Annual Report and Statement of Accounts

2018/19 – 24 July 2019

MAYOR OF LONDON

TRANSPORT FOR LONDON
EVERY JOURNEY MATTERS

About Transport for London (TfL)

Part of the Greater London Authority family led by Mayor of London Sadiq Khan, we are the integrated transport authority responsible for delivering the Mayor's aims for transport.

We have a key role in shaping what life is like in London, helping to realise the Mayor's vision for a 'City for All Londoners'. We are committed to creating a fairer, greener, healthier and more prosperous city. The Mayor's Transport Strategy sets a target for 80 per cent of all journeys to be made on foot, by cycle or using public transport by 2041. To make this a reality, we prioritise health and the quality of people's experience in everything we do.

We manage the city's red route strategic roads and, through collaboration with the London boroughs, can help shape the character of all London's streets. These are the places where Londoners travel, work, shop and socialise. Making them places for people to walk, cycle and spend time will reduce car dependency and improve air quality, revitalise town centres, boost businesses and connect communities.

We run most of London's public transport services, including the London Underground, London Buses, the DLR, London Overground, TfL Rail, London Trams, London River Services, London Dial-a-Ride, Victoria Coach Station, Santander Cycles and the Emirates Air Line. The quality and accessibility of these services is fundamental to Londoners' quality of life. By improving and expanding public transport, we can make people's lives easier and increase the appeal of sustainable travel over private car use.

We are moving ahead with many of London's most significant infrastructure projects, using transport to unlock growth. We are working with partners on major projects like Crossrail 2 and the Bakerloo Line Extension that will deliver the new homes and jobs London and the UK need. We are in the final phases of completing the Elizabeth line which, when open, will add 10 per cent to central London's rail capacity.

Supporting the delivery of high-density, mixed-use developments that are planned around active and sustainable travel will ensure that London's growth is good growth. We also use our own land to provide thousands of new affordable homes and our own supply chain creates tens of thousands of jobs and apprenticeships across the country.

We are committed to being an employer that is fully representative of the community we serve, where everyone can realise their potential. Our aim is to be a fully inclusive employer, valuing and celebrating the diversity of our workforce to improve services for all Londoners.

We are constantly working to improve the city for everyone. This means freezing TfL fares so everyone can afford to use public transport, using data and technology to make services intuitive and easy to use, and doing all we can to make streets and transport services accessible to all. We reinvest every penny of our income to continually improve transport networks for the people who use them every day.

None of this would be possible without the support of boroughs, communities and other partners who we work with to improve our services. We all need to pull together to deliver the Mayor's Transport Strategy; by doing so we can create a better city as London grows.

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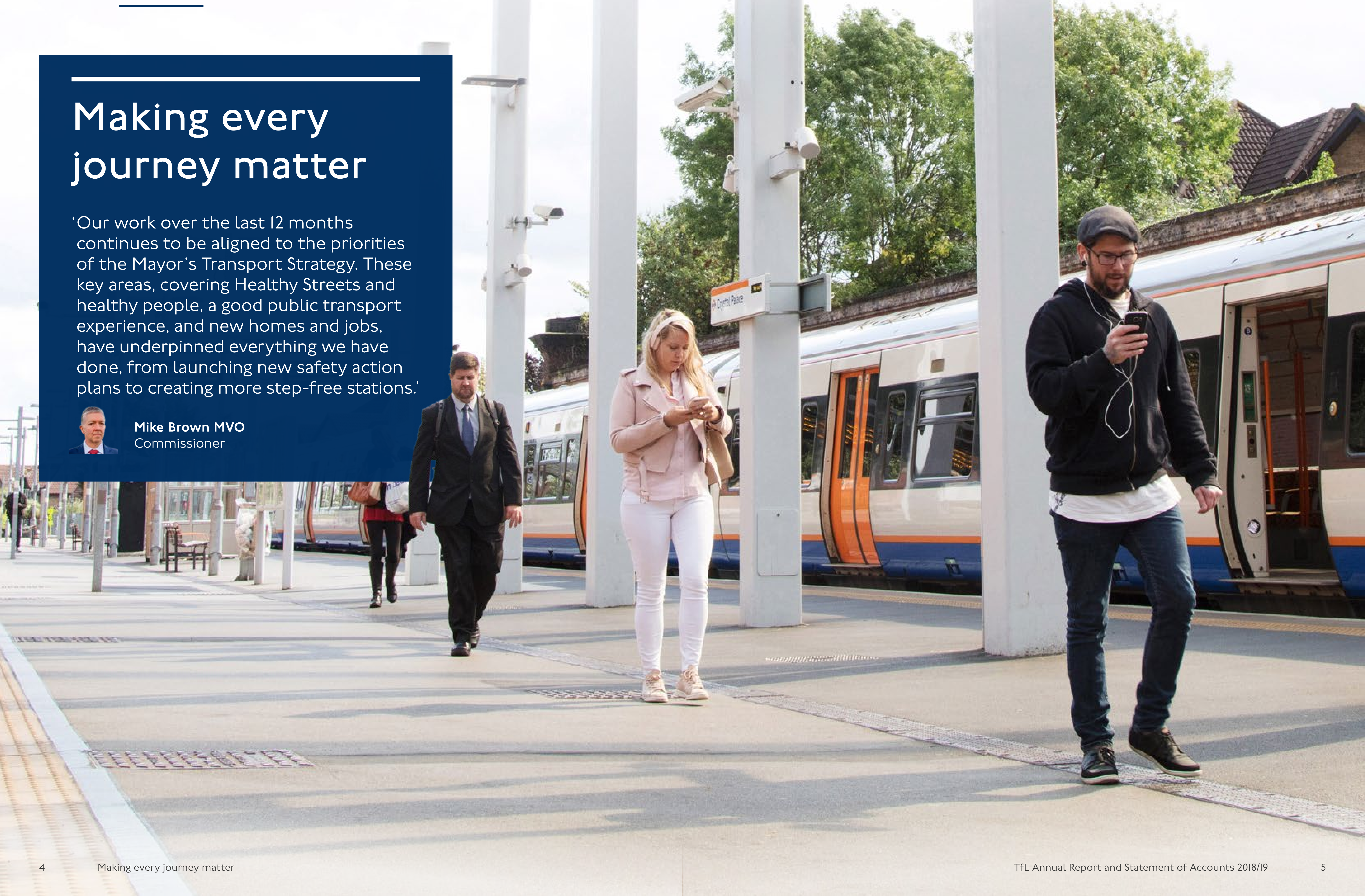


Making every journey matter

'Our work over the last 12 months continues to be aligned to the priorities of the Mayor's Transport Strategy. These key areas, covering Healthy Streets and healthy people, a good public transport experience, and new homes and jobs, have underpinned everything we have done, from launching new safety action plans to creating more step-free stations.'

Mike Brown MVO
Commissioner

Mayor's message

London is the greatest city in the world and transport is its lifeblood

I know how important it is that transport is affordable and accessible. That is why I have kept TfL fares frozen and protected travel concessions throughout my term as Mayor, even as National Rail fares have continued to rise and external factors have put pressure on TfL's finances. If Londoners cannot afford to move around the city they live in, then we have failed.

My affordable fares policy has protected TfL's revenues during a period when public transport ridership has been subdued across the country. At the same time, TfL has reversed a 16-year trend of rising costs by becoming more efficient than ever in its history. This year, like every year since I was elected, TfL's like-for-like operating costs have fallen.

As TfL continues to become even more efficient, we also look to the future. Through my transport strategy, TfL is transforming London into the sustainable city its customers need. I have launched my new Ultra Low Emission Zone, mobilised an accelerated programme of investment in cycling and transformed the safety, emissions standards and efficiency of London's bus network.

'TfL is transforming London into the sustainable city it needs to become'

TfL fares have been frozen for a third year in a row, keeping travel affordable for all Londoners

'The Elizabeth line will be the single most significant new public transport infrastructure in London for decades'

The Elizabeth line will be the single most significant new public transport infrastructure in London for decades. I was frustrated and angry at the delay announced by Crossrail Ltd in August 2018. Millions of Londoners had been looking forward to the opening of the Elizabeth line through central London at the end of 2018, and the new income from the line was core in TfL's business planning. I have worked with the Government to agree a financing package to meet the additional capital cost and put a new leadership team in place at Crossrail Ltd. We are all now rightly focused on safely opening the Elizabeth line as quickly possible.

The new financial package for Crossrail is based on London ultimately absorbing all of the capital and revenue impact of the delay.

However, like cities across the UK, London's core public transport network needs steady and sustained investment from central Government. I will be making the case for that investment in London as the Government embarks on its spending review in the months ahead.

Sadiq Khan
Mayor of London

Commissioner's foreword

In challenging conditions, we must stay focused on safety and delivering for London

Safety remains our top priority and we have made real progress.

We published our Vision Zero action plan and this will enable major improvements to the safety of transport in London, such as our new Bus Safety Standard and transforming intimidating parts of the road network like Highbury Corner junction. We will maintain our focus on safety even as we face many other challenges.

This year has seen the delay to the opening of the Elizabeth line. This was extremely disappointing for London, for us, and our finances. We are also facing national economic conditions that have put pressure on our passenger revenues at the same time as responding to the removal of approximately £700m per annum of direct operating grant from the Government.

The delay to Crossrail has required us to negotiate a deal with the Government for more than £2bn of financing to complete the project, which is on top of provision we have made in our Business Plan for £600m of lost fare revenues. After the announcement we worked closely with Crossrail Ltd and the Government to understand when the project will be completed and agree how the financial impacts of the delay can be managed. Crossrail Ltd's new team has now confirmed their revised new scheduled opening window and we will work with them to safely begin running Elizabeth line services for passengers in keeping with this new schedule.

We have let a contract to deliver a new fleet of Piccadilly line trains. Five further London Underground stations have been made step-free, including completing the major upgrade of Victoria station. And we have begun to operate trains under automatic control on the first part of the Hammersmith & City line, before the roll out of that digital system across a further 40 per cent of the London Underground network. As part of our central role in supporting London's growth, we have submitted several major planning applications for new housing and commercial developments and brought more than 3,000 homes to market, exceeding the Mayor's target for half of them to be affordable.

None of this delivery would have been possible without our great people both in our organisation and throughout our supply chain. This has been a difficult year but we have overcome the challenges through much hard work and dedication. I look forward to us continuing to work together to keep London moving, working and growing.

The hard work of our people has helped us to overcome the challenges of a difficult year

'The delay to the Elizabeth line was extremely disappointing for us and for London, and had significant impacts on our finances'

'We must focus on safety regardless of any other challenges we may face'

Mike Brown MVO
Commissioner

Chief Finance Officer foreword

Delivering our plan for financial sustainability while managing challenging conditions

We successfully delivered a net cost of operations that is one third of what it was in 2015/16, once the operating grant we used to receive from Government is taken into account.

We have achieved this despite the delay to the opening of the Elizabeth line and continuing pressure on our ridership from the subdued economic conditions we are seeing across the UK. This strong performance for 2018/19 keeps us on track to deliver the targets in our five-year Business Plan and to achieve a surplus after the cost of day-to-day operations, including renewals and net financing costs, by 2022/23.

Significant challenges remain. Economic projections are uncertain and growth – and therefore our ridership – is likely to remain subdued given the forecast from the Office of National Statistics, Bank of England, Experian Economics, GLA Economics and the HM Treasury summary of Independent forecasts.

We have made good progress with delivering our savings programme but our plans for future savings are not without risk.

We also need certainty over our long term capital funding beyond 2020/21 so that we can maintain our core transport infrastructure and ensure that the city remains productive.

The Government has indicated it will carry out a spending review later this year. As businesses and stakeholders point out, steady investment in infrastructure must be sustained if London is to continue growing, attracting jobs, talent and new housing.

Simon Kilonback
Chief Finance Officer

> 'The strong performance for 2018/19 keeps us on track to deliver the targets in our five-year Business Plan and to achieve a surplus after the cost of day-to-day operations, including renewals and net financing costs, by 2022/23'

Cutting our costs

We reduced our net cost of operations to one third of what it was three years ago*

We have maintained a firm grip on our costs despite a challenging climate. We are managing our cost base, including maintenance savings and contract renegotiations.

The headline result for 2018/19 is that we have reduced our net cost of operations to £494m, compared to £1,516m in 2015/16 (excluding operating grant).

Like-for-like operating costs fell by 0.6 per cent, from £5,657m in 2017/18 to £5,621m.**

We continue to work with our trade unions as we seek to drive efficiencies and reduce back and middle office costs by 30 per cent. We have already delivered significant savings, including reducing headcount by 13 per cent in the last three years and the size of our non-permanent workforce by 61 per cent since December 2015.

At the end of 2018/19, staff costs were £31m better than budget. This has contributed to a reduction in our year-on-year, like-for-like operating costs for the third consecutive year.

Tube ridership was better than budget

66% reduction in net cost of operations since 2015/16

£479m better net cost of operations than budget

13% reduction in headcount since 2015/16

* net cost of operations per internal reports to management is reconciled to the Group Comprehensive Income and Expenditure Statement in note 2 to the accounts.

** A table showing the calculation for like-for-like operating costs is included on p128

Increasing revenues

We continue to look for further opportunities to generate long-term revenue

We generate and receive more than £10bn of income and funding each year, which is used to run day-to-day operations and maintain and enhance our services.

Passenger income, as included in internal management reports, increased by four per cent to £4,822m. This was mainly on the London Underground network where the 1.4bn journeys made over the year were 2.4 per cent better than budget and two per cent up on the previous year.

In 2018/19, bus passenger income was £11m lower than our budget for the year, where the 2.2bn bus journeys were 1.2 per cent lower than the previous year. We continue to observe subdued demand on our bus network.

London Overground journeys were within 0.2 per cent of budget, with 189.5 million passengers over the year. Journeys on the DLR increased by 1.9 per cent to 122 million in 2018/19, or 1.3 per cent higher than budget.

Demand has been lower than expected on London trams with ridership of 29m journeys over the year, which is 3.9 per cent below budget and 1.3 per cent lower than the previous year.

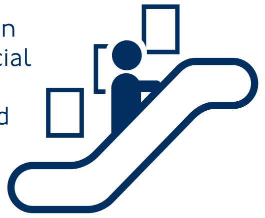
Commercial development income increased by 3.6 per cent as both advertising and property income increased. This is 1.5 per cent below budget mainly because of missed Crossrail advertising opportunities.

We have established a consulting arm that is already pursuing opportunities both within the UK and overseas. Over time this is expected to generate significant recurring revenue.

Cash balances have improved this year, largely through large asset sales and asset recycling transactions. We have ended the year £257m ahead of budget.

4%
increase in passenger income compared to 2017/18

3.6%
increase in commercial income compared to 2017/18



Bus passenger demand within
1%
of forecast

The delay to Crossrail

We have agreed financing with Government to enable the opening of the Elizabeth line

A deal was agreed in December to ensure the Elizabeth line can open to passengers as quickly as possible.

Following the announcement by Crossrail Ltd that the central section of the Elizabeth line would be delayed, we commissioned KPMG to conduct independent reviews into Crossrail Ltd's financing and governance arrangements.

This indicated that the likely capital cost of the delay could be in the region of between £1.6bn and £2bn, including a £300m funding contribution already announced in July 2018.

In December, we confirmed a new financing deal with the Government to help deliver the final stages of the Crossrail project.

This agreement will see the Greater London Authority (GLA) borrow up to £1.3bn from the DfT, and repaying this from the existing Business Rate Supplement and Mayoral Community Infrastructure Levy.

We announced a finance deal to deliver Crossrail

The GLA will also contribute £100m, taking its total contribution to £1.4bn. This will be provided as a grant to us for the Crossrail project.

We also agreed a contingency arrangement with the Government in the form of a loan facility from the DfT of up to £750m, should the higher end of the estimate be realised.

Crossrail Ltd announced in April 2019 that the central section will open during a six-month window with a midpoint at the end of 2020, and that they expect the capital costs to complete the central section to be delivered within the agreed funding package.

> 'Crossrail Ltd's announcement of the delay to the Elizabeth line is extremely disappointing, but it is important not to lose sight of the huge benefits the line will bring'

Mark Wild
Crossrail Ltd's new Chief Executive

TfL Scorecard

Our scorecard provides a benchmark for our achievements throughout 2018/19

The TfL Scorecard is designed to reflect the key policy objectives of the Mayor's Transport Strategy and is structured in four equally-weighted quadrants aligned to our organisational priorities.

We did not meet our target to reduce the number of people killed and seriously injured on London's transport network. On public transport we met our targets to reduce the number of deaths and injuries.

We met all other Safety and Operations targets. This includes delivering significant time savings for pedestrians, cyclists and bus users by improving the timings of traffic signals, and bringing the total number of Euro VI compliant buses to nearly 7,000 vehicles. This will greatly improve London's air quality and has ensured that all buses operating in central London are compliant with the Ultra Low Emission Zone.

Over the last year we have improved the performance of London Underground and bus services, and increased the customer care score from 46 to 49 per cent. We exceeded our affordable housing target by 12 per cent.

Walking, cycling and public transport journey numbers all increased. This partially meets our target, but there has been an increase in motor traffic that we need to address as we move towards the aim in the Mayor's Transport Strategy for 80 per cent of journeys to be on foot, by cycle or using public transport by 2041.

We delivered 81 per cent of our investment milestones. The milestones not met included selecting a preferred bidder for the Silvertown Tunnel, which was delayed when the Government's decision on the Development Consent Order for the project came later than we had expected. The target of opening the central section of the Elizabeth line in 2018 was not met.

We want our workforce to be fully representative of London's population. This measure improved but the targets were not fully met, either for senior leadership or our workforce as a whole, owing to our current low level of recruitment and continuing change in our organisation.

The annual Viewpoint survey measures total staff engagement and, through the inclusion index, how fair and inclusive our organisational culture is. Total staff engagement and the inclusion index both remained steady at 56 per cent and 43 per cent respectively. This ends a period of decline in recent years, but did not meet the targets we had set to increase both measures.

In a difficult financial climate we have met our financial targets, which supports the longer-term objective to achieve a surplus after the cost of day-to-day operations, including renewals and net financing costs, by 2022/23.

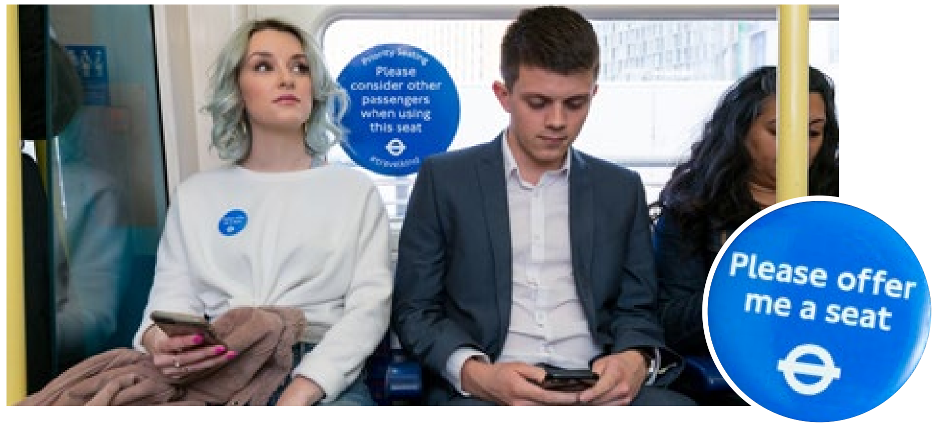
Long-term objectives	2018/19 scorecard	Full year[1]		
Outcome	**Measure**	**Actual**	**Target**	
Healthy Streets and healthy people (18%)				Safety and operations (25%)
London's transport system will be safe and secure	Reduction in people killed or seriously injured on the roads from 2005-09 baseline (%)[2]	36.5	45.4	
	Reduction in people killed or seriously injured on roads from 2005-09 baseline (incidents involving buses) (%)[2]	58.9	55.6	
	Injuries on the public transport network	11,279	11,683	
London's streets will be used more efficiently and have less traffic	Operational improvements to sustainable travel	16,985	15,000	
London's streets will be clean and green	Number of London buses that are Euro VI compliant	6,950	6,050	
More people will travel actively in London	Healthy Streets scheme assessment (average percentage uplift)	11	10	
A good public transport experience (17%)				
Journeys by public transport will be fast and reliable	Tube excess journey time (minutes)	4.49	4.50	
	Average bus speeds (mph)	9.3	9.2	
Public transport will be accessible to all	Additional time to make step-free journeys (minutes)	9.1	9.0	Customers (25%)
Journeys by public transport will be pleasant	Customer satisfaction (percentage of Londoners who agree we care about our customers)	49	49	

1. These results are subject to approval by the Chair of the Audit and Assurance Committee.
2. Measured in calendar years (year to date is January to Dec 2018). These are provisional estimates and may be subject to change.

Long-term objectives	2018/19 scorecard	Full year[1]		
Outcome	**Measure**	**Actual**	**Target**	
New homes and jobs (2.5%)				Customers (continued)
Transport investment will unlock the delivery of new homes and jobs	The percentage of affordable houses we take to market in the year (%)	62 ■	50	
Mode share (5%)				
80% of journeys will be made by sustainable modes in 2041	Improve sustainable mode share: movement of 4 elements compared to 2017/18: a. Increase in cycling in Central London zone b. Increase in public transport journeys c. Increase in walking d. Decrease in traffic index	3 of 4 ■	4 of 4	
	Cycling (% increase to 2014 Baseline)	Increase ■	Increase	
	Passenger journeys (millions)	Increase ■	Increase	
	Traffic index	Increase ■	Decrease	
	Walking	Increase ■	Increase	

Long-term objectives	2018/19 scorecard	Full year[1]		
Outcome	**Measure**	**Actual**	**Target**	
All MTS themes (7.5%)				Customers (continued)
All Mayor's Transport Strategy outcomes	Deliver key investment milestones (%)	81 ■	90	
	Open Elizabeth line central section	Delayed ■	Deliver in December 2018	
People (25%)				People (25%)
A capable and engaged workforce representative of London	Workforce representativeness – all staff (%) – director/band 5 (%)	69.9 ■ 37.8 ■	70.7 46.6	
	Inclusion index (%)	43 ■	46	
	Total engagement (%)	56 ■	57	
Financial (25%)				Financial (25%)
We are prudent and cover our costs	Net operating surplus (£m)	358 ■	12	
	Investment programme (£m)	1,633 ■	2,138	

Year at a glance



April 2018
Priority seats

Priority Seating Week, marking the one-year anniversary of the Please offer me a seat campaign.

May 2018
Risk Up campaign

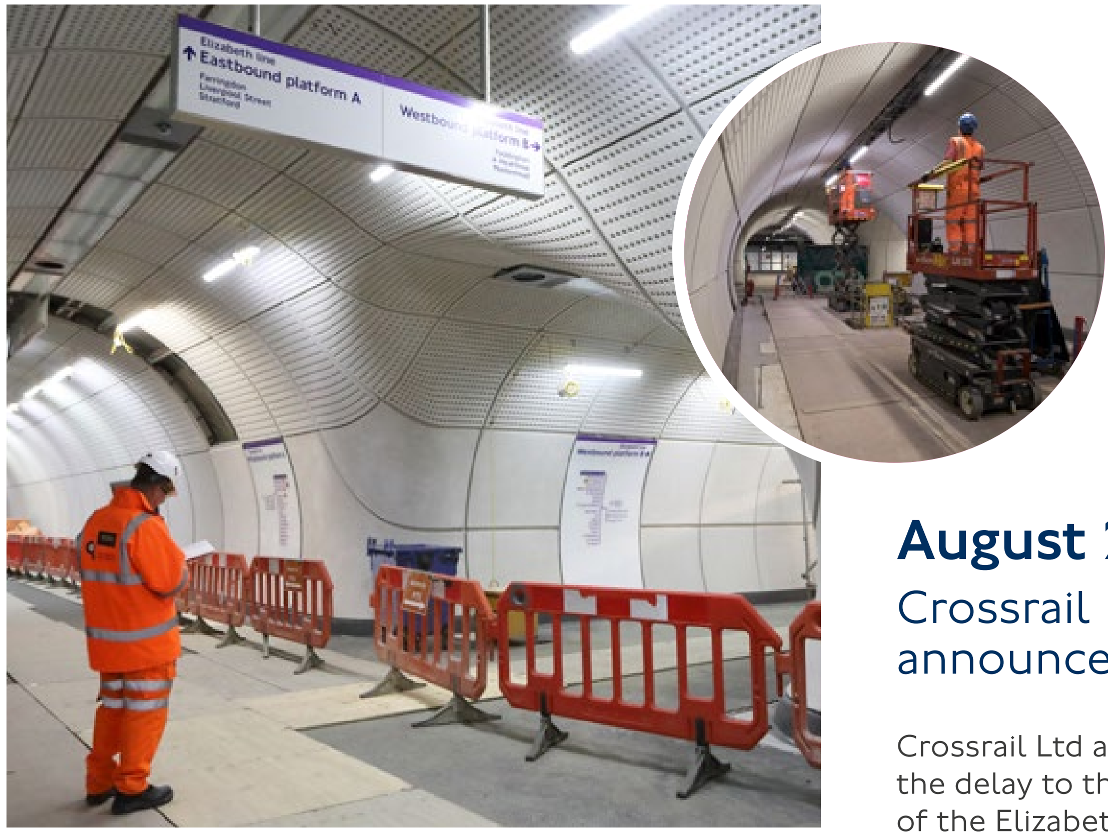
Reminding motorists that when the speed goes up, so does the risk of death and serious injury.

June 2018
Safer junctions

Work to transform Highbury Corner, one of the most intimidating junctions in London, gets under way.

July 2018
Vision Zero action plan

Action plan sets out how we will eliminate deaths and serious injuries from the transport network.



August 2018
Crossrail announcement

Crossrail Ltd announced the delay to the opening of the Elizabeth line.

September 2018
Hopper fare

The Hopper fare celebrates its second anniversary, with more than 220 million journeys.

October 2018
Cycling improvements

Three new Quietways, adding 15km to the network of safer, less busy routes.

November 2018
Cleaner air

The first Ultra Low Emission Zone (ULEZ) signs installed across London as part of a major awareness campaign.

December 2018
Cycling action plan

Action plan sets out how we will improve the quality of cycling infrastructure.

January 2019
London Overground

Manufacturer Bombardier announces that delivery of new London Overground trains would be delayed.

February 2019
Greener taxis

An additional £24m fund to help black cab drivers convert to electric vehicles, taking the total fund to £42m.

March 2019
Access All Areas

Second Access All Areas event, showcasing the latest in accessible transport, design and services.

Operational performance measures

Buses	2014/15	2015/16	2016/17	2017/18	2018/19
Passenger journeys (millions)	2,385	2,314	2,262	2,247	**2,220**
Kilometres operated (millions)	489	492	495	490	**480**
Schedule operated (%)	97.1	97.2	97.4	98.1	**98.1**
Excess wait time (high frequency routes) (minutes)	1.1	1.2	1.1	1.0	**1.0**
Customer satisfaction (score)	85	86	86	86	**85**

TfL road network	2014/15	2015/16	2016/17	2017/18	2018/19
Journey time reliability (am)	88.3	87.8	88.0	88.7	**88.9**
Traffic flow – major roads weekdays*	95.9	95.2	95.1	94.8	**96.0**
Customer satisfaction (score)	74	74	70	70	**71**
Resolution time for serious and severe disruption (unplanned) per event (hours)	2.0	1.9	1.9	1.7	**1.6**
Hours of serious and severe disruption (planned)	931	1,404	506	445	**346**

* Traffic volume compared with an index of 100 from Period 13, 2006/07

London Underground	2014/15	2015/16	2016/17	2017/18	2018/19
Passenger journeys (millions)	**1,305**	**1,349**	1,378	1,357	**1,384**
Kilometres operated (millions)	**80.3**	**82.5**	83.7	84.4	**85.0**
Schedule operated (%)*	**97.6**	**97.0**	96.9	96.6	**96.8**
Excess journey time (weighted) (minutes)*	**4.6**	**4.6**	4.7	4.6	**4.6**
Customer satisfaction (score)	**84**	**85**	85	85	**84**
Lost customer hours (millions)*	**22.7**	**26.5**	26.1	23.9	**24.6**

* Includes industrial action

DLR	2014/15	2015/16	2016/17	2017/18	2018/19
Passenger journeys (millions)	110.2	117.0	122.3	119.6	**121.8**
Kilometres operated (millions)	5.8	6.0	6.0	6.1	**6.1**
Planned kilometres delivered (%)	99.3	98.5	99.0	98.4	**99.0**
Customer satisfaction (score)	89	89	89	87	**87**

London Trams	2014/15	2015/16	2016/17	2017/18	2018/19
Passenger journeys (millions)	30.7	27.0	29.5	29.1	**28.7**
Kilometres operated (millions)	3.0	3.0	3.2	3.3	**3.2**
Planned kilometres delivered (%)	97.9	99.0	97.1	98.6	**98.4**
Customer satisfaction (score)	89	90	90	91	**90**

London Overground	2014/15	2015/16	2016/17	2017/18	2018/19
Passenger journeys (millions)	139.9	185.2	188.8	190.1	**189.6**
Kilometres operated (millions)	7.8	10.5	10.8	11.0	**11.7**
Planned kilometres delivered (%)	95.2	94.4	94.4	98.4	**95.9**
Customer satisfaction (score)	83	84	84	83	**83**

Emirates Air Line	2014/15	2015/16	2016/17	2017/18	2018/19
Passenger numbers (millions)	1.5	1.5	1.5	1.4	**1.3**
Customer satisfaction (score)	93	93	93	93	**92**
Availability (per cent)	96.3	94.4	98.7	97.6	**97.7**

TfL Rail	2014/15	2015/16	2016/17	2017/18	2018/19
Passenger journeys (millions)	na	40.1	47.8	45.3	**55**
Customer satisfaction (score)	na	83	83	83	**84**

London River Services	2014/15	2015/16	2016/17	2017/18	2018/19
Passenger services (including Woolwich Ferry) (thousands)	10,023	10,301	10,620	10,017	**9,757**

London Dial-a-Ride	2014/15	2015/16	2016/17	2017/18	2018/19
Customer satisfaction (score)	92	92	91	92	**89**
Trip requests scheduled	90	90	89	91	**90**

Cycle Hire	2014/15	2015/16	2016/17	2017/18	2018/19
Cycle hires (millions)	10.1	9.9	10.5	10.4	**10.9**

Safety and security

'Safety is core in everything we do. We launched our Vision Zero action plan, outlining our ambition to eliminate all deaths and serious injuries from the transport network. We continue to improve safety on London Trams, following the tragic overturning of a tram in Sandilands in 2016, and have worked to tackle hate crimes and sexual assaults.'

Jill Collis
Director of Health, Safety and Environment

Safety and security – a year of delivery

Following the tragic overturning of a tram at Sandilands in 2016, we continue to improve safety on the London Trams network. In May 2018, we began a tender process for the new automatic braking system that will slow a tram to a stop if it exceeds speed limits at critical locations.

Our speed reduction campaign engaged drivers and motorcyclists in a series of messages highlighting the risks both groups face. We also continued our work to reduce the number of slips, trips and falls on the Underground with a series of posters and safety announcements at stations.

Work began to improve Highbury Corner junction in June to improve safety for cyclists, pedestrians and other road users.

The Vision Zero action plan was launched in July. It proposed reduced speed limits and improving the junctions with the highest risk to make them safer. This work, along with targeting behaviours that contribute to the most collisions, changes to the London Bus fleet and improved post-collision learning, form the basis of the action plan.

We continued to work with the British Transport Police to increase awareness of hate crimes, encourage more people to report their experiences and to support National Hate Crime Awareness week in October.

Our world-leading Bus Safety Standard launched in October at a Bus Safety Summit. A range of measures, including speed-limiting technology, anti-slip precautions, reversing cameras and blind spot mirrors aim to reduce the number of people killed or seriously injured on or by a London bus.

In November, supporting the International Day for the Elimination of Violence Against Women, we encouraged people to report unwanted sexual behaviour on our network. And in December, we ran our annual Safer Travel at Night campaign to increase awareness of the dangers of using unlicensed minicabs.

We launched the final consultation for the Direct Vision Standard for heavy goods vehicles in January 2019. This will use a Safety Permit scheme and make sure that vehicles are retrofitted with a safe system to continue to drive on London's roads.

