



Department
for Transport

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

From the Secretary of State
The Rt Hon Mark Harper MP

Great Minster House
33 Horseferry Road
London
SW1P 4DR

Tel: 0300 330 3000
E-Mail: mark.harper@dft.gov.uk

Web site: www.gov.uk/dft

18 December 2023

Dear Sadiq,

Transport for London – capital funding settlement

1. Since March 2020, HM Government (HMG) has supported Transport for London (TfL) by providing almost £6.4bn of funding to enable it to operate, maintain and invest in London's transport network. The last funding settlement ensured the delivery of key capital renewals and investment in London worth almost £3.6bn, including the completion of a number of major projects, new road schemes and increased bus priority.
2. HMG expects TfL to become financially sustainable by March 2024, which it defines as TfL's ability to cover, from sources available to it (including the consideration of potential new sources of income and committed Business Rates Retention): operating expenditure; servicing and repaying debt; and capital enhancements and renewals. For major capital enhancements and renewals (eg replacement of life expired rolling stock such as the Bakerloo Line fleet, signalling and major road renewals), TfL is not expected to solely finance these from operating incomes, as is consistent with other transport authorities. The conditions in paragraph 9 apply to any major capital enhancements and renewals.
3. TfL will demonstrate to HMG that it was financially sustainable at the end of March 2024, and will provide to HMG its plan in July 2024 demonstrating how it will maintain and strengthen its financial sustainability from FY24/25.
4. HMG has fully considered TfL's request for capital funding in the context of the current financial and funding environment and, under the terms of this settlement letter and following the payment schedule in paragraph 8,

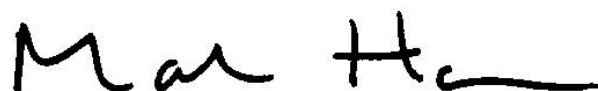
will provide £250m to TfL in accordance with section 101 of the Greater London Authority Act 1999 (GLA Act).

5. This capital settlement is to enable TfL to continue to deliver its current capital programme and its committed major capital projects, prioritising the Piccadilly Line Upgrade Phase 1, and should not be used for any other purpose or to fund any new capital activity.
6. TfL remains responsible for managing risk across its capital programme and will continue to identify and realise capital efficiencies in its capital programme.
7. TfL, in cooperation with HMG, will continue its work to reform its pension scheme. If recommended changes require TfL to consult members, TfL will commence consultation no later than 1 July 2024.
8. The Department will make the following payments to TfL: £100m on 18 January 2024; £95m on 15 February 2024; £50m on 14 March 2024; and £5m on 11 April 2024.
9. TfL should not request or assume any further HMG funding contribution towards major capital enhancements or renewals before the next Spending Review period, except through other funding streams for which it is eligible. The Department will work with TfL to consider its future capital funding needs as part of the Department's Spending Review submission. However, TfL should plan prudently for FY25/26 and beyond, noting the fiscal constraints HMG is operating within and that any future funding requests will be subject to the usual HMG and departmental processes.
10. 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.
11. TfL and HMG will hold Oversight Group meetings in Spring 2024, Summer 2024 for TfL to demonstrate its adherence to paragraphs 3 and 6 of this letter and in Autumn 2024 for TfL to update HMG on its progress in strengthening its financial sustainability and identify and realising capital efficiencies.
12. TfL and HMG 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 these meetings for the duration of this settlement.

13. This is another significant funding boost to your budget from central Government. As Mayor, it is up to you to ensure TfL delivers transport services in the Capital without placing an unfair burden on either Londoners or taxpayers more generally.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Mark Harper', with a long horizontal flourish at the end.

The Rt Hon Mark Harper MP

SECRETARY OF STATE FOR TRANSPORT