and fiscal outlook November 2025

## Main components of resource budget

**3.4** **Figure 6** overleaf shows the change in resource budget between 2025-26 and 2026-27 in more detail. **Figure 7** overleaf summarises the components that are driving the change.

### Staff costs

**3.5** Staff costs comprise around 72% of total budgeted expenditure. **Figure 8** on page 27 provides a breakdown of staff costs and changes between 2025-26 and 2026-27. Staff costs depend on staff numbers and our pay approach. Budgeted staff costs include additional targeted funding for our Insights teams to support their influencing work.

**Figure 6**

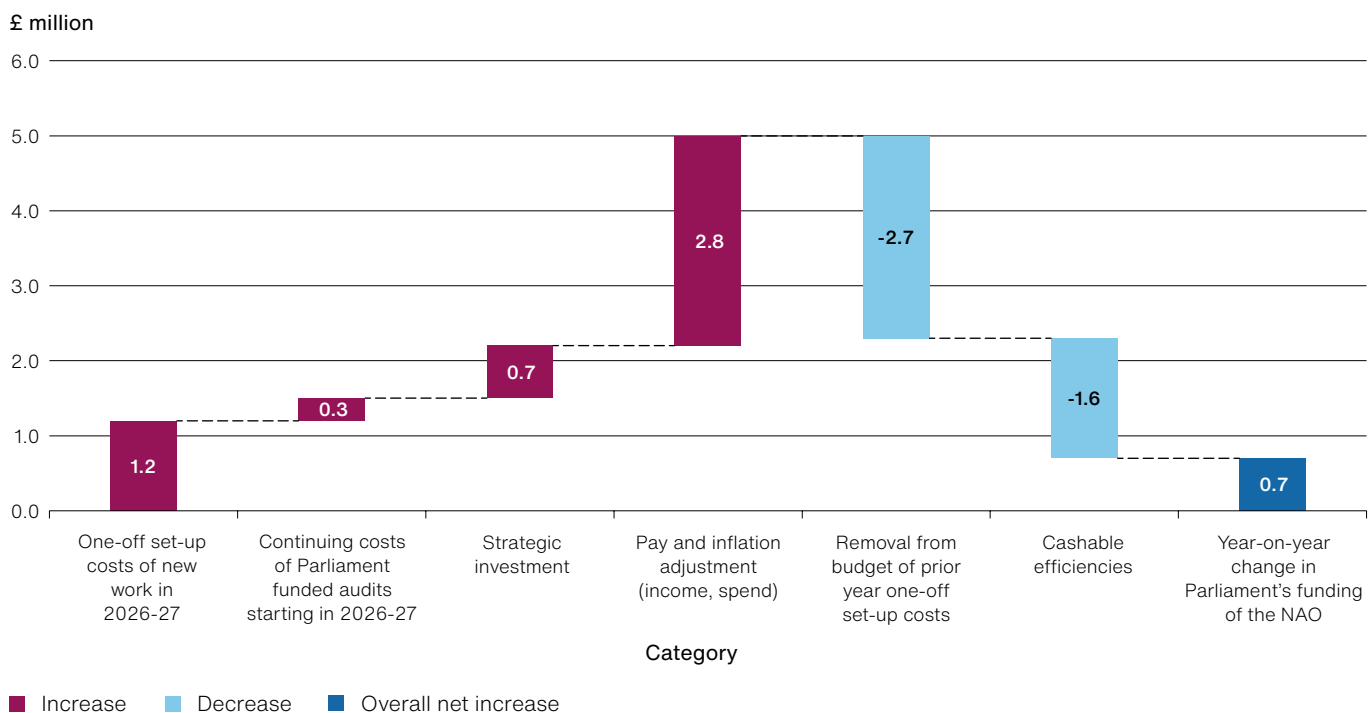
National Audit Office resource budget by type of expenditure, 2025-26 to 2026-27