May 2018

Tender process for the new automatic braking system for trams

Risk Up safer speed campaign is launched

June 2018

Work begins on improving Highbury Corner junction

July 2018

Vision Zero action plan published

October 2018

Bus Safety Standard launched

November 2018

Report It to Stop It campaign continues

December 2018

Safer Travel at Night campaign

January 2019

Final consultation for the Direct Vision Standard

We have continued to improve safety and security for customers and staff

We took part in more than
250
engagement projects for Hate Crime Awareness week

Our goal is that, by 2041, there will be
Zero
deaths or serious injuries on our transport network

During a two-week period we dealt with
519
cycling offences, such as jumping red lights

Operation Vision Zero dealt with
4,758
road danger offences over a two-week period in November

A pedestrian hit by a vehicle travelling at
20mph
is five times more likely to survive than being hit at 30mph

The number of hate crime reports rose by
2%
from the previous year as we encourage victims to speak out

There have been more than
1,500
arrests made since our Report It to Stop It campaign launched

Towards Vision Zero

Working with partners to eliminate deaths and serious injuries on London's streets by 2041

In July 2018, we launched the Vision Zero action plan, to reduce the number of people killed or seriously injured on London's streets and public transport network to zero by 2041. London joins some of the biggest cities in the world, such as New York, in implementing the Vision Zero approach.

The Vision Zero action plan changes the approach to road danger, challenging the view that death and serious injury on London's streets is an inevitable part of living in a busy modern city.

Proposals include reduced speed limits and fast-tracking improvements to the highest-risk junctions, which we identified as part of the Safer Junctions programme.

To successfully achieve Vision Zero, we will continue to work closely with London's boroughs, police and other partners.

Click here to read the Vision Zero action plan in full (opens in browser)

The road danger reduction targets are:

By 2022

65%▼ fewer people killed or seriously injured against 2005-09 levels

70%▼ fewer people killed or seriously injured in, or by, London buses against 2005-09 levels

By 2030

70%▼ fewer people killed or seriously injured against 2010-14 levels

0 people killed on, or by, London buses

The Sarah Hope Line

The Sarah Hope Line provides support for people affected by injury and other life-changing events involving public transport.

It is run by specially trained staff, who can make referrals for counselling and offer support, including reimbursing medical costs and assisting with national and international travel.

In 2018/19, the Sarah Hope Line team managed 594 calls relating to events on board buses, trams and the Tube. We continue to promote the service and presented to the Metropolitan Police Family Liaison Officers, and met with surgical and trauma care specialists and the London Air Ambulance Service.

Vision Zero: measures towards safer streets

Safe streets

Vision Zero supports the Safer Junctions programme, which prioritises safety improvements on the junctions where the most people are killed or seriously injured. Of the 73 junctions identified in the programme, 21 have already been improved.

Safe speeds

Vision Zero proposes to reduce speeds on the our roads within the Congestion Charging zone to 20mph by May 2020 and change street design to encourage people to drive at an appropriate speed.

70% of London's roads are proposed to be set at 20mph by 2022

Safe vehicles

Our world-leading Bus Safety programme aims to reduce the number of people killed or seriously injured on our buses by 70 per cent by 2022. As part of this, we will develop the safest possible buses, incorporating the latest safety technology. We work in partnership with the Metropolitan Police Service and national Confidential Incident Reporting Analysis System.

Safe behaviours

Of the factors contributing to a collision in London, 93 per cent are due to a limited number of behaviours. These are inappropriate speeds, risky manoeuvres, distraction, drink or drug driving and vehicle or driver non-compliance. The Vision Zero action plan proposes new campaigns to engage people on the most risky behaviours and increase awareness of the impact they can have.

Post-collision learning

Understanding the causes of collisions will help us to prevent them from happening again. The police provide us with vital information about how serious collisions occurred so we can identify risks. Our Sarah Hope Line helps anyone injured or affected by a serious or life-changing incident involving our services.

Taking no risks

We launched a campaign in May 2018 to remind motorists to consider their speed, which was aimed at reducing the number of deaths and serious injuries on London roads. The key message was that when the speed goes up, the risk goes up. The campaign focused on driving at an appropriate speed for the road and conditions, including driving in built-up areas, driving in poor weather, or at night.

Innovative safety equipment

In October 2018, we published a new Bus Safety Standard at a special summit. The plans form part of our overall Vision Zero ambition and detail the requirements that all bus operators will need to adopt up to 2024. The first milestone will be that all new London buses must include speed-limiting technology, audible alerts for passengers, slip reduction measures such as high-grip flooring, more blindspot mirrors and reversing cameras, and warning pedal indicators for drivers. Our bus operators also trialled innovative safety equipment, including fatigue detection devices, acceleration limiters and new training apps.

Making London Trams safer

Work to improve safety on the London Trams network continued, following the tragic overturning of a tram in Sandilands in November 2016. In May 2018, we began the tender process for a new automatic braking system. The system brings a moving tram to a controlled stop if it exceeds the speed limit at a designated location and alerts the control centre.

This forms part of a wider trams improvement programme that has already seen the introduction of a permanent speed reduction across the tram network, more speed monitoring, enhanced signage at significant bends, and the installation of a driver protection device that alerts if it detects any incidence of fatigue, distraction or speeding.

70kph
is the maximum speed a tram can travel, 10kph lower than it was in 2016

Taking direct action on HGVs

We launched the final consultation on our Direct Vision Standard proposals in January 2019. The world-first approach will tackle road danger by eliminating blind spots from heavy goods vehicles. The standard, and associated Safety Permit for vehicles that have retrofitted a safe system, will help reduce road danger for vulnerable road users, such as cyclists and pedestrians. Our consultation asked people for their views on the process for obtaining a Direct Vision star rating, the safe system requirements, and the enforcement and appeals process.


The Mayor Sadiq Khan (centre) helped launch the Direct Vision Standard

Highbury Corner improvements

In June 2018, work began on transforming Highbury Corner junction, which has one of the poorest safety records in London. The changes are designed to improve safety for cyclists, pedestrians and other road users. These include removing the 1960s roundabout and replacing it with two-way roads, with segregated cycle lanes on the remaining three sides. There will also be a new public space.

Clear guidance on roadworks

We published a guide to safe practice for roadworks in February 2019. The Temporary Traffic Management handbook gives companies clear guidance and ideas on how to keep people safe around works, particularly cyclists, pedestrians and motorcyclists. It sets out good practice to anyone involved with roadworks and other construction operations.

'Hate crime has no place in any civilised society. We encourage all passengers to stand together and report any hate crime that they witness or experience. Public transport must be a place where everyone feels safe and we all stand up against bigotry and for minority communities who may fear victimisation. This is why we are working closely with the police to tackle hate crime and support offenders being caught and brought to justice'

Siwan Hayward
Director of Compliance, Policing and On-Street Operations

Standing together to tackle hate crime

More than 250 joint engagement projects took place across London as part of National Hate Crime Awareness Week in October 2018. We worked with the British Transport Police, Metropolitan Police and City of London Police to raise awareness and encourage people to report instances of hate crimes so that action can be taken. We visited Camden People First disability group, St John's Wood United Synagogue and Victoria station.

Report it stop it

In November 2018, we marked the International Day for the Elimination of Violence Against Women by encouraging reporting of unwanted sexual behaviour. This builds on our Report It to Stop It campaign, and since its launch in 2015, there has been a 65 per cent increase in reports, as people feel confident that action will be taken against offenders.

Tackling knife crime

Together with the Metropolitan Police Service, we approved the moving of 100 police officers from the Roads and Transport Policing Command to the Violent Crime Task Force. These officers support work such as stop and search, knife arches, metal detector wands and Automatic Number Plate Recognition.

Safer Travel at Night

Getting our customers home safely over the Christmas period

We ran our annual Safer Travel at Night campaign in December 2018, to remind customers of the dangers of using unlicensed minicabs. Working alongside the Metropolitan Police Service and City of London Police, our Taxi and Private Hire Compliance team engaged with revellers in the lead up to the Christmas season. They highlighted the rules for booking a private hire vehicle or hailing a black taxi, as well as encouraging people to report incidents to us or the police. We also spoke directly with minicab operators to remind them of their responsibilities towards passenger safety.

Suicide prevention

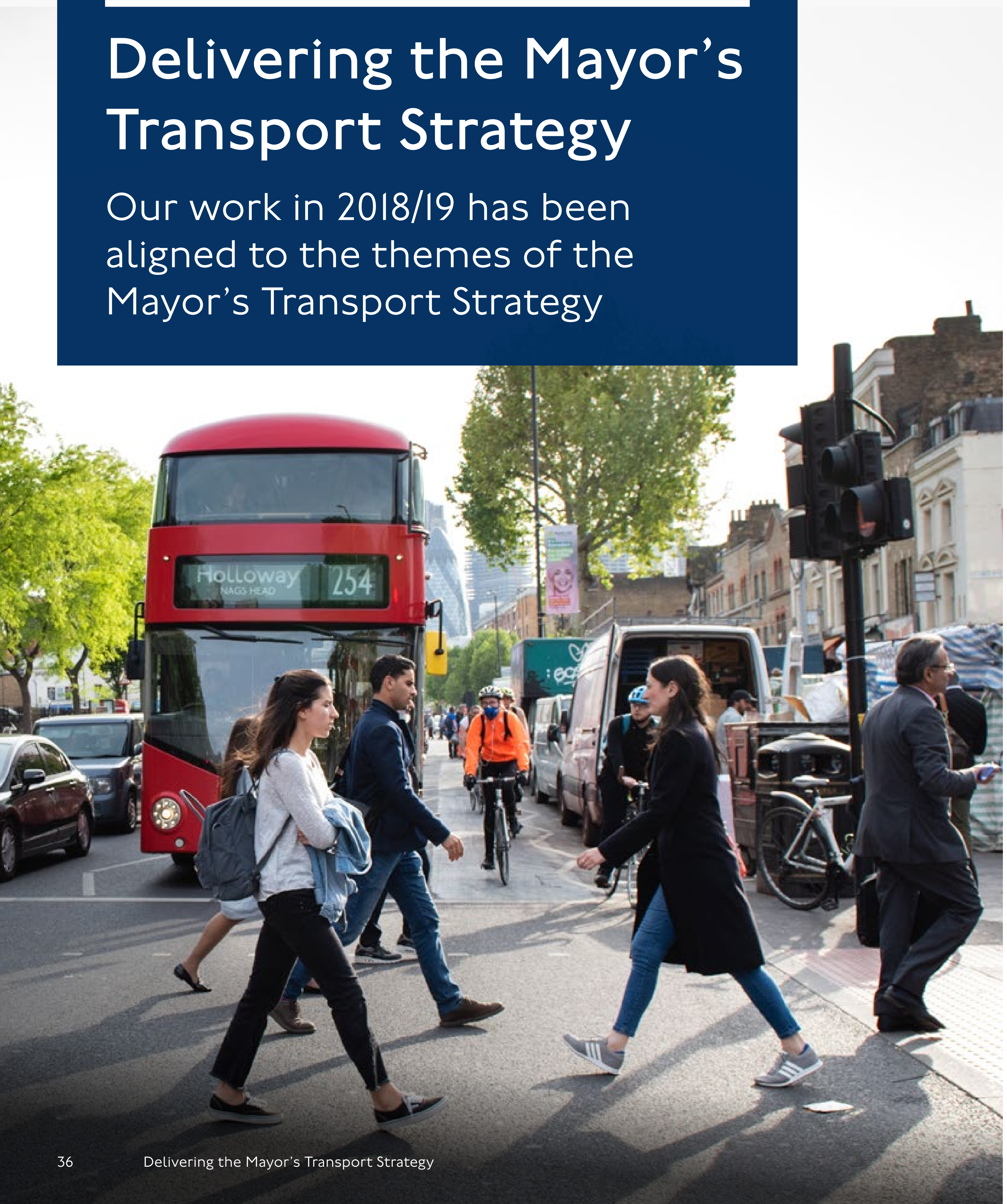
Our bespoke training has helped double the number of suicide interventions on the Tube. The training programme enables staff to identify vulnerable passengers and provides advice on how to deal with situations. It was launched in November 2017, with a further rollout in August 2018.

Reducing injuries on the Underground

Most injuries on the Underground involve slips, trips and falls on escalators and stairs. We introduced an Escalator Excellence Award scheme, starting with the 10 stations that had the most accidents. This includes new signs, a new poster campaign and better announcements. The scheme is now in place in all Tube stations that have escalators. A Stairs Excellence Scheme has also been introduced at 36 stations to target falls on stairs. We also moved the platform edge on more than 90 platforms to reduce the gap between the train and the platform and improved the cameras on a number of platforms to give the operator a better view.

Delivering the Mayor's Transport Strategy

Our work in 2018/19 has been aligned to the themes of the Mayor's Transport Strategy



Our role is to deliver this strategy in partnership with London's boroughs, businesses, local communities, consumer organisations and many others. The ambitious plan will increase the attractiveness of public transport and make cycling and walking easier, more convenient options.

The Mayor's Transport Strategy covers three key themes and provides the overall context for everything we do.

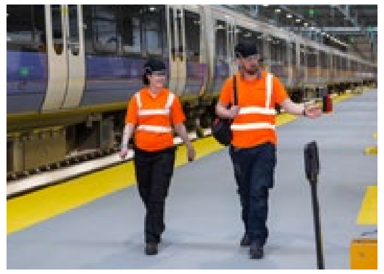
Healthy Streets and healthy people

Investment will focus on reducing traffic and prioritising walking, cycling and public transport use. This will enable Londoners to live active, healthy lives and help create a city that works well for its residents and visitors.

A good public transport experience

The right investment will ensure public transport is an attractive option. Having the right services where people need them, reducing crowding and keeping fares affordable will minimise car dependency.

New homes and jobs



Transport improvements are vital to the creation of new homes and jobs. Our investment will help to create communities where amenities are within walking and cycling distance and public transport is available for longer journeys.

The challenge

London's population is expected to rise to 10.8 million people by 2041 – creating six million additional journeys every day. We must act to avoid growing congestion, pollution and ill health. The aim is that, by 2041, 80 per cent of trips will be by walking, cycling or public transport.

The vision

During the 25 years covered in the Mayor's Transport Strategy, we will need to be prepared for continuing advances in technology and changes to the way we live. We must secure fair and sustainable funding models for investment in transport projects in London.

Healthy Streets and healthy people

'We launched our Walking and Cycling action plans, which outline our strategy for achieving the Mayor's ambition for 80 per cent of journeys to be made by walking, cycling or public transport by 2041. We have also taken action to clean up London's toxic air, including the Ultra Low Emission Zone and Low Emission Bus Zones.'

Gareth Powell
Managing Director,
Surface Transport

Healthy Streets and healthy people – a year of delivery

In July 2018, we launched our Walking action plan, which sets our ambition to make London the most walkable city in the world: the ultimate goal is to have an extra one million walking trips taking place by 2024.

September saw Cycleway 6 extended, with a new 2.5km route between Farringdon and King's Cross, and London went car-free for the day with around 50 streets encouraged to ditch the car and play, meet, walk and cycle.

In November, we launched a further five Low Emission Bus Zones, meaning that there are now seven in place altogether. November also saw the arrival of our first batch of 90 green Dial-a-Ride vehicles. These will give older customers and people with disabilities the freedom to make journeys across London in vehicles that meet stringent air quality standards. In the same month, Santander Cycles customers were able to use contactless payments for the first time and work started to transform Old Street Roundabout to create a safer environment.

Following on from the publication of the Walking action plan, in December we launched our Cycling action plan, the aim of which is to see the number of cycling journeys double in the next six years. Santander Cycles enjoyed a record-breaking year, with more than 10.5 million journeys made. December saw us present certificates to London schools, celebrating their work in championing active and safe travel as part of our STARS (Sustainable Travel: Active, Responsible, Safe) programme.

In February 2019 a ban on junk food advertising came into force.

An extra £24m funding was made available to London's black cab drivers to help them switch to electric vehicles. In March, we launched the Freight action plan, which sets out ambitions to reduce road danger, and help clean up London's air. We announced 11 new successful bids in our multi-million pound Liveable Neighbourhoods programme.

In April, we launched the Ultra Low Emission Zone, the world's toughest emission standard, operating 24 hours a day, seven days a week, in central London.

July 2018
Walking action plan launched

September 2018
Cycleway 6 extended

November 2018
Five new Low Emission Bus Zones, taking the total to seven

December 2018
Cycling action plan

Santander Cycles record year

STARS programme champions active and safe travel in schools

February 2019
Junk food advertising ban

March 2019
Freight action plan

11 new Liveable Neighbourhoods

April 2019
The Ultra Low Emission Zone launches

Making London's streets healthier

Ahead of the launch, there were **300** Ultra Low Emission Zone signs installed across London

In 2018, there were more than **10.5 million** Santander Cycles hires, a record number in a year

We are working with more than **12,000** schools in London as part of our STARS programme

We released an extra **£24m** to help black cab drivers switch to electric vehicles

There is a daily average of **400,000** bus and tram journeys made using the Hopper fare

We have successfully launched more than **15km** of new Quietway cycle routes on less busy streets

Walking action plan

We described our ambitions for making London the most walkable city in the world

The plan, which was launched by London's Walking and Cycling Commissioner Will Norman in December 2018, sets out how we will create a city where walking, for those that can, is the most obvious, enjoyable and attractive means of travel for short trips.

Our ultimate goal is to make London the most walkable city in the world, with an extra one million walking trips taking place every day by 2024. This is in line with the Mayor's aim of increasing the number of people who walk, cycle or use public transport from the current rate of 63 per cent to 80 per cent.

While walking is an easy and affordable way for people to integrate more physical activity into their daily lives, research shows that too many are put off because of concerns about road danger or worries about their fitness levels.

The plan aims to address these barriers by improving public spaces with more walking routes and pedestrian crossings, prioritising walking in new infrastructure schemes, promoting walking in schools, and rolling out innovative traffic signal technology that makes it easier for people to cross roads.

Click here to read the Walking action plan in full (opens in browser)

'Whether you are popping to the shop or the station, we're investing record amounts to make walking the safest, easiest and most enjoyable way to get around'

Will Norman
Walking and Cycling Commissioner

Our Healthy Streets Approach promotes safe and sustainable travel, such as walking and cycling

The Walking action plan sets out how we can boost walking in London, leading a culture change and promoting its health benefits to all

Understanding walking in London

The Walking action plan is underpinned by what we knew about walking in London. Through research carried out in 2018, we set out eight barriers that inhibit Londoners from walking. These are: not having enough time to walk; too much traffic (and fast traffic); concerns over personal security; having other ways of travelling that work better; streets are not pedestrian friendly; not being fit enough; road danger concerns; and having a disability.

The action plan

There are four main areas to the Walking action plan. The first, building and managing streets for people walking, expands on our research that suggests people will walk more if there are cleaner, more attractive streets. The second, planning and designing for walking, can be achieved if streets and places are better designed, with slower traffic and accessible walking routes. The third is integrating walking with public transport; and the fourth, leading a culture change, means addressing the barriers to walking on streets and promoting the health benefits, particularly to schools and parents.

A new approach to support walking

The Walking action plan committed to new targets to increase levels of walking, with specific ambitions for different parts of London.

In central London, we aim to create attractive places to improve the experience of walking, decluttering pavements and promoting walking as an alternative to crowded public transport and private vehicle use.

In inner London, we will bring change by creating opportunities for new walking trips, particularly to and from town centres; improving walking access to local high streets and services, to key transport hubs and strategic interchanges; improving interchange between inner London bus services and walking trips; and targeting inner London trips to school.

The Walking action plan will contribute to the outer London vision by identifying opportunities for new walking trips, improving walking access to town centres and transport interchanges, reducing the impact of traffic, and targeting trips to school, with a focus on reducing car use.

Cleaning the air we breathe

The Ultra Low Emission Zone (ULEZ) is helping tackle London's toxic air

We ran an extensive awareness campaign ahead of the launch of the ULEZ, the world's toughest emissions standard, to ensure that drivers were aware of the changes and could register their vehicles and check their status. In November, the first of more than 300 signs were installed at the same location as the existing Congestion Charging zone signs, warning drivers that they are about to enter the ULEZ. We also sent more than 3.3 million emails and contacted registered Congestion Charge users whose vehicles did not meet the new standards. Drivers could also use an online tool to see if their vehicle complied with the standard, with 3.2 million checks being made in lead up to the launch.

The ULEZ will help reduce exhaust nitrogen oxide and particulate matter emissions, helping to improve air quality and make central London a safer and more pleasant place. These positive effects will be especially beneficial to the young, older people and those who have respiratory problems, as well as residents of high pollution areas. The majority of traffic entering the ULEZ will be from outside the zone, which means the benefits of cleaner, greener vehicles will be experienced across London.

Air pollution costs London up to

£3.7bn

every year

The central London Ultra Low Emission Zone is set to reduce polluting emissions by

45%

London goes car-free for the day

Londoners were encouraged to play, meet, walk, cycle and enjoy their streets in September 2018 as part of World Car Free Day. Around 50 streets, from Hackney to Ealing, were encouraged to ditch the car and reclaim the streets from traffic. Car-free streets also help people to feel safer and have a benefit on air quality. We supported London Play, a charity that works to help children play by closing roads to traffic during certain times. The activity formed part of our wider work to make communities greener and healthier places to live, work and go to school.

Play Streets were set up across

15

boroughs in Greater London

Green black cabs

London's black cabs were helped to become greener in February 2019 with an extra £24m being made available to help drivers make the switch to electric vehicles. This more than doubled the existing funding available.

More than 1,000 taxi drivers are set to benefit from £10,000 payments as part of the enhanced trade-in fund

The first batch of 90 new, green Dial-a-Ride vehicles arrived in November 2018. These new vehicles are helping older customers and people with disabilities to travel in London

Cycling action plan

In December 2018, we unveiled plans to make cycling easier and safer for everyone

The Cycling action plan sets out how we will improve the infrastructure to make cycling more accessible, while helping to address London's poor air quality. The plan will see cycling journeys double over the next six years, through measures such as new routes and quality standards.

Work on routes between Tottenham Hale and Camden, and Hackney and the Isle of Dogs is due to begin this year following consultations, as well as a number of other major routes being constructed from Tower Bridge to Greenwich and Olympia to Brentford. These new routes will need to meet six strict new quality standards, including volumes and speed of traffic, numbers of heavy goods vehicles and collision risks at junctions.

Click here to read the Cycling action plan in full (opens in browser)

We are encouraging more people to take to two wheels as a way to travel sustainably around London

'I'm delighted to be announcing some of the major new work that will start on cycle routes across London next year, and in introducing new quality standards for cycle routes, I'm determined to ensure every Londoner feels comfortable and safe getting on a bike, whatever their age, experience or background'

Sadiq Khan
Mayor of London

Understanding cycling in London, bringing an evidence driven approach, and delivering the action plan itself are key to enabling more people to cycle

Understanding cycling in London

Achieving the vision of making London the world's best big city for cycling is dependent on four things: analysing the growth of cycling, finding out who is cycling in London, identifying what stops people from cycling and what is the potential for even more cycling. The number of Londoners cycling has more than doubled since 2000.

Our research also showed that almost half of Londoners are put off cycling by the fear of collisions, many feel they are too unfit or old, and some simply feel public transport is more convenient for them. Every day, there are more than eight million trips made by car, taxi, Tube and bus that could potentially be switched to cycling instead.

An evidence-driven approach to cycling

Using an evidence-led methodology to plan for cycling, based on our new cycling model and analytical tools, focusing on unlocking the enormous potential for cycling in London, our targets are to: double the number of cycle trips made every day in London; and expand the cycle network, increasing the proportion of Londoners living within 400 metres of the London-wide cycle network.

Delivering the plan

Our target in this plan is to enable 1.3 million cycle journeys to be made every day by 2024. This will be supported by the £2.3bn funding for Healthy Streets included in our latest Business Plan. This investment underwrites many of the actions in the plan; every action will need the input, involvement and enthusiasm of all our partners.

We need to work collectively to achieve the vision of this plan, and we must all embody the step-change in ambition that it heralds. Action and commitment will be needed from all of our partners across the Capital.

By delivering the Cycling action plan, we will not only be helping increase the number of people who enjoy the benefits of cycling, but also set the foundations for London's future success.

While our long-term vision is for 2041, the time to press ahead with action on cycling is now, and the Cycling action plan marks an ambitious change in the planning and delivery of cycling initiatives.

Cycling numbers on the rise

Santander Cycles enjoyed a record-breaking year in 2018, with more than 10.5 million journeys being made using the scheme for the first time. There were more than 35,000 hires on Christmas Day alone, with riders cycling the equivalent of 65 return trips to the Moon through the course of the year. The daily average was also the highest ever, with 29,500 hires every day. The number of hires made through the Santander Cycles app also increased in 2018, growing by 26 per cent compared to 2017.

Easier payment to pedal

Santander Cycles customers were able to use contactless payments to hire the bikes in November 2018 when we modernised all 775 terminals to accept the payment method. This made it even quicker and easier to hire a bike, removing five stages of the payment process for turn up and go riders. To mark the announcement, we offered people free 24-hour access to Santander Cycles, by using a promotional code.

77 million
Santander Cycles journeys since the scheme launched in 2010

Extending our cycling network

Cycleway 6 was extended in September 2018, with a new 2.5km route between Farringdon and King's Cross being officially opened by the Mayor. The extension means the new Cycleway connects Elephant and Castle all the way up to King's Cross, passing through key transport hubs such as Blackfriars and Farringdon stations. It brought the total length of the route, which was delivered in partnership with Islington and Camden councils, to 5km. The route was also made safer, as it includes segregated cycle lanes on Farringdon Road and new pedestrian crossings.

Low emission buses

We launched five more Low Emission Bus Zones in November 2018, bringing the total number to seven. Only buses that meet the cleanest emissions standards are allowed to travel on the routes, which are in some of the most polluted hotspots. The announcement is a key milestone for completing a total of 12 routes, with the remaining five expected to launch ahead of schedule in 2019.

Five new zones:

- **Camberwell to New Cross**
- **Wandsworth to St John Hill**
- **High Road Haringey to Green Lanes**
- **A12 Eastern Avenue to Homerton Road**
- **Edgware Road Kilburn to Maida Vale**

Existing zones:

- **Putney High Street**
- **Brixton Road**

Liveable neighbourhoods

In March 2019, we announced 11 new schemes that will receive funding through our Liveable Neighbourhoods programme. The funding, which increased to £53m this year from £33m in November 2017, will be used to transform areas with new walking and cycling infrastructure, pedestrian crossings and public spaces. Liveable Neighbourhoods is part of the Mayor's £2.3bn overall investment to create Healthy Streets.

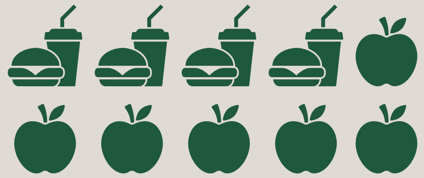
The latest borough projects that will receive funding are:

- **Shortlands, Bromley**
- **Holborn, Camden**
- **Old Town, Croydon**
- **Enfield Town, Enfield**
- **South Chiswick, Hounslow**
- **Brixton, Lambeth**
- **Freemasons Road, Newham**
- **South Bermondsey, Southwark**
- **Bow, Tower Hamlets**
- **Ilford, Redbridge**
- **City Cluster, City of London**

Promoting a healthy appetite

A ban on advertising junk food on our network came into force in February 2019. The ground-breaking measure is designed to help tackle child obesity and means food and drink brands, restaurants, takeaways and delivery services will only be able to promote healthier products. The ban followed a public consultation that found 82 per cent of Londoners supported a junk food ban, which was also backed by public health experts. It covers food and non-alcoholic drinks that are high in fat, sugar and salt.

40%
of children aged between 10-11 in London are overweight or obese



Teaching a valuable lesson

In December 2018, 28 schools from across London were celebrated for their work in championing active and safe travel. As part of our Sustainable Travel: Active, Responsible, Safe (STARS) schools programme, the highest performing schools were presented with certificates from the Mayor at City Hall as part of a special ceremony. The STARS programme is now in its twelfth year, with accreditation growing from 180 schools in 2007 to 1,465 in 2018. Schools are judged on their success in changing travel behaviour, with each school awarded a Bronze, Silver or Gold accreditation. In 2018, 686 schools were awarded a Gold accreditation – more than ever before.

686
STARS schools achieved the Gold award

1,465
schools participating in our STARS programme

Old Street Roundabout

Work started in November 2018 to transform Old Street Roundabout to create an environment that is safer for cycling and walking. The project will see the northwest arm of the roundabout close permanently to traffic, which will create a major new public space with better pedestrian and cyclist access to Old Street station. Traffic will operate in a two-way flow through the redesigned junction, with fully segregated cycle lanes and cycle-only traffic signals. We worked closely with councils and contractors to ensure the work could start ahead of time after the Mayor announced in August that he wanted the project brought forward.

Each year, there are more than

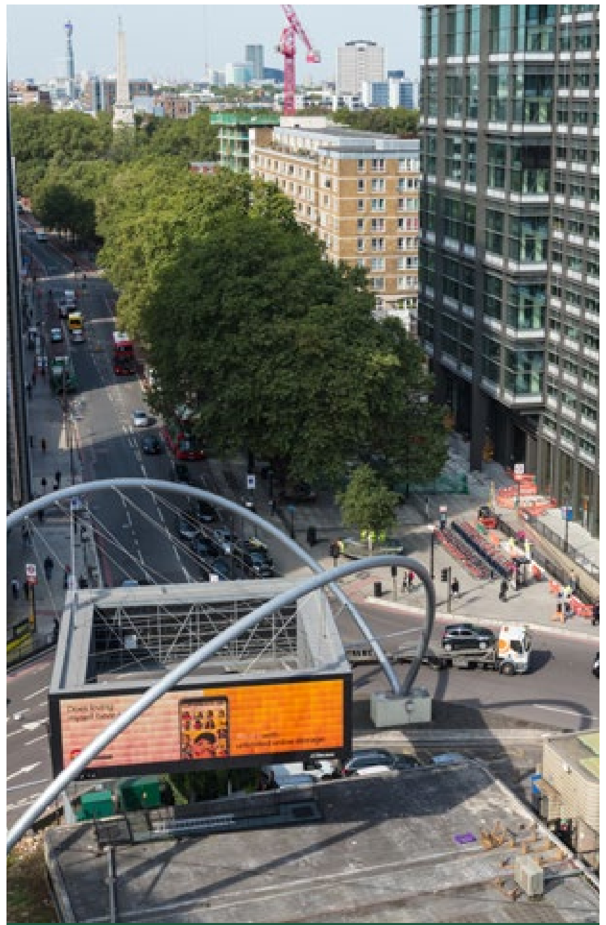
2,000

people killed or seriously injured on our streets

In recent years, we have improved

27

unsafe junctions across London



Old Street Roundabout will be transformed

Encouraging more women to cycle

New research published in September 2018 explained the barriers that prevent more women from cycling. While cycling has grown faster than any other form of travel over the past ten years, with more than 730,000 bike journeys every day, only 10 per cent of women in London cycle regularly. The research, announced as part of the Women in Cycling Conference, described the reasons why women choose not to cycle, which include the fear of being involved in a collision, concerns around traffic and not feeling confident. The conference saw more than 120 participants review progress towards removing these barriers. Together with the boroughs, we run a number of initiatives, such as cycle training and Cycling Grants London, which supports community groups through training sessions and guided rides.

4%

increase since 2016 in the number of women who regularly cycle

Freight action plan

How we will work with the industry to make London's deliveries safer and more sustainable

Launched in March 2019, the Freight and Servicing action plan sets out to transform how deliveries are made in the Capital, reducing road danger and helping to clean up London's toxic air. Lorries and vans currently account for around one fifth of road traffic in London and about one third in central London during the morning peak hours.

The plan describes how the industry can work together to meet the freight needs of London, while reducing the number of lorries and vans entering central London during the morning peak by 10 per cent by 2026.

A key part of the plan includes offering more click and collect points at Tube stations.

A tender was launched to bid for space in our stations and open more parcel lockers across the transport network. We will make land available for micro-distribution centres in key locations to support sustainable last mile deliveries, and work with businesses to encourage them to offer 'green' delivery slots where shoppers can choose a time when drivers are already in their area.

Click here to read the Freight and Servicing action plan in full (opens in browser)

'As London continues to grow, we need to keep freight moving while tackling toxic air, congestion and reducing danger to vulnerable road users'

Alex Williams
Director of City Planning

The movements of goods vehicles in the Capital have increased by around 20 per cent since 2010

A good public transport experience

'We entered the third year of the Mayor's freeze on fares for our services, which will help the average household save around £200 by 2020. We have also worked to ensure our network becomes increasingly inclusive for all our customers, with five more Tube stations becoming step-free through 2018/19.'

