



# Department for Transport

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House of Commons  
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From the Secretary of State  
**The Rt. Hon. Grant Shapps**

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Dear Huw

## Transport for London funding settlement

Thank you for your letter of 5 November 2020, I am pleased to have the opportunity to answer the Transport Select Committee's questions on the Extraordinary Funding Agreement reached with Transport for London and the Mayor of London.

### **1. Timeline and Announcement of the deal:**

**Question: Can you provide us with a detailed timeline of how this settlement was reached and who was involved. This information should include:**

#### **a. when and why the agreement was reached;**

**Response:** In May 2020, the Department for Transport agreed an extraordinary funding and financing settlement of £1.6bn to ensure the continuation of public transport services in London. This agreement ran until 17 October 2020.

In September, a proposal for the current deal that runs to March 2021 was agreed across Government. As with the national rail operators, buses and tram systems, this proposal made up all the fare revenue which TfL has lost due to the COVID-19 pandemic. Officials and ministers across Government were involved in reaching agreement on this proposal, including HM Treasury and No.10.

Having discussed this proposal with TfL and the Mayor of London it was agreed by all parties that a two-week extension to the previous deal would be required to bring negotiations to a close. This extension was agreed on 16 October and extended the previous agreement to 31 October 2020. The latest funding agreement was reached late on Saturday 31 October and the deal runs until 31 March 2021.

#### **b. why the agreement was released to the press on Sunday 1 November 2020 before details were announced to Parliament; and**

**Response:** Announcements such as this are governed by important precedents designed both to protect market sensitivities and respect

Parliament – the guardian of taxpayers’ money. Following discussions with TfL, the Department’s understanding was that the markets should be informed at the first legitimate opportunity, namely 7am on Monday 2 November which would coincide with the Government informing Parliament.

Unfortunately, TfL and the Mayor chose to flout this procedure and instead issued a press release at around 7:30am on Sunday 1 November, without consultation or warning to the Government. It is not normal practice for announcements to be made to the media before being formally released to the market and we cannot see any convincing reason why TfL felt the need to release the details of this deal on Sunday morning.

I have asked my officials to work with TfL to establish clear protocols to prevent political pressure from being used to circumvent Parliament by releasing market-sensitive information early in the future.

**c. whether any consideration was made as to the usual timetable procedure regarding stock market sensitivity.**

**Response:** TfL has obligations to inform their debt holders of updates that occur after markets close on a Friday – in this case, the normal procedure is for the stock market announcement to be made at 7am on Monday morning. TfL were reminded of this expectation during the bailout discussions.

When taxpayers’ money is involved, Parliament should be informed first. I regret that given the size of the £1.7bn bailout, the Mayor’s approach treated Parliament with contempt, which is a serious matter. As custodians of taxpayers’ money, Parliament rightly expects to be informed first when announcements of this kind are made.

## **2. Future funding**

**Question: What assessment have you made of the potential need to provide another short term extraordinary funding package, rather than a longer-term settlement, to TfL following the expiry of the current deal on 31 March 2021 if it is still suffering significantly from the loss of passenger revenue as a result of COVID-19?**

**Response:** Our objective is to work with TfL towards achieving a financially sustainable position for the organisation as soon as possible, with a target date of 2023. Many of the activities set out in our agreement with TfL are to support this goal. This includes a comprehensive plan with options to achieve financial sustainability, with an assessment of the impact of possible post-pandemic passenger demand scenarios. We will consider the full picture from this plan for financial sustainability from TfL, in determining the most appropriate approach for the next funding negotiations. We have been clear that we aim to be in a position where a longer-term settlement is possible from March 2021, when this funding package expires. This will only be possible however, if HMG can be satisfied that the measures set out in the funding agreement have been progressed.

### 3. TfL's operating grant

**Question: Can you provide us with an annual breakdown of TfL's operating grant from the Government since 2014-15?**

**Response:** In 2014/15 the GLA Transport Grant was not split between operating (RDEL) and investment (CDEL) grant, in that year the total grant was £1.7bn. For the remaining years in question the General Grant (RDEL or Operating Grant) was:

2015/16 £629m  
2016/17 £447m  
2017/18 £228m

In April 2017, the capital element of the GLA transport grant was rolled into the Business Rates Retention Scheme so is no longer paid directly by DfT. For the years in question the Investment Grant (CDEL) was worth:

2015/16 £925m  
2016/17 £944m  
2017/18 £960m  
2018/19 £976m  
2019/20 £993m  
2020/21 £1,010m

In 2020/21 the Government agreed two extraordinary funding and financing packages with the Mayor of London and TfL as a direct result of the COVID-19 pandemic. In May 2020, a package worth £1.6bn was agreed to ensure the continuation of essential public transport services in the capital. In October 2020, a further deal worth up to £1.7bn was agreed. The actual support provided under these deals will depend upon the fare revenue lost as a result of the pandemic.

