



Department
for Transport

Sadiq Khan
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From the Secretary of State
The Rt. Hon. Grant Shapps

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13 December 2021

Dear Sadiq,

TRANSPORT FOR LONDON SETTLEMENT LETTER

1. This letter amends the third extraordinary funding and financing agreement (the D3 Agreement) for Transport for London (TfL), set out in my letter to you of 1 June 2021, to ensure TfL continues to provide transport services in London.
2. The D3 Agreement covered the Funding Period of 1 June to 11 December 2021. We are varying the terms of the current D3 settlement as follows:
 - a. A short interim extension to the current D3 agreement of 1 week with the 'Revised Funding Period' defined as 1 June 2021 to 17 December 2021.
3. This amendment to extend the D3 Agreement is required because your letter dated 8 December setting out the proposals that you intend to pursue to generate £0.5-1bn of new income for TfL, as required by the D3 Agreement, has not yet satisfied the terms of the D3 Agreement; further specificity and information on the proposals set out in that letter are required by 1pm on 15 December.
4. HMG has prepared for a new extraordinary funding agreement to follow the D3 Agreement and is ready to work with TfL once your proposals on new income satisfy the terms of the D3 Agreement.
5. All other provisions of the D3 Agreement will remain in place:
 - a. There will continue to be a periodic Top Up mechanism pursuant to the terms of the D3 Agreement based on actual passenger revenue cash receipts compared to the D3 Passenger Revenue Scenario as set out in Annex A below.
 - b. The final reporting period True Up Process shall commence at the end of the Revised Funding Period. The True Up Process shall determine whether any final payment by DfT of True Up Grant or by TfL of a True Up Repayment for the Revised Funding Period is required.

- c. In view of TfL's high cash balance, and the deferred extraordinary grant payment of £80M that the Government made on 10 December, no additional instalment of extraordinary grant will be paid during the Revised Funding Period. In line with the 1 June agreement, we expect TfL to maintain useable cash reserves of £1.2bn in this period and we will continue to work with TfL throughout the Revised Funding Period to reduce their cash balance accordingly.
6. We recognise that Transport for London need to take reasonable steps to meet its statutory obligations and to maintain and operate the transport systems for which it is responsible. In doing so you will need to consider arrangements beyond the duration of the Revised Funding Period, including making financial commitments that fall outside this period. These commitments will be recognised in any future funding agreements to be put in place.
7. The Government remains committed to supporting London and the transport network on which it depends via its funding settlements. These settlements recognise the reliance of London's transport network on fare revenue, and Government's commitment now and in the future to mitigating loss of fare revenue as a result of the pandemic. I look forward to continued discussions.

Rt Hon Grant Shapps MP

SECRETARY OF STATE FOR TRANSPORT