Vernon Everitt
Managing Director, Customers, Communication and Technology

A good public transport experience – a year of delivery

In April 2018, we marked the first anniversary of the Please offer me a seat campaign by launching our first Priority Seating Week. This was designed to make it easier to travel for people with conditions that may not be immediately obvious.

In June, we updated the TfL app to enable customers using contactless payment cards to view their journey history and check payments.

In July, London Trams went cashless. The old ticket machines, which did not accept Oyster cards, were removed following extensive consultation. Also in July, we added information on pay as you go journeys to our Journey Planner and open data feed.

We teamed up with Time Out magazine through the summer to encourage people to get out and explore London using cheaper off-peak services. The Wonderful World of Off-Peak campaign highlighted the benefits of travelling outside peak hours.

In August, we published the research on the economic impact of the Night Tube. The report coincided with the second anniversary of the 24-hour weekend Underground service and showed that there were almost 17 million journeys made in the first two years and that the Night Tube was projected to contribute £1.54bn to the economy in the next ten years.

The DLR Discovery tours, which ran between August and September, offered customers the chance to take a guided tour through east London, from Tower Gateway to the Cutty Sark.

The Hopper fare celebrated its second anniversary in September and in November, the Mayor announced that fares would remain frozen on TfL services for the third year in a row.

We signed a contract with Siemens Mobility Limited in November to design and build 94 new generation Tube trains for the Piccadilly line and a new hi-vis vest for Tube staff featuring the words 'Here to help', was launched in February 2019.

In March, we showcased the latest in accessible travel at our Access All Areas event at ExCeL London, with more than 2,000 people attending, and many more viewing the live stream.

April 2018
- Priority Seating Week launched

June 2018
- TfL app updated

July 2018
- Trams go cashless
- Journey Planner updated

August 2018
- Wonderful World of Off-Peak
- Economic impact of Night Tube
- DLR Discovery

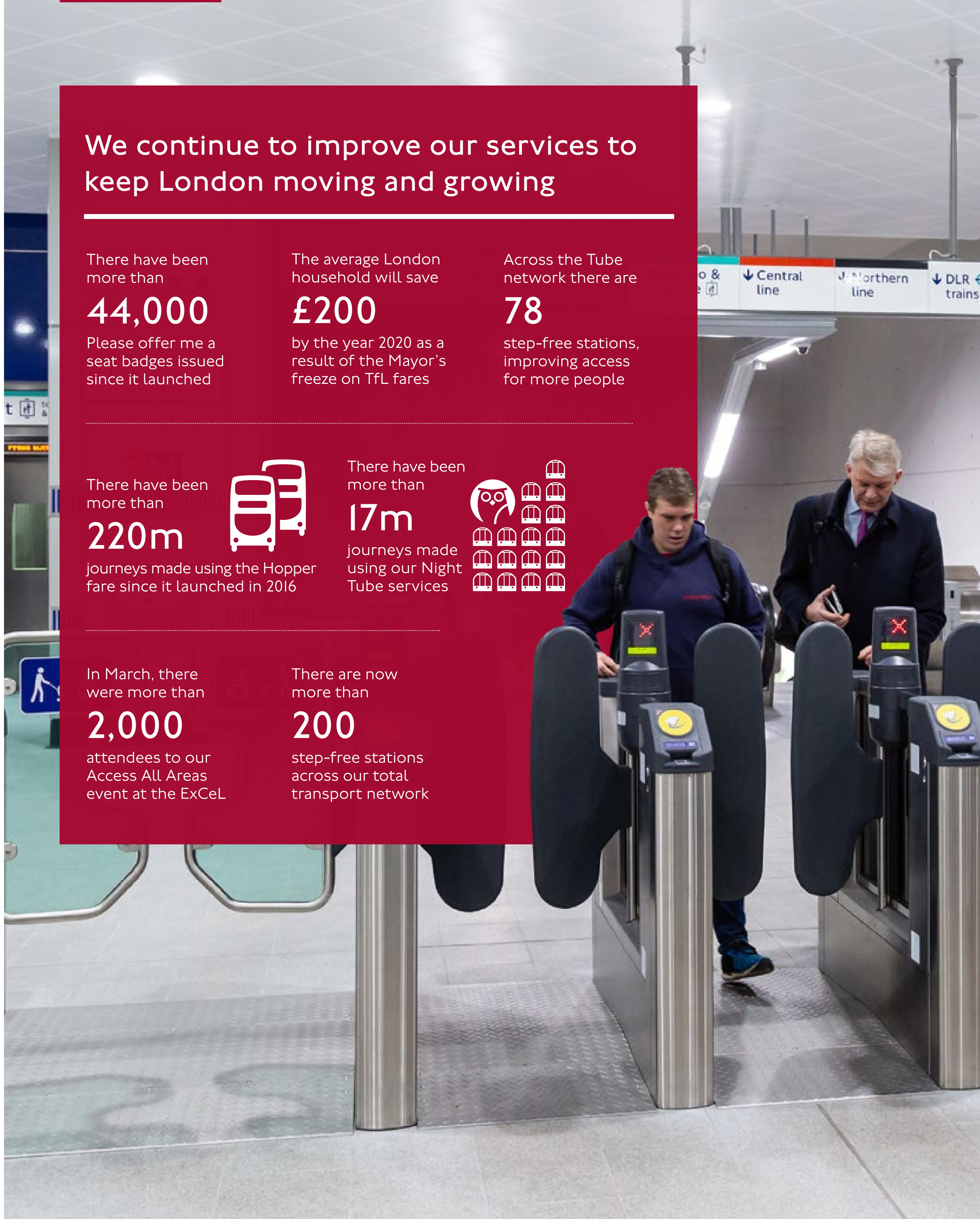
September 2018
- Hopper fare anniversary

November 2018
- Fares frozen
- Siemens Mobility contract signed

January 2019
- Winners of Women We See

February 2019
- Launch of 'Here to help' vest

March 2019
- Access All Areas



We continue to improve our services to keep London moving and growing

There have been more than **44,000** Please offer me a seat badges issued since it launched

The average London household will save **£200** by the year 2020 as a result of the Mayor's freeze on TfL fares

Across the Tube network there are **78** step-free stations, improving access for more people

There have been more than **220m** journeys made using the Hopper fare since it launched in 2016

There have been more than **17m** journeys made using our Night Tube services

In March, there were more than **2,000** attendees to our Access All Areas event at the ExCeL

There are now more than **200** step-free stations across our total transport network

Access for all

The wealth of disabled people's talents can only be harnessed through good accessible transport

In March 2019, we ran our second Access All Areas accessible transport event at the ExCeL. This brought together customers, transport leaders and technology experts to discuss the future of accessible travel and demonstrate the latest innovations. As well as the exhibition, where guests could learn about the latest developments and discover the different options that are already available, there were also keynote speakers and a series of workshops.

There are more than 200 step-free stations, including 58 London Overground stations, six TfL Rail stations and all DLR stations and Tram stops. When the Elizabeth line fully opens, all 41 stations will be step-free from street to platform.

There are more than **200** step-free stations

84% of disabled Londoners say their disability limits their ability to travel

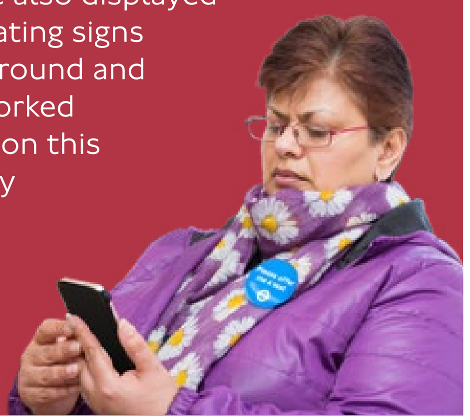
Around 2,000 people attended Access All Areas, while many more joined through social media

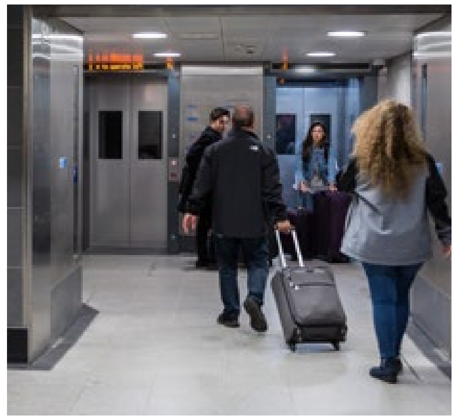
'Bringing together the best and most innovative examples of accessible transport gave customers and professionals the chance to share feedback and learn from each other'

Christopher Nicola
Partnerships Lead, Information, Design and Partnerships

Making it easier to get a seat

We launched a Priority Seating Week to mark the first anniversary of the Please offer me a seat badge in April 2018. The campaign aimed to make travelling easier for people with a range of conditions whose needs may not be immediately obvious. We displayed posters across the network that included pregnant women and people with visible and invisible conditions, sharing their experiences and highlighting the difference it makes to be able to get a seat. We also displayed newly designed priority seating signs on selected London Overground and Underground trains. We worked with various organisations on this campaign, including Anxiety UK, Epilepsy Society, Lupus UK, Cancer on Board and the Thomas Pocklington Trust.





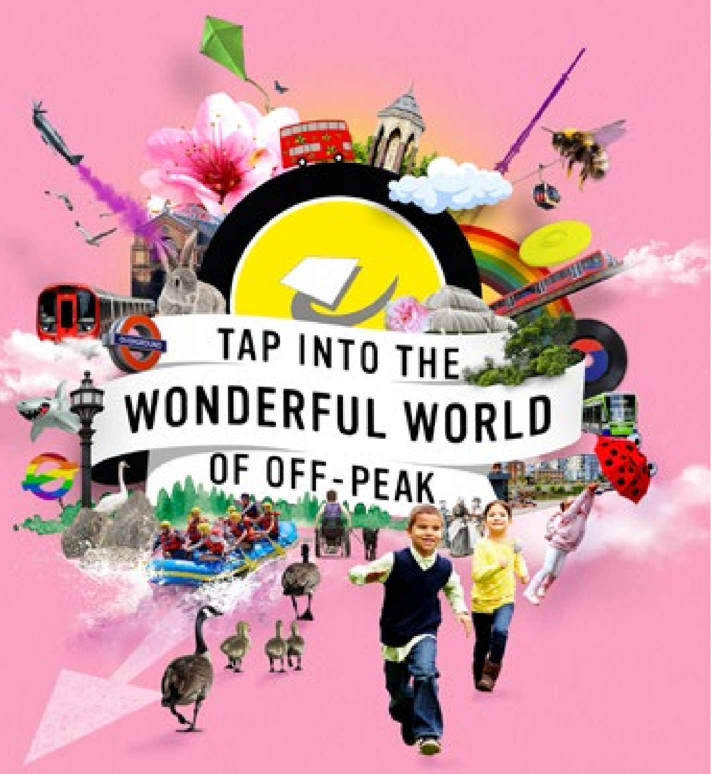
Record number of step-free stations

We made five more London Underground stations step-free in 2018/19, improving access for older customers, disabled people or those with luggage or buggies. This brought the total number of step-free stations to 78. These stations were:

- MAY – Buckhurst Hill
- OCT – Victoria
- NOV – Newbury Park
- JAN – Finsbury Park
- MAR – South Woodford

What a wonderful world

We launched a major advertising campaign in the summer to encourage Londoners and visitors to explore the Capital through the 'Wonderful World of Off-Peak' travel. We partnered with Time Out on the campaign, which highlighted the benefits of travelling in the off-peak times, and produced a series of cultural maps, showing the attractions close to public transport stations. These included museums, galleries and street art. We also ran promotional features in Time Out.



Hopper fare success

The Hopper fare celebrated its second anniversary in September 2018, when it was revealed that more than 220 million Hopper journeys had been taken since it launched in 2016. The fare enables people to make as many bus and tram trips as they like within an hour of first touching in for just £1.50.

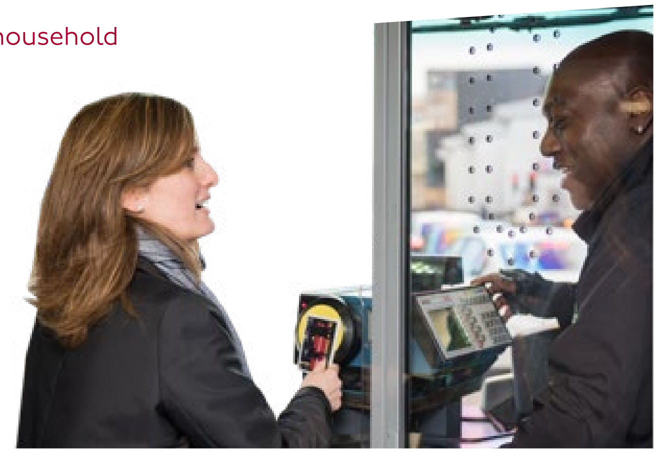
Fares freeze keeps travel affordable

Fares on TfL services were frozen for the third year running. The move was announced by the Mayor in November 2018 as part of his four-year freeze promise. The move keeps the cost of bus and tram fares the same as in 2016, while Tube, DLR, the Emirates Air Line and rail services where TfL fares apply are all frozen, as is the cost of hiring a Santander Cycles bike.

The average household will save

£200

by 2020 as a result of our fares freeze



Improvements to surface transport

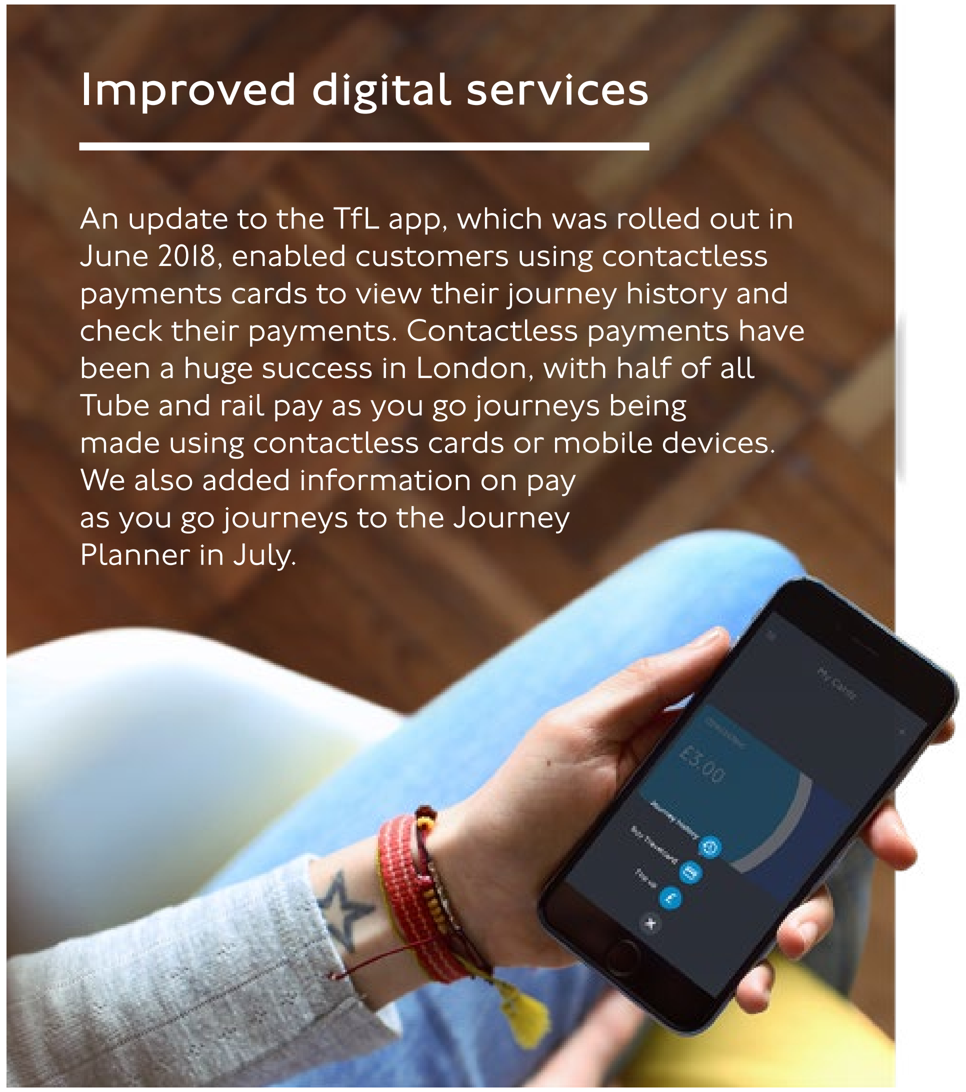
The performance of the bus network continues at an all-time high. In the past three years we have seen improvements made on excess waiting time and bus reliability, while bus speeds are also stabilising. This has been achieved through effective operation of our roads, including managing disruption, resolving issues and retiming traffic light timings.

We have saved more than 16,900 customer hours per day for people choosing sustainable modes of travel, as a result of changes made to almost 800 traffic signals.

Based on the rolling 12-month average, daily central London cycle flow is at the highest it has ever been and we have seen record hires using Santander Cycles, with more than 10.9 million hires during 2018/19.

'We have been working hard to improve journey times on the TfL road network. Our buses are more reliable than ever and more people are choosing sustainable and active ways to travel. We will continue to make our network safer and more productive as we seek to grow services in outer London'

Gareth Powell
Managing Director, Surface Transport



Improved digital services

An update to the TfL app, which was rolled out in June 2018, enabled customers using contactless payments cards to view their journey history and check their payments. Contactless payments have been a huge success in London, with half of all Tube and rail pay as you go journeys being made using contactless cards or mobile devices. We also added information on pay as you go journeys to the Journey Planner in July.

Cashless trams

London Trams went cashless in July 2018, with ticket machines being removed and more validator points installed. The ticket machines, which were 18 years old and did not enable customers to top up their Oyster cards, were removed following an extensive public engagement process.

Delayed delivery of new London Overground trains

We were left frustrated by the delayed delivery of new electric Class 710 trains for the Gospel Oak to Barking line of the London Overground. The new trains were due to be in service in 2018, but in January we announced contingency plans to run a mixed fleet on the line after manufacturer Bombardier Transportation revealed that further testing and software updates were needed before the fleet could be released for driver testing.

We ran a number of modified electric trains on the line, alongside the current fleet of diesel trains, which has had its lease extended twice since summer 2018. However, services were affected, with trains running every 30 minutes on weekdays on the line.

Together with the Mayor and Deputy Mayor, we continue to press Bombardier to deliver a fully operational fleet as soon as possible. We also announced that customers on the affected line would receive a month's free travel once the new trains are introduced.

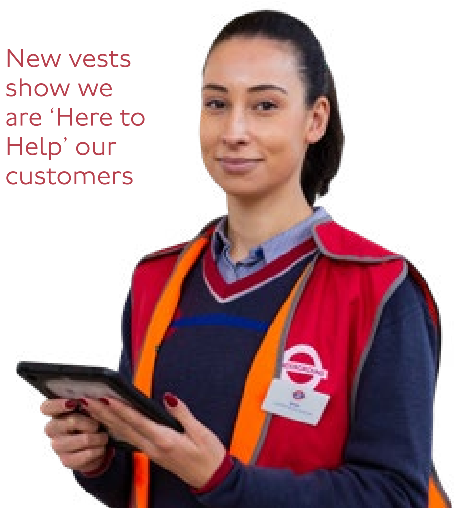
Advertising success

Together with City Hall, we announced the winner of the Women We See competition in January 2019, which was launched to encourage advertisers to create more positive and inclusive campaigns. Holland & Barrett's 'Me. No. Pause' campaign scooped the top award, while Mothercare was runner-up with its adverts depicting mothers.

The Me. No. Pause campaign from Holland & Barrett won the top prize of £500,00 worth of advertising space

Here to help

A new modern vest for our London Underground staff, which was unveiled in February 2019, made them easier to spot. The reversible tabards pair the standard orange hi-vis with a red vest that features a 'Here to Help' message on the back. They were launched following recommendations by London TravelWatch on how we could improve customer service.



New vests show we are 'Here to Help' our customers

Discover the DLR

Londoners and visitors were given the chance to enjoy a new experience in east London in August and September 2018 as part of the DLR Discovery tours. The initiative, which we ran in partnership with KeolisAmey Docklands, enabled ticket holders to take a guided tour from Tower Gateway to Cutty Sark.

DLR customers were given the chance to discover east London's secrets

Boost to the night economy

Research published on the second anniversary of the Night Tube showed that the service has been an even bigger success than first anticipated. Demand for the Night Tube grew from 7.8 million customers in its first year to 8.7 million in 2017/18. There were almost 17 million journeys made in the first two years of the Night Tube, well above the 14 million we originally forecast. A report from London First and EY, published in August, showed that Night Tube services are projected to contribute £1.54bn to London's economy over the next 10 years, double the initial projections made before its launch.

The Night Tube supports more than

3,900

jobs in many sectors across London

Journeys made at night have been cut by around

20 minutes

as a result of our Night Tube services

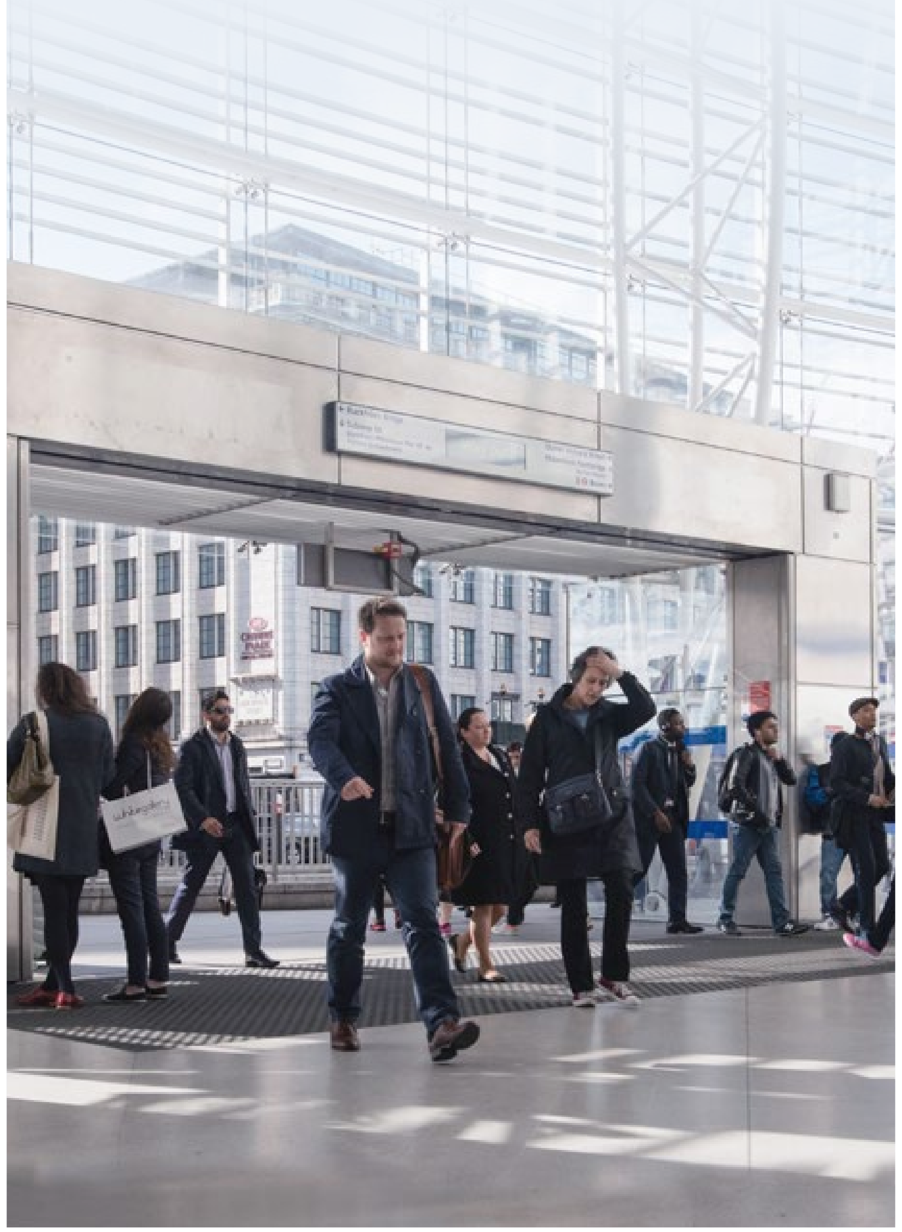
New Tube trains on track

In November 2018, we signed a contract with Siemens Mobility Ltd to design and build 94 new generation Tube trains for the Piccadilly line, which will replace the existing 1970s fleet. These state-of-the-art trains will feature wider doors and longer, walk-through carriages. They will also be fully air-conditioned and feature in-train information systems. The first of the new trains are estimated to be in service from 2024.

The new Piccadilly line trains will enable up to 27 trains-per-hour to operate at peak times by the end of 2026. This is a train every 135 seconds at the busiest times.

Record performance on London Underground

The number of journeys made on the London Underground increased again, with 1.4 billion journeys taking place over the year. During the first week of December 2018, we had our busiest ever week, with Friday 7 December seeing a record ridership of 5.043 million journeys on that day alone. We ran 85 million km, the most service we have ever run for our passengers, and reduced the amount of time it took customers to complete their journeys across our network.



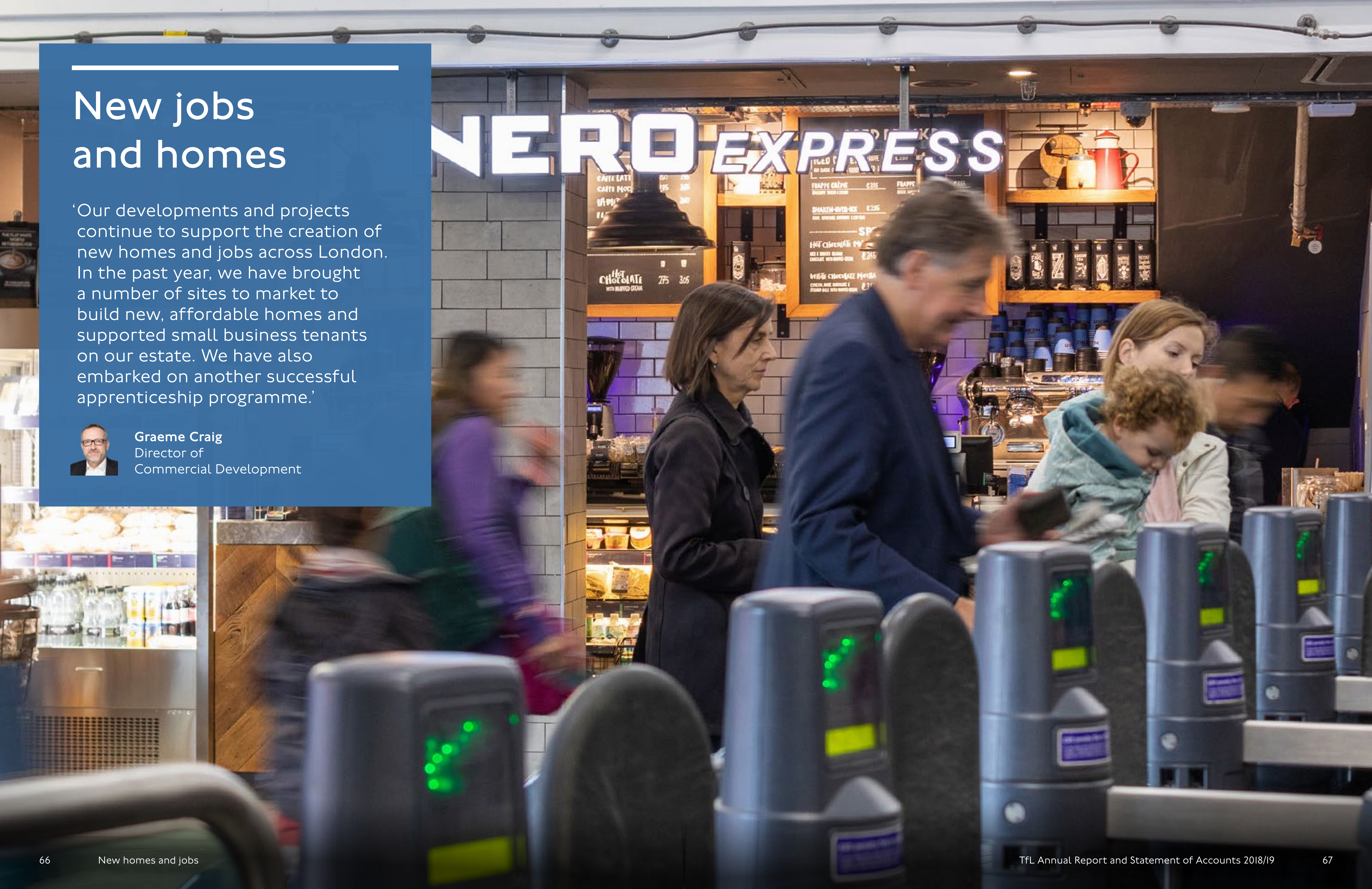
'A record number of customers travelled on the Tube this year. We have worked hard to ensure journeys are safe, reliable, and comfortable and the results from this year are hugely encouraging. There are more accessible stations than ever before and this number will continue to rise over the coming years as we continue our step-free programme'

Nigel Holness
Managing Director, London Underground

New jobs and homes

'Our developments and projects continue to support the creation of new homes and jobs across London. In the past year, we have brought a number of sites to market to build new, affordable homes and supported small business tenants on our estate. We have also embarked on another successful apprenticeship programme.'

Graeme Craig
Director of
Commercial Development



New homes and jobs – a year of delivery

In June 2018, London Community Land Trust was chosen to deliver flagship community-led housing on two sites brought forward by us as part of the Mayor's work to boost small builders in the Capital, and to increase the supply of new, genuinely affordable homes.

Following this, in August 2018 we announced that we were bringing three car parks in the London Borough of Harrow to market. The development of these car parks at Canons Park, Rayners Lane and Stanmore Tube stations will support the creation of at least 400 homes, of which 100 per cent will be affordable.

October saw a partnership between us and Pocket Living to provide 100 per cent genuinely affordable homes for first-time buyers at a number of its sites.

Also in October, we teamed up with StreetDots – an online trading platform – to enable small businesses to trade at transport hubs. Vendors can book pitches at several locations, including Hammersmith and North Greenwich, which can be booked for just a few hours at a time.

In 2018, the Federation of Small Businesses called on landowners in London to publicly show their commitment to small businesses and proactively support them, so that they can flourish in the Capital. We were the first landlord to respond to this call, publishing our Statement of Support for Small Businesses in December 2018.

The same month, the green light was given to us to build hundreds of new homes, working with Barratt London. The Blackhorse Road development in the borough of Waltham Forest is a 1.8 acre site that will deliver around 350 homes, half of which will be at social rent levels or available for shared ownership.

With the turn of the year, in January 2019, our Steps into Work programme kicked off once more, with us offering 12 people with mild to moderate learning disabilities and those on the autistic spectrum a combination of vocational study and work placements. The course covers everything from customer service to IT and teaches the skills needed for employment.

June 2018

London Community Land Trust was chosen to deliver housing on two sites

August 2018

Three car parks in Harrow brought to market to deliver 400 new homes

October 2018

Pocket Living to provide affordable homes

StreetDots to enable small businesses to trade at transport hubs

December 2018

Statement of Support for Small Businesses

Green light given to build new homes at Blackhorse Road

January 2019:

We kicked off our Steps into Work programme

Our transport services will support the development and growth of London

We partnered with Pocket Living to build **125** one-bedroom homes on our land, to be sold at a discount

SOLD

Of all the homes we brought to market since 2016 **50%** have been for social rent or will be genuinely affordable

In total, we will create around **300** jobs through our Blackhorse Road development project

In our commercial estate, more than **90%** of our tenants are made up of small businesses

In total, we manage around **2,000** commercial units, supporting a range of different businesses

With our Steps into Work programme **12** people were offered vocational study and work placements

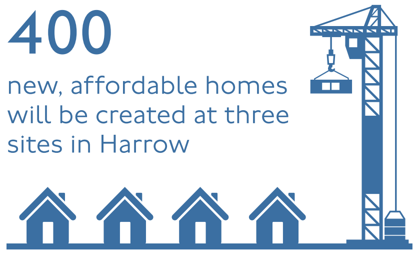
Delivering new homes

We have released a number of sites that will be used for building new affordable homes

Our plan to release land for the development of new homes continued in 2018/19. In June 2018, the Mayor announced that London Community Land Trust would develop two of our sites at Cable Street in Tower Hamlets and Christchurch Road in Lambeth. These sites will deliver around 70 new homes, all of which will be affordable. The sites also form part of the Mayor's Small Sites, Small Builders initiative, which supports builders that deliver fewer than 100 homes.

