



Report to: Full Authority
 Date: 10 December 2025
 Subject: BTP 3-year Medium-Term Financial Plan
 Sponsor: Chief Executive Officer
 Author: Chief Financial Officer
 For: Approval

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1. Purpose

1.1 The purpose of this paper is to set out the Executive's view on the proposed increase in total expenditure budget across the 3-year Medium-Term Financial Plan (MTFP) period as well as additional funding that is needed in relation to current year pressures.

2. Background

2.1 The Authority is required under the Railways and Transport Safety Act 2003 and the Framework Document with the Department for Transport (DfT) to set a sustainable annual budget for BTP, ensuring efficient and effective policing of the railways. This includes managing within the spend controls delegated by the Department. While BTP operates uniquely across rail and policing environments, its primary budget drivers remain the PRRB pay award and inflation, consistent with wider policing and transport sectors.

2.2 This year's MTFP process has been markedly different from previous cycles, characterised by significantly greater collaboration and improved transparency between the Force and the Authority. The approach has been more constructive and inclusive, reflecting lessons learned from last year and embedding a more open dialogue throughout. This has resulted in a more positive and robust process, ensuring that the Executive and Members have been engaged at a far earlier stage and that decision-making can be supported by more comprehensive and timely information.

2.3 Authority members have had multiple opportunities to review and consider the Medium-Term Financial Plan throughout the year. This includes two Strategy and Planning Committee meetings, three dedicated breakfast briefings held on 26 September, 31 October and 21 November, and the Establishment Reset session on 24 October. In addition, Members heard from SIG members at the Full Authority on 9 October. Papers and minutes for all these sessions have been made available, and

individual discussions with BTP were offered to any Authority Member who wished to engage further.

2.4 This paper will cover the capital constraints and the fact that currently BTPA does not have a sufficient capital spend delegation to fund all of the ambition within BTP's original MTFP proposal. Industry members have expressed a strong intention to help to fund that gap through grant funding, however the Authority need to approve a plan today that does not assume additional funding.

3. Economic context

3.1 UK Policing

The 2025 Spending Review provides an average 2.3% annual real-terms increase in police spending power to 2028/29. This supports the government's commitment to an additional 13,000 police officers, PCSOs and special constables. Most funding will be absorbed by pay inflation, and so there is an expectation that efficiency savings should fund other pressures.

3.2 Transport Sector

The Spending Review 2025 gives the DfT a capital budget rising by 3.9% annually to 2029/30, enabling major rail infrastructure projects such as HS2, TransPennine upgrades, TfL's capital renewals programme and East-West Rail. In contrast, resource spending falls by around 5% per year, driven by reduced subsidies and efficiency gains from public ownership. This signals a strategic shift: investment prioritises long-term network capacity and regional connectivity, while operational cost control pressures operators to deliver leaner services and productivity improvements without undermining revenue recovery.

3.3 Autumn Budget

3.3.1 The Autumn Budget introduces measures with significant implications for rail, transport, and employer budgets.

3.3.2 Regulated rail fares will be frozen for one year from March 2026, the first freeze in 30 years. This is expected to boost passenger numbers by making travel more affordable, increasing station footfall and policing demand. Operators will lose projected revenue growth while facing rising maintenance and staffing costs, forcing efficiency measures and hindering plans to reduce government subsidies.

3.3.3 Confirmation of funding for major projects is expected to increase rail capacity and improve connectivity, driving higher passenger volumes and greater station footfall, which in turn may elevate policing demand.

3.3.4 From April 2029, pension contributions via salary sacrifice above £2,000 annually will attract employer and employee National Insurance. The additional cost to BTP is estimated at £4-5m per year.

4. BTPA Spend Controls

4.1 As an Arm's Length Body of the Department for Transport, BTPA receives Resource (RDEL) and Capital (CDEL) allocations under the Spending Review, setting binding limits on resource and capital expenditure. Breaching these limits constitutes unauthorised expenditure, potentially triggering sanctions, ministerial accountability, and National Audit Office qualification of accounts.

