


Statutory Charges FY2025/26: Extraordinary Consultation Document

CAP 3168

A large, abstract graphic in shades of blue and purple, featuring a curved, wave-like shape that sweeps across the bottom half of the page. The colors transition from a bright cyan on the left to a deep navy blue and then to a light lavender on the right.

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Executive Summary

This consultation sets out the Civil Aviation Authority's (CAA) proposal to amend the FY2025/26 Regulation of Airports Scheme of Charges (SoC) to increase the funding cap associated with our economic regulation work related to the development of Additional Runway Capacity (R3) at Heathrow Airport. The current funding cap is expected to result in a financial shortfall of up to £1.5m in FY2025/26, with expectations that this will increase further in FY2026/27. If we do not seek to mitigate this financial risk, there may be an impact on our pace of delivery and therefore a risk of delay to meeting key milestone dates for this workstream. Our proposed increase of the funding cap from £4.5m to £8.0m reflects the Government's support for expansion at Heathrow Airport and the CAA's role in supporting the timely and effective development of proposals for expansion and is proposed in accordance with the CAA's funding principles and the Managing Public Money framework.

Submission form

We are seeking feedback from stakeholders regarding our proposals to extend the economic regulation of Heathrow charging caps. Please submit all feedback via the CAA [Statutory Charge FY2025/26 Extraordinary Consultation](#) online submission form.

The consultation will remain open for a four week period, closing at midnight on 13 October 2025. Following the consultation period, we will publish a response document reflecting the consultation feedback received from industry and the Secretary of State for Transport.

Background and Context

Under the Regulation of Airports charging scheme, the CAA can recover the cost of economic regulation work relating to Heathrow Airport price controls and proposals for new runway capacity. The scheme also allows the CAA to charge third-party developers for economic regulation work for developments at designated airports following the grant of planning permission. Both charging mechanisms work on a cost recovery basis, covering both internal and external costs, up to a maximum annual cap. The Scheme¹ allowed for recovery of costs associated with (all amounts for the following work are recoverable from Heathrow Airport Limited unless explicitly stated):

- Implementation, monitoring, and addressing matters arising from the H7 price control (covering the period January 2022 to December 2026).
- Price control conditions which shall apply to Heathrow Airport Ltd from January 2027 to December 2031 (referred to as the 'H8' review).
- Considering and developing any regulatory approach required to address issues raised by proposals for new runway capacity in the South East of England (i.e. R3).
- Subsequent appeals made by Heathrow Airport Ltd or other third-parties on any licence modifications.
- Third party developments at regulated airports as part of capacity expansion which may be subject to economic regulation (payable by the third-party in question).

In January 2025, the UK Government confirmed its support for Heathrow expansion, prompting the CAA to begin preparatory work. The Department for Transport (DfT) and CAA have agreed the importance of having workplans consistent with the timetable set by the Government for delivery of capacity expansion.

When determining the maximum charging cap to be proposed in the FY2025/26 charging consultation, published in November 2024, the development of capacity expansion as a central Government policy had not been announced. Consequently, the maximum charging cap proposed for FY2025/26 did not include an assessment of the cost associated with delivery of capacity expansion work in this financial year. In previous years, the CAA has increased or reduced the charging caps associated with economic regulation cost recovery charges based on requirements for future periods, including a reduction in recent years when expansion of runway capacity at Heathrow Airport was not being actively pursued. Our normal approach would be to review our funding requirements for the year ahead and propose changes through our annual charging consultation.

¹ [Official Record Series 5 – CAA Scheme of Charges – Regulation of Airports – No. 438 – Sections 3.1-3.2](#)

However, given the timing of the Government's announcement and the pace of delivery for this work, an extraordinary charging consultation is required introduce the charging cap before the end of the current financial year, in order to mitigate financial and delivery risk in FY2025/26.

Work on the economic regulation of Heathrow relating to capacity expansion is already underway with the CAA incurring costs in delivering the programme. We are assessing where efficiencies in delivery can be found through combining elements of the H8 price controls work. Our assessment is that we expect to incur up to £6.0m on the combination of these workstreams in FY2025/26. The increase in cost pressures has arisen from a combination of new roles being recruited to deliver the economic regulation of capacity expansion at Heathrow Airport, along with the utilisation of specialist third-party contractors where further support is necessary. However, we also acknowledge that the additional costs we will incur on capacity expansion beyond FY2025/26 are uncertain and will depend on the work required to deliver our primary duty to further the interests of consumers and support and complement Government policy. Moreover, our initial estimates are that these amounts may increase from FY2026/27 when the recruitment of new specialist roles to support this workstream are filled and depending on the level of external consultancy support required.

The current charging cap for economic regulation of Heathrow Airport chargeable to Heathrow Airport Limited is set at £4.5m per annum, leaving a potential in-year deficit of £1.5m for FY2025/26. The full-year cost of ongoing recruitment will extend this deficit by at least a further £1.0m in FY2026/27, with work ongoing to ascertain the likely third-party contractor cost profile which will be critical in enabling the effective and efficient delivery of this workstream.

For the CAA to continue its work on the economic regulation of capacity expansion at Heathrow Airport at pace through the remainder of FY2025/26 and into FY2026/27, an increase in the charging cap to £8.0m is required from 1 December 2025. This is intended to cover the £1.5m in-year deficit, the further £1.0m impact from full-year impacts of roles yet to be recruited, plus an additional £1.0m for contingency, recognising the potential for additional economic regulation work that is required in this financial year. Whilst there remains some uncertainty over aspects of the timing and scale of expenditure, the CAA's financial model does not have sufficient flexibility to progress this activity at risk, nor is this consistent with our funding principles.

