

# MAYOR OF LONDON

**Patrick Doig**  
Group Finance Director  
Transport for London  
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**Date:** 30 August 2022

Dear Patrick,

We are writing following the conclusion of discussions with the Department for Transport regarding funding for Transport for London.

It is clear that despite TfL's best efforts, the deal on offer from the government is not a long-term deal, lasting for under two years, and is insufficient for TfL to deliver a balanced budget over that time period, as you are required to do. It provides far less new funding than public pronouncements from government ministers imply.

London's public transport network is not just essential to Londoners' lives, it is vital to our capital's economy and that of the UK. Without it, the Treasury would not benefit from receiving £36 billion more in taxes than are spent in London, which would have a catastrophic impact on the government's ability to fund public services throughout the country.

The Covid-19 pandemic has exposed the fallacy of the government's decision in 2015, supported by the then Mayor, to cut national funding for TfL leaving it reliant on passenger fares for 72% of its income – around twice the level of other world cities. By its very nature, public transport has significant fixed costs: the trains, buses and stations have to be bought, operated and maintained regardless of the number of passengers using them on any particular day.

Since 2016, TfL has delivered over £1 billion in annual recurring savings, and continues to work hard to deliver other savings where possible. It is clear that cutting further as required by the government would require either reductions in safety-critical maintenance, which is absolutely unacceptable, or reducing services. While the government's proposal says the 18% cut in bus services that forms part of TfL's 'managed decline' budget should not occur, it is unavoidable if TfL's budget does not balance, which the government's funding will not deliver. This cannot be the right way forward.

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Nor is raising fares for Londoners in excess of any national increase the answer. As well as being entirely the wrong thing to do during a cost-of-living crisis, with many Londoners now having the ability to work from home it would reduce the number of journeys and hit economic activity in the city, particularly in the Central Activities Zone.

This is why the government has provided emergency funding to date, which we are grateful for although its short-term nature and the associated conditions have been deeply inappropriate and harmful to the best interests of the taxpayer. Now, as TfL seeks to ensure its financial sustainability following the devastating impacts of the pandemic, the government is not providing the support necessary to enable this. Their proposals would not prevent further bus cuts – on the contrary, we understand that they require you to consider your responsibilities under section 114 of the Local Government Finance Act 1988.

The invocation of section 114 – which is what TfL would have to consider without the GLA's support – would have been entirely the consequence of government decisions: cutting national funding, creating the over-dependence on fare income and the nature of the funding deals it has insisted on since 2020, despite all the evidence of their flaws that TfL have repeatedly explained to the government. Rather than this government funding agreement saving public transport provision in London, it imperils its very existence and the livelihoods of all those who work on or for it, including suppliers around the country, and the Londoners and businesses who depend on it to get to work each day.

We cannot allow this to happen. Since 2016, we have worked closely with TfL, supporting it to deliver record savings and prudently increasing its cash balances – money that allowed it to survive the early weeks of the pandemic when immediate government support was not forthcoming. We cannot allow the destruction of our capital's public transport system simply because the government will not accept the consequences of its own policies.

Therefore, subject to the formal acceptance of the draft funding agreement insisted upon by the government, we write to provide comfort that we will reorganise our current planned use of GLA Group-wide resources and be prepared to make available a call-off facility of up to £500m over this and the following financial year, appropriately split between revenue and capital, to enable you to set a balanced budget. This will deplete available reserves and may necessitate GLA temporarily borrowing for capital expenditure we would otherwise have been able to finance directly until such sums are recovered, so we will need to continue to work closely to manage the future financial consequences of this essential near-term support. The impact of this action on future financial resilience is significant, but we have little choice.

As we have discussed, we will need to recover the use of the call-off facility by reducing TfL's future share of business rates from the GLA; we will require the profile of such recovery to be agreed with you, with regard to the expected savings or additional income arising from TfL's use of this funding and other changes to your budget arising from the proposed government funding agreement. Moreover, our provision of this support underlines the intrinsically linked treasury management positions of the GLA and TfL; our respective teams have been working to facilitate improved co-ordinated management, including preparing for TfL to join the rest of the GLA Group in our collective investment arrangements and that for so long as there are recoverable sums outstanding, future

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borrowing transactions by TfL will be co-ordinated with the GLA's Group Treasury function to ensure we obtain the best financial outcomes at group level. We have agreed this work should be concluded as soon as practicable.

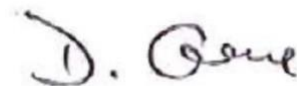
The government has refused our repeated requests to provide sufficient funding for TfL, or to devolve tax sources so that we can do so, despite London's public transport network being critical to the functioning of the London and national economies. This heavily constrains our ability to act, but in these extraordinary circumstances we will do what we can support the continued functioning of TfL where the government refuses to do so.

Finally, on a personal level we would like to thank you and your colleagues for the conscientious way you have discharged your responsibilities since the start of the Covid-19 pandemic, often under extreme stress and time pressures created by the government's approach. You have performed a great public service for Londoners, and we are grateful.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Sadiq Khan' with a stylized flourish at the end.

**Sadiq Khan**  
Mayor of London

A handwritten signature in blue ink, appearing to read 'D. Gallie'.

**David Gallie**  
Executive Director of Resources