4.2 The 2025 spending review set the following spend limits for BTPA:

Table 1

BTPA 2025 SR settlement	2026/27	2027/28	2028/29	2029/30	Total
RDEL	-16.2	-16.2	-16.2		-48.6
CDEL	20.5	20.5	20.5	20.5	82.0

The settlements above are flat when compared to the current year capital spend limit meaning our purchasing power will likely erode over the next four years. As the BTPA resource budget is a net impact of income/expenditure there is less risk of keeping within the delegated budget than is the case with the capital delegated budget.

5. BTP's MTFP Scenarios

5.1 BTP presented their preferred MTFP option (Scenario A) at Strategy & Planning Committee on 14 November 2025. Following further engagement, Members had largely reached a consensus over this Scenario, which applied annual uplifts of 8% in 2026/27, 5% in 2027/28 and 1% in 2028/29 taking into account efficiencies of £22.2m (4.7%) in year 3.

5.2 On this basis, the remainder of the paper will largely focus on the capital spend and the year 3 efficiency target leading to a revised MTFP proposal for Member approval.

6 Capital Spending

6.1 For the reasons set out in section 4 above, the MTFP which Members approve must comply with the resource and capital spending limits set by DfT. The capital requirement which supports Scenario A is in excess of the CDEL as depicted below:

Table 2

CDEL £m	2026/27	2027/28	2028/29	Total
Limit set by CSR 2025	20.500	20.500	20.500	61.500
Allocation to IFRS 16 - leases	6.400	6.400	6.400	19.200
<i>Remaining balance for cash investment</i>	14.100	14.100	14.100	42.300
Pressures				
Pressure from MTFP	8.632	5.260	4.946	18.838
<i>Additional pressures not in MTFP</i>				
Innovation CDEL	0.500	0.511	0.521	1.532
Total CDEL requirement	29.632	26.271	25.967	81.870
In excess of CDEL allocation	9.132	5.771	5.467	20.370

6.2 DfT has agreed, subject to Authority approval of the MTFP on 10 December, to provide £12m additional CDEL (of the £20.370m pressure in Table 2 above) over three years, with flexibility on spend profile, to support portfolio uplift and AFotM/Innovation, contingent on efficiency-focused investment. No funding will be provided for drones.

6.3 BTP/A have also now agreed with DfT a mechanism through which one-off capital grant funding can be recognised as capital income, thus not impacting the CDEL spend limit.

6.4 The BTPA Executive accepts the DfT's position on capital spending. We recognise their efforts to accommodate a c30% increase in our cash capital control outside their own business planning cycle and so soon after the recent spending review announcements. We do not concur with BTP's rationale that the position of BTPA in the context of the capital controls remains arguable.

6.5 The £12 million capital uplift results in a residual pressure of £8.37 million across the three-year plan, equating to approximately 11% of the total CDEL, inclusive of non-cash elements. For context, Members are being asked to approve a three-year expenditure budget of £1.4 billion; any continued disagreement should therefore be viewed in proportion to the overall scale.

7. Efficiencies

7.1 In line with the efficiency plans identified across government departments as part of the SR25 process, the MTFP Commission included an annual savings and efficiencies target of between 3% and 5% to be identified by the beginning of year 3 (28/29, i.e. reflected in the budget for that year) with measurable progression towards that in prior years.

7.2 The original MTFP proposal included £22.2m of cashable efficiencies by year 3 of the plan which is at the upper end of the Commission requirement. These savings would deliver an annual total resource budget increase of just 1% in year 3 which would have a direct impact on the charges levied to our funders:

Table 3 – Scenario A

	Total		
	2026/27	2027/28	2028/29
	£m	£m	£m
Gross budget requirement	454.676	482.460	501.548
Efficiency target	-2.681	-7.867	-22.208
Net budget requirement	451.994	474.593	479.340
% Budget uplift	8%	5%	1%

