



Department
for Transport

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

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21 February 2022

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 as amended on 13 December, 17 December and 4 February covered the Revised Funding Period of 29 May to 18 February 2022. We are varying the terms of the D3 Agreement as follows:
 - a. A short extension to the Revised Funding Period by one week, so that the Revised Funding Period is now defined as 29 May 2021 to 25 February 2022.
3. This amendment to extend the D3 Agreement will enable sufficient time to agree the terms of a fourth extraordinary funding and financing agreement (the D4 Agreement), drafts of which my officials shared with TfL on 20 January and 16 February 2022.
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 amendments and expectations as set out in my letter to you on 17 December 2021 remain in effect. 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.
 - 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. HMG re-iterates its position that no revenue losses as a result of decisions made by the Mayor will be met by central government, unless they have specifically been agreed by HMG in advance. If you wish to proceed with service changes, operating cost increases or policies that will cause net revenue reductions since the June 2021 settlement, or in the future, you must make up the revenue loss from extra income sources without recourse to additional borrowing, savings, service changes or deferrals. This is in addition to the £500m-£1bn of new income you have agreed to generate from April 2023.
7. 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.
8. 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 A – 2021/22 Passenger Revenue Scenario

	Period 12*
Passenger Revenue Scenario	£295m

*Pro rata for the Revised Funding Period