In August 2018, we announced that we will bring three car parks at Canons Park, Rayners Lane and Stanmore Tube stations to market. These Harrow sites will support the creation of at least 400 homes, all of which will be affordable. They will be built alongside retail, commercial and leisure spaces, as well as improved pedestrian and cycling connections in the area.

400
new, affordable homes will be created at three sites in Harrow

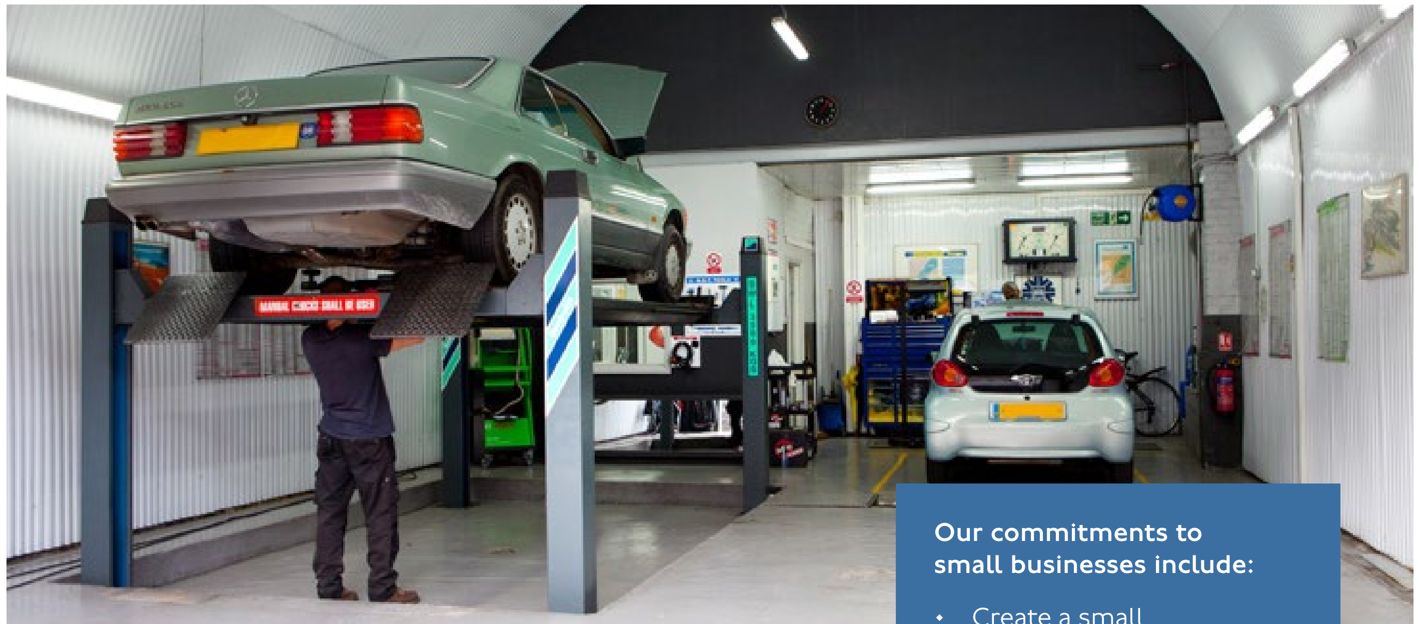


We have brought sites to market that could deliver almost
5,000
new homes since 2016

'Blackhorse Point will provide the housing that the borough and London need, while generating revenue to reinvest back into the transport network'

Graeme Craig
Director of Commercial Development

We got the go ahead to build 350 new homes at Blackhorse Road



Support for small businesses

Our Statement of Support for small businesses set out a commitment to small and medium sized enterprises and underlined our understanding that they are drivers of growth in London. Published ahead of Small Business Saturday on 1 December 2018, the document explained how we can enable small businesses to thrive, and stressed the importance of the landlord-tenant relationship.

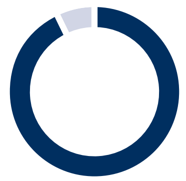
Our commitments to small businesses include:

- Create a small business policy
- Simplify our leases
- Be open and transparent
- Ensure each tenant has a dedicated property manager
- Encourage and help tenants to seek guidance and support
- Survey tenants' satisfaction annually

Saving the high streets

We published a report in November 2018 that showed how improvements to walking and cycling facilities can boost the high street. The research showed that people who walk, cycle or use public transport spend 40 per cent more in their local shops than those driving cars. The report assessed the impact of improvements, such as widened footpaths and new public squares in areas such as Bromley, Hornchurch, Clapham, Woolwich and Walworth Road.

Town centre improvements led to a
93%
increase in footfall on high streets



Taking positive steps

We welcomed the latest intake onto our Steps into Work programme in January. Working alongside Barnet and Southgate College and employment specialist Remploy, we offered placements to people with mild to moderate learning disabilities and those on the autistic spectrum. The 12-month programme involves a combination of vocational study and work placements, in everything from customer service to IT, with a curriculum designed to teach the skills for employment.

We offered 12 placements as part of the 2018/19 Steps into Work programme

'Steps into Work gives people the chance to experience work, who otherwise may struggle to take the first steps into employment'

Imran Hussain
Skills and Employment Advisor

Pocket living

In October 2018, we announced a partnership with Pocket Living to provide genuinely affordable homes for first-time buyers at a number of our sites. The agreement will see Pocket Living build around 125 one-bedroom homes, subject to planning, on our land, which will then be sold at a discount. The homes will be prioritised to people who already live or work in the borough and are first-time buyers.

StreetDots partnerships

We announced a new partnership in October 2018 with online street trading platform StreetDots, giving small businesses the chance to trade at transport hubs across London. The project enables customers to buy street food and coffee from mobile retailers. There are pitches, or dots, at several locations, including North Greenwich and Hammersmith, which can be booked for a few hours at a time. The partnership aims to make it easier for traders to find a pitch, while also introducing customers to new brands.

Barking Riverside extension

In December 2018, we awarded a contract to a joint venture of Morgan Sindall Construction & Infrastructure and VolkerFitzpatrick to extend the London Overground to Barking Riverside. The 4.5km extension between Gospel Oak and Barking is an essential part of the development, which will become one of London's most significant housing developments. Train services should start from late 2021.

The extension will support up to **10,800** new homes

Our people

'We continue to develop our workforce to ensure it is representative of the city we serve. We showcased women in transport for a celebration of International Women's Day and supported campaigns such as Pride in London and Poppy Day.'

Tricia Wright
Chief People Officer

Our people – a year of delivery

In April 2018 we launched a Diversity and Inclusion dashboard, building on our Gender Pay Gap and Ethnicity Pay Gap reports to build a more complete picture of the experiences of our employees. We are working to reduce the imbalance of gender and ethnicity in our workforce to become more representative of London.

Our Poems on the Underground programme showcased poems for significant events. This included a collection of Caribbean verses in June to mark the 70th anniversary of Windrush and the commemoration of the centenary of the First World War in November.

In July, we supported our LGBTQ+ staff and customers by updating our rainbow roundels with the hashtag #EveryLoveMatters and in September we celebrated the 50th anniversary of the opening of the Victoria line.

In November 2018, we worked with Royal British Legion to commemorate Poppy Day by decorating a series of buses, trams, DLR trains and some Santander Cycles with poppies, as well as displaying poppy roundels at Tube and Overground stations.

In the New Year's and Birthday Honours, the Queen recognised our staff by making our Head of Media, Victoria Harrison-Cook an MBE for services to diversity in public relations and Sam Mullins, Director at London Transport Museum an OBE. Alan Johnson, a Programme Manager, was awarded a BEM.

In January 2019, we celebrated 150 years of the District line, with information at stations displaying the history of the service.

International Women's Day 2019 in March was marked by a series of posters showing women doing a range of jobs within the transport industry. Victoria station was also staffed by an all-female team for the morning.

We continue towards our Business Plan commitment of further reducing our back and middle office costs over the next three years by 30 per cent. This is critical to achieving a surplus after the cost of day-to-day operations, including renewals and net financing costs, by 2022/23.

April 2018
Diversity and Inclusion dashboard

June 2018
We supported our LGBTQ+ staff during Pride

September 2018
50th anniversary of the opening of the Victoria line

November 2018
We supported Poppy Day through a number of initiatives

December 2018
Victoria Harrison-Cook receives an MBE for services to diversity in public relations

January 2019
We celebrated 150 years of the District line

March 2019
International Women's Day 2019 is marked by a series of posters at Victoria station

Our people work to ensure London has the transport service it needs

Of our total workforce, we have **26.4%** who identify as black, Asian or minority ethnic

Almost a quarter of our workforce **23.5%** are women, and we continue to work to increase this figure

In June, we celebrated the **70th** anniversary of the Windrush with a series of poems

50

In September, we celebrated **50 years** of the Victoria line, which first ran from Walthamstow Central

The District line celebrated its **150** year anniversary in January 2019 with a series of events

Celebrating diversity

Striving to make our workforce more representative of the city we serve

Our Gender Pay Gap and Ethnicity Pay Gap reports set out how we are working to close the gap between the salaries of men and women, and black, Asian or minority ethnic (BAME) and white staff. This includes using our Scorecard to set targets that can be regularly monitored throughout the year. In April 2018, we launched our first Diversity and Inclusion dashboard, which provides further data and insight and gives a more complete picture of employees and their experiences. We have also taken steps to help women and people from BAME communities to access senior, higher paid roles and have widened access to mentors and coaches.

We have worked to ensure women and BAME colleagues are given the opportunity to access senior roles

Steps in the right direction

We feel it is important to reduce the imbalance of gender and ethnicity in our workforce. However, the results of our pay gap reports highlight that there is still work to do to become fairer and more representative of London.

More women have joined us over the last 12 months and we have improved the proportion of women in senior roles by 11.5 per cent. However, we recognise that our gender pay gap is heavily influenced by the fact that women tend to hold roles in the lower pay grades and there are simply not enough women in senior positions.

Our analysis of our operations shows that women are more likely to be employed in the lower paid grades. This has a significant impact on our overall median gender pay levels. For example, the median male operational salary is around £47,000 compared to the median female operational salary of around £38,000.

Women at the forefront

We celebrated International Women's Day in March 2019 by showcasing some of the women that help us to keep London moving. We created a series of posters that showed inspirational women doing a range of jobs in the transport industry, including customer service assistants, project managers, engineers and apprentices. There was also an all-female team staffing Victoria station throughout the morning.

Celebrating with Pride

We showed our support for the LGBTQ+ community as part of Pride in London in July 2018 by transforming the transport network with the colours of the Pride and Trans flags. Our rainbow roundels were updated with the hashtag #EveryLoveMatters. We also decorated benches at Shoreditch High Street station in the rainbow and trans colours.

We produced a roundel in the trans colours of pink, blue and white

Recognising our people

Our staff were recognised in the Queen's New Year's and Birthday Honours this year. Head of Media in our Press Office Victoria Harrison-Cook received an MBE for her services to diversity in public relations. Sam Mullins, Director at London Transport Museum, received an OBE in the New Year, while Programme Manager Alan Johnson was recognised with a BEM.

Victoria Harrison-Cook received an MBE this year

A fitting floral tribute

We teamed up with celebrities including Shane Richie, Lesley Joseph and Jo Brand to support Poppy Day in November 2018. The celebrities recorded announcements for the Underground to encourage customers to give generously to the British Legion campaign. We also decorated roundels with poppies, which were displayed at ten Tube stations and four Overground stations, while buses, trams, the DLR and even a number of Santander Cycles were covered in specially designed poppy vinyls.

Poems on the Underground

Our Poems on the Underground programme celebrated a number of significant events throughout the year. These included a new range of Caribbean verses, launched in June 2018 to mark the 70th anniversary of Windrush and featuring poems by Jamaica's Poet Laureate Lorna Goodison. We also commemorated the centenary of the First World War in November 2018 with a series of poems that pay homage to those affected by conflict.

The poetry scheme was launched in

1986

to showcase work to a wider audience

Tube anniversaries

In January 2019, we marked the 150th anniversary of the District line. We produced heritage displays and leaflets telling the history of the line, which initially consisted of just five stations but now has 60, which is more than any other line on the Underground. We also announced plans for steam train rides along the line later in the year. We also celebrated 50 years of the Victoria line in September. The first train left Walthamstow Central station on Sunday 1 September 1968.

220m

journeys taken on the District line every year

© London Transport Museum

The District line celebrated 150 years in January

Keeping our people safe

We continue to focus on staff safety and wellbeing and in March 2019, we held a Peer Support Network Conference at City Hall to recognise staff volunteers who provide mental health support to colleagues. Working closely with Occupational Health, our peer support volunteers help deliver our health and wellbeing strategy across the organisation.

In the same month, we held a summit on workplace violence and aggression. Unfortunately too many colleagues still experience aggression and violence while they are doing their jobs. At the summit, we brought together staff, operators and other key stakeholders from across the organisation, to discuss the issues faced by colleagues and generate ideas for tackling the problem.

Our next apprentices

We began our search for our next apprentices in January, with more than 130 places on offer across a range of schemes. The apprenticeships cover everything from engineering to project management, including two new schemes, one in building services and another in vehicle maintenance. A number of the schemes, including Civil Engineering and Commercial Property, also offer the chance to study for a degree as part of the apprenticeship.

Since 2009

8,750

apprenticeships have been created by us, Crossrail, our suppliers and the London Transport Museum

'I considered going to university, but my apprenticeship gave me the opportunity to study for the same degree while gaining experience in the workplace'

Leah Rawlins
General Management apprentice

Reducing our costs

We continue to make significant changes to how we run our organisation. This is part of our programme to identify more efficient ways of working and deliver our Business Plan commitment of reducing our back and middle office costs over the next three years by 30 per cent. This is critical to achieving a surplus after the cost of day-to-day operations, including renewals and net financing costs, by 2022/23.

In 2018/19, like-for-like operating costs reduced for the third consecutive year. Total operating costs were £345m lower than budget.

Significant change has enabled us to remove duplication, reduce management layers and streamline teams. In 2018/19, we worked with the trade unions to review 20 more business areas and 2,100 roles. This has contributed to an overall reduction in the number of posts by 1,176.

We have been looking to improve end-to-end processes and identify further structural integration opportunities across the organisation. We have created a single Business Services function, bringing together operational activity from Finance and Human Resources. This will enable us to streamline common processes, identify other ways to deliver a better service at reduced cost and standardise reporting.

We will continue to scrutinise all of our activities to identify opportunities to cut operating costs. This includes continuing to modernise the London Underground, driving greater efficiency from our supply chain and reviewing and re-tendering bus contracts.

We have made significant progress by removing duplication, reducing management layers and streamlining teams

We have cut costs by reducing the overall number of posts by 1,176

Remuneration Report

Introduction

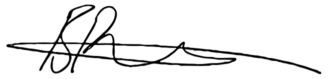
My role is to ensure that TfL has an appropriate remuneration policy to recruit and retain senior employees with the capability and experience to lead the organisation and deliver the Mayor's objectives.

This Annual Report sets out what TfL has delivered over the last year, alongside vital work to turn around a long-standing net cost of operations deficit and so establish a sustainable financial position. The challenges around this have been very significant. There has been a subdued economy, which has put pressure on demand for TfL services. The organisation is adjusting to the removal of the Government operating grant, which provided around £700m per annum, while the delay to the opening of the Elizabeth line was a serious blow given the impact on capital expenditure and operating revenues. It is essential that we can attract and retain the right leadership to see the organisation through this critical period, while keeping London moving, working and growing.

TfL's organisational change programme is central to reducing cost and raising more revenue to hit the target of achieving a surplus after the cost of day-to-day operations, including renewals and net financing costs, by 2022/23. The team has materially beaten its financial targets and delivered another year of reduced like-for-like operating costs. Savings in previous years have focused on reducing and simplifying the organisation's senior management and reducing costs at an individual divisional level. The number of senior managers who earned more than £100,000, including one-off payments, has fallen by 17 per cent this year.

The next phase of savings will come from delivering efficiencies, including reducing the cost of back and middle offices by 30 per cent. We expect to see further one-off implementation costs as the management team take these costs out over the next year. We will be working with them to deliver the programme as efficiently as possible.

The committee is charged with setting a policy that enables TfL to compete in a global market to secure the right talent, while delivering value for money. We feel we have an appropriate and balanced approach to rewarding senior staff that meets that goal.



Ben Story
Chair, TfL Remuneration Committee

Governance

Remuneration Committee members

Ben Story (Chair)
Kay Carberry CBE (Vice Chair)
Heidi Alexander*
Ron Kalifa OBE

* Heidi Alexander was appointed to the Remuneration Committee from 26 July 2018

Members who left during the year

Baroness Grey-Thompson DBE left TfL on 2 September 2018

Valerie Shawcross CBE stood down on 25 July 2018

Remuneration Committee role and responsibilities

Remuneration policy is set by TfL's Remuneration Committee to attract and retain the highest calibre individuals to successfully manage a large and complex business, while being mindful of its status as a public sector organisation that is principally funded by fare payers.

The Committee's full terms of reference are published on the TfL website and essentially involve the review and setting of the remuneration of the Commissioner, Managing Directors, General Counsel, Chief Finance Officer and other direct reports of the Commissioner. The Committee also helps to review the remuneration strategies for the entire senior manager group, particularly regarding performance related pay.

The remuneration of the Chief Executive of Crossrail is determined by the Crossrail Remuneration Committee. Crossrail is a wholly owned subsidiary of TfL with its own independent governance arrangements. These include a board comprising executive and independent non-executive directors, as well as two non-executive directors appointed by TfL and the Department for Transport.

The Crossrail Remuneration Committee has been re-formed as a Remuneration and Nominations Committee. It operates to its own contractually agreed remuneration principles and framework, rather than the TfL remuneration framework. The recent review by KPMG of Crossrail's governance recommended that TfL and DfT, as co-sponsors, should agree changes to the procedures around and oversight of remuneration of senior Crossrail staff, which is currently being considered.

Dates of meetings during 2018/19

While Committee members met informally on several occasions during the year, it met formally on three occasions: 13 June 2018, 7 November 2018 and 23 January 2019.

Activities of the Remuneration Committee during 2018/19

In June 2018, the Committee reviewed overall performance against the TfL and individual scorecard areas for 2017/18. Final performance awards for the most senior employees were also agreed.

During 2018/19, the Committee reviewed our pay gap analysis, with a particular focus on gender and ethnicity. While further material progress is required to ensure TfL is truly representative of the city it serves, overall good progress is being made in creating a more diverse organisation. The most recent data for 2017/18 shows that more women have joined TfL, and we have improved the proportion of women in senior roles by 11.5 per cent. There has also been an overall increase in the number of black, Asian and minority ethnic employees.

At the November meeting, the committee reviewed our approach to talent through succession planning, workforce planning and senior appointments and how we proposed to improve the diversity and inclusivity of senior talent.

The Committee also commissioned a new remuneration benchmarking report, which will be available later in 2019. The roles covered have been expanded to include directors who also sit on the TfL Executive Committee.

Throughout the year, the Committee has been responsible for approving salaries of £100,000 or more for any new appointments.

The TfL Scorecard is approved by the TfL Board each year and details our key priorities, providing an objective method for tracking performance. We use 20 measures, which have been developed to provide a clear link between the long-term vision of the Mayor's Transport Strategy, our five-year Business Plan and our annual Budget.

The measures keep us focused on the overall objective for 80 per cent of journeys to be made by walking, cycling or public transport by 2041 and are aligned with the three key themes of the Mayor's Transport Strategy:

- Healthy Streets and healthy people
- A good public transport experience
- New homes and jobs

These are also grouped into four key areas of Safety and operations, Customers, People, and Financial, with each carrying an equal weighting of 25 per cent.

Policy

Board remuneration

Board members receive a basic fee of £16,000 per annum. Additional fees are paid for each appointment to a committee or panel, up to a maximum total remuneration of £20,000 per annum.

The additional fees are paid at the rate of £1,000 per annum as a member and £2,000 per annum as the Chair of a committee or panel. Members are also entitled to receive free travel on the TfL transport network. No allowances are paid to members.

Any expenses claimed by members, in relation to fulfilling their role as a TfL board member, are published on the board members page of our website, along with details of any gifts or hospitality received.

The remuneration for each member for the year ended 31 March 2019 is shown in appendix 5.

No fee is paid to the Chair or Deputy Chair of TfL.

General remuneration

Our general policy is to provide remuneration that attracts, retains and motivates individuals of the right calibre to manage a large, complex organisation. Remuneration packages reflect responsibilities, experience, performance and the market from which we recruit.

The reward structure that has been developed is commensurate with this policy. It includes a base salary and a performance award scheme against the achievement of a range of public transport, customer, people and financial targets.

The main objective of the remuneration policy is to ensure that reward is based on performance to drive delivery while ensuring that the overall reward package is affordable.

Executive remuneration

The base pay and the total remuneration of the Commissioner, Managing Directors, General Counsel, Chief Finance Officer and other direct reports of the Commissioner is set by the Remuneration Committee, which uses external benchmarking and other comparative information to determine remuneration. This is broken down into the following components:

Component	Purpose	Operation	Maximum
Base pay	To reflect the individual's role, experience and contribution. Set at a level to attract and retain individuals of the calibre required to lead a business of TfL's size and complexity.	The following factors are taken into account: • Remuneration benchmark information from a specific peer group to identify a market median range of base pay which reflects what TfL's Commissioner, Managing Directors, General Counsel and Chief Finance Officer would receive if they were to work in a similar role in another company of similar size, complexity and scope • The scope and responsibility of the role • The individual's skill, experience and performance against targets • Affordability for TfL	There is no prescribed maximum salary. There will be no increases to base pay (where the accountabilities for the role remain unchanged) for the Commissioner, Managing Directors, General Counsel, the Chief Finance Officer and Directors during the Mayor's current term in office.
Performance related pay	To incentivise delivery of stretching one year key performance targets (both individual and collective) as measured through individual performance rating and scorecard results.	Performance awards are calculated using a matrix which sets out the percentage performance award an employee will receive based on a combination of the scorecard result and their individual performance rating. Depending on the business area an employee works in, either the TfL Scorecard alone or a combination of the TfL Scorecard and the Delivery Business Scorecard sets the budget available for performance awards. An employee's contribution, in the form of a personal performance rating, determines the percentage performance award received from the available budget using a multiplier approach. Awards are paid in the following financial year.	The maximum award for the Commissioner is 50 per cent of base pay. The maximum award for Managing Directors, General Counsel and the Chief Finance Officer is 30 per cent of base pay.

Component	Purpose	Operation	Maximum
Benefits	To provide a competitive total reward package that supports attraction, retention and motivation.	The Commissioner, Managing Directors, General Counsel and Chief Finance Officer receive the same core benefits as all other TfL employees. The only enhancements are full family cover for private medical benefit and an annual health assessment (which is available to all TfL Directors). Membership of the TfL Pension Fund, a 'defined benefit' scheme which provides for a pension payable from age 65, based on 1/60th of pensionable salary for each year of service or, if invited and eligible, similar benefits provided on an unfunded basis. Some legacy arrangements apply for certain employees whereby an employer contribution of 10 per cent of salary is paid to either a defined contribution arrangement or as cash supplement at a discounted amount.	Pensionable salary is capped at £160,800 from 6 April 2018 for members who joined after 31 May 1989.

The remuneration received by the Commissioner, Managing Directors, General Counsel and Chief Finance Officer for 2018/19 is shown on pages 95 and 96.

Performance related pay

The TfL Group scorecard below shows the performance targets for 2018/19, aligned to our 2018/19 Budget. The scorecard is balanced against four areas with each area receiving a 25 per cent weighting, reflecting their equal importance to our delivery for London. The table shows the measures used to determine any performance related pay.

Outcome	Measure	2018/19 Target	Category
Healthy Streets and healthy people (18%)			
London's transport system will be safe and secure	Reduction in people killed or seriously injured on the roads from 2005-09 baseline (%)	45.4	Safety and operations (25%)
	Reduction in people killed or seriously injured on roads from 2005-09 baseline – incidents involving buses (%)	55.6	
	Injuries on the public transport network	11,683	
London's streets will be used more efficiently and have less traffic	Operational improvements to sustainable travel	15,000	
London's streets will be clean and green	Number of London buses that are Euro VI compliant	6,050	
More Londoners will travel actively	Healthy Streets scheme assessment	Average 10% uplift	
A good public transport experience (17%)			
Journeys by public transport will be fast and reliable	Tube excess journey time (minutes)	4.50	
	Average bus speeds (mph)	9.2	
Public transport will be accessible to all	Additional time to make step-free journeys (minutes)	9	Customers (25%)
Journeys by public transport will be pleasant	Customer satisfaction – percentage of Londoners who agree we care about our customers (%)	49	

Outcome	Measure	2018/19 Target	Category
New homes and jobs (2.5%)			Customers (continued)
Transport investment will unlock the delivery of new homes and jobs	The percentage of housing units we take to market in year that are affordable (%)	50	
Mode share (5%)			
80% of journeys will be made by sustainable modes in 2041	Sustainable mode share improvement	4 out of 4 elements improve	
All Mayor's Transport Strategy themes (7.5%)			
All Mayor's Transport Strategy outcomes	Deliver key investment milestones (%)	90	
	Open Elizabeth line central section on time	Dec 2018	
People (25%)			People (25%)
A capable and engaged workforce representative of London	Workforce representativeness – all staff (%) – director/band 5 (%)	70.7 46.6	
	Inclusion index (%)	46	
	Total engagement (%)	57	
Financial (25%)			Financial (25%)
We are prudent and cover our costs	Net operating surplus (£m)	12	
	Investment programme (£m)	2,138	

Severance policy

Most employees who leave owing to redundancy do so under TfL's voluntary severance arrangements.

Depending on circumstances, voluntary severance terms for employees may include some or all of the following:

- A number of weeks of pay based on length of service, age and weekly pay
- Notice period that an employee may work or receive as a payment in lieu of notice
- Outplacement support or an equivalent cash payment
- Enhanced pension provision

There are minimum service requirements for some of these terms and some elements vary if employees volunteer to leave early during organisational change.

There are also some variations to these terms, which have been agreed as local arrangements for the small number of employees who are members of the Local Government and Principal Civil Service Pension Schemes.

Following the Dawn Jarvis report, which was commissioned by the Mayor to review termination clauses and payments for senior employees across the GLA Group, the Remuneration Committee will have oversight of any proposed exit payments for the Commissioner, Managing Directors and other Senior Directors reporting to the Commissioner.

In addition, any exit payment outside of standard redundancy terms and which exceeds £100,000 (excluding notice periods, which are contractual) will be considered by the Remuneration Committee.

Other severance arrangements

In non-redundancy situations, TfL may enter into severance arrangements where to do so is in the interests of the organisation and represents value for money. All such arrangements are considered on a case by case basis.

Remuneration

Benchmarking of Senior Executives' pay

The Remuneration Committee uses data from remuneration consultants New Bridge Street, a division of Aon Hewitt, to benchmark the remuneration for the Commissioner, Managing Directors, General Counsel and Chief Finance Officer against a peer group of comparable companies from transport, infrastructure and public services sectors with which we compete for senior employees.

The Committee uses two primary pay comparator groups. The benchmark is calculated on the basis of a 60:40 split between a Listed Companies Group, consisting of large transport and infrastructure companies and a Publicly Accountable Group, consisting of companies accountable to the UK public, owned or overseen by the Government. Benchmarking was last done in 2016. A new report has been commissioned and will be available in 2019.

Listed Companies Group

- National Grid
- BT Group
- SSE
- Centrica
- International Consolidated Airlines Group
- Capita
- EasyJet
- United Utilities
- Bunzl
- Severn Trent
- Royal Mail
- Pennon Group
- Amec Foster Wheeler
- Stagecoach Group
- Thomas Cook Group
- Balfour Beatty
- Carillion (still trading when benchmarking was done)
- National Express Group
- FirstGroup
- Go-Ahead Group
- Serco Group

Publicly Accountable Group

- BBC
- Manchester Airport Group
- NATS
- Network Rail
- Nuclear Decommissioning Authority
- Post Office

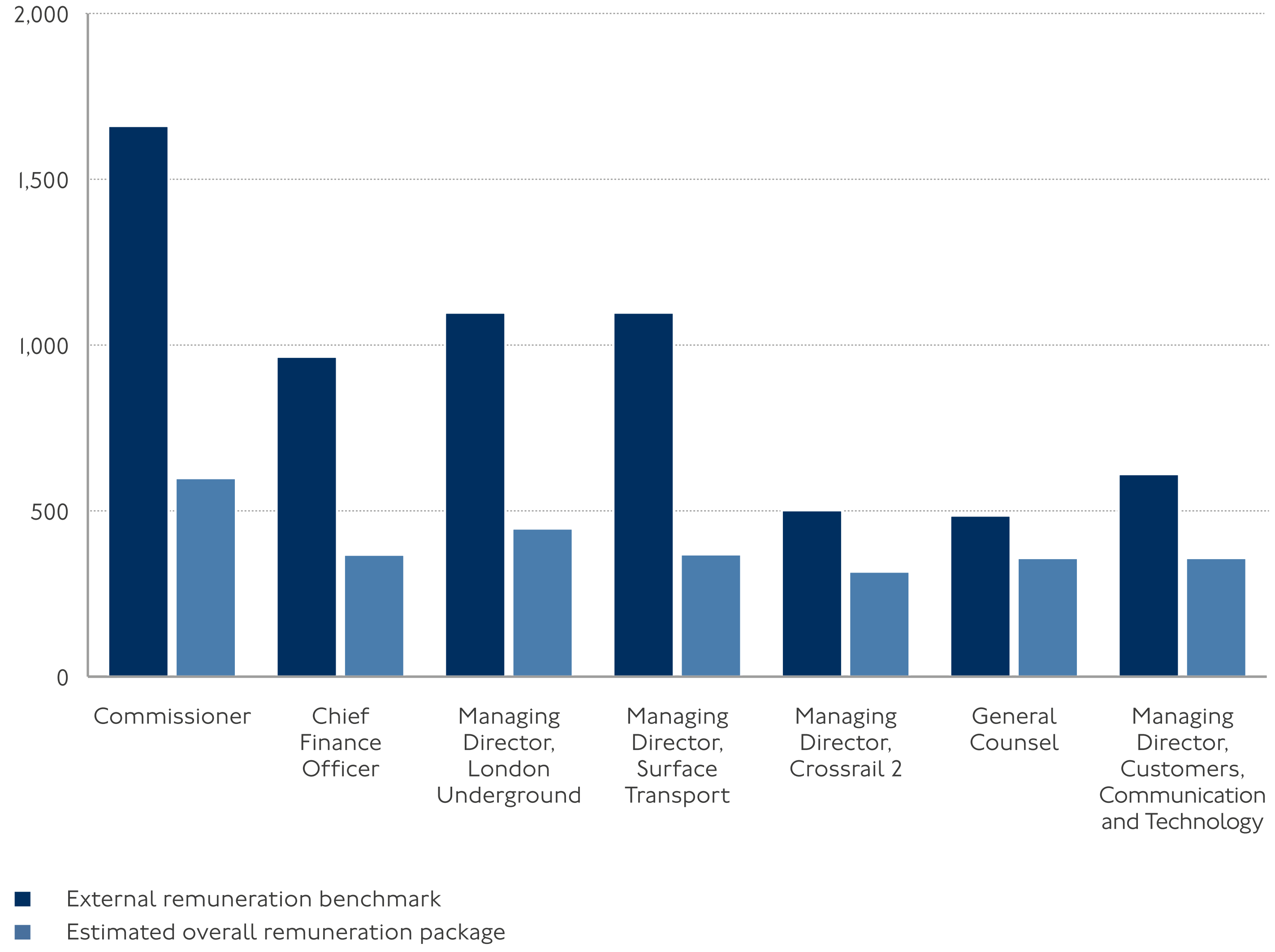
To enable a like-for-like comparison with the peer group, we have adjusted the remuneration of our senior executives to align it with the definitions provided by New Bridge Street.