	2025-26		2026-27		Variance	
	Estimate		Estimate		£mn	
	£mn	%	£mn	%	£mn	%
Staff costs	104.3	70.5	109.8	71.7	5.5	5.3
Non-staff costs	39.2	26.5	38.6	25.2	-0.6	-1.5
Depreciation	4.5	3.0	4.8	3.1	0.3	6.7
<b>Total expenditure</b>	<b>148.0</b>	<b>100.0</b>	<b>153.2</b>	<b>100.0</b>	<b>5.2</b>	<b>3.5</b>
Income	35.8		40.3		4.5	12.6
<b>Net expenditure</b>	<b>112.2</b>		<b>112.9</b>		<b>0.7</b>	<b>0.6</b>

Source: National Audit Office

**Figure 7**

Main components of the £0.7 million increase in National Audit Office (NAO) net resource expenditure funded by Parliament, 2025-26 to 2026-27

**Note**

1 The strategic investment bar covers new investments relating to our Insights teams under the staff costs budget heading above, strategic investments under our audit technology budget heading below, and strategic investments under the business support budget heading below, including the wider roll out of Microsoft 365 Copilot.

Source: National Audit Office

**Figure 8**

National Audit Office staff costs, 2025-26 to 2026-27

	2025-26		2026-27		Variance	
	Estimate		Estimate		Variance	
	£mn	%	£mn	%	£mn	%
Wages and salaries	70.3	67.4	73.9	67.3	3.6	5.1
Social security costs	9.6	9.2	10.1	9.2	0.5	5.2
Pension costs	20.1	19.3	21.2	19.3	1.1	5.5
<b>Direct staff costs</b>	<b>100.0</b>	<b>95.9</b>	<b>105.2</b>	<b>95.8</b>	<b>5.2</b>	<b>5.2</b>
Staff-related costs	3.5	3.4	3.4	3.1	-0.1	-2.9
Staff benefits	0.5	0.5	0.8	0.7	0.3	60.0
Apprenticeship Levy	0.3	0.3	0.4	0.4	0.1	33.3
<b>Total staff costs</b>	<b>104.3</b>	<b>100.0</b>	<b>109.8</b>	<b>100.0</b>	<b>5.5</b>	<b>5.3</b>
<b>Staff numbers</b>	<b>1,088</b>		<b>1,122</b>		<b>34</b>	<b>3.1</b>

**Notes**

- 1 Figures may not sum due to rounding.
- 2 Staff numbers are full-time equivalent.
- 3 Estimate figures for 2025-26 include the Supplementary Estimate approved by the Public Accounts Commission.

Source: National Audit Office

**Staff numbers in 2026-27**

**3.6** In Part Two we outlined the significant additions to our audit responsibilities in 2026-27. Extra staff are needed to complete work on these new audits, including to cover one-off set-up and transitional costs for entities that we will audit for the first time from the 2026-27 audit cycle (see paragraph 3.24).<sup>3</sup> The increase in staff numbers also reflects our continuing work to bring more of our audits in-house ahead of new contracts with private firms from the 2026-27 audit cycle (see paragraph 3.12). The growth in audit staff will also lead to a small increase in demand for business support functions in areas such as training, digital and information security. We will keep our core efficiency principle that at least 80% of our spending is on front-line audit.

**3.7** Additional staffing requirements will be partly offset by the expected closure of a small number of audits as their functions are transferred to parent departments as part of the government's review of arm's-length bodies (see Figure 3, pages 14 and 15). The increase in staffing will also be lower than would otherwise have been the case because of cashable efficiencies from our digital investments in 2026-27 (see Figure 4, page 21).

<sup>3</sup> For the eight train operating company entities that were new for the 2025-26 audit cycle, our staffing costs will be recovered through fees charged direct to the body as part of the recurring costs of audit in 2026-27.

**3.8** We will continue to build our pipeline of qualified accountants by recruiting a mix of university graduates, school leavers and apprentices, and supporting them in their professional development and accountancy training. We supplement trainee recruitment with direct recruitment of skilled individuals where we identify an opportunity to bring in specialist knowledge and particular experience.