7.3 The £22.2m can be broken down into three tranches:

- 7.3.1 There is a reasonable level of assurance over the deliverability of the first £9.5m of this target. This will largely be delivered through non-pay cost savings, either already identified or as part of an annual efficiency target.
- 7.3.2 The next £4.8m is linked to investment in new ways of working and is expected to be delivered through the identification of productivity gains leading to targeted budget and headcount reduction. Given this is heavily dependent on the timely implementation of new digitally enabled ways of working, and the precise productivity benefits will become clearer as the technology and new processes are embedded, there is a moderate level of assurance around the identification and deliverability of these efficiencies.
- 7.3.3 Confidence in achieving the remaining £7.9m efficiency target is low, largely due to declining certainty over the 3-year plan. Potential exists for new technical capabilities to deliver productivity gains beyond current forecasts. Absent this, the MTFP assumes savings will come from headcount reductions, with some service cuts likely unavoidable.

8. Innovation mechanism

- 8.1 The innovation mechanism is designed to accelerate transformation by providing a funding mechanism outside of the MTFP through which BTP could scale up initiatives which have demonstrated their viability and benefits through a proof of concept. This initiative, alongside the AFOTM ambition, is integral to the delivery of the stack 4 efficiencies. BTP estimates that £1.5m of capital spend will be required over the next

3 years, with revenue funding accessible through future charges when business cases are approved by the Authority. Based on COG's prioritisation of the additional capital uplift, there is currently no capital funding available for this. However, as discussed elsewhere in the paper, SIG members are keen to support the capital shortfall. Equally, the team have previously been successful in securing external funding such as STAR funding which could present opportunities to progress some of the projects.

9. BTPA Senior Influence Group (SIG) meeting – 1 December 2025

9.1 The third SIG meeting was held on 1 December. The Executive agree with BTP's reporting of broad support from SIG Members on the original scenario A. However, we note that this is not unanimous, with TfL showing continued reticence on the level of charges currently estimated. TfL fund approximately 30% of the budget.

9.2 Key topics on the agenda included the capital constraints and the deliverability of year 3. SIG Members were keen to offer support to bridge the capital funding gap and a verbal update on this can be expected in the Authority meeting. SIG Members raised concerns about the feasibility of meeting the year 3 efficiency target, emphasising they did not support achieving it through headcount reductions that would result in service cuts. Some Authority Members have expressed the same view. BTP/A were asked to reassess and propose an efficiency target for year 3 which would be considered more realistic and achievable through a better balance of service outcomes and genuine cost efficiencies.

10. BTP Resubmitted MTFP proposal

10.1 A number of adjustments have been made by BTP to the original MTFP proposal (scenario A) to produce the revised plan. A reconciliation from scenario A to the updated MTFP proposal is provided below.

10.2 The Authority must approve the *resource expenditure* budget as it is this that determines industry fees and enables performance monitoring through the management reporting process. This does not include the full capital cash investment (as shown in scenario A); only the *depreciation* element of the capital investment is included.

The following table reconciles the original proposal to the updated proposal:

Table 4

RECONCILIATION OF ORIGINAL PROPOSAL (SCENARIO A) TO REVISED PROPOSAL PER BTP's RESUBMITTED MTFP	Resource expenditure only			NOTES
	2026/27	2027/28	2028/29	
	£m	£m	£m	
Base	418.513	418.513	418.513	
Price	18.965	35.464	51.659	
Portfolio Base	-2.744	-2.021	-2.602	
Demand - Network Policing	6.460	12.490	12.490	
Demand - Capability Review	2.757	5.840	8.925	
Ambition - AFotM	3.005	1.460	2.000	
Ambition - Drones	1.376	2.379	2.384	
Ambition - VIAWG	4.321	4.458	4.207	
Establishment Reset Tail	3.027	3.027	3.027	
Timing Realism	-9.636	-4.409	-4.001	
Efficiencies	-2.681	-7.867	-22.208	
	443.362	469.333	474.394	A
Revenue adjustments				
ESN running costs	0.464	0.000	0.000	B
Depreciation on capital uplift profile	1.354	1.920	2.667	C
Drones adjustment	-0.583	-1.560	-1.515	D
VIAWG vehicles	0.070	0.070	0.070	E
Headroom to mitigate risk	1.234	2.283	0.364	F
Efficiency adjustment	0.000	0.000	7.911	G
Total	445.901	472.046	483.891	
Year on year increase	6.5%	5.9%	2.5%	