Estimated overall remuneration for each role has been calculated to include the base salary and estimates for performance related pay and pension provision.

Performance related pay has been based on the average level of performance over recent years and the value of the pension provision is based on standard actuarial assumptions. The value of the estimated overall remuneration package will therefore be different to the actual remuneration paid.

Research has shown that the base salaries and comparable remuneration for the Commissioner, Managing Directors, General Counsel and Chief Finance Officer are significantly below the market level; total estimated overall remuneration is between 35 per cent and 71 per cent of market benchmark levels as shown in the following chart.

Benchmarking of remuneration for the Commissioner, Managing Directors, Chief Finance Officer and General Counsel (£000s)



Comparison of senior executive pay to rest of TfL

The base salary of the Commissioner in 2018/19 was £355,944. This compares with the median base salary of £50,611 and the lowest base salary (excluding apprentices) of £19,950. The ratio between the Commissioner's salary and median base salary is 7.0:1 and the ratio to the lowest base salary is 17.8:1.

The following table shows how total remuneration is split between employees by grade.

	Percentage of total remuneration
Commissioner, Managing Directors and General Counsel	0.2
Directors	0.7
General managers	1.8
All other TfL employees	97.3

Note: employees' remuneration is consistent with the definition on pages 89 and 90 and includes salaries, fees, performance related pay, benefits in kind, lump sums and termination payments. It excludes employer pension contributions and employer national insurance contributions paid, and is based on remuneration received by employees during the relevant year.

Summary of employee information

Total headcount (including agency staff) reduced by 1,176 people, from 28,456 on 31 March 2018 to 27,280 on 31 March 2019. The average headcount (permanent and fixed-term contract) has reduced by 622 since last year and the average number of agency staff has reduced by 385.

Total remuneration costs fell by three per cent compared to 2017/18, despite inflation linked pay increases for some employees.

Year	Average headcount*	Total remuneration costs (£m)*
2014/15	26,090	1,803.6
2015/16	27,501	1,942.0
2016/17	27,131	1,963.9
2017/18	26,994	2,250.6
2018/19	26,372	2,176.8

* From statutory accounts

Note: average headcount and total remuneration costs include permanent, and fixed-term contract (FTC). Total remuneration costs include IAS 19 pension charges of £613m in 2018/19 (2017/18 £594.4m). Group employee costs and average employee numbers for 2014/15 have been restated to exclude the costs of British Transport Police Authority staff and officers working on the London Underground. Costs of these individuals have been reclassified as non-employee costs within other service expenditure.

Other employees' remuneration (including Crossrail)

We publish the remuneration of all employees, including those working in our subsidiaries, whose total remuneration was more than £50,000 over the course of the financial year, grouped in rising bands of £5,000. This information is included as Appendix 1 of this report.

The impact of the transfer of employees into and out of the Corporation* from subsidiaries can cause distortion for year-on-year comparison purposes. An additional voluntary disclosure for the Group** is therefore provided that shows the combined employee bands for TfL and its subsidiaries (Appendix 1 of this report).

The remuneration disclosure is also affected by the Crossrail project. The number of employees of Crossrail Ltd receiving total remuneration of £50,000 or more decreased from 292 in 2017/18 to 240 in 2018/19. The corresponding figures for those receiving total remuneration of more than £100,000 per year decreased from 53 in 2017/18 to 47 in 2018/19.

* The Corporation is made up of London Streets, Taxi and Private Hire, and the corporate centre which, for legal and accounting purposes, constitutes TfL

** The TfL Group is made up of the Corporation and its subsidiaries

Employees with a total remuneration of more than £100,000 per year

In 2018/19, 171 people earned a total remuneration of more than £100,000 during the course of the financial year and had a base salary of £100,000 or more per year, compared with 169 in 2017/18. Nine of these people have since left the organisation, of which only one has been replaced.

Overtime was worked by specialist engineers and highly skilled technical engineers, 80 of whom earn a base salary of less than £100,000 per year, but the overtime they earned took their total remuneration above the threshold, compared with 71 in 2017/18. Many of these people are technical specialists working to upgrade the power systems on the Tube network and specialist engineers working overnight and at weekends on major projects, such as installing new signalling on the Circle, District, Hammersmith & City and Metropolitan lines.

A total of 117 people (compared with 224 in 2017/18) who were on a base salary of less than £100,000 per year, received a one-off voluntary severance payment that took their total remuneration above this threshold. This is largely due to people leaving as part of our transformation programme, which is reducing management layers and eliminating duplication in order to improve efficiency and deliver recurring savings.

Therefore, the total number of TfL staff (excluding Crossrail) who received total remuneration of more than £100,000 per year, including severance payments and overtime, was 468 in 2018/19 compared with 564 in 2017/18 – a reduction of 17 per cent.

Number of employees with a total remuneration of £100k or more

	2018/19	2017/18
Base salary more than £100k	171	169
Base salary between £80k and £100k	100	100
	271	**269**
Voluntary severance payments taking earnings over £100k	117	224
Level of overtime worked taking earnings over £100k	80	71
Total TfL	**468**	**564**
Crossrail	47	53
Total (including Crossrail)	**515**	**617**

Appendices

1: Number of employees who received total remuneration of more than £50,000*

Employees' remuneration

This includes salaries, fees, performance related pay, benefits in kind, lump sums and termination payments, but excludes pension contributions paid by the employer.

*Information subject to audit

Remuneration (£)	Group 2019 number**	Group 2018 number	Corporation 2019 number***	Corporation 2018 number
50,000 - 54,999	4,427	5,245	846	713
55,000 - 59,999	3,616	2,582	636	615
60,000 - 64,999	1,802	1,723	509	481
65,000 - 69,999	1,427	1,370	435	390
70,000 - 74,999	967	963	321	283
75,000 - 79,999	759	721	242	223
80,000 - 84,999	564	510	167	156
85,000 - 89,999	379	336	127	115
90,000 - 94,999	243	223	83	74
95,000 - 99,999	186	146	65	56
100,000 - 104,999	121	119	57	49
105,000 - 109,999	64	68	27	33
110,000 - 114,999	49	67	23	35
115,000 - 119,999	45	51	27	30

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*Information subject to audit

Remuneration (£)	Group 2019 number**	Group 2018 number	Corporation 2019 number***	Corporation 2018 number
120,000 - 124,999	35	34	17	19
125,000 - 129,999	33	31	22	23
130,000 - 134,999	17	36	10	25
135,000 - 139,999	9	23	6	12
140,000 - 144,999	15	18	10	12
145,000 - 149,999	18	16	11	8
150,000 - 154,999	9	7	4	6
155,000 - 159,999	11	11	8	7
160,000 - 164,999	4	6	2	2
165,000 - 169,999	5	14	2	10
170,000 - 174,999	9	7	2	4
175,000 - 179,999	5	14	4	6
180,000 - 184,999	1	10	1	6
185,000 - 189,999	7	10	4	3
190,000 - 194,999	9	3	6	3
195,000 - 199,999	4	9	3	5
200,000 - 204,999	4	3	2	2
205,000 - 209,999	5	6	3	3
210,000 - 214,999	3	5	2	-
215,000 - 219,999	1	4	1	1
220,000 - 224,999	2	3	1	-
225,000 - 229,999	2	3	-	1
230,000 - 234,999	1	2	1	1
235,000 - 239,999	1	3	1	1
240,000 - 244,999	1	1	1	1

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*Information subject to audit

Remuneration (£)	Group 2019 number**	Group 2018 number	Corporation 2019 number***	Corporation 2018 number
245,000 - 249,999	3	1	1	1
250,000 - 254,999	-	2	-	-
255,000 - 259,999	2	-	1	-
260,000 - 264,999	2	4	-	2
265,000 - 269,999	2	1	1	1
270,000 - 274,999	1	1	1	1
275,000 - 279,999	-	2	-	2
280,000 - 284,999	-	2	-	-
285,000 - 289,999	-	2	-	1
290,000 - 294,999	1	2	-	-
295,000 - 299,999	1	1	-	-
300,000 - 304,999	1	1	1	1
305,000 - 309,999	2	1	1	-
310,000 - 314,999	1	2	-	1
315,000 - 319,999	2	1	1	-
325,000 - 329,999	-	2	-	1
330,000 - 334,999	1	-	1	-
355,000 - 359,999	2	-	2	-
360,000 - 364,999	-	1	-	-
365,000 - 369,999	-	2	-	-
370,000 - 374,999	-	1	-	1
390,000 - 394,999	-	1	-	-
400,000 - 404,999	1	-	-	-
415,000 - 419,999	1	-	-	-

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*Information subject to audit

Remuneration (£)	Group 2019 number**	Group 2018 number	Corporation 2019 number***	Corporation 2018 number
435,000 - 439,999	-	1	-	-
475,000 - 479,999	1	-	1	-
505,000 - 509,999	1	-	1	-
640,000 - 644,999	-	1	-	1
705,000 - 709,999	-	1	-	-
Total	**14,885**	**14,436**	**3,701**	**3,427**

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Remuneration for senior employees

The Accounts and Audit Regulations 2015 require disclosure of individual remuneration details for senior employees with a base salary of £150,000 or more, calculated on a full-time equivalent basis for those working part-time.

Disclosure is made for each financial year under various categories and set out in the tables from page 104.

Employer's pension contributions include the contribution in respect of future benefit accrual. Member contributions are payable by employees at a fixed rate of five per cent of pensionable salary.

Salary, fees and allowances are disclosed on an earned basis. Although performance related pay is reported on a cash paid basis, it may not be determined for many months after the end of the relevant year.

2: Named employees receiving a base annual salary in excess of £150,000 at 31 March 2019*

*Information subject to audit

Name	Notes	Salary (including fees and allowances) 2018/19 (£)	Performance related pay (PRP) for 2017/18 paid in the year 2018/19 (£)	Compensation for loss of employment 2018/19 (£)	Benefits in kind 2018/19 (£)	Total remuneration excluding pension contributions 2018/19 (£)	Employer's contribution to pension 2018/19** (£)	Salary (including fees and allowances) 2017/18 (£)	PRP for 2016/17 paid in the year 2017/18 (£)	Total remuneration excluding pension 2017/18*** (£)
TfL employees including subsidiary companies but excluding Crossrail										
Mike Brown MVO, Commissioner	a	*372,506	133,586	-	2,209	508,301	-	*372,845	-	374,959
Howard Carter, General Counsel	b	*255,697	57,090	-	2,186	314,973	-	*255,797	51,407	309,319
Michèle Dix, Managing Director, Crossrail 2	c	*169,056	40,498	-	1,706	211,260	-	*169,056	31,363	202,070
Vernon Everitt, Managing Director, Customers, Communication and Technology	d	243,485	57,875	-	2,186	303,546	-	243,812	55,761	301,688
Nigel Holness, Managing Director, London Underground	e	282,722	36,185	-	16,385	335,293	9,545	227,267	65,388	294,306
Simon Kilonback, Chief Finance Officer	f	*273,180	44,712	-	2,175	320,067	-	*232,297	28,098	262,046
Gareth Powell, Managing Director, Surface Transport	g	*305,649	50,648	-	2,186	358,483	9,382	*277,417	34,413	313,611
Sarah Bradley, Group Financial Controller		163,579	15,176	-	769	179,524	34,225	157,516	9,650	167,910
George Clark, Director of TfL Engineering	h	165,000	27,770	-	1,706	194,476	42,158	147,452	19,071	168,174
Andrea Clarke, TfL Legal Director		165,369	28,675	-	1,706	195,750	40,688	161,518	26,656	189,825
Jean Cockerill, Director of Business Partnering and Employee Relations		157,403	26,877	-	769	185,049	38,057	156,540	25,560	182,844
Tanya Coff, Divisional Finance Director, London Underground		162,000	28,091	-	1,706	191,797	39,839	162,000	17,426	181,087
Graeme Craig, Director of Commercial Development		185,000	24,069	-	1,706	210,775	41,061	185,000	30,266	216,917

*Information subject to audit

Name	Notes	Salary (including fees and allowances) 2018/19 (£)	Performance related pay (PRP) for 2017/18 paid in the year 2018/19 (£)	Compensation for loss of employment 2018/19 (£)	Benefits in kind 2018/19 (£)	Total remuneration excluding pension contributions 2018/19 (£)	Employer's contribution to pension 2018/19** (£)	Salary (including fees and allowances) 2017/18 (£)	PRP for 2016/17 paid in the year 2017/18 (£)	Total remuneration excluding pension 2017/18*** (£)
Patrick Doig, Divisional Finance Director, Surface Transport	i	159,611	27,744	-	1,706	189,061	39,335	149,973	24,654	176,278
Stephen Field, Director of Compensation and Benefits	j	*190,349	65,345	-	1,706	257,400	-	*190,666	75,233	267,550
Lester Hampson, Property Development Director		177,216	113,750	-	1,706	292,672	41,061	177,157	129,063	307,871
Michael Hardaker, Director of Network Extensions	k	42,026	-	-	498	42,524	9,455	-	-	-
Stuart Harvey, Major Projects Director		*277,136	77,240	-	1,706	356,082	-	*265,036	51,340	318,027
Chris Hobden, Head of Four Lines Modernisation	l	141,950	14,400	-	1,706	158,056	30,585	130,542	19,200	151,393
David Hughes, TfL Investment Delivery Planning Director	m	182,275	40,970	-	1,706	224,951	40,595	182,364	31,755	215,770
Anthony King, Divisional Finance Director, Major Projects Directorate	n	190,079	-	-	1,706	191,785	8,937	42,885	-	43,288
Chris MacLeod, Customer Director		*207,456	28,611	-	-	236,067	-	*206,620	30,228	236,848
Peter McNaught, Asset Operations Director		162,756	26,928	-	1,706	191,390	39,335	162,674	23,472	187,797
Helen Murphy, Director of TfL Consulting and International Operations	o	124,523	-	-	1,406	125,929	30,541	-	-	-
Andrew Pollins, Transformation Director		222,428	25,970	-	1,706	250,104	41,061	222,788	25,217	249,656
Caroline Sheridan, Renewals and Enhancements Director, London Underground	p	163,080	8,126	-	40	171,246	39,335	55,585	-	55,585
Paul Thomas, Head of Transport Systems, Deep Tube Upgrade Programme	q	172,458	5,100	-	1,706	179,264	41,061	171,920	5,950	179,772
Shashi Verma, Director of Strategy and Chief Technology Officer	r	233,983	34,160	-	769	268,912	51,978	205,397	36,090	242,231
Alex Williams, Director of City Planning		206,019	26,928	-	-	232,947	-	203,818	23,240	227,058
Brian Woodhead, Customer Service Director		*232,013	63,660	-	1,706	297,379	-	*230,786	59,700	292,137

*Information subject to audit

Name	Notes	Salary (including fees and allowances) 2018/19 (£)	Performance related pay (PRP) for 2017/18 paid in the year 2018/19 (£)	Compensation for loss of employment 2018/19 (£)	Benefits in kind 2018/19 (£)	Total remuneration excluding pension contributions 2018/19 (£)	Employer's contribution to pension 2018/19** (£)	Salary (including fees and allowances) 2017/18 (£)	PRP for 2016/17 paid in the year 2017/18 (£)	Total remuneration excluding pension 2017/18*** (£)
Tricia Wright, Chief People Officer	s	*236,005	35,640	–	769	272,414	–	*236,225	35,966	272,935
David Wylie, Chief Procurement Officer		171,058	25,500	–	1,706	198,264	41,061	171,027	10,000	182,678
Ken Youngman, Divisional Finance Director, Commercial Development	t	169,895	–	–	1,706	171,601	14,895	41,430	–	41,834
Crossrail current office holders/employees										
Tony Meggs, Non-Executive Chairman	u	46,209	–	–	–	46,209	–	–	–	–
Nick Raynsford, Non-Executive Deputy Chairman	v	10,544	–	–	–	10,544	–	–	–	–
Mark Wild, Chief Executive	w	333,669	69,312	–	1,956	404,937	41,061	284,425	42,880	328,956
Chris Sexton, Deputy Chief Executive		274,045	29,486	–	1,706	305,237	30,051	230,707	30,057	262,415
Jeremy Bates, Head of Assurance		168,123	17,056	–	1,706	186,885	30,051	163,488	21,669	186,808
Susan Beadles, Head of Legal Services and Company Secretary		140,143	17,063	–	1,706	158,912	20,064	106,419	7,187	115,257
Chris Binns, Chief Engineer		175,636	18,135	–	1,706	195,477	17,564	170,980	23,039	195,670
Paul Grammer, Commercial Director		243,200	18,323	–	1,706	263,229	–	238,147	89,900	329,698
David Hendry, Chief Finance Officer	x	90,810	–	–	–	90,810	–	–	–	–
Howard Smith, Chief Operating Officer	y	*182,803	64,453	–	1,706	248,962	–	*183,075	29,173	213,899
Andy Weber, Delivery Construction Manager		137,009	6,032	–	769	143,810	13,850	128,512	7,246	136,502
Former Employees										
Justin Brand, Commercial Revenue Director	z	103,151	39,000	100,612	530	243,293	25,292	150,000	69,000	219,744
Steve White, Operations Director, Sub-Surface Lines	aa	*88,666	90,000	–	726	179,392	–	*207,639	24,606	233,896
Sir Terry Morgan, Non-Executive Chairman, Crossrail	ab	170,243	–	–	1,160	171,403	–	250,000	–	251,651

*Information subject to audit

Name	Notes	Salary (including fees and allowances) 2018/19 (£)	Performance related pay (PRP) for 2017/18 paid in the year 2018/19 (£)	Compensation for loss of employment 2018/19 (£)	Benefits in kind 2018/19 (£)	Total remuneration excluding pension contributions 2018/19 (£)	Employer's contribution to pension 2018/19** (£)	Salary (including fees and allowances) 2017/18 (£)	PRP for 2016/17 paid in the year 2017/18 (£)	Total remuneration excluding pension 2017/18*** (£)
Mathew Duncan, Finance Director, Crossrail	ac	154,252	38,924	125,281	1,043	319,500	-	247,016	112,376	361,043
Mark Fell, Legal Services Director and Company Secretary, Crossrail	ad	67,016	16,101	173,979	571	257,667	-	199,573	21,179	222,403
Richard Palczynski, Programme Controls Director, Crossrail	ae	101,173	15,128	73,484	470	190,255	10,117	161,635	10,222	172,601
Valerie Todd, Talent and Resources Director, Crossrail	af	*6,361	28,390	444,378	54	479,183	-	*258,277	39,498	299,891
Matthew White, Surface Director, Crossrail	ag	149,730	15,424	144,964	1,562	311,680	30,051	156,943	19,713	178,307
Simon Wright, Chief Executive, Crossrail	ah	362,301	54,055	4,000	1,706	422,062	-	328,873	105,568	436,092

* salary, fees and allowances include an allowance paid as a result of the individual opting out of part or all of the benefits provided by the TfL Savings for Retirement Plan or TfL Pension Fund. The allowance is paid at the rate of the employer contribution foregone, discounted by the employer rate of National Insurance in order to ensure no additional employer cost is incurred. It also includes an allowance available to employees on fixed term contracts who choose to join a defined contribution scheme rather than the TfL Pension Fund

** a number of senior employees opted out of the TfL Pension Fund during 2015/16. They are instead accruing equivalent benefits under an unfunded defined benefit pension scheme

*** total remuneration for 2017/18 also includes benefits in kind as reported in last year's Statement of Accounts

a salary sacrificed for pension of £8,035 (2017/18 £7,708)

b salary sacrificed for pension of £8,035 (2017/18 £7,708)

c salary sacrificed for pension of £22,000 (2017/18 £22,000). Paid for providing services four days per week

d salary sacrificed for pension of £8,035 (2017/18 £7,708)

e changed role in 2018/19, formerly Director of Network Operations. Benefits in kind include reimbursement of travel expenses

f changed role in 2018/19, formerly interim Chief Finance Officer

g changed role in 2017/18. Salary sacrificed for Cycle to Work scheme of £462 (2017/18 £nil)

h took on increased responsibility during 2017/18

i salary sacrificed for Cycle to Work scheme of £389 (2017/18 £nil)

j salary sacrificed for pension of £8,012 (2017/18 £7,708). PRP disclosed includes retention payment of £35,000

k entered service 7 January 2019

l took on increased responsibility during 2018/19

m salary sacrificed for childcare vouchers of £nil (2017/18 £112)

n entered service 2 January 2018

o entered service 4 June 2018

p entered service 27 November 2017

q salary sacrificed for Cycle to Work scheme of £nil (2017/18 £462)

r salary sacrificed for pension of £8,012 (2017/18 £7,708)

s entered service 2 January 2018

t took on increased responsibility during 2018/19

u entered service 14 January 2019. Paid for providing services two days per week

v entered service 14 January 2019. Paid for providing services five days per month

w role at Crossrail started 19 November 2018. Formerly Managing Director, London Underground. PRP received in 2017/18 relates to that role. Salary sacrificed for Cycle to Work scheme of £77 (2017/18 £923)

x entered service 29 October 2018

y salary sacrificed for pension of £8,012 (2017/18 £7,684)

z left service 7 December 2018

aa left service 2 September 2018

ab left service 4 December 2018

ac left service 9 November 2018

ad left service 31 July 2018

ae left service 9 November 2018

af secondment to Crossrail ended 31 March 2018. Left service 9 April 2018

ag left service 28 February 2019

ah left service 31 March 2019

3: Severance payments*

We have also published the number and cost of compulsory and voluntary severance termination packages agreed during the year. This is fully in line with the Code. Our policy on severance is found on page 93.

Termination payments disclosed in the tables below include Crossrail and are reported on a cash paid basis to provide certainty on the amounts reported, and include pension contributions in respect of added years, ex-gratia payments and other related costs.

*Information subject to audit

	Group 2019 (number)	Group 2019 (£m)	Corporation 2019 (number)	Corporation 2019 (£m)
Non-compulsory exit packages (£)				
0-20,000	86	1.1	24	0.4
20,001-40,000	98	2.9	34	1.0
40,001-60,000	86	4.2	47	2.3
60,001-80,000	59	4.1	35	2.5
80,001-100,000	48	4.3	25	2.2
100,001-150,000	67	8.1	30	3.6
150,001-200,000	22	3.6	13	2.1
200,001-250,000	4	0.9	1	0.2
250,001-300,000	4	1.1	-	-
300,001-350,000	-	-	-	-
350,001-400,000	-	-	-	-
400,001-450,000	1	0.4	1	0.4
Total non-compulsory exit packages	**475**	**30.7**	**210**	**14.7**
Compulsory exit packages				
0-20,000	-	-	-	-
Total	**475**	**30.7**	**210**	**14.7**

Severance payments of £30.7m in 2018/19 and £51.4m in 2017/18 are expected to result in ongoing cost savings of approximately £111m per annum.

	Group 2018 (number)	Group 2018 (£m)	Corporation 2018 (number)	Corporation 2018 (£m)
Non-compulsory exit packages (£)				
0-20,000	105	1.3	65	0.9
20,001-40,000	146	4.3	107	3.2
40,001-60,000	123	6.2	98	4.9
60,001-80,000	84	5.8	67	4.7
80,001-100,000	76	6.9	64	5.8
100,001-150,000	96	11.6	58	6.9
150,001-200,000	42	7.1	26	4.4
200,001-250,000	22	5.0	14	3.1
250,001-300,000	6	1.7	2	0.6
300,001-350,000	1	0.3	1	0.3
350,001-400,000	2	0.8	1	0.4
400,001-450,000	1	0.4	1	0.4
Total non-compulsory exit packages	**704**	**51.4**	**504**	**35.6**
Compulsory exit packages				
0-20,000	-	-	-	-
Total	**704**	**51.4**	**504**	**35.6**

4: Representation of equalities groups at different pay levels as at 31 March 2019* **

* Excluding Crossrail and TfL apprentices ** Information not subject to audit

	<£20,000		£20,001 to £30,000		£30,001 to £40,000		£40,001 to £50,000		£50,001 to £60,000		£60,001 to £70,000		£70,001 to £80,000		£80,001 to £90,000		£90,001 to £100,000		>£100,000	
	No	%	No	%	No	%	No	%	No	%	No	%	No	%	No	%	No	%	No	%
Ethnicity																				
Black, Asian and minority ethnic	4	80	650	41	2,143	39	1,579	31	2,703	31	597	22	209	17	46	11	12	8	12	7
White	1	20	559	36	2,339	38	2,714	54	4,862	56	1,724	63	836	68	293	72	116	73	136	82
Not stated	–	0	360	23	1,605	26	733	15	1,159	13	409	15	180	15	68	17	30	19	19	11
Total	**5**		**1,569**		**6,087**		**5,026**		**8,724**		**2,730**		**1,225**		**407**		**158**		**167**	
Gender																				
Female	2	40	582	37	2,103	35	1,289	26	1,462	17	425	16	188	15	70	17	34	22	44	26
Male	3	60	985	63	3,979	65	3,737	74	7,256	83	2,305	84	1,037	85	337	83	123	78	124	74
Other	–	0	2	0	5	0	–	0	6	0	–	0	–	0	–	0	–	0	–	0
Total	**5**		**1,569**		**6,087**		**5,026**		**8,724**		**2,730**		**1,225**		**407**		**158**		**167**	
Disabled / Not disabled																				
Disabled	–	0	62	4	156	3	91	2	151	2	64	2	24	2	12	3	2	1	3	2
Not disabled	4	80	920	59	3,169	52	2,417	48	4,211	48	1,274	47	557	45	192	47	94	60	115	69
Not stated	1	20	587	37	2,762	45	2,518	50	4,362	50	1,392	51	644	53	203	50	62	39	49	29
Total	**5**		**1,569**		**6,087**		**5,026**		**8,724**		**2,730**		**1,225**		**407**		**158**		**167**	

5: Board remuneration*

*Information subject to audit

	For the year ended 31/03/19 (£)
Current Board Member	
Sadiq Khan	Not remunerated by TfL
Heidi Alexander	Not remunerated by TfL
Kay Carberry CBE	20,000
Prof Greg Clark CBE	19,000
Bronwen Handyside	18,000
Ron Kalifa OBE	20,000
Dr Alice Maynard CBE	18,000
Anne McMeel	20,000
Dr Mee Ling Ng OBE	20,000
Dr Nelson Ogunshakin OBE	19,000
Mark Phillips*	3,452
Valerie Shawcross CBE**	14,597
Dr Nina Skorupska CBE	19,000
Dr Lynn Sloman	19,000
Ben Story	20,000
Members who have left during the year	
Baroness Grey-Thompson DBE***	8,068
Michael Liebreich***	8,068

* Mark Phillips was appointed to the Board on 21 January 2019

** Valerie Shawcross CBE was Deputy Mayor and Deputy Chair of TfL until 8 June 2018. She has been a member of the Board throughout 2018/19, but her position was only eligible for remuneration from 9 June after she stood down as Deputy Mayor

*** Left TfL on 2 September 2018

6: Trade union facility time*

*Information not subject to audit

The Trade Union (Facility Time Publication Requirements) Regulations 2017 place a requirement on relevant public sector employers to collate and publish, on an annual basis, a range of data on the amount and cost of trade union facility time within their organisation. Facility time is the provision of paid or unpaid time off from an employee's normal role to undertake trade union duties and activities as a union representative.

Within TfL the following trade unions are represented:

- TSSA
- RMT
- Prospect
- UNISON
- Unite
- PCS
- ASLEF

As at 31 March 2019, TfL had 828 members of staff who are elected as union representatives. These employees spent the following amount of their working hours on facility time:

Time (%)	Number of employees
0	-
1-50	680
51-99	113
100	35
Total	**828**

We allow representatives paid time off to carry out union duties and meeting these costs represents 0.4 per cent of our total wage bill.

Total cost of facility time (£m)	7.9
Total remuneration costs for all TfL employees (£m)	2,176.8
Percentage of pay bill spent on facility time (%)	0.4

We do not provide paid time off for representatives to carry out trade union activities. The above approach to paid time off, and the number of representatives for our 27,000 employees is in line with legislation guidelines from ACAS and agreements with the trade unions.

Statement of Accounts

Narrative Report and Financial Review

Highlights

More than 27 million journeys are made across London every day, from local walks to deliveries and from cycle trips to the daily commute. Our purpose is to connect Londoners and all our communities by keeping London moving, working and growing, to make life in our city better. We achieve this through the provision of a safe and reliable, integrated transport network that promotes healthy living. In delivering this, our aim is to cost less and grow our revenues so that we continue to be financially sustainable and able to support Londoners far into the future.

In 2018/19, we faced some real financial challenges with the loss of the operating grant from central Government, a subdued national economy, and the delay to the opening of the Elizabeth line. Despite these obstacles, we continued to make good progress against our long-term objective of turning an operating deficit into a surplus. As set out in the paragraphs below on our uses of funding, it is the third successive year we have reduced like-for-like operating costs. Our gross revenues have also grown year on year as we started to see small recoveries in passenger demand following the declines experienced in 2016/17 and 2017/18.

A key priority for management during the year has been to understand and develop plans for addressing the delay, first announced in August 2018 by Crossrail Ltd, that the programme could not be delivered on time and that it would not be in a position to open the Crossrail central section through London in December 2018 as originally planned. In October 2018, additional funding for the project of £300m was provided by the Sponsors (the Department for Transport (DfT) and TfL). In December 2018, the Mayor of London and the Government agreed a financial package to cover the remaining funding required to complete the project.

A new leadership team for Crossrail Ltd was put in place during the financial year, as well as a new governance structure. This team has been working on developing a robust and realistic new plan to deliver the project. In April 2019, Crossrail Ltd announced that services are now planned to be introduced, excluding Bond Street station, which is still significantly delayed, on the central section of the railway at some point between October 2020 and March 2021.

Elsewhere in the Group, our investment programme has continued to deliver safety, reliability and capacity improvements across the network as we maintain, enhance and extend services across London. Major projects included infrastructure, signalling and station upgrades on the London Underground and the extension of the Northern line to Battersea Power Station. During the year, a number of delivery milestones were achieved:

- In Quarter 3, the major stations improvement project saw the opening of the new Bloomberg entrance at Bank station, and in March 2019, the first breakthrough was made between the new entrance on Cannon Street and the newly constructed Northern line tunnel
- At Victoria station, all passenger-facing facilities were opened in the year. The overall completion of the station, surrounding buildings and urban realm is planned for mid-2019
- On the Four Lines Modernisation project, commissioning of the first area to run in passenger service using the new automatic train control signalling system was successfully completed on 17 March 2019
- In February 2019, bidders submitted their final technical, commercial and financial proposals in relation to the construction of the Silvertown Tunnel. The contract will be awarded later this year

Financial performance

In 2018/19 we reduced our like-for-like operating costs for the third year running, offsetting inflationary pressures – something that TfL has never achieved before. This has been managed through the organisation concentrating on its cost base, including maintenance savings, contract renegotiations and recruitment controls. Overall, operating costs increased only slightly, from £7,512m to £7,561m, reflecting the incremental costs of preparations for the opening of the Elizabeth line and additional services on TfL Rail.

This focus on cost control has combined with a 5.1 per cent increase in gross income to give a net cost of services for the year of £1,905m, 10.5 per cent better than 2017/18's total of £2,129m.

The rise in gross income from £5,382m to £5,656m reflected an improvement in fares income, driven primarily by increased demand on London Underground. Other areas of the business saw weaker volume increases. Other operating income (which includes all non-passenger derived sources of income, including rents and advertising) saw an 8.7 per cent rise, primarily a result of one-off receipts related to the delayed delivery of rolling stock.

Net financing costs of £327m were significantly below the prior year figure of £418m, reflecting an increase in the level of gains recognised in relation to the disposal of investment properties. Increases in loan and lease interest payable were offset by a reduction in the net interest payable on the Group's defined benefit obligation.

Grant income, at £3,016m, was £539m above 2017/18 levels, primarily due to additional Crossrail funding received from the DfT and the Greater London Authority (GLA). The share of losses from our associated undertakings, meanwhile, increased from £63m in 2017/18 to £95m in 2018/19.

Narrative Report and Financial Review (continued)

These combined to give an overall surplus on the provision of services after tax for the year of £659m – a significant improvement on the prior year deficit of £176m. After reserves transfers this translated to a below budget fall in usable reserves from £1,790m as at 31 March 2018 to £1,627m at 31 March 2019.