### Pay approach

**3.9** We aim to retain our competitiveness as an employer, and to that end we monitor our recruitment and retention rates, and consider wider conditions in the labour market including pay awards in the civil service and private sector, and the prospects for inflation. Taking these factors into account, we have assumed an annual pay award of 2.5% for all colleagues in 2026-27. An award of this level is balanced and realistic, and considers our responsibility to use public funds appropriately and our future staffing needs in a market where the people and specialist skills we are looking for remain in demand. Our pay award proposals are agreed by the NAO Board.

### Non-staff costs

**3.10** Non-staff costs comprise 25% of total expenditure. **Figure 9** shows changes in non-staff costs between 2025-26 and 2026-27.

## Figure 9

### National Audit Office non-staff costs, 2025-26 to 2026-27

Our biggest costs are for contracted-out audits and business support

	2025-26		2026-27		Variance	
	Estimate		Estimate		Variance	
	£mn	%	£mn	%	£mn	%
Contracted-out audits	11.3	28.8	10.4	26.9	-0.9	-8.0
Specialist expertise	6.3	16.1	5.8	15.0	-0.5	-7.9
Other audit support	1.3	3.3	1.3	3.4	0.0	0.0
<b>Professional services</b>	<b>18.9</b>	<b>48.2</b>	<b>17.5</b>	<b>45.3</b>	<b>-1.4</b>	<b>-7.4</b>
Travel	2.5	6.4	2.2	5.7	-0.3	-12.0
Audit technology	2.4	6.1	2.4	6.2	0.0	0.0
Business support	15.4	39.3	16.5	42.7	1.1	7.1
<b>Total non-staff costs</b>	<b>39.2</b>	<b>100.0</b>	<b>38.6</b>	<b>100.0</b>	<b>-0.6</b>	<b>-1.5</b>

#### Notes

- Figures may not sum due to rounding.
- Estimate figures for 2025-26 include the Supplementary Estimate approved by the Public Accounts Commission.

Source: National Audit Office

**Professional services – contracted-out audits**

**3.11** A large part of our spending on professional services is with audit firms. We use audit firms to provide specialist and sector expertise in areas such as pension schemes or charities. The firms also provide general resourcing support and deliver whole audits on our behalf at the most demanding points in our audit cycle. Using firms also means that we can benchmark our audit approach and costs.

**3.12** We have traditionally contracted out around 100 audits, which is around a quarter of our work by volume. In December 2023, and in response to the increasing cost of using private firms, the NAO Board endorsed a plan to build our in-house auditing capacity, largely by increasing the number of accountancy trainees recruited in 2024, ahead of new audit contracts from the 2026-27 audit cycle. We expect to contract out some 65 audits, around a sixth of our work by volume, once the new contracts are operational, tending instead to use the firms for more technical audits with significant and complex financial instruments where it is not cost-effective for the NAO to hold the required skills routinely. The change in outsourcing strategy will, over time, result in lower cost. This is because we can deliver our less complex audits in line with quality standards without the need for additional NAO management and quality review time that is required in contracted out work.

**Professional services – specialist expertise**

**3.13** As well as contracting out some whole audits, we commission audit firms to provide expert advice on specific technical matters to support key audit judgements. This is particularly relevant on matters such as the valuation of financial instruments, insurance contracts, commercial property management, deferred tax balances, and other sector-specific issues such as shipbuilding provisions and the future costs of decommissioning nuclear power stations. However, where we can build up our own internal expertise to carry out this work, we look to do so and expect to see reductions in expenditure on specialist support over time. Budgeted spending on specialist expertise in 2025-26 and 2026-27 is shown in Figure 9.

**Professional services – other audit support**

**3.14** We use this budget to pay for external technical input to our value-for-money assurance work and our Insights teams, as well as to pay the Financial Reporting Council to review a sample of our audit work for quality review purposes.

**Travel**

**3.15** Our travel budget covers hotel costs and travel and subsistence payments to colleagues who work away from the office, including to conduct visits to audited body locations. The amount requested each year is a factor of the volume and nature of the audit work we plan to carry out.