Explanatory Notes

A These numbers exclude the total capital investment costs which drove the original 8%, 5% and 1% budget increases in years 1, 2 and 3 respectively:

Table 5

	2026/27	2027/28	2028/29
	£m	£m	£m
Original MTFP proposal including cost of capital and resource (Scenario A)	451.994	474.593	479.340
Deduct Capital investment	-8.632	-5.260	-4.946
Resource expenditure only	443.362	469.333	474.394
Revised % annual increase	5.9%	5.9%	1.1%

B This £0.464m relates to ongoing project costs for ESN. Refer to section 11.1 for more details.

C In line with Managing Public Money, capital costs should be attributed to the cost of the services through a depreciation charge each year. This adjustment is to include the estimated depreciation costs for the additional £12m capital in line with BTP's planned profile of the investment over the 3 years.

D This removes the resource expenditure cost associated with the drones capital investment which is currently unfunded. Note that net costs of £0.793m, £0.819m and £0.869m for years 1, 2 and 3 respectively remain as this is the cost to maintain the current service.

E The additional capital requirement related to the VIAWG ambition was for eight vehicles. This investment was not prioritised through the uplift and so the £0.07m per annum is the cost of leasing these vehicles instead.

F This is a balancing figure for BTP to get back to the original Scenario A proposal of a total budget increase (capital and resource) of 8%, 5% and 1% for years 1, 2 and 3 respectively. BTP suggest this funding could help to offset future pressures and the impact of the CDEL restrictions.

G In response to the request to review the efficiency target in year 3, this adjustment removes 'stack 5' of the original efficiency plan, leaving a year 3 efficiency target of £14.297m (3%). 3% is the minimum level of efficiency that government departments are expected to deliver as part of the spending review plans.

10.3 BTP's Resubmitted MTFP

10.3.1 Based on all the above, **BTP's updated total budgeted resource expenditure** for the 3- year MTFP period is proposed as follows:

Table 6

	2026/27	2027/28	2028/29
	£m	£m	£m
Total	445.901	472.046	483.891
Year on year expenditure increase	6.5%	5.9%	2.5%

It is important that Members and wider stakeholders understand that the drop from 8% in year 1 to 6.5% is not related to a funding shortfall. The main driver for this is the exclusion of the £8.6m (2.1%) capital charge for investment, of which BTP are still receiving £6.1m with a strong desire from industry that they can fund the remainder.

Sections 11 and 12 highlight some of the key risks and opportunities to the 3- year MTFP outside of the capital constraints and feasibility already mentioned:

11. Risks

11.1 *Ongoing project costs of ESN*

Given the continuing uncertainty around the timing and cost of implementation and set up, the MTFP which the Authority is being asked to approve largely excludes the financial impact of ESN. DfT have confirmed that it is carrying a risk of c£12m for the expected capital expenditure for implementation costs currently anticipated in 28/29 and will support a CDEL uplift and cash support if required. With respect to the RDEL impact, DfT expects the one-off set up costs and ongoing running costs to be defrayed through our fees to operators and will therefore support a narrative behind a significant increase in charges currently expected in 2028/29 (c£21m) with ongoing annual costs of c£4-5m. There is a small resource expenditure cost of £0.5m included in the MTFP for 26/27 to ensure ongoing project costs are funded through our charges. Next year's MTFP planning process will consider the impact of an updated timeline and cost estimate.

11.2 *Pay settlement higher than assumption*

An assumption of a 3% pay increase has been included for 26/27 and 27/28 with a 2.5% increase assumed for 28/29. Given pay costs represent 70% of total expenditure, the model is very sensitive to any changes in these assumptions. A pay award just 1% above the assumption would present a pressure of c£1.7m.