The level of capital works undertaken fell during the year to £3,467m, 3.9 per cent below the prior year total of £3,606m. As well as £398m of capital spend on renewals works, this included new investment of £1,389m on the Crossrail project, whose completion has now been delayed. Other significant projects progressed in the year included the Four Lines Modernisation project, the Northern Line Extension, major station improvement works, and the Deep Tube Upgrade.

Funding sources

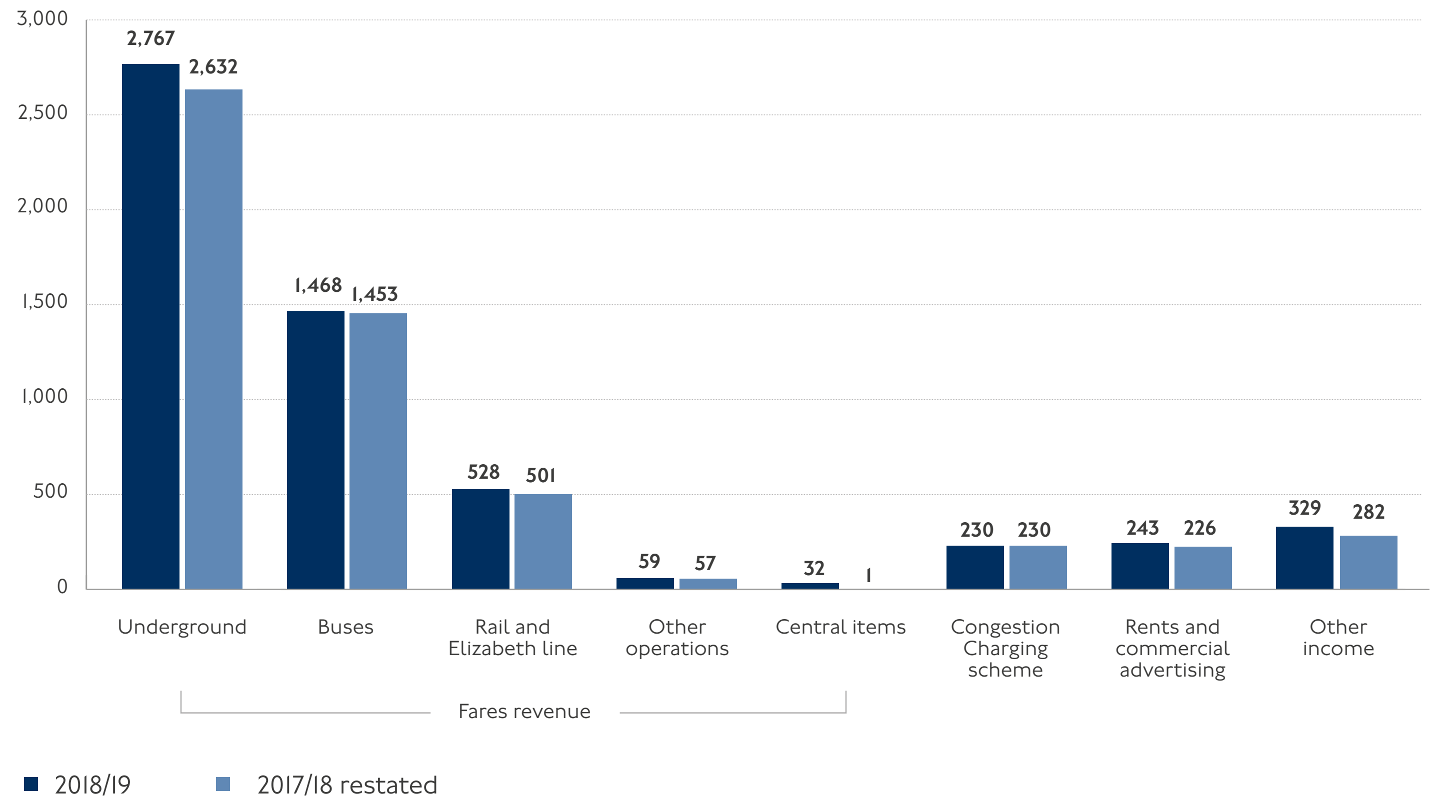
Our activities are funded from six main sources:

- Passenger income and income from the Congestion Charging scheme
- A proportion of London's business rates
- Central Government funding in relation to the Crossrail project
- Prudential borrowing (the amount and profile of which has been agreed to 2020/21 with central Government in the March 2017 Funding Agreement)
- Commercial development on TfL's estate, including advertising, and property rental and development
- Third-party funding for specific projects

The TfL Business Plan is financially balanced with planned funding sources sufficient to meet planned expenditure. Short-term timing differences between expenditure and funding are managed through transfers to or from our cash reserves.

Gross income

Gross income breakdown by type (£m)

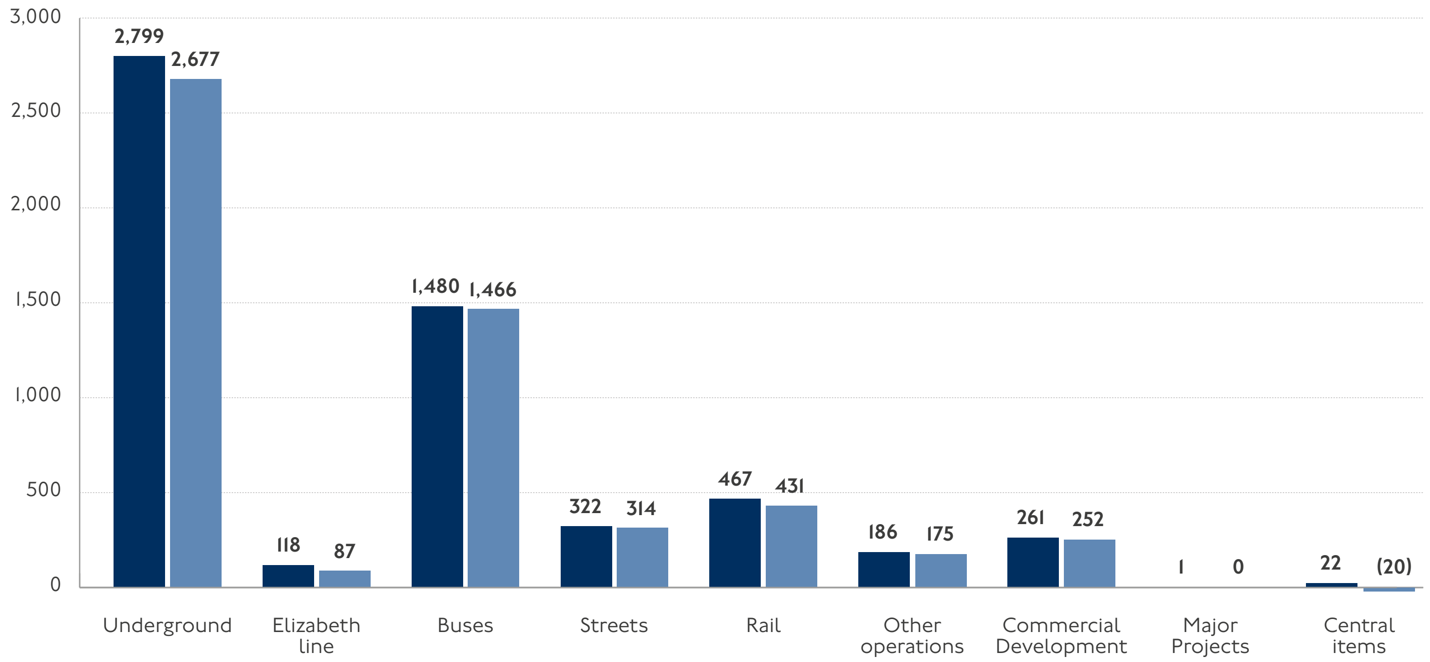


Total gross income increased by 5.1 per cent from £5,382m in 2017/18 to £5,656m in 2018/19, largely owing to increased passenger volumes on the Underground combined with small revenue increases across all other areas.

TfL's primary source of gross income comes from passenger fares income, which represents 85.8 per cent of all revenue generated. TfL fares decisions are taken annually by the Mayor whose decision for 2019 was to again freeze fares in line with his policy for his four-year term. As with previous years, Travelcard increases and associated caps are set in agreement with the train operating companies under fares regulations set by the Government. These increased on average by 3.1 per cent from 1 January 2019 – slightly below the 3.2 per cent annual increase in the Retail Prices Index in the benchmark month of July 2018.

Narrative Report and Financial Review (continued)

Total gross income by operating division (£m)



* Figures for 2017/18 have been restated to align with a revised internal management structure

Total gross income for the Underground was £2,799m, £122m (or 4.6 per cent) above 2017/18 levels, reflecting an improvement in customer demand. Passenger journey volumes increased from 1,357 million in 2017/18 to 1,384 million in 2018/19 – a 2.0 per cent rise. Friday 7 December 2018 saw the busiest day ever on the Tube, with 5.03 million passengers. However, we remain cautious given the uncertain economic outlook as a result of Brexit. The rise in passenger income was also partly due to the increase in average fares for National Rail in January 2019, which had an impact on a proportion of TfL tickets.

Gross income for the Elizabeth line and Rail divisions increased by 12.9 per cent from £518m in 2017/18 to £585m in 2018/19. Of this increase, £27m was attributable to higher fares income, particularly from the Elizabeth line (which currently operates as TfL Rail), from the DLR and from London Overground. Combined passenger volumes for these areas increased from 354 million journeys in 2017/18 to 367 million in 2018/19.

On the Elizabeth line, an £18m increase in passenger income was primarily a reflection of the commencement of the new Paddington to Heathrow service in May 2018. The line, as a whole, carried 55 million people, an increase of 22.1 per cent over the previous year. Customer satisfaction increased by one per cent to 84 per cent. The Public Performance Measure (PPM) was 94.5 per cent for the year, which secured TfL Rail third place in the national PPM league.

London Overground's operational performance and customer satisfaction were affected by the delayed introduction of the new LOTRAIN fleet. The reduced existing fleet has impacted availability on the Gospel Oak to Barking branch, through more maintenance being required and reduced reliability. However, a successful service regulation trial for services from and to Liverpool Street recently has seen performance on these lines improve considerably. Once introduced in early 2019/20, the new state-of-the-art electric trains will provide customers with increased capacity and feature walk-through carriages, air conditioning, live network information screens and improved reliability. The new, cleaner, electric trains will also improve air quality for people living and working along the route.

Still within the Rail division, fares revenue on Trams fell by £1m from £24m in 2017/18 to £23m in 2018/19, reflecting a 1.4 per cent fall in passenger volumes as a result of closures due to a fire in a warehouse adjacent to the tramway, and to an industrial relations dispute in March 2019.

Other operating income for the Rail and Elizabeth line divisions, meanwhile, rose from £17m in 2017/18 to £57m in 2018/19, due to one-off contractual receipts relating to the delayed delivery of new London Overground trains, combined with increased third-party contributions and ticket sales commission on the Elizabeth line.

In the Buses division, total network income rose to £1,480m, 1.0 per cent above the prior year total of £1,466m. This was generated by an improved average yield per passenger journey, as fares increased by 1.0 per cent, which more than offset a year-on-year decline in passenger journeys of 27 million. The fall in passenger journeys was primarily seen in off-peak travel.

Streets' operating income, at £322m, was 2.5 per cent above 2017/18 levels due to increased enforcement, compliance and cost recoveries. Although headline Congestion Charging income was in line with the prior year at £230m (2017/18 £230m), this reflected higher enforcement income offset by reduced underlying Congestion Charging revenues as lower volumes of charge-paying vehicles entered the zone. The decrease

Narrative Report and Financial Review (continued)

in volume of vehicles can be seen as a positive move towards achieving the Mayor's Transport Strategy objective to reduce Londoners' dependency on cars in favour of increased walking, cycling and public transport use.

Commercial Development income increased by 3.6 per cent to £261m. This reflected an increase in commercial advertising receipts from £152m in 2017/18 to £156m in 2018/19, driven by increased digital investment, combined with higher property income from the rental portfolio, which increased from £74m in 2017/18 to £87m in 2018/19.

Income from Other operations (which comprises a broad range of activities including taxi licencing, Dial-a-Ride services, London River Services, cycle hire and the Victoria Coach Station), rose by 6.3 per cent from £175m in 2017/18 to £186m in 2018/19. Within this total, passenger income remained fairly static at £59m, compared to the 2017/18 total of £57m. Other operating income, however, rose by £9m – reflecting increases in general fees and student photocard commissions.

Government grants and other funding

The main source of grant income for 2018/19 was funding received from the GLA as part of local authority devolved arrangements. The Mayor retains a share of London's business rates and then allocates a proportion of this to TfL as a resource grant. Other sources of grant income include specific capital grants from the DfT and the GLA for the Crossrail project and other projects, such as the Northern Line Extension. This year (2018/19) was the first year that TfL received no general resource grant funding for operations from central Government.

The total of resource and capital grants receivable by TfL in 2018/19 amounted to £3,016m (2017/18 £2,477m).

Prudential borrowing

The table below summarises movements in the value of borrowings during the year. In addition to these sources of financing, other sources include the Private Finance Initiatives (PFIs) (notes 24 and 25 to the accounts).

Movement in borrowing (£m)

Opening borrowing at 1 April 2018 per the accounts	10,416
European Investment Bank (EIB) loans - £200m due in 2038	200
Export Development Canada (EDC) loans - £150m due in 2028	150
Public Works Loan Board (PWLB) loans – seven tranches borrowed totalling £575m due between 2051-2060	575
Repayment of Commercial Paper at maturity and scheduled repayments on PWLB and EIB loans	(197)
Fair value movements, issue premia/discounts and fee adjustments	1
Closing borrowing at 31 March 2019 per the accounts	**11,145**

The authorised limit for direct borrowings for the Corporation set by the Mayor for 2018/19 was £12,382.1m.

At 31 March 2019, TfL had two committed facilities with Export Development Canada (EDC) that were not fully drawn. Funds under these facilities will be drawn down in multiple tranches over the next two years.

Narrative Report and Financial Review (continued)

Uses of funding

Gross expenditure

Gross expenditure, which includes day-to-day operating costs as reported to management (see note 2 to the financial statements) and Central statutory reporting items (including depreciation and amortisation) increased by 0.7 per cent from £7,512m in 2017/18 to £7,561m in 2018/19. Excluding these Central items, expenditure increased by 1.2 per cent from £6,249m to £6,326m.

However, within the overall increase in 2018/19, for the third year in a row we again realised savings against the budget and reduced like-for-like operating costs, offsetting both the loss of central Government revenue grant and the impact of inflation.

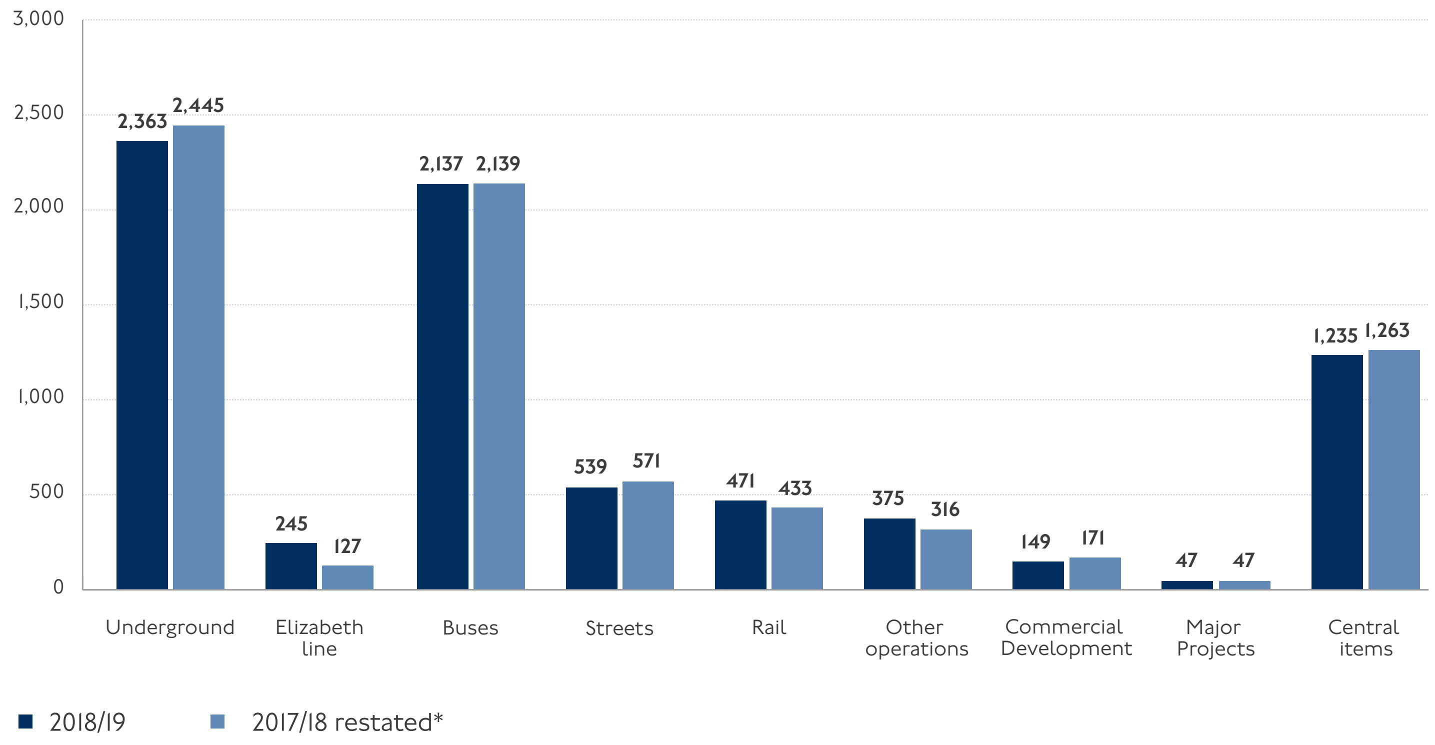
Year-on-year costs of operations (£m)

	2019	2018
Cost of operations per internal management reports	**(6,326)**	**(6,249)**
Adjust for one-off items incurred	135	138
Adjust for investment programme operating costs included in operating expenditure	333	336
Adjust for Elizabeth line operating cost increases	237	118
Cost of operations (like-for-like basis)	**(5,621)**	**(5,657)**
Year-on-year savings	**36**	

Cost reduction initiatives are continuing as we work towards a target of turning a deficit on the net cost of operations into a surplus by 2022/23. The year saw a further reduction in management layers, a streamlining of operations and reduced staff headcount numbers (including a reduced number of non-permanent labour).

One-off items in 2018/19 included costs relating to TfL's restructuring programme and a £70m pension recovery plan payment. In 2017/18, one-off items included £68m related to TfL's transformation programme, £23m of costs relating to the Metropolitan line extension project, and a £48m pension recovery plan payment.

Gross expenditure by operating division (£m)



* Figures for 2017/18 have been restated to align with a revised internal management structure

On the Underground, costs fell by £82m (3.4 per cent) in the year. We continued our modernisation programme of change, lowering our cost of operating, improving performance and making London Underground a better place to work, all while maintaining a safe and reliable network. As a result of the changes we are making, some functions also moved across directorates and companies within the TfL Group as new teams and reporting lines are formed.

Within the Elizabeth line division, operating costs were £118m higher than 2017/18 as preparations were made for the opening of the central tunnel section of the line. The increase also reflected additional costs for operating the new Paddington to Heathrow service.

In the Buses division, operating costs are targeted to be maintained broadly flat year on year. Operating costs for 2018/19 fell

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marginally from £2,139m in 2017/18 to £2,137m as increases due to the annual contract price inflation (average of 2.5 per cent) within the bus operators' contracts and the costs of roll out of cleaner vehicles were offset by a reshaping of the bus network and other smaller cost reductions.

Streets' operating costs saw a 5.6 per cent reduction from £571m in 2017/18 to £539m in 2018/19, primarily as a result of lower staff costs following our transformation programme. Expenditure on Borough Local Implementation Plan schemes, which prioritise health and wellbeing, with an overall objective of delivering a transport system where everyone can travel safely by the healthiest and most resource and space-efficient totalled £103m.

In the Rail division, 2018/19 operating costs on the DLR and for London Trams were held at 2017/18 levels. However, overall costs increased from £433m to £471m owing to the delay in delivery of the new London Overground trains. These additional costs were offset by contractor compensation receipts recognised within other income.

The costs of Other operations increased 18.7 per cent from £316m to £375m in 2018/19. As well as costs in respect of London Dial-a-Ride, London River Services, London Taxi and Private Hire, Santander Cycles, the Victoria Coach Station and the Emirates Air Line, spend in this category also included the costs of the Crossrail 2 project team and the Group Planning team.

In the Commercial Development division, operating costs fell from £171m in 2017/18 to £149m, due to office maintenance expenditure being tightly controlled. A number of one-off cash refunds were also received during 2018/19.

Operating costs within Central items reduced from £1,263m in 2017/18 to £1,235m in 2018/19. As set out in note 2, these costs represent items not included in internal management reporting. The most significant line item within this balance comprises depreciation, amortisation and impairment charges recognised in relation to property, plant and equipment and intangible assets. The total of these charges fell from £1,110m in 2017/18 to £1,064m in 2018/19. The Central items category also absorbs the difference between the accounting methodologies used in the statutory versus the management accounts for the treatment of defined benefit pension schemes. The cost of such retirement benefits in internal management reporting is based on cash flows rather than the current service cost of benefits accrued in the year.

Net interest and finance charges

Gross financing and investment expenditure for the year was £475m, £12m below the prior year.

Within this overall total, interest payable on direct borrowings increased by 6.4 per cent from £389m to £414m. This increase reflected a full year of interest costs on borrowings of £619m raised in 2017/18 coupled with the impact of the £728m increase in borrowings during 2018/19. As at 31 March 2018, TfL had a nominal £10.447bn of borrowings, of which approximately £0.8bn was short-term borrowing under the Commercial Paper programme. The weighted average interest rate was 3.63 per cent and the borrowings had a weighted average remaining life to maturity of 19.2 years. As at 31 March 2019, the nominal value of borrowings outstanding had increased to £11.175bn, of which £0.7bn was short-term Commercial Paper. The weighted average interest rate was 3.59 per cent and the borrowings had a weighted average life to maturity of 19.4 years.

Interest payable on borrowings was offset, to a degree, by the amount of interest capitalised into the cost of qualifying property, plant and equipment. Interest capitalised in 2018/19 totalled £104m (£94m in 2017/18). Interest payable on finance leases, including contingent rentals in respect of Private Finance Initiatives, fell from £52m in 2017/18 to £46m in 2018/19, reflecting reductions in interest payable on existing leases as the remaining capital balance of the liabilities continued to be paid down.

The Group's net interest expense in respect of its defined benefit pension scheme obligations decreased from £138m in 2017/18 to £113m in 2018/19.

Gross financing and investment income totalled £149m, an increase of £80m from 2017/18. This was primarily due to an increase in gains realised on the disposal of investment properties from £19m in 2017/18 to £132m in 2018/19, as a result of the disposal of Crossrail over-station development sites during the year. Interest receivable on finance leases held in respect of advertising assets rose from £0.6m in 2017/18 to £2.3m in 2018/19 reflecting TfL's increased investment in new technology. Similarly, investment returns on cash and other investment balances rose during the year, from £8m in the prior year to £10m in 2018/19, despite lower average cash balances, due to higher rates of return achieved.

Set against these increases was a reduction in the gain recognised from the revaluation of investment properties (a £5m gain in 2018/19 compared to a £42m gain in 2017/18).

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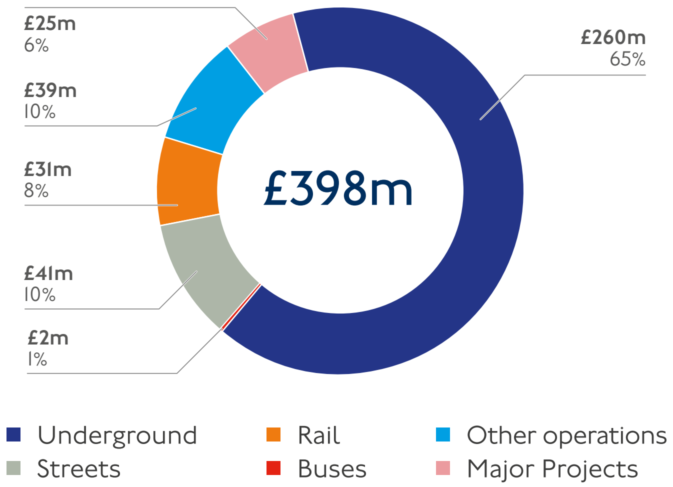
Capital expenditure

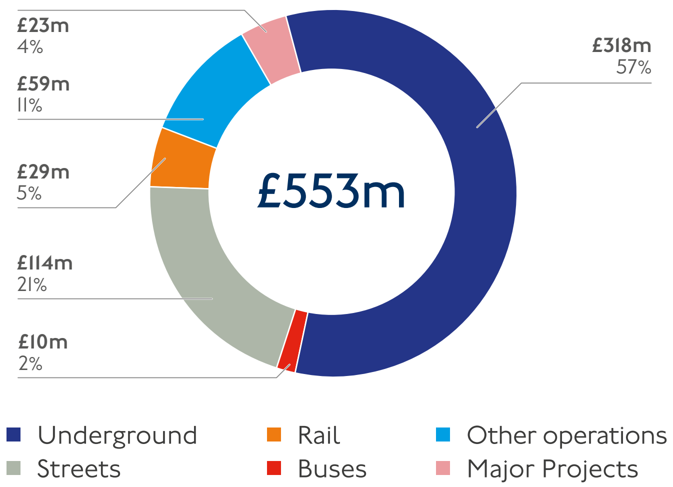
Capital expenditure by business area, excluding Crossrail (£m)

Total capital expenditure for the year, including Crossrail spend, was £3,467m (2017/18 £3,606m). Non-Crossrail related expenditure totalled £2,078m (2017/18 £2,076m). Within this total £398m was spent on capital renewals (2017/18 £553m) and £1,680m (2017/18 £1,523m) was spent on new capital investment.

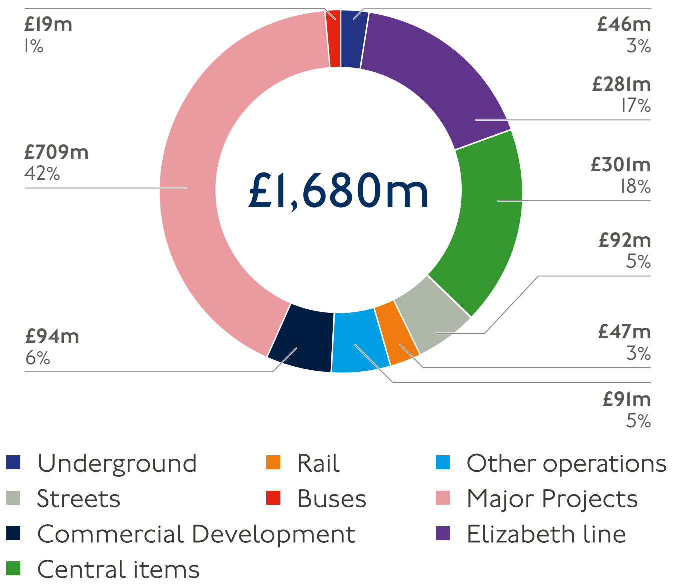
Capital Renewals 2018/19



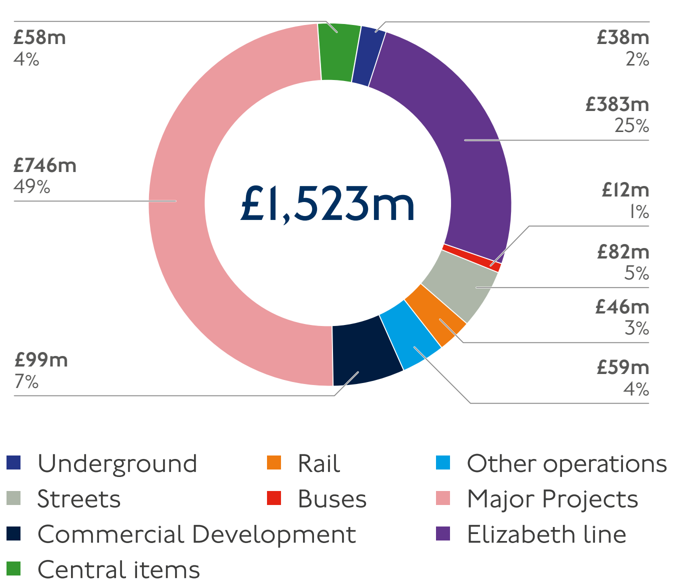
Capital Renewals 2017/18



New Capital Investment 2018/19



New Capital Investment 2017/18



Figures for 2017/18 in the charts above have been restated to align with a revised internal management structure

On the Underground, capital expenditure totalled £306m, down from £356m in 2017/18. This included £46m of new capital investment in addition to £260m of renewals spend.

Fifteen stations will become step-free by spring 2020 as part of the Mayor's funding for step-free access. Having upgraded Victoria, Finsbury Park, Buckhurst Hill and Newbury Park during the year, we also delivered step-free access at South Woodford in March 2019, significantly ahead of our originally published date.

On 16 February, we achieved our target for this financial year to install 7.5km of new track across the Underground network, helping to improve reliability, reduce maintenance costs and increase capacity.

On the Jubilee line, 44 refurbished trains out of 63 trains are back in service. The refurbishments include a wheelchair area, new flooring, refreshed interior (including grab-poles and handles) and new sealing to the roof and windows.

We have completed the concept design for the South Kensington station capacity upgrade project and we plan to appoint a design and build contractor by summer 2019 to deliver the works.

We continue the redevelopment and upgrade of Tottenham Hale station. Superstructure works are progressing, but the programme is dependent on securing possessions of the track to complete the superstructure.

On the Elizabeth line, capital investment expenditure of £281m was incurred. This consisted mainly of Class 345 rolling stock production and step-free access station improvement works. In March 2019, the new Class 345 rolling stock fleet was sold and leased back from 345 Rail Leasing – a consortium between Equitix Investment Management Ltd, NatWest and SMBC Leasing.

In preparation for the commencement of Elizabeth line services, step-free access works were completed on four eastern stations: Manor Park, Maryland, Forest Gate and Seven Kings. Additionally, main dynamic testing commenced this year with the full electrification of the central section tunnel and the operation of Class 345 test trains. The new TfL Rail Paddington to Reading service is planned to commence in December 2019.

Total capital expenditure within the Buses division of £21m in 2018/19 is comparable to the £22m spend in 2017/18. The nature of capital expenditure changed year on year as we increased our programme to fit a selective catalytic reduction system to the exhausts of London buses to reduce emission of nitrogen oxides.

Within the Streets division, £133m was spent in the year on capital projects. We have paused our programme of proactive capital renewals on highways assets, resulting in a drop in renewals expenditure from £114m in 2017/18 to £41m in 2018/19. New capital investment has increased, however, from £82m in 2017/18 to £92m in 2018/19, in

Narrative Report and Financial Review (continued)

support of our Healthy Streets Approach to city planning. Projects such as Old Street Roundabout and Highbury Corner have seen significant progress, ensuring these two key locations become safer places to walk and cycle. We planned to deliver more but, due to the decisions and actions of Westminster City Council, were unable to realise our ambitions of pedestrianising Oxford Street and starting work on our Cycleway in Swiss Cottage.

Capital expenditure in the Rail division totalled £78m in 2018/19. New capital investment, at £47m, continued at previous years' levels with several station enhancements due for completion in 2019/20.

We have made significant progress on the Rail Accident Investigation Branch (RAIB) Sandilands recommendations for London Trams and have completed some of the most vital. Some of the recommendations set out by the RAIB require the implementation of new systems and technology not seen on UK trams before, and so significant designing, testing and procurement, including seeking out innovative manufacturers who can transform tram safety, has been needed.

Capital expenditure of £130m for the year in Other operations comprised £91m of new capital investment in addition to £39m of renewals expenditure. Within the spend on renewals, the payment terminals for Santander Cycles have been upgraded to accept contactless payment for the first time, which will make hiring quicker for customers.

New investment spend, meanwhile, included expenditure on infrastructure in relation to the roll out of the Ultra Low Emission Zone (ULEZ).

