



Department  
for Transport

Sadiq Khan  
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From the Secretary of State  
**Rt Hon Louise Haigh MP**

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30 October 2024

Dear Sadiq,

### **Transport for London – Spending Review Phase 1 Outcome FY25/26**

1. I recognise Transport for London's significant contribution to this Government's missions and the important role it plays both regionally and nationally. For this to continue, we must work collaboratively with not only the Mayor of London, but Mayors and local leaders across the country. This begins with unlocking investment in critical transport projects that create an integrated transport network, provide value for money and create lasting benefits for the public.
2. HMG recognises the progress TfL has made to improving its financial health and achieving financial sustainability. Whilst this is welcome, for major capital enhancements and renewals (e.g. replacement of life expired rolling stock, signalling and major road renewals), TfL is not expected under its current financing arrangements to solely finance those from operating incomes, as is consistent with other transport authorities.
3. Following submission of TfL's FY25/26 business case, HMG has fully considered TfL's request for capital funding as part of Phase 1 of the Spending Review and, under the terms of this settlement and following the payment schedule in paragraph 6, will provide £485m to TfL in accordance with section 101 of the Greater London Authority Act 1999 (GLA Act).

4. This FY25/26 capital settlement is to enable TfL to continue to deliver its current capital programme and its committed major capital projects, and is inclusive of funding for the procurement of additional Elizabeth Line trains as per the settlement letter dated 14<sup>th</sup> June 2024.
5. TfL remains responsible for managing risk across its capital programme and will continue to identify and realise capital efficiencies in its capital programme.
6. The Department will make the following payments to TfL: £242.5m on 10 April 2025 and £242.5m on 25 September 2025.
7. HMG expects you to consider the full range of revenue raising powers at your disposal as part of TfL's business planning and to confirm to HMG your plans to ensure TfL continues to improve its financial sustainability in the medium term. You should note that HMG's assessment of TfL funding needs in Phase 2 of the Spending Review will be conducted against a baseline scenario where TfL rail fares rise in line with national rail fares this year.
8. HMG will continue to engage on and monitor the financing of Northern Line Train Services contract. If a Supervening Event occurs in accordance with clause 25A.1.1 of the Amended and Restated Usage Contract, HMG will work with TfL and take reasonable steps to assist TfL in meeting the contractual obligations set out in clause 25A of that contract and other associated provisions, or finding alternative forms of support acceptable to the relevant counterparties.
9. HMG understands the importance of long-term funding certainty to enable investment in critical upgrades to major capital projects (e.g. the Bakerloo Line Upgrade, signalling and major road renewals), to create certainty for the supply chain and generate greater efficiencies that come with longer term planning. The Department will continue to work with TfL with the aim to place it on a long-term financially sustainable footing as part of Phase 2 of the Spending Review.
10. An Oversight Group will continue to take place twice during the year, starting from Spring 2025, to review progress and act as a discussion point on matters of joint interest in delivering the priorities within this letter. As part of the Phase 2 Spending Review, oversight and partnership arrangements will be reviewed and established as appropriate to the scope of that agreement.

11. TfL and HMG continue to recognise the mutual benefits that have resulted from HMG's representation at TfL's Board, Finance Committee and Programmes and Investment Committee. HMG should continue to be represented at the meetings for the duration of this settlement.

Yours sincerely,

A handwritten signature in black ink, reading "Louise Haigh". The signature is written in a cursive style with a large, looping flourish at the end.

**Rt Hon Louise Haigh MP**

**SECRETARY OF STATE FOR TRANSPORT**