11.3 *Changes in CPI/RPI*

Just over half of the non-pay costs are linked to CPI or RPI assumptions. An increase of 1% would add just under £0.5m.

11.4 *Pay increases for investment blocks*

Where there are FTEs included within the investment blocks, no assumptions have been made around pay inflation. The net exposure is c£0.3m.

11.5 *Changes in Demand assumptions*

Assumptions around demand within the model are based on the Capacity Planning Tool which uses actual past data to estimate demand. There are a number of factors which might impact demand including some of the measures announced in the Autumn Budget statement. DfT currently estimate that the fare freeze could result in an additional 50m passengers travelling on the trains each year.

12. Opportunities

12.1 *GBR*

The transition to Great British Railways (GBR) offers BTP opportunities to drive efficiencies and deepen collaboration across the rail sector. GBR's role as the single directing mind for infrastructure and passenger services creates a platform for integrated policing and security, reducing duplication and enabling shared investment in technology and operational frameworks.

12.2 *Bank Interest*

BTP received bank interest of £0.952m in 24/25 and £0.934m in 23/24. Bank interest income is not budgeted for at the start of the year, but BTP treat this interest income as a windfall and use this to offset unforeseen pressures during the year. The forecast interest income for 25/26 is £0.891k which is contributing to the forecast surplus. It is recommended that Members request that all future bank interest income is ring-fenced with a requirement for Authority approval for any spend to be made against it.

12.3 *TDRs returning to operational duties*

At the end of November, over 200 officers were on recuperative duty, costing c£13m. Numbers fluctuate as BTP departments work to return officers to frontline roles. While some contribute to strategic objectives on restrictive duty, reducing these figures and accelerating their return remains a significant opportunity.

13. Additional Funding Issues

13.1 As highlighted in the cover paper provided for Members of Strategy & Planning Committee in November, there are a number of factors which have the potential to add to the increase in our charges next year on top of the MTFP settlement:

13.2 Budget pressures in 2025/26 are:

- i. A 4.2% PRRB pay award, exceeding the 2.5% assumption, adding £3.15m.
- ii. A £1,250 increase in London Allowance, costing £4.4m in total for 25/26.
- iii. [REDACTED]

13.3 BTP has committed to offsetting up to £2m of the pressures through internal savings, with £1.2m currently forecast at Q2 and expected to increase. These pressures amount to a 1.9% increase on the 2025/26 budget, reducing to **1.74%** (**£7.28m**) if BTP achieve the full £2m of savings:

Table 7

Factor	Total cost of pressure	Total pressure as a % of 25/26 total budget
	£m	%
25/26 Pay award deficit	3.15	0.80%
25/26 London Allowance	4.4	1.10%
CAM 2 transition	1.73	0.40%
Total gross increase	9.28	2.20%
25/26 forecast outturn surplus	1.2	0.30%
Net increase on 25/26 budget	8.08	1.90%

13.4 Having looked to absorb a proportion of the pressures through internal savings, there are three remaining options for funding these pressures:

- Cash Reserves
- Department for Transport (DfT) grant/grant in aid
- Charge out to industry

13.5 DfT's initial view with respect to the pressure caused by the pay award is that BTPA legislation entitles us to charge these costs out to industry and so that is the process they would expect us to follow if the pressures cannot be absorbed internally rather than applying for a central government grant. Given the London Allowance also relates to pay and is a direct cost of delivering policing services, it follows that this would also be charged out to industry.



14. Delivery Partner

14.1 There is agreement on the necessity of appointing a Delivery Partner as a condition of supporting the MTFP bid, reflecting consistent Authority Member consensus over recent months. Two issues remain unresolved: first, the precise scope of the engagement, which must be clearly defined. Options include monitoring delivery of efficiencies within the agreed MTFP, supporting identification of the most challenging efficiencies for Years 2 and 3, and/or tracking benefits to the wider rail industry from additional investment. Variations on these themes exist, but clarity on scope is essential. Second, this must be undertaken collaboratively with BTP to ensure the support is accepted and integrated effectively.