### 4. Further detailed plans:

**Question: Can you provide us with further detail on plans for:**

- a. **Government-led review of driverless trains to be conducted with TfL's co-operation? (for example, the scope and terms of reference of the review, its timeframe, engagement with TfL staff and unions, and governance of the review-including steering group members);**

**Response:** The Department is in the process of instructing this review on Driverless Trains and the committee will be updated in due course. The Mayor's and TfL's cooperation with the review is a clear condition of the H2 deal. This will include robust information sharing agreements, as it is unfortunate that previous work by TfL on driverless trains appears to also have been leaked to one of the unions.

- b. **the future and breadth of concessionary fares; and**

**Response:** Fares policy is devolved, and the future and breadth of concessionary fares is therefore a matter for the Mayor. However, we have

been clear that if the Mayor wishes Londoners to continue to benefit from travel concessions above those typically available elsewhere in England (specifically free travel for all Londoners aged under 18 and 60-65, excluding statutory entitlements including under the Education Act 1996) the costs of these additional benefits will not be met by HMG funding. In agreeing the bailout, the Mayor proposed that he could pay for these concessions by retaining the central London congestion charge at its current level and/or by increasing the existing TfL element of the GLA's council tax precept. He must make his final choice by 11 January 2021 as part of TfL's wider plan to achieve financial sustainability.

**c. The charging levels and geographic zoning of congestion charging**

**Response:** The charging levels and geographical zoning of the Congestion Charge are matters for the Mayor and TfL to make proposals and ultimate decisions on. The Mayor has indicated that meeting the costs of concessionary fares could potentially include proposals to maintain the Congestion Charging changes implemented in June 2020, subject to consultation and due process.

**5. Oversight Group**

**Question: Can you provide us with further detail on the creation and proposed membership of the new Government-led working-level oversight group of TfL?**

**Response:** Under the terms of the extraordinary funding and financing package provided to TfL, it was agreed that there would be a DfT chaired Oversight Group that would meet on a periodic basis for the duration of the deal. The first meeting of the Oversight Group is scheduled for late November. The objectives of this Group, as set out in the Terms of Reference, is to oversee progress of the measures agreed in the extraordinary funding and financing package, to work collaboratively to determine how conditions are being met and to consider proposals for resolution where necessary.

The Oversight Group is a working level group to monitor conditions directly impacting this deal and progress towards longer term commitments. It is important that these meetings foster a constructive working relationship between DfT and TfL to ensure openness and transparency of information. These meetings will be led and attended by officials from DfT and TfL with associate members from other Government Departments attending as required.

**6. Barnett consequentials**

**Question: Can you explain whether the funding package for TfL will:**

- a. Result in an allocation of full Barnett consequentials for the devolved nations and regions with responsibility for public transport; and**

**Response:** Any additional funding provided to DfT for TfL will result in Barnett consequentials for the devolved administrations.

- b. If so, when these payments will be confirmed to each of the relevant administrations.**

**Response:** As is the normal process, changes to departmental and devolved administrations' funding will be confirmed at Supplementary Estimates.

Therefore, to give the devolved administrations certainty to plan and deliver their coronavirus response, we have given them an upfront guarantee that they will receive at least £16bn in additional funding this year on top of their Spring Budget funding.

## **7. Negotiations on next steps**

**Question: What consultation will you hold with the Mayor of London and TfL at the end of this funding package to negotiate next steps and when do you expect a decision to be made on next steps?**

**Response:** We will engage with TfL and the Mayor of London throughout the course of the current funding agreement, particularly through the Oversight Group. This engagement will have an increased focus on the next steps after TfL have produced their proposals for achieving financial sustainability, which they have committed to by 11 Jan 2021 as part of the agreement. We expect to agree those next steps as part of negotiations to be completed ahead of the current funding agreement ending on 31<sup>st</sup> March.

Yours ever,

A handwritten signature in black ink, appearing to read 'Grant Shapps', written in a cursive style.

**Rt Hon Grant Shapps MP**

**SECRETARY OF STATE FOR TRANSPORT**