### **Audit technology**

**3.16** Our audit technology budget covers the cost of trialling new approaches as well as continuous investment in technologies to support our audit and assurance work, so that we can respond to the government's increasing use of IT and digital in its operations and service delivery. This budget covers:

- strategic investments in the development of new audit tools and techniques to acquire, process and analyse data for our work, drawing on and harnessing developments in data analysis and artificial intelligence (AI), and integrating with audited body systems;
- day-to-day running costs of our core data tools and our audit platform, Apex, so that we can transfer and store audited bodies' data safely and automate audit testing; and
- the buying in of technical expertise and provision of external training for our IT audit teams so that they can assess the audit risks of IT changes and adequately test systems in the bodies we audit; and enhanced end-to-end software to support more efficient report production and publication.

### **Business support**

**3.17** Our business support budget is used to pay for:

- suppliers who provide payroll, human resources and finance services;
- building maintenance costs (utilities, business rates, facilities management and physical security);
- professional accountancy training;
- IT equipment and IT support to audit teams;
- security arrangements for our IT systems, bearing in mind that we have extensive access to government data; and
- contracts for publication and presentation of our work.

**3.18** The increase in these costs reflects the growth in audit work and associated headcount, with the resulting purchase of licences and data storage, as well as our commitment to strengthen our learning and development offer for colleagues. We are also investing more to improve our resilience and capabilities in line with our strategy and in response to an increasing external threat environment – in particular, enhancing our information security and business continuity arrangements, and investing in the wider roll out of Microsoft's AI support tool, Copilot.

## Depreciation

**3.19** Depreciation is an accounting method used to allocate the cost of an asset over its useful life. It represents the reduction in the value of an asset over time due to wear and tear, obsolescence or other factors. The annual depreciation charge is a function of capital expenditure and the value of our properties.

## Income

**3.20** We earn income from some of our UK and international audit work, renting surplus office space, supporting overseas bodies, and seconding a small number of staff to other organisations (**Figure 10**).

### Audit fees

**3.21** We expect to audit over 400 accounts in 2026-27. Our audits are carried out either under statute (where it is a requirement of the legislation) or by agreement, which is at the discretion of the C&AG and with the NAO Board's approval.

**3.22** While funded principally by Parliament, statute permits the NAO to charge fees for certain audits in accordance with a Scheme of Fees (the Scheme) approved by TPAC. We charge a fee for bodies operating in a commercial environment or at arm's-length from government, for example, trading funds and non-departmental public bodies. We also charge fees in accordance with the terms of audits conducted by agreement, for example, the audit of international bodies.

## Figure 10

National Audit Office income, 2025-26 to 2026-27

**Our biggest sources of income are our audit fees and the rent from our London building**

	2025-26		2026-27		Variance	
	Estimate		Estimate			
	£mn	%	£mn	%	£mn	%
Audit fees	32.8	91.6	36.3	90.1	3.5	10.7
Rental of office space	2.3	6.4	3.3	8.2	1.0	43.5
Overseas work	0.5	1.4	0.5	1.2	0.0	0.0
Secondment income	0.2	0.6	0.2	0.5	0.0	0.0
<b>Total income</b>	<b>35.8</b>	<b>100.0</b>	<b>40.3</b>	<b>100.0</b>	<b>4.5</b>	<b>12.6</b>

### Notes

- Figures may not sum due to rounding.
- Estimate figures for 2025-26 include the Supplementary Estimate approved by the Public Accounts Commission.

Source: National Audit Office

**3.23** Where fees are charged, these are recognised as income and reduce the direct costs of the NAO to Parliament. The Scheme requires that fees be set with the aim of recovering the full cost of the audit and are calculated using standard hourly rates. New hourly rates are introduced each year in September in advance of the annual audit planning round and are adjusted to ensure that we continue to recover all costs, including overheads.

**3.24** However, our fees will not cover all the costs associated with new audit work. New audits require significant investment to understand the entity, perform a full risk assessment, and document controls and systems to inform our audit approach. Where we take on audit responsibilities for an existing body, we also need to complete handover procedures with the previous auditors. Where our audit portfolio expands into sectors which are relatively new for our teams, then we will need to invest further in building sector and industry-specific knowledge. Where necessary, and in line with the Scheme and previous practice, we seek funding directly from Parliament for these up-front, non-recurring transitional costs so that we can plan effectively and avoid a significant additional one-off fee to the audited body. Our Estimate includes £1.2 million for these non-recurring costs for new audits from the 2026-27 audit cycle (see Figure 3 on pages 14 and 15 and Figure 7 on page 26).