Within the Commercial Development division, capital investment at £94m did not change significantly from the prior year level. The main driver was continued investment in digital media assets to improve the advertising estate, which will protect and grow revenue streams into the future. The remaining expenditure was on the property estate, split between expenditure to generate capital receipts from disposing of various property assets during the year (mainly Crossrail over-station development sites), plus investment to generate additional homes for London as part of the Mayor's London Housing Strategy.

The Major Projects Directorate is responsible for our largest and most complex projects. It handles line upgrades, the Deep Tube Upgrade, network extensions and major station upgrades and capacity improvements. Capital expenditure in the directorate totalled £734m in 2018/19, including £709m of new capital investment.

As part of the Four Lines Modernisation programme, we have already introduced 192 new S-stock trains on the network and significant progress was made in 2018/19 to complete the associated depots, stations, sidings and signal modifications. Commissioning of the first signalling migration area between Hammersmith and Latimer Road was completed on the weekend of 16-17 March 2019.

This year we completed the platform works at Nine Elms station and the first engineering train on the Northern Line Extension ran on our newly installed rails. Installation of all running track in the tunnel sections across the Northern Line Extension is also now complete, enabling deliveries by engineering train to be made deeper into the extension, and the installation of conductor rail is under way. The final piece of track – the diamond crossing in the Battersea Crossover box – will be installed by June 2019.

In November 2018, we signed a £1.5bn contract with Siemens to design and build a new fleet of Piccadilly line trains after the High Court lifted a temporary restriction that had put the procurement on hold. Siemens have developed a draft Piccadilly line rolling stock concept design and are now working towards the delivery of all train related Interface Control Documents by Quarter 1 of 2019/20.

At Bank Station, the new Bloomberg entrance for the Waterloo & City line opened to customers on 30 November, with formal opening taking place on 12 December 2018. In March 2019, the first breakthrough between the new entrance on Cannon Street and the newly constructed Northern line tunnel was made. The breakthrough will make further construction work easier, helping to ensure the hugely important upgrade is delivered by 2022. Tunnelling works for the new lift shaft continue, delivering step-free access to the Northern line and improved step-free access to the DLR in 2022.

The Main Works Contract for the Barking Riverside Extension was awarded in December 2018 to a joint venture bid from Morgan Sindall and VolkerFitzpatrick. Early overhead line equipment works were procured separately and completed over Christmas 2018, to enable subsequent possessions of Network Rail infrastructure by the Main Works Contractor.

On 11 December 2018, our Programmes and Investment Committee granted authority to procure 43 DLR trains to increase capacity on the network and to replace approximately 60 per cent of the existing fleet (33 trains) and for the associated enabling works. Tenders to replace the rolling stock were received and technical evaluations have been carried out. A tender for the design and build of the sub-station modifications has been issued. We remain on track to commence Beckton depot enabling works in the summer of 2019.

On the Silvertown Tunnel, the bidders submitted their final technical, commercial and financial proposals in February 2019. We have been concluding the evaluation process in preparation for obtaining authority through the TfL governance process to approve the selection of the preferred bidder in the summer and award the contract later in the year.

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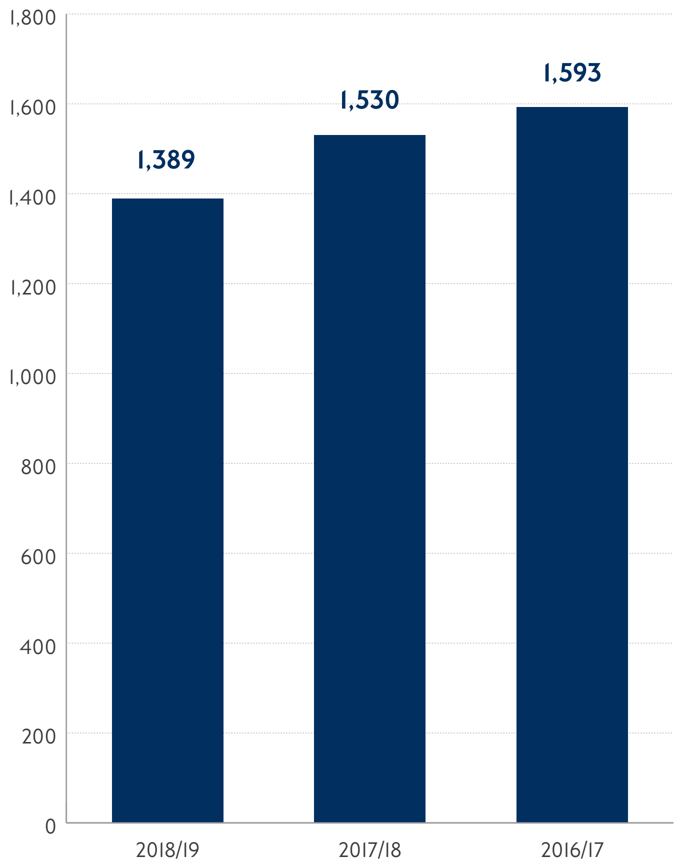
Crossrail capital expenditure (£m)



During the year, £1,389m was spent on the Crossrail project. On 30 August 2018, Crossrail Ltd, a subsidiary of the TfL Group, formally notified its Sponsors (the DfT and TfL) of the very disappointing news that there was insufficient time remaining to introduce Stage 3 Elizabeth line services through the central section in December 2018. This followed the decision taken at the Crossrail Ltd Board on 29 August that additional time was needed to complete the fit-out of the tunnels in parallel with the integration and testing of railway systems and software packages in the signalling, rolling stock and system contracts. Without this it was not possible to introduce a safe and reliable railway for passenger service in December. The leadership team in place at that time developed a revised strategy that supported an Elizabeth line opening in autumn 2019 and a new forecast of cost to complete the project.

Subsequent to that analysis, in late autumn 2018, it became apparent that the cost to complete had been underestimated, as had the level of project integration required. The state of completion of the stations had also been overestimated. The Sponsors commissioned an independent review by KPMG which was published in January 2019.

Additional funding of £300m, announced in July 2018, was paid by the Sponsors in October 2018, £150m from the DfT and £150m from TfL. In December 2018, the Mayor of London and the Government agreed a financial package to cover the remaining funding required to complete the project. The GLA will borrow up to £1.3bn from the DfT. The GLA will also provide a £100m cash contribution, taking its total contribution to £1.4bn which it will provide as a grant to TfL for the Crossrail project. A contingency arrangement has also been agreed between TfL and the Government. This will be in the form of a loan facility from the DfT of up to £750m, should there be a requirement for further funding.

A new leadership team has been put in place during the financial year, as well as a new governance structure. In addition, resources in critical areas required to complete the project have been recruited following the demobilisation of staff. These teams have been working rapidly and intensively to develop a robust and realistic plan to deliver the rest of the project. This high-level plan was published on 25 April 2019 and the leadership team is now underpinning that plan with a 10,000+ line detailed Delivery Control Schedule.

Cash and investments

Total cash, cash equivalents and investments with maturities greater than three months held by the Group at 31 March 2019 amounted to £1,882m, down from £1,932m as at 31 March 2018. The average yield from TfL's cash investments for 2018/19 was 0.69 per cent, up from 0.33 per cent in 2017/18. The low investment yield reflects the low interest rates environment and the conservative nature of TfL's investment strategy. Earmarked reserves for TfL's future investment programme, including the Crossrail project, at 31 March 2019 amount to £1,457m.

Treasury risk management

The Board approves TfL's treasury strategy and policies that have regard to the principles of the Code of Practice and Cross-Sectoral Guidance Notes for Treasury Management in the Public Services and to the Prudential Code for Capital Finance in Local Authorities, both issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and last updated in 2017. The strategy and policies also have regard to the Statutory Guidance on Local Authority Investments issued by the Ministry of Housing, Communities and Local Government, and last updated in February 2018.

Senior management directly control day-to-day treasury operations. The Finance Committee (a committee of the TfL Board) is the primary forum for discussing the annual treasury strategy, policy matters and for submitting proposals to the Board.

Treasury is managed on a centralised, non-speculative risk basis. Its purpose is to identify and mitigate residual treasury-related financial risks inherent to the Group's business operations.

Senior management continually monitor the Group's overall exposure to currency, inflation and interest rates as they affect its operating and commercial activities, as well as its financing activities (financial costs and investment returns on cash balances). TfL's objective under the 2018/19 borrowing strategy was to manage its borrowings in a manner that is affordable, sustainable and prudent, and combines value for money,

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flexibility, security of access to funds, and diversity of funding sources. TfL's investment strategy continues to reflect a low risk appetite consistent with the good stewardship of public funds and prioritises security and liquidity over yield.

The primary treasury-related financial risks faced by the Group are counterparty credit, liquidity, foreign exchange and interest rate movements. These are the focus of treasury policies, as set out below:

Counterparty credit

The Group's exposure to credit-related losses, i.e. non-performance by counterparties on financial instruments, is mitigated by setting a minimum required credit rating and applying financial limits based on credit ratings. For 2018/19, TfL continued to follow a conservative investment strategy, investing in: the UK Government and its executive agency, the UK Debt Management Office (DMO); selected financial institutions with high (investment grade) credit ratings; selected supranational or sub-sovereign agencies; selected Money Market Funds; highly rated corporates; and other highly rated sovereign governments. In addition to Sterling investments, TfL had investments in Euros, which were swapped back into Sterling as a matter of course. The amounts that can be invested with the UK Government and the UK DMO were not limited, while amounts invested with other institutions were based on their credit rating. The minimum rating was P-2/A-2. Credit ratings are obtained from the three main rating agencies and are kept under constant review.

Funding and liquidity

To ensure continuity of affordable funding, borrowing maturities are spread over a range of dates that broadly equate to the lives of assets purchased with the proceeds of borrowing. The maturity profile of borrowing outstanding at 31 March 2019 is set out in note 32 to the accounts. Diverse sources of funding are available to TfL, including the capital markets, loans from financial institutions and direct access to the UK DMO via the Public Works Loan Board (PWLB). These diverse sources significantly mitigate funding and liquidity risk.

Foreign exchange rates

The Group's exposure to movements in foreign currency mainly arises from the procurement of goods or services. TfL's risk management strategy provides for measures to address highly probable exposures with a highly certain risk profile, including entering into derivative contracts.

Interest rates

The Board approved parameters of a minimum of 75 per cent fixed rate on outstanding borrowings. The proportion of fixed rate borrowings (including Commercial Paper swapped to fixed rate through the use of interest rate derivatives) at the year-end was 97.5 per cent; the remaining 2.5 per cent constituted unhedged Commercial Paper borrowing which, although it has fixed rates of interest, in practice behaves more like floating rate debt if used on a rolling basis.

Pensions

As at 31 March 2019, the majority of TfL's employees were members of the TfL Pension Fund. Over the past year, as a result of a change in financial assumptions, the actuarial value of future liabilities recorded by the Group in respect of this scheme increased by £1,266m. This was offset to a degree by an increase in the fair value of the assets recorded, which rose by £612m. As a consequence, the deficit of pension scheme assets to future liabilities recognised in respect of the TfL Pension Fund increased by a total of £654m to £5,189m.

The total deficit recognised in respect of all funded and unfunded pension arrangements at 31 March 2019 amounted to £5,371m (2017/18 £4,707m).

The latest available full actuarial valuation of the TfL Pension Fund was carried out as at 31 March 2018. The 2018 valuation showed a combined deficit on the Public Sector and Tube Lines Sections for funding purposes of £603m, and as a result of this the employers agreed a revised Schedule of Contributions with the Pension Fund.

Prospects and outlook

In December 2018, TfL published an updated Business Plan for the next five years to 2023/24, which set out a comprehensive programme of investment across London to deliver safe and reliable transport services. This will continue to deliver the Mayor's Transport Strategy for active, affordable, efficient and sustainable travel.

The Business Plan also announced the next stage of our organisational change and our challenge to achieve a surplus after the cost of day-to-day operations including renewals and net financing costs (as reported to management in our Quarterly Performance Reports) by 2022/23, a year later than previously planned. We have reflected the impact of the delay to the opening of the Elizabeth line and maintained a cautious view on passenger demand in the context of a very uncertain economic environment. The latest economic forecasts predict sluggish growth as businesses and households hold off investing and consumption until the uncertainty of the UK's exit from the European Union shifts.

There are four main factors affecting the outlook over the next five years:

- Adapting to the loss of an average £700m per annum of revenue grant from central Government, which used to offset the operating cost of day-to-day services
- A subdued national economy

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- The delay in the completion of the Elizabeth line construction as announced by Crossrail Ltd
- The absence of funding from central Government for the maintenance of London's strategic road network

We have been preparing for all possible outcomes relating to the UK leaving the European Union. Although such an event would pose challenges for us, as for many other organisations, we are confident the mitigation plans we have been developing would enable us to continue to serve our customers in all scenarios. Our income is highly dependent on public transport ridership, which is itself dependent to some degree on economic performance, including the number of jobs in central London.

We generate more than £10bn of income and funding a year, which we use to run day-to-day operations and invest in assets to maintain and enhance the network. We continue to look for further opportunities to generate long-term revenue by using our skills and assets as well as our property and advertising estates. By broadening our sources of funding, we can continue to reinvest in the transport network.

We have no certainty of capital funding beyond 2020/21, which poses a challenge when planning the pipeline of investment required by London and we will continue to work with stakeholders to secure the necessary funding. We will also continue our successful programme of reducing like-for-like operating costs and work to grow our business to create new revenue streams.

These cost savings and additional sources of revenue will allow us to keep investing in the new infrastructure London needs to support its growth and remain the economic engine of the UK. Our goal is to continue to deliver a world-leading public transport network that provides value for money and gets people to their destination safely and quickly.

In August 2018, our subsidiary, Crossrail Ltd, announced that the Elizabeth line would be delayed. This has specific capital funding and revenue impacts on the TfL Group. Crossrail Ltd requires additional capital funding to complete much of the railway infrastructure, including the final fit-out of the tunnels and the construction of the stations in the central section. The Mayor and the Government have agreed a financing package to cover these additional costs and a loan facility to TfL from the DfT to provide further contingency if needed. This package will see London pay for the additional costs in full over time. We will continue to work on the remaining infrastructure works and testing to deliver the new railway. Safety and reliability remain our key priorities as we progress towards completing this hugely complex project and being able to fully open the line.

To ensure we are able to meet the future transport demands of Londoners, the following projects and initiatives are in progress:

- Following the completion of tunnelling work in 2017, track is now being laid in both tunnels of the Northern Line Extension. The extension from Battersea Power Station to Kennington via Nine Elms will bring the surrounding area to within 15 minutes of the City and is expected to open in 2021. Work on the new stations at Battersea and Nine Elms is also progressing well, enabling the regeneration of Vauxhall, Nine Elms and Battersea areas and supporting around 25,000 jobs and more than 20,000 new homes
- Work is well under way to install step-free access across the network and by 2020 we will have 15 more step-free stations
- Main construction works will start in 2019 on the Barking Riverside Extension of the London Overground between Gospel Oak and Barking. This will support the largest housing development in east London and provide a sustainable alternative to car travel in the area. Train services are expected to start in late 2021
- Following the introduction of 192 new, larger, walk-through trains across the Circle, District, Hammersmith & City and Metropolitan lines, we are in the process of replacing and improving outdated signalling, power and depot assets. The first sections of the new signalling system go live later in 2019 and capacity on these lines will increase by 33 per cent once the upgrade is complete in 2023
- In 2019, work to increase capacity on the Piccadilly line will continue, progressing the design of new trains to enable the fleet to enter service from 2024
- The upgrade to Bank station, used by more than 400,000 people a day, will improve access, circulation and interchange, increasing capacity by 45 per cent. Construction of a new escalator tunnel to the DLR will begin in 2019/20 and new platforms, station entrances as well as step-free access will be complete by 2022
- In May 2018, the Secretary of State granted approval for a Silvertown Tunnel linking the Greenwich Peninsula and the Royal Docks. This will improve the reliability of the Blackwall Tunnel crossing, increase the resilience of the road network in east London and improve cross-river bus links. Construction is expected to begin in 2019/20, with the new crossing expected to open in 2025
- In 2019, the contract for the design and build of 43 new full-length, walk-through DLR trains will be placed. These trains are expected to start entering service in 2023 and will increase total capacity on the DLR network by around 30 per cent
- In addition to the existing seven Cycleways routes, subject to consultation, construction is planned to begin on eight major routes by the end of 2019. By 2020, more than 100km of additional new, high quality, protected, cycle infrastructure will have been delivered, or be under construction

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- By 2020, we will deliver more Safer Junctions, increasing the total delivered from 21 to 41, which supports the Vision Zero ambition. Also supporting this ambition is the planned introduction of a 20mph speed limit within the Congestion Charge zone in 2020
- By April 2019, all our buses operating in central London will meet the ultra-clean Euro VI engine emissions standards. We will reduce bus emissions by introducing new buses with the cleanest engines and by upgrading the engines of buses already in the fleet, working towards all buses being zero emission at tailpipe by 2037. By the end of 2019/20, we will have implemented 12 Low Emission Bus Zones and all buses across London will meet the ULEZ standard by October 2020 at the latest
- In April 2019, the ULEZ was launched in central London, a key initiative to ensure we improve air quality in London. From 2021 this will be expanded to the North and South Circular roads. Also supporting our clean air strategy, we are investing in technology to deliver charging of electric vehicles. By 2020, 300 rapid charging points will be installed across London
- Station upgrades are happening across the network, Bond Street was completed in 2018, Victoria will be completed in 2019 and Finsbury Park the following year. The Elephant & Castle station upgrade, which is due to complete in 2024, will support the area's transformation and the planned delivery of 5,000 new homes and 5,000 new jobs

In order to achieve a surplus on our operating activities, we will continue our huge programme to reduce costs, increase revenue and become more efficient, while maintaining safety, frontline services and vital investment. Savings have already been achieved in our operating model, reducing and relocating head office accommodation based on our three-hub office strategy. Other activities to deliver cost reduction include:

- Further reducing our back and middle office costs across the organisation over the next three years, achieving 30 per cent cost savings
- Modernising London Underground maintenance, driving greater efficiency from our supply chain
- Reviewing and re-tendering bus contracts
- Reshaping the bus network within inner London and refocusing the network in outer London to meet growing demand

Growing our commercial income is another key part of our plan to achieve an operating surplus by 2022/23. A more diverse range of income also supports financial security. We will use our assets to generate long-term revenues, doing more to leverage our position as one of London's largest landowners. We plan to further develop our property, retail, advertising, telecoms and consultancy businesses to continue to deliver ongoing income streams. Some of these plans include:

- Continuing the development of 320 acres of land for housing and commercial space. By March 2021 we will have started on property development sites that will support 10,000 new homes, shops and workspaces
- Ongoing modernisation of our digital advertising infrastructure, which will see the number of digital assets across our estates double by the time we finish the programme in 2020
- Investing in the future by building a solid foundation for a new applied solutions function. We will operate across the three pillars of advisory, intellectual property, operations and maintenance contracts
- We have started to deliver significant improvements to the digital infrastructure of London and will substantially improve London's connectivity by bringing 4G and 5G to the London Underground while, at the same time, delivering a new revenue stream

Key risks

The TfL Board has overall accountability for risk management and setting TfL's risk tolerance and appetite levels. Progress of management of all key risks is presented to TfL's committees and panels. Here, members of the Board have an opportunity to scrutinise, challenge or provide recommendations as appropriate.

Accepting that risk is an inherent part of conducting our business, our Enterprise Risk Management Framework and associated risk processes are designed to ensure risks to delivering the Mayor's Transport Strategy and our Corporate Strategy are identified, fully understood and managed in line with the Board's level of risk tolerance and appetite. Emerging strategic risks can be escalated to, identified and/or discussed at periodic Executive Committee meetings.

The Executive Committee reviews and discusses strategic risks periodically, and a full assessment of each strategic risk is carried out quarterly. The Audit and Assurance Committee is updated on key risk management activities every quarter and reviews the effectiveness of the risk process at least annually. The key strategic risks we are currently managing and the strategic objectives to which they relate include:

Mayor's Transport Strategy: Healthy Streets and healthy people

- Safety systems, policies or procedures might be inadequate or not complied with, resulting in loss of life, poor health or serious injury to customers and staff
- TfL's activities could impact on the environment affecting the health and wellbeing of people
- Catastrophic events, including natural events, accidents or deliberate actions could overwhelm our ability to respond

Narrative Report and Financial Review (continued)

- A significant security threat could adversely impact our customers, staff, assets, operations or financial performance

Mayor's Transport Strategy: New homes and jobs
- Externally driven events may result in commercial income streams not being able to meet revenue targets
- Economic factors and changes in people's travel behaviours may lead to TfL networks being unable to respond to changing demand
- Internal or external events may impact projects resulting in an inability to achieve the associated benefits
- Opening of the Elizabeth line may be further delayed

Mayor's Transport Strategy: A good public transport experience
- A significant technology failure could result in interruption to operational activity or key business systems
- A significant cyber security incident could result in loss of personal data, financial loss or interruption to operations or key business systems
- Asset failures and increased congestion may affect our ability to meet operational targets which could result in less reliable services for customers and other users
- Events related to the environment, such as the risk of extreme weather due to climate change could result in significant disruption

Corporate Strategy: People and stakeholders
- We may fail to attract and retain the skills and critical capabilities required
- Governance structures at TfL may not provide enough support to meet the changing demands faced by the organisation
- Changes in external stakeholder requirements may affect the best value delivery of TfL's strategic goals
- Delivery of large-scale business transformation could have a negative impact on TfL's ability to effectively meet Mayoral and business priorities

Corporate Strategy: Finance
- A challenging macro-economic environment and unexpected loss of income may affect our ability to deliver our services and invest affordably
- Technological or market developments may outpace our ability to adapt, leading to an inability to deliver the expectations of stakeholders

Brexit risk

There is considerable uncertainty surrounding the UK's withdrawal from the European Union. As a local transport authority, TfL is relatively isolated from many common Brexit-related issues. Our largest financial exposure is to macro-economic shifts, including any economic contractions that may result from a disruptive Brexit outcome. Our income is highly dependent on public transport ridership, which is itself dependent to some degree on economic performance including the number of jobs in central London. Any Brexit outcome that has a significant impact on this is likely to lead to a reduction in our revenue. We monitor trends in ridership closely and hold financial reserves to allow us to manage fluctuations in our revenue. We would implement any necessary changes to our financial plans resulting from such an outcome through our normal financial planning processes.

More short-term risks include potential disruptions to operations and commercial contracts, exposure to financial risks (foreign exchange and interest rates) and the wellbeing of our people. Our Brexit Working Group, with representatives from across all of TfL's activities, has developed and is implementing significant mitigation plans to enable us to continue to serve our customers in all scenarios. This includes a command and control structure that would be implemented in the event of a No Deal Brexit, working with other bodies across London and the South East. Many Brexit-related risks are key risks we are managing.

They include:

Operations
We are preparing an operational plan and are working closely with partners to manage any disruptions related to Brexit. We are working with the London Resilience Forum and our operators to ensure sufficient resources are in place to maintain our services regardless of the outcome. This includes maintaining sufficient levels of stock of critical spares to enable uninterrupted maintenance activities.

Commercial and finance
We source relatively few goods directly from the European Union, but we are managing supply chain risks, including sub-contractors, to ensure contracts can continue. Where necessary, we are hedging to reduce exchange rate risk and placing orders for critical supplies at fixed prices. We are working with lenders to manage interest rate risks and seeking to increase certainty by fixing borrowing rates in advance.

People
We are supporting our non-UK European Union citizen staff by providing guidance on applying for Settled Status. We are engaging through our Human Resources team and internal communications.

We are committed to improving the way strategic risks are identified, managed and reported, and we will continue to provide input to the Audit and Assurance Committee and other committees and panels as appropriate.

Narrative Report and Financial Review (continued)

External audit

Appointment, re-appointment and assessment of effectiveness of external auditor
In July 2016, the Secretary of State specified Public Sector Audit Appointments Limited (PSAA) as an appointing person under the Local Audit and Accountability Act 2014. This meant that for audits of accounts from 2018/19, PSAA was responsible for appointing an auditor to, and setting the level of audit fees for, relevant bodies that have chosen to opt into its national auditor appointment scheme. TfL has opted into this scheme.

Appointments were made for the duration of the five-year appointing period, covering the audits of the accounts for 2018/19 to 2022/23.

In order for an audit firm to be eligible to tender for an audit contract with PSAA, the firm must appear on the Institute of Chartered Accountants in England and Wales (ICAEW) register of Local Auditors, having fulfilled the criteria determined by legislation as evaluated by the ICAEW, the Recognised Supervisor Body. Contracts were awarded after a competitive tender that balanced audit quality with price. The primary consideration in allocating proposed appointments to individual opted-in bodies was to ensure independence. TfL's appointed external auditor is Ernst & Young LLP.

TfL's Audit and Assurance Committee, through the use of questionnaires and reports, formally reviews the performance of the external auditors at least annually against the four criteria of:

- Qualification
- Expertise and resources
- Effectiveness
- Independence

The Audit and Assurance Committee remains satisfied with the quality, integrity and the effectiveness of the work undertaken by Ernst & Young LLP. The Committee carries out regular reviews to ensure that auditor objectivity and independence is maintained at all times.

Non-audit services

Under guidance issued by Financial Reporting Council and the National Audit Office total fees for non-audit services (including audit-related services) to the audited entity and its controlled entities in any one year should not exceed 70 per cent of the total fee for all audit work carried out in respect of the audited entity under the Code for that year.

Under TfL's policy on external audit services, Ernst & Young is required to report to the Committee every six months on fees billed for non-audit services. During 2018/19, the non-audit services provided by Ernst & Young were in respect of audit-related services provided in relation to the use of grant monies received and for procedures relating to regulation 4 of the Railway Safety Levy Regulations 2006. Total non-audit fees for the TfL Group represented 2.5 per cent of the total audit fees paid in respect of the combined audit for the TfL and Transport Trading Limited Groups, and 20 per cent of the audit fee of the Corporation as a single entity for 2018/19.

Accounting statements

TfL is a statutory corporation established by section 154 of the Greater London Authority Act 1999 (GLA Act 1999). It is a functional body of the GLA and reports to the Mayor of London.

The legal structure is complex in comparison to that of most local authorities and comprises:

- The Corporation, which is made up of London Streets, Taxi and Private Hire, and the corporate centre which, for legal and accounting purposes, constitutes TfL
- The TfL Group, which is made up of the Corporation and its subsidiaries and associated undertakings as set out in notes 14 and 15

Under the GLA Act 1999, the Corporation is treated as a Local Authority for accounting purposes and the Statement of Accounts, which includes the individual financial statements of the Corporation, has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code), which is based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements.

TfL's subsidiaries are subject to the accounting requirements of the Companies Act 2006 and separate statutory accounts are prepared for each subsidiary and for the Transport Trading Limited group. These accounts are prepared under International Financial Reporting Standards as adopted by the EU.

The financial statements for the TfL Group, which consolidate the accounts of the Corporation, its subsidiaries, and the Group's share of the results and net assets of its associated undertakings on the basis set out in the Statement of Accounting Policies paragraph c), are here presented alongside the financial statements of the Corporation.

The Statement of Accounts comprises:

- The Group and Corporation Comprehensive Income and Expenditure Statements, Balance Sheets, Cash Flow Statements and the Movement in Reserves Statements
- The Expenditure and Funding Analysis
- The Statement of Accounting Policies
- The Statement of Responsibilities for the Accounts
- Notes to the Group and Corporation financial statements

Narrative Report and Financial Review (continued)

Within the Statement of Accounts, references to the 'Corporation' relate to the transactions, assets and liabilities of the Corporation as a standalone entity. References to the 'Group' relate to the accounts of TfL and its subsidiaries.

Purposes of major schedules within the financial statements

The nature and purpose of the primary schedules included within the financial statements are set out below:

Comprehensive Income and Expenditure Statement

This statement shows both the revenue received and the costs incurred in the year of providing services, in accordance with generally accepted accounting practices. Other comprehensive income and expenditure comprises unrealised gains and losses including revaluation gains on property, plant and equipment, fair value movements on derivative financial instruments and remeasurement gains or losses on defined benefit pension schemes.

The Balance Sheet

The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by TfL. The net assets of TfL (assets less liabilities) are matched by the reserves held by TfL. Reserves are reported in two categories. The first category is usable reserves, being those reserves that TfL may use to provide services, subject to the need to maintain a prudent level of reserves. The second category is those reserves that TfL is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve) where amounts would only become available to provide services if the assets were sold, and reserves that hold timing differences shown in the movement in reserves statement line 'Adjustments between accounting basis and funding basis under regulations'.

The Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of TfL during the financial year. The statement shows how TfL generates and uses cash and cash equivalents by classifying cash flows as derived from operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of TfL are funded by way of passenger income and grants. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to TfL's future service delivery.

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by TfL, analysed into usable reserves and other reserves. The Surplus or Deficit on the Provision of Services is different from the statutory amounts required to be charged to the General Fund balance. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund balance before any discretionary transfers to or from earmarked reserves.

Expenditure and Funding Analysis

The Expenditure and Funding Analysis, although not a primary statement, is presented alongside and shows how annual expenditure is used and funded from resources (grants, business rates etc.) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between TfL's operating segments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Statement of Responsibilities for the Accounts

The Corporation is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers (the Statutory Chief Finance Officer) has responsibility for the administration of those affairs
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- Approve the Statement of Accounts

The Statutory Chief Finance Officer is responsible for the preparation of the Statement of Accounts for the Corporation and the Group in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Statutory Chief Finance Officer has:

- Selected suitable accounting policies and then applied them consistently
- Made judgements and estimates that were reasonable and prudent
- Complied with the Code
- Kept proper accounting records which were up to date
- Taken reasonable steps for the prevention and detection of fraud and other irregularities

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Corporation and Group at the accounting date and of the income and expenditure for the year ended 31 March 2019.

Sarah Bradley
Group Financial Controller and
Statutory Chief Finance Officer

24 July 2019

Independent Auditor's Report to Transport for London

Opinion

We have audited the financial statements of Transport for London for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Corporation and Group Movement in Reserves Statement
- Corporation and Group Comprehensive Income and Expenditure Statement
- Corporation and Group Balance Sheet
- Corporation and Group Statement of Cash Flows
- Expenditure and Funding Analysis note
- Related notes 1 to 43

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of Transport for London Corporation and Group as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Statutory Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

Independent Auditor's Report to Transport for London (continued)

- the Statutory Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

Key audit matters	• Revenue recognition • Capital projects • Significant accounting estimates • Property valuation • Pension deficit • Crossrail budget overruns and funding impacts
Materiality	• Overall group materiality of £103.3m, which represents one per cent of Group operating and capital expenditure

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

Risk	Our response to the risk	Key observations communicated to the Audit and Assurance Committee
Transport for London (TfL) generates more than 80 per cent of its revenue from fares charged to customers. For the Group, given the reduction of other sources of income such as grant funding, there is an incentive to overstate fares revenue. Fares revenue remains a focus of the financial statements due to the complexity and amount of judgement associated with it. This risk over revenue recognition specifically arises in the following judgemental areas, where there is opportunity to overstate revenue: • Oyster pay as you go and contactless pay: Revenue is recognised on a real time basis and is apportioned between TfL and Train Operating Companies where necessary. TfL requires a robust control environment to ensure that TfL's share of fares is accurately recognised as revenue • Travelcard and through ticket: Revenue from annual or periodic tickets and travelcards is recognised on a straight line basis over the period of validity of the ticket or travelcard. Revenue received in advance is released over the validity period. Daily travelcards and through tickets are recognised on the day of purchase. All the above is apportioned between TfL and the Train Operating Companies based on agreed apportionment factors	Our testing of revenue recognition included both tests of control and substantive testing. Our test of controls focused on the effectiveness of the cash collection process and sales made at various sales outlets. We utilised the conclusions from an ISAE3402 report on the controls operated by service organisations over contactless ticketing and Oyster pay as you go. Our substantive testing of revenue included: • Performing detailed transactional testing on the Oyster Click Model which calculates the apportionment of revenue between TfL and the Train Operating Companies • Testing the calculation of payments received in advance • Testing the recoverability of fare-related receivable balances to subsequent cash receipts • Comparing the assessment of fares apportioned to the Train Operating Companies for reasonableness against latest agreements and correspondence with the Train Operating Companies	We concluded that the basis on which fares revenue is recognised is reasonable. The judgements made related to fares revenue in the financial statements have been appropriately reflected. We also concluded that we are satisfied that the position recorded within the financial statements relating to the potential revenue due to the Train Operating Companies is within an acceptable range, using the latest available information in respect of the discussions.