15. Observations

The BTPA Executive has the following observations:

15.1 BTP have outlined in their Resubmitted MTFP the AFOTM projects which are no longer affordable due to the capital constraint. The associated resource costs for these projects are £1.12m in 26/27 and £0.45 in 27/28. We recommend that this cost remains in the MTFP to help reduce the level of overprogramming that BTP needs to manage within the portfolio and AFOTM investment blocks. If additional capital funding is provided by industry, BTP will need to manage any associated project revenue cost from within their existing budgets.

15.2 The fit-out of a police station in Yeovil has not been prioritised by COG for investment under the current capital constraints. A total resource cost of £1.5m remains in BTP's Resubmitted MTFP for 9 officers who would have been based in Yeovil. If BTP are unable to secure the capital funding they need from industry, these additional resources will be used to address the abstraction at other locations caused by the need to respond to demand in the Yeovil area. We recommend that this cost remains in the MTFP.

15.3 We consider the revenue headroom to be a step too far. Although the amount is relatively modest (£3.9m across the 3 years), it is inconsistent with current economic conditions and undermines the need for strict financial discipline.

15.4 In response to SIG Members' request for a more achievable Year 3 efficiency target, BTP has removed Stack 5 in full. We acknowledge SIG's view that a 1% increase in Year 3 may be unrealistic, a position shared by some Authority Members. Aligning with BTP's revised proposal, we support a 2.5% budget increase for Year 3 as an appropriate balance—recognising constraints while maintaining pressure to deliver cost savings for the rail industry. Accordingly, we propose that Stack 5 is not fully

eliminated but substantially reduced to preserve the 2.5% budget increase target. This results in a Year 3 efficiency target of £16.30m, equivalent to 3.4% of the proposed year 3 budget and at the lower end of the CSR 2025 Government Efficiency Targets.

15.5 BTP's Resubmitted MTFP makes a number of references to industry charges. We do not agree with all of these, and industry charges remain the responsibility of the BTPA Executive once the expenditure budget has been approved by the Authority. It is the budget that is for decision today.

16. Recommendations to the Full Authority

Authority Members are asked to approve the following:

16.1 The resource cost totalling £3.07m across the 3 years associated with projects which have not been prioritised by COG due to capital spend constraints will remain within the approved expenditure to help reduce the level of overprogramming and abstraction.

16.2 The year 3 efficiency target reduces from £22.2m to £16.30m which is 3.4% of the proposed year 3 budget and sits at the bottom end of the CSR 2025 Government Efficiency Targets.

16.3 Funding for resource expenditure remains available for the Innovation Mechanism as business cases are brought to the Authority.

16.4 Bank interest is ringfenced with planned spend approved by the Authority.

16.5 A 3-year MTFP with an expenditure budget of £444.667m for year 1, £469.763m for year 2 and £481.527m for year 3 (per Table 8 below).

16.6 To agree to charge out up to £7.28m (an additional 1.74%) as part of the 26/27 fees to fund the 25/26 pressures identified in Table 7. This means that the total cost to be used to allocate the 26/27 charges will be £451.947m which is an increase of 8% on the 25/26 budget.

Table 8

BTPA Executive Proposal to BTPA Members	2026/27	2027/28	2028/29
	£m	£m	£m
Updated BTP Resubmitted MTFP	445.901	472.046	483.891
<i>Remove headroom</i>	-1.234	-2.283	-0.364
<i>Reintroduce Stack 5 efficiency</i>			-2.000
Executive MTFP proposal	444.667	469.763	481.527
	6.2%	5.6%	2.50%

Members should note that the approved budget for 26/27 will now be used to allocate the charges out to industry and the Executive will report on the impact of the increase to the various categories of funders (e.g. PSA holders, TfL etc) in due course.

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