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HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Derek Mackay MSP
Cabinet Secretary for Finance and the Constitution
Scottish Government
St Andrew's House
Regent Road
Edinburgh
EH1 3DG

8 December 2017

Dear Derek,

SCOTTISH GOVERNMENT CP6 RAIL SETTLEMENT

1. Following our recent discussions about the Scottish Government's SoFA, I am now writing to you with my final offer.
2. After careful consideration of the points you made, and taking account of what is fair for England and Wales, I have determined to offer the Scottish Government a total grant of £3.75bn. I have uplifted my offer by c.£150m to reflect the British Government's commitment to infrastructure in Scotland. This is a generous offer, and represents 10.8% of funding in England and Wales, well above Scotland's population share of 9.26%. This does not require the Scottish Government to undertake any responsibility for debts accrued by Network Rail in Scotland. I would welcome a discussion between our officials to set an appropriate profile over the CP6 period.
3. As set out by the then Secretary of State for Transport in the 2005 devolution letter, all future rail funding for Scotland will be done on the basis of Barnett formula; the Scottish Government will receive a population share of the change in funding in England and Wales between control periods.
4. I understand some good progress has been made in understanding the Scottish Government's objectives for governance of Network Rail. I have asked my

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officials to continue to engage with Scottish Government and DfT colleagues, and update me on discussions.

5. I am copying this letter to the Chancellor, the ORR, the Secretary of State for Transport, the Secretary of State for Scotland, and the Scottish Minister for Transport and the Islands.

Best wishes,

A handwritten signature in blue ink, appearing to read 'Elizabeth Truss', is centered on the page. The signature is written in a cursive, flowing style.

RT HON ELIZABETH TRUSS MP