



Department
for Transport

From the Secretary of State
Rt Hon Heidi Alexander MP

Great Minster House
33 Horseferry Road
London
SW1P 4DR

Tel: 0300 330 3000
E-Mail: Heidi.Alexander@dft.gov.uk

Web site: www.gov.uk/dft

Sir Sadiq Khan
Mayor of London
Kamal Chunchie Way
London
E16 1ZE

19 June 2025

Dear Sadiq,

Transport for London – Spending Review Phase 2 Outcome

1. London is a leading global city, and Transport for London (TfL) operates a complex, multi-modal transport system essential to both the capital's and the UK's economy. HM Government (HMG) has supported TfL to maintain and invest in London's transport network, recently providing £485m of funding at the October 2024 Budget to deliver its current capital programme and committed major capital projects.
2. HMG recognises the strategic benefits that transport in London offers locally and nationally, and the significant role it plays in supporting this Government's missions. For this to continue, this Government is committed to collaborating with you and TfL to unlock investment in critical transport infrastructure. This is essential to support the renewal of London's existing network, and to upgrade the quality of services to deliver wide-ranging benefits, including economic growth, housing, and access to opportunity.
3. HMG recognises TfL's progress towards achieving financial sustainability and expects TfL to strengthen this by growing its operating surplus whilst managing its operating and capital related risks.
4. This settlement will provide TfL with the long-term funding certainty to deliver its capital programme from FY26/27 to FY29/30 inclusive (the 'SR Period'). This funding directly supports UK industry and its supply chain and will directly and indirectly support thousands of UK jobs.
5. The settlement provides funding towards TfL's current planned pipeline of major capital renewals, including, but not limited to, its planned programme of

high priority rolling stock and signalling procurements. This funding settlement also reflects TfL's share of access to other transport funds; therefore, the Department does not expect TfL to have access to any further funds, unless specific access is agreed. Any cost overruns of TfL's projects must be met locally, and no additional HMG funding is expected to be provided in this SR Period to support TfL's capital programme unless agreed by exception. In addition, TfL's pension liabilities are TfL's risk to manage.

6. HMG's willingness to significantly support investment in TfL's major projects and renewals must be combined with TfL continuing to show financial prudence and generating additional revenue wherever appropriate. HMG expects you and TfL to use TfL's business management and financial planning, and TfL's savings and efficiencies programmes to generate additional revenue to support TfL's capital programme, and to consider local policy levers as needed. The funding in this settlement is provided against an assumed scenario that overall TfL fares will rise by the value of RPI+1 for each year of this settlement. The Department also expects TfL, as a public organisation, to produce, and deliver against, a new capital efficiencies plan, and to pursue all opportunities to make operating efficiencies and savings.
7. Following the submission of TfL's business case for SR Phase 2, HMG has fully considered TfL's funding request. Under the terms of this settlement, DfT will provide £2,167m over the SR Period to TfL, in accordance with section 101 of the Greater London Authority Act 1999, with the annual amounts set out in Annex A. This will be paid in instalments, commencing in FY26/27, as set out in Annex A. This settlement includes funding for the procurement of additional Elizabeth Line trains, as per the settlement letter dated 14 June 2024. This settlement is in addition to business rates that you are able to retain; the levels for transport purposes will be in line with recent years.

Settlement delivery and Governance

8. Throughout this multi-year settlement, TfL will work transparently and collaboratively with HMG to monitor settlement delivery, value for money and support for the Government's missions, including kickstarting economic growth and improving public transport connectivity and accessibility, enabling more Londoners to access opportunity.
9. To support this monitoring, an independent body, such as the Office of Rail and Road, will assess and oversee delivery of the settlement. The independent body will report its findings in an annual report to be reviewed by the Department's Investment Committee and will provide a 6-monthly interim update on delivery and spend of the settlement. For the avoidance of doubt

such independent body shall not override TfL's existing statutory framework and governance, including its Board as well as its Independent Investment Programme Advisory Group. An Oversight Group will continue to take place bi-annually to review progress, and the Department's observers will continue to be invited to TfL's Board and relevant Committees.

Other matters

10. The Department expects TfL to contribute towards the delivery of the following projects over the course of the SR period:

- a. Euston: HMG is pleased that TfL has confirmed its agreement in principle to the preferred spatial layout for the Euston Station Campus and that it is committed to further engagement on Local Transport Infrastructure Enhancements to ensure we reach an affordable, viable solution. Whilst this settlement does not include any capital funding for Euston, HMG now expects TfL and other partners to work with us on the delivery model and funding options for local transport works, and to continue to work through the trade-offs and compromises needed to enable a successful outcome.
- b. London Boroughs: We welcome the increase in funding allocated by TfL to London boroughs and to the City of London, through the Local Implementation Plan (LIP) process, for 2025-6. The Government expects TfL to continue supporting London Boroughs in their delivery of appropriate schemes to improve local transport outcomes across London through the LIP process, and to look to maximise the amount of funding available through this process for the period of the settlement.
- c. DLR Thamesmead: HMG recognises the potential housing and economic growth that could be stimulated by extending the DLR to Thamesmead via Beckton, and acknowledges the substantial work undertaken on the programme to date. HMG will continue to work closely with the Greater London Authority and TfL so they can finalise a full business case and funding plan by autumn 2025.

Monitoring and Evaluation

11. Governance of this settlement will be supported by TfL conducting appropriate monitoring and evaluation (M&E). TfL should ensure that M&E activities monitor against TfL's key outcomes – aligned to the benefits set out in the business case for SR Phase 2 – using existing reporting wherever possible. The full M&E approach and list of metrics will be agreed between DfT and TfL.

Public Sector Equality Duty

12. TfL's programme of investment has the potential to maintain and improve its transport network so that it works for everyone in London, reducing barriers and improving accessibility for all. TfL should consider how best to design its programmes to make sure that environmental impacts are considered as well as benefits for all transport users.

Conclusion

13. This multi-year settlement offers significant long-term funding certainty to maintain and enhance the quality of London's transport infrastructure. HMG looks forward to collaborating with you throughout this SR Period to support productivity and growth within the capital and the UK.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'Heidi Alexander', is centered on the page. The signature is fluid and cursive, with a large initial 'H' and a long, sweeping tail.

Rt Hon Heidi Alexander
SECRETARY OF STATE FOR TRANSPORT

Annex A**Funding Profile and Payment Schedule**

FY	Date	Payment (£m)
26/27	23/04/26	414
26/27	24/09/26	414
26/27 total		828
27/28	22/04/27	230.5
27/28	23/09/27	230.5
27/28 total		461
28/29	20/04/28	225
28/29	21/09/28	225
28/29 total		450
29/30	19/04/29	214
29/30	20/09/29	214
29/30 total		428
Total		2167