#### **Rental income**

**3.25** We will have 11 floor areas in our London office available for rent next year. This is equivalent to just over half (58%) the usable office space. Based on negotiations at the time of writing, we expect to be able to rent out 10 of the 11 floors during 2026-27. This will generate an additional £1 million of income next year, reducing the running cost of the NAO to Parliament.

#### **Other income**

**3.26** We carry out small international assignments to strengthen governance and accountability for UK taxpayers' money spent overseas. We charge fees to cover the costs of this work.

**3.27** Secondment income relates to the recovery of our costs where we place colleagues with external organisations temporarily, including with audit offices overseas, to develop their skills and experience. Note that we do not recover our costs where NAO colleagues are attached to Parliament's committees on a short-term basis.

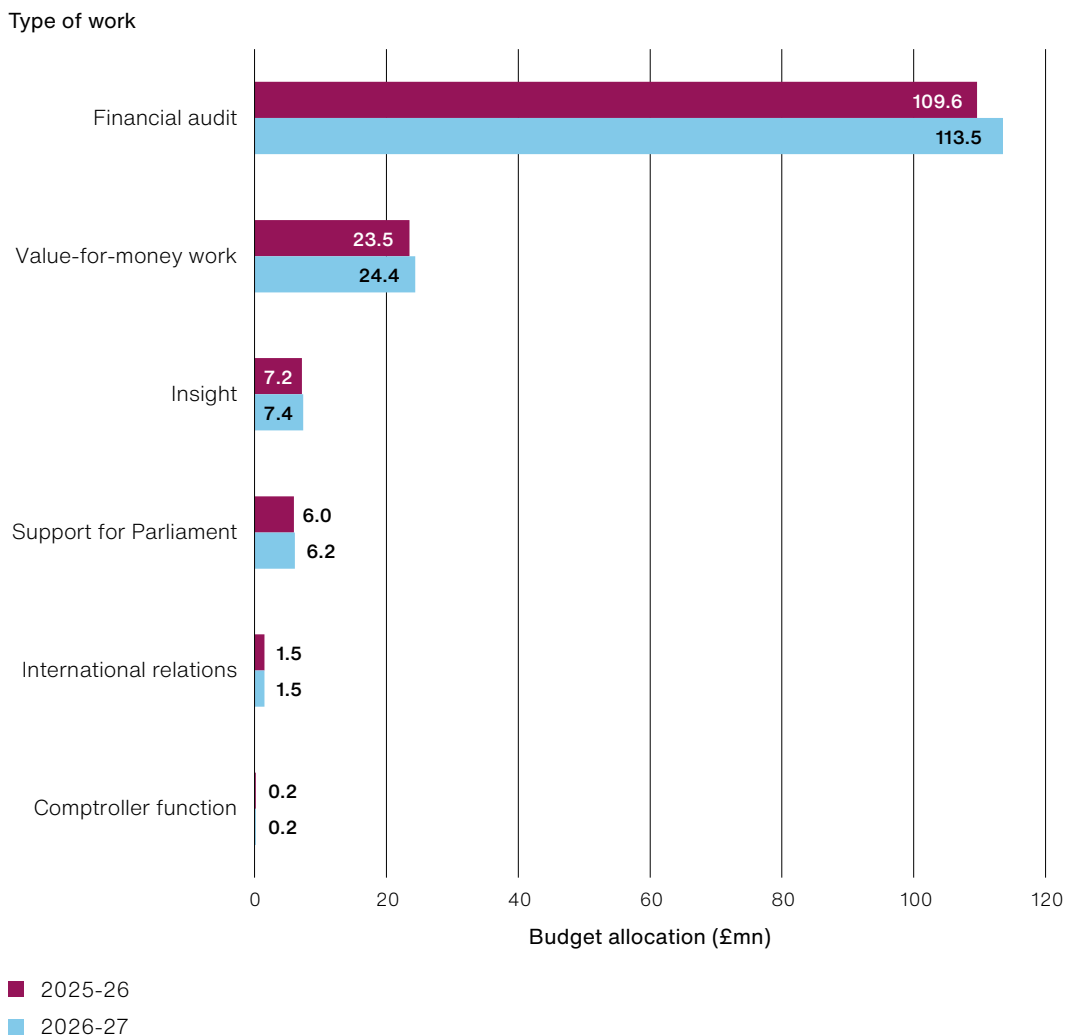
Budget allocation by type of work

**3.28** **Figure 11** shows how we intend to apportion our resources to our main workstreams in 2026-27. These are planning assumptions, and because our work responds, necessarily, to external events, final allocations may differ in any given year.

**Figure 11**

National Audit Office budget allocation by type of work, 2025-26 to 2026-27 (£ million)

**Most of our budget is spent on financial audit work**



Source: National Audit Office

**3.29** Nearly three-quarters of our resource budget is allocated to financial audit work. Nearly a quarter is for value-for-money and wider assurance, insight and other support for Parliament. The rest of our budget is for international relations work and the Comptroller function.

## Capital budget

**3.30** Capital expenditure is a much smaller component of our total expenditure and relates to IT and property assets. Our capital budgets are based on detailed asset plans and will vary year-on-year depending on when assets need replacing or if we need to make new investments. Our capital budget for 2026-27 is set out in **Figure 12**. Figure 12 also summarises our initial projections for capital spending to 2028-29.

### Figure 12

National Audit Office capital spending plans, 2025-26 to 2028-29

Our plans vary year on year depending on when assets require replacing or new investments are needed

	2025-26	2026-27	2027-28	2028-29
	Estimate	Estimate	Plan	Plan
<b>Total expenditure (£mn)</b>	<b>4.0</b>	<b>4.5</b>	<b>3.0</b>	<b>4.8</b>
Percentage change year on year		12.5%	-33.3%	60.0%
Percentage change over period				20.0%
