



Department for
Transport

From the Secretary of State

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Dear Boris,

The Communities Secretary yesterday announced Government's proposals to allow local authorities to retain a share of business rates in their areas, to provide a direct financial incentive for delivering local economic growth.

Subject to enactment of the Local Government Finance Bill currently before Parliament, this will enable Transport for London (TfL) to receive a proportion of funding through a locally retained share of London's business rates, replacing part of the funding currently paid as Transport Grant and allowing the Mayor and TfL to share in the rewards of London's growth.

DfT will continue to pay a Transport Grant to the GLA for the purposes of TfL, as provided for under Section 101 of the Greater London Authority Act 1999. Section 101(2) shall continue to apply so that Transport Grant will be paid for the purposes of Transport for London and I expect the GLA to continue to pay it straight to TfL.

I continue to recognise the strategic importance of London transport to the national economy. The changes to the arrangements for payment of Transport Grant should not be construed as any weakening of the Government's support. My intention is that these proposed changes should not reduce the overall amount of money available to TfL over the Spending Review period, as set out in the SR funding agreement letter, taking into account the continuing section 101 grant and the locally retained share of business rates available for TfL.

In due course, we will need to agree an amendment to the funding agreement letter to reflect these proposed changes. However, the shared commitments to the operations and investment in transport in London set out in the SR10 settlement letter of 20 October 2010 remain in place. As under the current regime, I would also expect to review future spending review settlements, including in year, if there is significant deviation from the mutually agreed commitments.

Bert Wishes,

Justine

JUSTINE GREENING