



Department
for Transport

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

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28 July 2022

Dear Sadiq,

TRANSPORT FOR LONDON SETTLEMENT LETTER

1. This letter amends the fourth extraordinary funding and financing agreement (the D4 Agreement) for Transport for London (TfL), set out in my letter to you of 25 February 2022, to ensure TfL continues to provide transport services in London.
2. The D4 Agreement covered the Funding Period of 26 February to 28 July 2022, following the extension that we agreed on 13th July. We are varying the terms of the D4 Agreement as follows:
 - a. A short extension to the Funding Period by a further 5.5 days, so that the “Revised Funding Period” is now defined as 26 February 2022 to midday on 3 August 2022.
3. This extension to the D4 Agreement is necessary to enable TfL to consider the longer-term settlement proposed by HMG, as detailed in the draft agreement shared on 22 July 2022. Resolving these issues is an integral part of setting TfL on the path to financial sustainability, and Government stands ready to engage constructively to reach a resolution.
4. We do not expect to be making any additional grant payment during this short extension period.
5. For the duration of the extension, the provisions of the D4 Agreement will remain in place:
 - a. There will continue to be a periodic Top Up mechanism pursuant to the terms of the D4 Agreement based on actual passenger revenue cash receipts compared to the D4 Passenger Revenue Scenario as set out in the Annex to this letter.
 - 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 a True Up Grant or by TfL of a True Up Repayment for the Revised Funding Period is required.

6. We recognise that Transport for London needs 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 TfL 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

Annex – 2022/23 Passenger Revenue Scenario

	Period 5*
Passenger Revenue Scenario	£116m

*Pro rata for 29th July to 2 August 2022