Annual real growth rate in GDP <sup>1</sup>		2.2%	2.0%	1.9%
<b>Total expenditure (GDP-adjusted) (£mn)</b>		<b>4.4</b>	<b>2.9</b>	<b>4.5</b>
Percentage change year on year		10.0%	-34.1%	55.2%
Percentage change over period				12.5%

#### Notes

- 1 Gross Domestic Product (GDP) deflators reflect the prices of all domestically produced goods and services in the economy. HM Treasury considers that the wider coverage of the GDP deflator makes it appropriate for deflating public expenditure series.
- 2 Figures may not sum due to rounding.
- 3 We are conducting research currently to understand options for improving the efficiency and resilience of our London office in Buckingham Palace Road (see paragraph 2.29 above). The preferred option, once costed, is likely to involve a capital outlay which is not yet included in these data. We will brief the Public Accounts Commission separately on this project in due course.

Source: National Audit Office, with reference to the Office for Budget Responsibility's Economic and fiscal outlook, November 2025

## Main components of the capital budget

**3.31** **Figure 13** separates the capital budget into spending on IT assets and property assets, comparing 2025-26 with 2026-27.

### IT assets

**3.32** The IT assets budget covers the purchase of items such as laptops, monitors and video conferencing equipment, and the development of software. The main IT capital expenditure in 2026-27 will be for the part replacement of our laptop estate, as older models come up for renewal, a refresh of video conferencing equipment, which is coming to the end of its useful life, as well as provision for any enhancements to our audit platform that we have designed and built.

### Property assets

**3.33** Our largest physical asset with a current market value of around £87 million, is our Buckingham Palace Road property. Our main spending in 2026-27 will be to upgrade to a more energy-efficient lighting and control system throughout our London office and completing other necessary building works.

**3.34** We are conducting a project to explore options to reduce our longer-term heating and cooling costs in our London building. In keeping with government targets to significantly reduce direct emissions from public-sector buildings, and as our gas boilers reach the end of their useful life, we want to make sure that our London office is as climate-resilient and efficient as it can be. We are considering these issues carefully and have commissioned technical expertise to help us set out the options. Currently, our capital budgets do not make any allowance for this work.