The proposed changes purely relate to the total charging cap for the Heathrow capacity expansion workstream. The charging cap may not be fully utilised, and the charges will only cover the exact costs incurred in delivery. The CAA's financial principles and governance are aligned to the Managing Public Money framework, with an emphasis on delivering services that provide value to the charge payer. Financial plans are being developed in accordance with this principle, seeking to deliver an effective and efficient output.

As this programme of work is expected to span a multi-year period, further adjustments to this charging cap may be necessary in future charging consultations. Whilst the proposed cap of £8.0m represents our known pressures and best estimates for funding requirements at the time of this consultation, work to develop our plans for FY2026/27 is ongoing and the scope of the workstream over the coming 18 months is not yet certain. If our planning identifies that a further extension to the charging cap is required then changes will be proposed in future charging consultations, potentially including in the forthcoming FY2026/27 charging consultation due for publication in November 2025.

As set out in the Civil Aviation Act², the CAA is legally required to consult on changes to the SoC with both stakeholders and the Secretary of State for Transport. Any changes to our charges must be published 14 days prior to implementation. In accordance with the principles of Managing Public Money, the CAA shall also seek approval from HM Treasury when seeking to make changes to its charges. In addition to these formal governance requirements, the CAA is also proactively engaging with stakeholders in open dialogue relating to our funding requirements, including some uncertainties over cost, and will continue to demonstrate to them directly how we are using funding in a manner which provides value for money.

Due to the limited scope of change in this consultation, and the time constraints associated with this workstream, the CAA will be running a short four-week consultation on the proposed increase to the charging cap. This consultation will close on 12 October 2025, with a consultation response document and updated charging scheme due for publication no later than 14 November 2025. The target effective date for the new charging scheme is 1 December 2025, allowing the CAA to continue recovering costs incurred in the delivery of this workstream.

² [Civil Aviation Act 1982](#) – Section 11

Regulatory approach to capacity expansion at Heathrow Airport

In July 2025, the CAA published the Statement on scope and process for our review of the regulatory approach to capacity expansion at Heathrow Airport (CAP 3144). This statement set out the scope of the review, covering the following broad areas:

- the case for changing the current framework to further the interests of consumers, including both the performance of the existing framework and whether it is suited to deal with all the challenges associated with capacity expansion;
- the evaluation of credible alternatives to the current regulatory model;
- analysis of the impact of capacity expansion at Heathrow on airport charges;
- assessment of financeability of plans put forward to Government in summer of 2025 and any alternative regulatory models; and
- a technical assessment of the plans submitted by potential promoters in the summer of 2025.

This work has started in FY2025/26 and will continue into FY2026/27 and potentially into future financial years. For each new chapter, click on chapter number - this will add the next chapter number automatically, and will update the header.

Financial Requirements

Current Funding Envelope

The maximum recoverable amount from Heathrow Airport Limited under the FY2025/26 SoC is £4.5m³. Whilst the wording of the charge permits recovery for work performed in relation to capacity expansion at Heathrow Airport, the current charging cap has been set at a level that does not include any specific allocation for capacity expansion at Heathrow Airport. This funding envelope is forecast to be £1.5m too low in FY2025/26.

Proposed Changes

The CAA proposes an extension to the charging cap to mitigate delivery risk in FY2025/26 and into FY2026/27:

- The charge “3.1 London Heathrow Airport Ltd – Licence modifications and Price Control Conditions (H7&H8) and Additional Runway Capacity (R3)” will have the maximum cap increased to £8.0m

The increased charging caps will be used in delivery of Heathrow Airport economic regulation work, including the engagement of external consultants to provide support on analysis and policy development for the expansion of Heathrow Airport.

Start Date and Use of Funds

The CAA’s regulatory work on Heathrow Airport expansion has already commenced, with an extension to the relevant charging caps required from 1 December 2025 to avoid disruption.

Forward Look: FY2026/27

We are considering the requirements for future periods, where we may incur additional costs associated with our economic regulation work. Whilst the proposed cap of £8.0m meets the current known increased cost pressures for FY2026/27, there remains some uncertainty. The CAA will monitor expected spend on this workstream and will propose a further amendment to the charging caps in future periods if there is a requirement to do so to ensure the effective and efficient delivery of this workstream. We will also consider

³ Document: ORS5 424 RAS 2024-25, Ref: 3.1.d ([24308](#))

whether the CAA has sufficient and appropriate cost recovery mechanisms to cover the cost of economic regulation work in relation to a potential third-party developer with any required changes proposed through the FY2026/27 charging consultation.

Next Steps

This consultation will remain open to public comment until 12 October 2025. Following this the CAA will review feedback from stakeholders before publishing a consultation response document. Our intention is to implement changes to the Regulation of Airports charging scheme with effect from 1 December 2025. A final decision on the proposed changes will be taken with consideration to consultation feedback from both stakeholders and the Secretary of State for Transport, and with the approval of HM Treasury. Any changes made will be published no later than 14 days prior to their effective date.

The intended delivery timetable is set out below, subject to consultation feedback and HM Treasury approval.

Milestone	Target Date
Launch of public consultation	15 September 2025
Close of public consultation	12 October 2025
Publication of consultation response and updated charging scheme	14 November 2025
Updated Scheme of Charges becomes active	1 December 2025