National Audit Office

INSIGHT

Government's climate risk: insights from 2025-26 disclosures

Cross-government

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Executive summary

Climate change is already affecting the UK, with growing risks to public services, infrastructure and the economy. Significant investment will be required to reduce future damage and costs, as well as to adapt to a climate that has already changed. Parliament and senior decision-makers need clear information on the resilience of government services, infrastructure and finances to climate-related risks, and on how the government is managing those risks.

HM Treasury (HMT) has introduced climate-related financial disclosures for larger central government bodies' annual reports, and 2025-26 is the first year that these bodies must publish the impacts, timelines and costs of their significant climate-related risks. Separately, some public corporations and companies (hereafter, 'companies') have been required to produce climate-related financial disclosures since 2022. Both requirements are based on the Task Force on Climate-related Financial Disclosures (TCFD) framework, with some differences.

This year's new disclosures reveal a mixed picture of the government's resilience to climate change. Most central government bodies we reviewed are still at an early stage in understanding and reporting their most important climate risks. However, the best examples of the new disclosures provide concrete insight into the risks that bodies are facing and their potential implications. We expect this reporting to become more useful over time. Companies, who have been reporting for longer, are producing useful information about the resilience of public services to climate change.

As part of our financial audit work, we reviewed the quality of 2025-26 climate-related financial disclosures for 31 of our audited bodies, including 25 bodies reporting under HMT guidance, and six under Companies Act guidance. We assessed each body against the applicable framework. A full list and description of this review is at the end of this report. We chose these because we judged them most likely to be exposed to significant climate-related risk. Through this exercise, we gained insight into:

- the government's response to climate-related risks; and
- the maturity of sustainability reporting across central government.

This report is intended for:

Members of Parliament, who may use it to scrutinise how government bodies understand and manage climate-related risks, and what that means for public services, spending and long-term resilience;

senior government decision-makers, including board and audit committee members, who may use it to consider whether the information they receive is sufficient to support decisions about risk, resilience and resource allocation; and

preparers of climate-related disclosures, who may use it to identify common reporting challenges and areas where disclosure quality can improve.

Key takeaways



This report is structured around the four themes recommended by the Task Force on Climate-related Financial Disclosures. We also highlight how bodies assess the materiality of climate change and the implications for what they disclose.

Climate-related risk assessment

- Central government bodies took different approaches to assessing and reporting their climate-related risks. This resulted in varied conclusions as to how significant they considered climate change to be for their organisations. Six departments who own climate-related risks in the National Adaptation Programme disclosed that they did not consider climate change to be a principal risk.

TCFD theme: Strategy

- Many climate-related risks disclosed in 2025-26 were common to different parts of government. Flooding was the climate-related risk most frequently reported by the bodies in our sample. For example, 89% of prisons were disclosed as at high risk of flooding in 2025-26. Overheating, and transition cost pressures, were also identified as significant risks.
- Strategy disclosures are variable in quality. In this first year, few central government bodies fully explained the impacts of climate-related risks on operations, strategy and financial planning. Only five of the 15 central government bodies that identified climate change as a material issue fully completed a strategy disclosure.
- Climate scenario analysis was limited in 2025-26 central government reporting. When bodies completed it, it provided valuable and actionable insight into future resilience and cost pressures.

TCFD theme: Metrics and Targets

- Of 15 central government bodies who decided that climate was material, only 10 provided a relevant metric, and only five provided a target. Metrics and targets help a reader understand and assess how bodies are managing their climate risks. This should be a focus for these bodies in future reports.
- Most central government bodies are not disclosing Scope 3 emissions. This reporting may be useful to bodies where it helps them identify emissions they can influence and that are material to primary users. Annual reports may give a misleading account of emissions reduction where they omit the most material sources of emissions.

TCFD theme: Governance and Risk Management

- We observed improvement in governance and risk management disclosures of central government in 2025-26 compared with 2024-25, an encouraging sign that climate-related disclosures are maturing.

Scope of climate-related disclosures

- Bodies took different approaches to assessing and disclosing climate-related risks. Narrow assessments may omit information that readers expect – for example, information about key climate change responsibilities – weakening scrutiny and accountability.
- Parent departments did not consistently show how they oversee group-wide climate risks.



Actions readers of this insights report can take

Members of Parliament:

- Use the information in climate-related disclosures to question the government about its exposure to climate-related risks, its performance on climate adaptation and mitigation measures, and the implications for service resilience.
- Ask departments what they know about the potential financial impacts of climate-related risks, what remains uncertain, and how they are factoring those risks and uncertainties into spending decisions.
- Consider whether these disclosures give you the information you need to hold bodies to account for their performance on climate issues.

Members of government boards and audit committees:

- Challenge management on the scope of your body's climate risk assessment – does it really provide senior officials and users of your annual report with the information they need?
- Review whether climate risk ownership is clear and at the appropriate level.
- Prioritise risk assessment and scenario analysis where the outcomes will inform decisions.
- Consider whether your organisation is using the right metrics to manage your most material climate-related risks.

Preparers of TCFD disclosures:

- Start with a clear materiality judgement and an appropriate scope for your climate-related disclosures.
- Explain the impact that climate-related risks could have on your activities, don't just define the hazard.
- Be transparent about where you are on your climate-reporting journey, about uncertainties and data limitations.
- Consider whether emissions in your wider carbon footprint are likely to be material to your organisation, and ensure reporting systems are in place.
- Connect climate disclosures with the rest of the annual report.