## Figure 13

National Audit Office capital budget, 2025-26 to 2026-27

The increase in capital expenditure in 2026-27 relates to investment in IT assets

	2025-26		2026-27		Variance	
	Estimate		Estimate			
	£mn	%	£mn	%	£mn	%
IT assets	1.3	32.5	1.9	42.2	0.6	46.2
Property assets	2.7	67.5	2.6	57.8	-0.1	-3.7
<b>Total capital expenditure</b>	<b>4.0</b>	<b>100.0</b>	<b>4.5</b>	<b>100.0</b>	<b>0.5</b>	<b>12.5</b>

### Note

1 Figures may not sum due to rounding.

Source: National Audit Office

## Supplementary financial information

**3.35 Figure 14** shows our resource and capital budgets on a consistent basis over an extended period, in line with HM Treasury financial reporting guidance. Budgets are presented in nominal terms and in real terms.<sup>4</sup>

### Figure 14

National Audit office (NAO) budgets and actuals, 2020-21 to 2028-29

	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
<b>Resource (£mn)</b>									
Budget – nominal	75.9	80.2	83.9	94.8	101.9	112.2	112.9	112.6	112.4
Spend – nominal	73.9	78.2	83.0	92.4	100.2	–	–	–	–
Budget – real	75.9	80.0	78.2	83.9	87.0	93.1	91.6	89.5	87.7
Spend – real	73.9	78.0	77.4	81.8	85.5	–	–	–	–
<b>Capital (£mn)</b>									
Budget – nominal	1.5	2.3	8.6	3.2	4.3	4.0	4.5	3.0	4.8
Spend – nominal	1.1	1.9	8.4	3.0	4.2	–	–	–	–
Budget – real	1.5	2.3	8.0	2.8	3.7	3.3	3.7	2.4	3.7
Spend – real	1.1	1.9	7.8	2.7	3.6	–	–	–	–
<b>People numbers (permanent full-time equivalent)</b>									
Budget	852	940	940	958	1,010	1,088	1,122	1,115	1,098
Actual <sup>1</sup>	863	911	909	942	1,014	–	–	–	–

#### Notes

- 1 The National Audit Office uses temporary staff to help it to manage differences between numbers of budgeted and actual permanent full-time equivalent staff.
- 2 Real-terms budgets take account of Gross Domestic Product (GDP) since 2020-21. The GDP deflator reflects the rate of increase in prices of all domestically produced goods and services in the economy. HM Treasury considers that the wider coverage of the GDP deflator makes it appropriate for deflating public expenditure series.

Source: National Audit Office, also referring to the Office for Budget Responsibility's Economic and fiscal outlook, November 2025

<sup>4</sup> Real terms takes inflation into account over the period considered.

## Part Four

### Our performance framework

**4.1** We have developed a new performance framework to measure our success in delivering our 2025–2030 strategy, drawing on a range of methods to present a comprehensive account of our progress and the difference we make. We will set out our performance against this framework in our annual report.

**4.2** **Figure 15** on pages 38 to 40 shows the performance metrics and targets that we will use for 2026-27 as part of the new framework. These metrics will be supplemented by dedicated reporting which assesses the government’s progress towards better financial management and more productive and resilient public services, and describes the ways in which our work is making a difference to these outcomes.

**4.3** We will consider whether further improvements to our performance framework are possible midway through the current strategy period.

**Figure 15**  
National Audit Office (NAO) performance metrics and targets, 2026-27

NAO strategy theme	What good looks like
Further improving our influence	<p>We plan our work and develop and communicate insights so that they have the best opportunity to achieve impact</p> <hr/> <p>We maintain excellent engagement with our stakeholders including those in Parliament, audited bodies, departmental audit committees and government functions</p> <hr/> <p>Parliament, government, think-tanks, academic institutions, sector representatives and international audit institutions draw on and amplify our work</p>
Further improving our quality	<p>Our stakeholders see the NAO as trusted and authoritative because they are confident in the high quality and value of our work</p> <hr/> <p>All of our financial audit and value-for-money work consistently meets external and internal quality standards</p>
Developing core capabilities: Our use of digital and data	<p>Our technology supports more efficient, high-quality financial audit and value-for-money work, and we routinely apply advanced IT audit, data analytical approaches and AI to increase our quality, productivity and influence</p> <hr/> <p>We nurture a culture whereby our people acquire the mindset, skills and expertise needed to interact with digital technology, so that they are up to date with evolving technological development and maximise opportunities as a result</p>
Developing core capabilities: Our people and culture	<p>Our people have high levels of engagement, and we experience low levels of sickness absence</p> <hr/> <p>Our people are supported to develop effectively at all stages of their careers</p> <hr/> <p>Our people are perceived externally as professional, insightful and a trusted independent voice, and are therefore well positioned to influence our stakeholders</p> <hr/> <p>We have diverse representation at all levels of the organisation, and everyone feels included and able to contribute their best work</p>

The measure we use	Targets 2026-27
Number of NAO mentions or appearances on national broadcast outlets, key regional media and podcasts	At least 8,000 mentions or appearances
Proportion of MPs who agree that the NAO engages effectively with them to influence beneficial change (annual survey)	At least 70%
Proportion of senior officials in the bodies we audit who agree that the NAO helps bring about beneficial change (annual survey)	At least 70%
Proportion of email subscribers who engage with our work (NAO subscribers who have opened an email from us within the last 30 days)	Increasing year-on-year (23% of email subscribers engaged with our work, at March 2025)
Proportion of senior officials in the bodies we audit who agree that the NAO's financial audit and value-for-money (VFM) work is of high quality (annual survey)	At least 80%
Proportion of MPs who agree that the NAO's financial audit and VFM work is of high quality (annual survey)	At least 80%
Proportion of financial audits that are certified before the summer Parliamentary recess	At least 70% (by summer 2026 recess)
Number of VFM reports published each year	At least 60 reports
Average score in NAO people survey for colleagues who agree that they are proud of the quality of our financial audit and VFM work	At least 7.0 (out of 10)
Proportion of financial audits and VFM reports meeting external inspection and review required standards	At least 70% (but with aspiration to achieve 100%)
Proportion of financial audits and VFM reports meeting internal review required standards	At least 70% (but with aspiration to achieve 100%)
Proportion of major audited bodies for whom the NAO has developed, and is applying, technology and data plans to support financial audits <sup>9</sup>	At least 75% of major bodies (by March 2027)
Proportion of VFM studies deploying advanced data analytical approaches	At least 25% of all VFM studies
Average score in NAO people survey for colleagues who agree that they are confident in using technology to apply digital approaches to their work	At least 7.5 (out of 10)
Average overall engagement score for colleagues completing NAO people survey	At least 7.5 (out of 10)
Average number of sickness absence days per NAO full-time equivalent colleague	Reducing year-on-year (7.0 working days lost to sickness per colleague in 2024-25)
Proportion of NAO colleagues completing the minimum quantity of Continuing Professional Development (40 hours per year)	At least 95%
Proportion of senior officials in the bodies we audit who agree that NAO colleagues demonstrate high standards of professionalism	At least 70%
Minimising pay gaps for gender, ethnicity, disability and people from lower socio-economic backgrounds	Eliminate pay gaps for gender by 2027, and disability and socio-economic background by 2030 (elimination is defined as within the range -2% to +2%); and reduce the ethnicity pay gap to no more than 7% by 2030

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**Figure 15** *continued*

National Audit Office (NAO) performance metrics and targets, 2026-27

**Notes**

- 1 As part of our performance framework, and in addition to the metrics above and in line with our 2025–2030 strategy, we will report on how we are contributing to more productive and resilient public services, and to better financial management and reporting in government, in our annual report and accounts.
- 2 We will review how the new framework is operating midway through the current strategy period to consider whether further improvements are warranted.
- 3 We identify 18 major audit bodies for the purposes of this measure, including 17 major government departments and the BBC.

Source: National Audit Office

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National Audit Office