Independent Auditor's Report to Transport for London (continued)

Capital projects

Risk	Our response to the risk	Key observations communicated to the Audit and Assurance Committee
Refer to note 12 in the consolidated financial statements. The TfL Group undertakes multiple capital projects at any point in time. These projects vary in size, complexity and length of time to complete, therefore an amount of judgement is needed when determining the amount of cost capitalised on each individual project. In addition such projects often involve other parties, which can give rise to judgement as to whether TfL has a capital asset. Further, there can be changes in TfL priorities driven by updated Mayoral priorities which can result in changes in individual project scopes. This can give rise to a risk of impairment of expenditure previously capitalised.	Testing of capital projects included both tests of controls and substantive testing. We have gained an understanding of key controls and governance surrounding capital project accounting and management. The following procedures were performed as part of our substantive testing: • Testing of major projects during the financial period to supporting project documentation has been performed • We have also met with project management and visited for a sample of projects to understand the scope and progress of the project • We have compared the latest positions recorded in respect of pain or gain arrangements to contract terms and conditions and to latest project outturn forecasts to assess the appropriateness of related amounts recorded • We have also performed detailed testing on a sample of capital accruals to source documentation to test completeness of costs recognised at 31 March 2019 • For projects involving third party assets, such as roads, cycle highways and track access, we have understood the contractual terms surrounding the projects and assessed whether the criteria for recognising a capital asset have been met by TfL • For material projects in progress at the year end, we have tested whether the completion of the projects are included in the latest business plan and whether there is available funding to complete the expenditure. Where management has assessed this is not the case, we have tested the completeness of removal of project costs from the balance sheet and write off in the income statement	We are satisfied that the capitalised costs in the year are appropriate. We also consider that management's forecasts of future cost commitments, including those related to Crossrail, demonstrate the availability of cashflows, reserves and borrowing facilities to meet such commitments.

Significant accounting estimates

Risk	Our response to the risk	Key observations communicated to the Audit and Assurance Committee
Refer to note 28 in the consolidated financial statements. We have identified certain provisions and accruals that are complex estimates involving high levels of management judgement and future uncertainty. A large proportion of the TfL Group's provisions relate to capital investment activities based on complex contracts and commercial arrangements. In particular CPO provisions and contractual disputes are subject to significant estimation and include uncertainty around negotiations.	We have gained an understanding of material provisions and accruals. The following procedures were performed as part of our testing: • We have tested material provisions and accruals for business purpose and appropriateness of estimation techniques, by comparing actual costs to prior year provisions to identify the accuracy of the provision made. For each provision we have ensured that each satisfies the recognition criteria under IAS 37 • We have reviewed and critically evaluated management's judgement and estimates applied in the calculation of provisions in the financial statements • We obtained an update, from management and Group legal, to understand the latest position of material claims as at the year end date • We inspected legal advice or opinions management has obtained in relation to contract positions and quantum of costs • We enquired of management and assessed other evidence, including board minutes, to test the completeness of amounts recorded in relation to contract claims	We have concluded that the provisions made are within an acceptable range, based on latest available information and are therefore materially correct.

Independent Auditor's Report to Transport for London (continued)

Property valuation

Risk	Our response to the risk	Key observations communicated to the Audit and Assurance Committee
Refer to notes 12 and 13 in the consolidated financial statements. TfL has an extensive and diversified property portfolio across London. Any changes to the assumptions used to value properties within the portfolio could have a significant impact on the financial statements due to the nature of the properties. External valuers perform a detailed valuation across the property portfolio during each financial year. Significant judgement is used during the valuation of the property portfolio due to the uniqueness thereof.	The following procedures were performed as part of our substantive testing: • We tested the valuations report prepared by TfL's external valuers, agreeing the entries into the report back to the financial statements to confirm the accuracy of the entries • We met with TfL's external valuers and discussed the methodology applied and key assumptions used • We used our internal valuation experts to assist in our review of whether TfL's key assumptions are within an acceptable range based on comparative market data for rental yields • We tested property additions, disposals and the accounting treatment of leases to supporting documentation	We have concluded that property valuations were within an acceptable range.

Crossrail budget overruns and funding impacts

Risk	Our response to the risk	Key observations communicated to the Audit and Assurance Committee
The Crossrail project continues to be complex and as it reaches its conclusion, there will be the finalisation of related costs and contractual matters. These matters were not complete at the year end and therefore judgement is required in assessing the appropriate value of obligations where negotiations are in progress. As part of the year end process, management assessed the sources of funding to meet the obligations.	The following procedures were performed as part of our substantive testing: • We reviewed the latest forecast outcome • We reviewed management's assessment of funding requirements and commitments, including performing sensitivity analysis on key assumptions • We have gained an understanding of the latest agreements on sources of funding for Crossrail, including amounts included in the TfL business plan and agreed funding from the Department for Transport • We have tested the impact of any amounts to be funded by TfL on the overall position of TfL, including whether there is any impact on other in-progress projects	We concluded that management's forecasts of future cost commitments relating to Crossrail demonstrate the availability of cashflows, reserves and borrowing facilities to meet such commitments.

The above risk areas are consistent with those in the prior year, with the exception of:

- Crossrail – which is a new separate area for 2018/19
- Pension deficit – this has been declassified as an area of audit focus in 2018/19

Independent Auditor's Report to Transport for London (continued)

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Corporation and Group. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Corporation and Group, and effectiveness of controls, including controls and changes in the business environment, when assessing the level of work to be performed.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the four reporting components, Transport for London entity, Transport Trading Limited (which consolidates Crossrail Limited), London Transport Insurance (Guernsey) Limited, and TfL Trustee Company, only Transport for London as an entity and Transport Trading Limited are material to the Group, representing 99 per cent of the Group's gross expenditure. The other two entities represent less than one per cent of Group's gross expenditure and are considered immaterial to the Group.

We performed an audit of the complete financial information of Transport Trading Limited.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £103.3m (2018 £106.0m), which is one per cent (2018 one per cent) of group operational and capital expenditure. TfL Group's key responsibilities are to provide transportation services across London and to continue to develop the Capital's transport infrastructure. TfL has two key purposes: operational responsibilities for transport services and the development of London's transport infrastructure. Both of these elements are of significant interest to the users of the financial statements identified above and therefore TfL expenditure in these areas is of most interest to the users of the financial statements.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75 per cent (2018 75 per cent) of our planning materiality, namely £69.3m (2018 £80.8m). In setting performance materiality at this percentage we have considered previous year audit findings, and the historic trend of adjustments. Based on prior year audits, as well as our own work to date, we have found that there is a history of low instance of error.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit and Assurance Committee that we would report to them all uncorrected audit differences in excess of £4.6m (2018 £5.0m), which is set at five per cent of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Statutory Chief Finance Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's Report to Transport for London (continued)

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources: Basis for Qualified Conclusion

Sustainable resource deployment

Throughout 2018/19, Transport for London identified a series of weaknesses with the application of procurement rules throughout the organisation. Procurement arrangements were not being followed in all cases, leading to a significant amount of single source tender arrangements and other contracting arrangements that may not have provided value for money.

TfL's internal audit function has identified a number of high priority recommendations that require implementation across the organisation to rectify the weaknesses.

The issues above are evidence of weaknesses in proper arrangements for procuring supplies and services effectively to support the delivery of strategic priorities. During 2018/19, an action plan has been drawn up to address these matters, however implementation will occur during 2019/20, therefore proper arrangements were not operating effectively during the year covered by this opinion.

Informed decision making

The governance arrangements of Crossrail's delivery of the Elizabeth line have been an area of significant scrutiny in 2018/19. An independent report for TfL and the Department for Transport by KPMG on finance, commercial and governance aspects of Crossrail, as well as an independent review by the National Audit Office have both identified issues relating to decision making relating to increased costs and impacting the plan for completion of Crossrail as a whole. As noted in the reports referred to above, the programme reporting had been significantly overstating progress and significantly underestimated the impact of each element on other aspects, most notably the system testing. The agreed revised funding plan is comprised of grant funding from the DfT and the GLA to TfL, a direct contribution from TfL, and a loan facility from the DfT to TfL. Should TfL be required to fund any excess costs over and above this revised funding plan, the knock-on impacts on TfL's capital programme could be significant, causing deferral or cancellation of future projects.

We note that significant effort is being undertaken to reassess actual progress of the programme, forecast spending and opening dates for the line. We also note that during 2018/19 a new management team has been appointed and a revised completion schedule drawn up, however proper arrangements were not operating effectively during the entirety of the year covered by this opinion.

Qualified conclusion

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in November 2017, with the exception of the matters reported in the basis for qualified conclusion paragraphs above, we are satisfied that, in all significant respects, Transport for London put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Matters on which we report by exception

We report to you if:

- in our opinion the Annual Governance Statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of Transport for London;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Responsibility of the Statutory Chief Finance Officer

As explained more fully in the Statement of Responsibilities for the Accounts set out on page 150, the Statutory Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Statutory Chief Finance Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or has no realistic alternative but to do so.

Independent Auditor's Report to Transport for London (continued)

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether Transport for London had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Transport for London put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Transport for London had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Use of our report

This report is made solely to Transport for London in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation for our audit work, for this report, or for the opinions we have formed.

Karl Havers (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
London

30 July 2019

The maintenance and integrity of the Transport for London website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Group Comprehensive Income and Expenditure Statement

Year ended 31 March	Note	Gross income 2019 £m	Gross expenditure 2019 £m	Net income/ (expenditure) 2019 £m	Gross income 2018 restated £m*	Gross expenditure 2018 restated £m*	Net income/ (expenditure) 2018 restated £m*
Operating segment							
Underground		**2,799.0**	**(2,363.0)**	**436.0**	2,677.0	(2,445.0)	232.0
Elizabeth line		**118.0**	**(245.0)**	**(127.0)**	87.0	(127.0)	(40.0)
Buses		**1,480.0**	**(2,137.0)**	**(657.0)**	1,466.0	(2,139.0)	(673.0)
Streets		**322.0**	**(539.0)**	**(217.0)**	314.0	(571.0)	(257.0)
Rail		**467.0**	**(471.0)**	**(4.0)**	431.0	(433.0)	(2.0)
Other operations		**186.0**	**(375.0)**	**(189.0)**	175.0	(316.0)	(141.0)
Commercial Development		**261.0**	**(149.0)**	**112.0**	252.0	(171.0)	81.0
Major Projects		**1.0**	**(47.0)**	**(46.0)**	-	(47.0)	(47.0)
Net operating deficit, excluding grant income, per internal management reports	2	**5,634.0**	**(6,326.0)**	**(692.0)**	5,402.0	(6,249.0)	(847.0)
Central items	2	**22.2**	**(1,234.9)**	**(1,212.7)**	(19.6)	(1,262.5)	(1,282.1)
Net cost of services	2	**5,656.2**	**(7,560.9)**	**(1,904.7)**	5,382.4	(7,511.5)	(2,129.1)
Other net operating expenditure	6			**(32.5)**			(47.3)
Financing and investment income	7			**148.8**			69.1
Financing and investment expenditure	8			**(475.3)**			(486.7)
Grant income	9			**3,015.5**			2,476.9
Group share of loss after tax of associated undertakings	15			**(94.5)**			(62.7)
Surplus/(deficit) on the provision of services before tax				**657.3**			(179.8)
Taxation income	10			**2.0**			3.5
Surplus/(deficit) on the provision of services after tax				**659.3**			(176.3)

Year ended 31 March	Note	Gross income 2019 £m	Gross expenditure 2019 £m	Net income/ (expenditure) 2019 £m	Gross income 2018 £m	Gross expenditure 2018 £m	Net income/ (expenditure) 2018 £m
Surplus/(deficit) on the provision of services after tax				**659.3**			(176.3)
Other comprehensive income and expenditure							
Items that will not be subsequently reclassified to profit or loss							
Surplus on the revaluation of property, plant and equipment**	12			**59.9**			20.3
Net remeasurement (loss)/gain on defined benefit pension schemes**	33			**(336.7)**			1,007.4
				(276.8)			1,027.7
Items that may be subsequently reclassified to profit or loss							
Movement in the fair value of derivative financial instruments**	36			**0.6**			15.5
Derivative fair value loss recycled to income and expenditure**	36			**8.6**			8.2
				9.2			23.7
				(267.6)			1,051.4
Total comprehensive income and expenditure				**391.7**			875.1

* Figures for 2017/18 have been restated to show the split of net cost of services by revised internal management operating segment (see note 2). Depreciation and amortisation is no longer included in performance reports to internal management.

** There is no tax effect of these items on other comprehensive income and expenditure in the years ended 31 March 2019 or 2018 (note 10).

Group Balance Sheet

	Note	31 March 2019 £m	31 March 2018 £m
Long-term assets			
Intangible assets	11	**112.6**	118.2
Property, plant and equipment	12	**40,815.2**	39,274.0
Investment property	13	**492.0**	537.2
Equity accounted investment in associated undertakings	15	**233.5**	319.0
Derivative financial instruments	27	**6.8**	11.7
Long-term finance lease receivables	16	**39.4**	17.4
Long-term debtors	18	**112.6**	27.7
		41,812.1	40,305.2
Current assets			
Inventories	17	**61.0**	64.2
Short-term debtors	18	**697.0**	560.6
Assets held for sale	19	**122.4**	83.2
Short-term derivative financial instruments	27	**11.8**	5.9
Short-term finance lease receivables	16	**12.8**	8.2
Short-term investments	20	**215.9**	692.3
Cash and cash equivalents	21	**1,665.8**	1,239.5
		2,786.7	2,653.9
Current liabilities			
Short-term creditors	22	**(2,167.2)**	(2,348.6)
Short-term current tax liability		**(0.1)**	-
Short-term borrowings and overdrafts	23	**(745.9)**	(846.2)
Short-term finance lease liabilities	24	**(70.3)**	(69.9)
Short-term derivative financial instruments	27	**(3.0)**	(1.5)
Short-term provisions	28	**(345.9)**	(334.1)
		(3,332.4)	(3,600.3)

	Note	31 March 2019 £m	31 March 2018 £m
Long-term liabilities			
Long-term creditors	22	**(61.5)**	(65.7)
Long-term borrowings	23	**(10,398.7)**	(9,569.4)
Long-term finance lease liabilities	24	**(348.2)**	(418.2)
Other long-term financing liabilities	26	**(132.7)**	-
Long-term derivative financial instruments	27	**(46.5)**	(52.0)
Long-term provisions	28	**(54.6)**	(84.3)
Retirement benefit obligation	33	**(5,370.6)**	(4,707.3)
		(16,412.8)	(14,896.9)
Net assets		**24,853.6**	24,461.9
Reserves			
Usable reserves		**1,627.0**	1,789.5
Unusable reserves	36	**23,226.6**	22,672.4
Total reserves		**24,853.6**	24,461.9

The Expenditure and Funding Analysis on page 178 and the notes on pages 182 to 341 form part of these financial statements. These financial statements were approved by the Board on 24 July 2019 and signed on its behalf by:

Sadiq Khan,
Chair of TfL

Group Movement in Reserves Statement

	Note	General fund £m	Earmarked reserves £m	**General fund and earmarked reserves £m**	Street works reserve £m	Capital grants unapplied account £m	**Usable reserves £m**	Unusable reserves £m	**Total reserves £m**
At 1 April 2017		150.0	1,062.6	**1,212.6**	18.0	629.9	**1,860.5**	21,726.3	**23,586.8**
Movement in reserves during 2017/18									
Deficit on the provision of services after tax		(53.9)	-	**(53.9)**	-	-	**(53.9)**	(122.4)	**(176.3)**
Other comprehensive income and expenditure		-	-	**-**	-	-	**-**	1,051.4	**1,051.4**
Total comprehensive income and expenditure		(53.9)	-	**(53.9)**	-	-	**(53.9)**	929.0	**875.1**
Adjustments between accounting basis and funding basis under regulations	37	(60.1)	-	**(60.1)**	1.4	41.6	**(17.1)**	17.1	**-**
Net (decrease)/increase before transfer to/from earmarked reserves		(114.0)	-	**(114.0)**	1.4	41.6	**(71.0)**	946.1	**875.1**
Transfer to/from earmarked reserves		114.0	(114.0)	**-**	-	-	**-**	-	**-**
(Decrease)/increase in 2017/18		-	(114.0)	**(114.0)**	1.4	41.6	**(71.0)**	946.1	**875.1**
Balance at 31 March 2018		**150.0**	**948.6**	**1,098.6**	**19.4**	**671.5**	**1,789.5**	**22,672.4**	**24,461.9**
Movement in reserves during 2018/19									
Surplus on the provision of services after tax		946.0	-	**946.0**	-	-	**946.0**	(286.7)	**659.3**
Other comprehensive income and expenditure		-	-	**-**	-	-	**-**	(267.6)	**(267.6)**
Total comprehensive income and expenditure		946.0	-	**946.0**	-	-	**946.0**	(554.3)	**391.7**
Adjustments between accounting basis and funding basis under regulations	37	(438.1)	-	**(438.1)**	1.1	(671.5)	**(1,108.5)**	1,108.5	**-**
Net increase/(decrease) before transfer to/from earmarked reserves		507.9	-	**507.9**	1.1	(671.5)	**(162.5)**	554.2	**391.7**
Transfer to/from earmarked reserves		(507.9)	507.9	**-**	-	-	**-**	-	**-**
Increase/(decrease) in 2018/19		-	507.9	**507.9**	1.1	(671.5)	**(162.5)**	554.2	**391.7**
Balance at 31 March 2019		**150.0**	**1,456.5**	**1,606.5**	**20.5**	**-**	**1,627.0**	**23,226.6**	**24,853.6**

Earmarked reserves have been established to finance future projects and form part of the overall funding available for the Investment Programme and revenue projects.

Group Statement of Cash Flows

Year ended 31 March	Note	2019 £m	2018 £m
Surplus/(deficit) on the provision of services after tax		**659.3**	(176.3)
Adjustments to surplus/deficit after tax for non-cash movements	34 a	**412.1**	936.0
Net cash flows from operating activities		**1,071.4**	759.7
Investing activities	34 b	**(943.7)**	(748.9)
Financing activities	34 c	**298.6**	291.9
Increase in net cash and cash equivalents in the year		**426.3**	302.7
Net cash and cash equivalents at the start of the year		**1,239.5**	936.8
Net cash and cash equivalents at the end of the year	21	**1,665.8**	1,239.5

Corporation Comprehensive Income and Expenditure Statement

Year ended 31 March	Note	2019 £m	2018 £m
Highways and Transport Services			
Gross income		**377.4**	388.8
Gross expenditure	3	**(1,361.2)**	(1,322.5)
Net cost of services*		**(983.8)**	(933.7)
Other net operating expenditure	6	**(7.2)**	(1.8)
Financing and investment income	7	**470.0**	356.5
Financing and investment expenditure	8	**(522.8)**	(515.6)
Grant income	9	**2,907.6**	2,440.2
Grant funding of subsidiaries		**(917.8)**	(1,399.5)
Surplus/(deficit) on the provision of services		**946.0**	(53.9)
Other comprehensive income and expenditure			
Items that will not be subsequently reclassified to profit or loss			
Surplus on the revaluation of property, plant and equipment	12	**19.8**	-
Net remeasurement (loss)/gain on defined benefit pension schemes	33	**(335.7)**	998.4
		(315.9)	998.4
Total comprehensive income and expenditure		**630.1**	944.5

* Decisions taken by the Board about resource allocation are made using internal management reports which show total expenditure for the TfL Group. No segmental disclosures are included for the Corporation as the Corporation's results are not reported to the Board on a segmental basis.

Corporation Balance Sheet

	Note	31 March 2019 £m	31 March 2018 £m
Long-term assets			
Intangible assets	11	**78.3**	79.2
Property, plant and equipment	12	**4,047.6**	3,941.3
Investment property	13	**6.8**	11.0
Investments in subsidiaries	14	**10,322.5**	8,762.5
Long-term debtors	18	**10,517.6**	9,992.4
		24,972.8	22,786.4
Current assets			
Short-term debtors	18	**616.7**	884.5
Assets held for sale	19	**23.4**	-
Short-term investments	20	**203.0**	669.8
Cash and cash equivalents	21	**1,504.6**	1,102.4
		2,347.7	2,656.7
Current liabilities			
Short-term creditors	22	**(535.7)**	(666.8)
Short-term borrowings	23	**(745.9)**	(846.1)
Short-term finance lease liabilities	24	**(11.0)**	(10.8)
Short-term provisions	28	**(127.8)**	(124.5)
		(1,420.4)	(1,648.2)

	Note	31 March 2019 £m	31 March 2018 £m
Long-term liabilities			
Long-term creditors	22	**(18.7)**	(16.9)
Long-term borrowings	23	**(10,404.5)**	(9,576.0)
Long-term finance lease liabilities	24	**(120.3)**	(131.3)
Long-term provisions	28	**(21.4)**	(25.1)
Retirement benefit obligation	33	**(5,340.7)**	(4,681.2)
		(15,905.6)	(14,430.5)
Net assets		**9,994.5**	9,364.4
Reserves			
Usable reserves		**1,627.0**	1,789.5
Unusable reserves	36	**8,367.5**	7,574.9
Total reserves		**9,994.5**	9,364.4

The notes on pages 182 to 341 form part of these financial statements.

These financial statements were approved by the Board on 24 July 2019 and signed on its behalf by:

Sadiq Khan,
Chair of TfL

Corporation Movement in Reserves Statement

	Note	General fund £m	Earmarked reserves £m	**General fund and earmarked reserves £m**	Street works reserve £m	Capital grants unapplied account £m	**Usable reserves £m**	Unusable reserves £m	**Total reserves £m**
At 1 April 2017		150.0	1,062.6	**1,212.6**	18.0	629.9	**1,860.5**	6,559.4	**8,419.9**
Movement in reserves during 2017/18									
Deficit on the provision of services		(53.9)	-	**(53.9)**	-	-	**(53.9)**	-	**(53.9)**
Other comprehensive income and expenditure		-	-	**-**	-	-	**-**	998.4	**998.4**
Total comprehensive income and expenditure		(53.9)	-	**(53.9)**	-	-	**(53.9)**	998.4	**944.5**
Adjustments between accounting basis and funding basis under regulations	37	(60.1)	-	**(60.1)**	1.4	41.6	**(17.1)**	17.1	**-**
Net (decrease)/increase before transfer to/from earmarked reserves		(114.0)	-	**(114.0)**	1.4	41.6	**(71.0)**	1,015.5	**944.5**
Transfer to/from earmarked reserves		114.0	(114.0)	**-**	-	-	**-**	-	**-**
(Decrease)/increase in 2017/18		-	(114.0)	**(114.0)**	1.4	41.6	**(71.0)**	1,015.5	**944.5**
Balance at 31 March 2018		**150.0**	**948.6**	**1,098.6**	**19.4**	**671.5**	**1,789.5**	**7,574.9**	**9,364.4**
Movement in reserves during 2018/19									
Surplus on the provision of services		946.0	-	**946.0**	-	-	**946.0**	-	**946.0**
Other comprehensive income and expenditure		-	-	**-**	-	-	**-**	(315.9)	**(315.9)**
Total comprehensive income and expenditure		946.0	-	**946.0**	-	-	**946.0**	(315.9)	**630.1**
Adjustments between accounting basis and funding basis under regulations	37	(438.1)	-	**(438.1)**	1.1	(671.5)	**(1,108.5)**	1,108.5	**-**
Net increase/(decrease) before transfers to/from earmarked reserves		507.9	-	**507.9**	1.1	(671.5)	**(162.5)**	792.6	**630.1**
Transfer to/from earmarked reserves		(507.9)	507.9	**-**	-	-	**-**	-	**-**
Increase/(decrease) in 2018/19		-	507.9	**507.9**	1.1	(671.5)	**(162.5)**	792.6	**630.1**
Balance at 31 March 2019		**150.0**	**1,456.5**	**1,606.5**	**20.5**	**-**	**1,627.0**	**8,367.5**	**9,994.5**

Earmarked reserves have been established to finance future projects and form part of the overall funding available for the Investment Programme and revenue projects.

Corporation Statement of Cash Flows

Year ended 31 March	Note	2019 £m	2018 £m
Surplus/(deficit) on the provision of services		**946.0**	(53.9)
Adjustments to surplus/deficit after tax for non-cash movements	34 a	**(197.6)**	(38.6)
Net cash flows from operating activities		**748.4**	(92.5)
Investing activities	34 b	**(660.1)**	66.1
Financing activities	34 c	**313.9**	320.4
Increase in net cash and cash equivalents in the year		**402.2**	294.0
Net cash and cash equivalents at the start of the year		**1,102.4**	808.4
Net cash and cash equivalents at the end of the year	21	**1,504.6**	1,102.4

Expenditure and Funding Analysis

For the year ended 31 March 2019	Net expenditure chargeable to the General Fund £m	Adjustments between accounting basis and funding basis under regulations (note 37) £m	Total per the Corporation Comprehensive Income and Expenditure Statement £m	Surplus on the provision of services after tax in subsidiaries (note 36) £m	Total per the Group Comprehensive Income and Expenditure Statement £m
Net cost of services					
Underground	(237.0)	-	(237.0)	673.0	436.0
Elizabeth line	(27.0)	-	(27.0)	(100.0)	(127.0)
Buses	(33.0)	-	(33.0)	(624.0)	(657.0)
Streets	(195.1)	1.1	(194.0)	(23.0)	(217.0)
Rail	(17.0)	-	(17.0)	13.0	(4.0)
Other operations	(230.0)	-	(230.0)	41.0	(189.0)
Commercial Development	(3.0)	-	(3.0)	115.0	112.0
Major Projects	(29.0)	-	(29.0)	(17.0)	(46.0)
Central items	322.8	(536.6)	(213.8)	(998.9)	(1,212.7)
Net cost of services	(448.3)	(535.5)	(983.8)	(920.9)	(1,904.7)
Other net operating expenditure	-	(7.2)	(7.2)	(25.3)	(32.5)
Financing and investment income	372.0	98.0	470.0	(321.2)	148.8
Financing and investment expenditure	(410.0)	(112.8)	(522.8)	47.5	(475.3)
Grant income	1,190.9	798.9	1,989.8	1,025.7	3,015.5
Group share of loss after tax of associated undertakings	-	-	-	(94.5)	(94.5)
Surplus on the provision of services before tax	704.6	241.4	946.0	(288.7)	657.3
Taxation income	-	-	-	2.0	2.0
Surplus on the provision of services after tax	704.6	241.4	946.0	(286.7)	659.3
Employer's pension contributions and direct payments to pensioners payable in the year	(166.3)	166.3	-		
Minimum Revenue provision	(18.7)	18.7	-		
Amortisation of premium on financing	(11.7)	11.7	-		
Net increase in 2018/19	507.9	438.1	946.0		
Balance of General Fund and Earmarked Reserves at 1 April 2018	1,098.6				
Balance of General Fund and Earmarked Reserves at 31 March 2019	1,606.5				

Expenditure and Funding Analysis (continued)

For the year ended 31 March 2018 (restated)	Net expenditure chargeable to the General Fund £m	Adjustments between accounting basis and funding basis under regulations (note 37) £m	Total per the Corporation Comprehensive Income and Expenditure Statement £m	Surplus on the provision of services after tax in subsidiaries (note 36) £m	Total per the Group Comprehensive Income and Expenditure Statement £m
Net cost of services					
Underground	(288.0)	-	(288.0)	520.0	232.0
Elizabeth line	(7.0)	-	(7.0)	(33.0)	(40.0)
Buses	(43.0)	-	(43.0)	(630.0)	(673.0)
Rail	(18.0)	-	(18.0)	16.0	(2.0)
Streets	(234.4)	1.4	(233.0)	(24.0)	(257.0)
Commercial Development	(4.0)	-	(4.0)	85.0	81.0
Major Projects	(31.0)	-	(31.0)	(16.0)	(47.0)
Other operations	(160.0)		(160.0)	19.0	(141.0)
Central items	354.8	(504.5)	(149.7)	(1,132.4)	(1,282.1)
Net cost of services	(430.6)	(503.1)	(933.7)	(1,195.4)	(2,129.1)
Other net operating expenditure	-	(1.8)	(1.8)	(45.5)	(47.3)
Financing and investment income	340.1	16.4	356.5	(287.4)	69.1
Financing and investment expenditure	(378.4)	(137.2)	(515.6)	28.9	(486.7)
Grant income	509.1	531.6	1,040.7	1,436.2	2,476.9
Group share of loss after tax of associated undertakings	-	-	-	(62.7)	(62.7)
(Deficit)/surplus on the provision of services before tax	40.2	(94.1)	(53.9)	(125.9)	(179.8)
Taxation income	-	-	-	3.5	3.5
(Deficit)/surplus on the provision of services after tax	40.2	(94.1)	(53.9)	(122.4)	(176.3)
Employer's pension contributions and direct payments to pensioners payable in the year	(123.7)	123.7	-		
Minimum Revenue provision	(18.7)	18.7	-		
Amortisation of premium on financing	(11.8)	11.8	-		
Net (decrease)/increase in 2017/18	(114.0)	60.1	(53.9)		
Balance of General Fund and Earmarked Reserves at 1 April 2017	1,212.6				
Balance of General Fund and Earmarked Reserves at 31 March 2018	1,098.6				

Accounting Policies

a) Code of practice

TfL is required to prepare an annual Statement of Accounts under Section 3 of the Local Audit and Accountability Act 2014, and by the Accounts and Audit Regulations 2015 (the 2015 Regulations). The 2015 Regulations require the Statement of Accounts to be prepared in accordance with proper accounting practices. The Statement of Accounts have therefore been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code), developed by the the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code Board under the oversight of the Financial Reporting Advisory Board. The Code constitutes proper accounting practice for the purpose of the 2015 Regulations.

The Code for 2018/19 is based on International Financial Reporting Standards (IFRS) adopted by the EU (Adopted IFRS) and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements. It requires that local authorities prepare their financial statements in accordance with the International Accounting Standards Board (IASB) 'Framework for the Preparation and Presentation of Financial Statements' as interpreted by the Code.

The areas where the Code differs materially from Adopted IFRS are listed below:

Capital grants and contributions

Capital grants and contributions are recognised immediately in the Comprehensive Income and Expenditure Statement once there is reasonable assurance that all conditions relating to those grants have been met. Under Adopted IFRS capital grants and contributions are recorded as deferred income and recognised in the Comprehensive Income and Expenditure Statement over the useful life of the asset.

FRS 102 The Financial Reporting Standard: Heritage assets

The Code has adopted the requirements of FRS 102 in respect of its rules on accounting for Heritage assets. The Group has taken the exemption available under the Code to hold heritage assets at historical cost less any accumulated depreciation or impairment losses and has made additional disclosures on its heritage assets as required by the standard. There is no equivalent standard for accounting for heritage assets under Adopted IFRS.

IAS 36 Impairment of Assets

The Code requires that impairments be accounted for in accordance with IAS 36 Impairment of Assets, except where interpretations or adaptations to fit the public sector are detailed. Consequently, these financial statements have been prepared in accordance with the guidance contained in IPSAS 21 Impairment of Non-Cash-Generating Assets and IPSAS 26 Impairment of Cash-Generating Assets. This guidance stipulates that where an asset is not held primarily with the intention of generating a commercial return, that asset's value in use should be regarded as the present value of its remaining service potential, rather than the present value of the future cash flows that are expected to be derived from it.

IFRS 16 Leases

IFRS 16 Leases (mandatory for years beginning on or after 1 January 2019 under Adopted IFRS). This standard replaces the current guidance in IAS 17 on leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting remaining substantially unchanged from the IAS 17 approach.

In December 2018, CIPFA/LASAAC announced its plans to delay implementation of IFRS 16 in the Code until 1 April 2020. The Group will therefore adopt IFRS 16 from 1 April 2020. The impact of adopting IFRS 16 will be disclosed in the financial statements for the year ending 31 March 2020.

b) Basis of preparation

The accounts are made up to 31 March 2019. The Corporation is a single service authority and all expenditure is attributable to the provision of highways, roads and transport services.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The accounts have been prepared under the accruals concept and in accordance with the historical cost accounting convention, modified by the revaluation of certain categories of non-current asset and financial instrument.

Where items are sufficiently significant by virtue of their size or nature, they are disclosed separately in the financial statements in order to aid the reader's understanding of the Corporation's and Group's financial performance.

c) Basis of consolidation

The Code requires local authorities with, in aggregate, material interests in subsidiary and associated companies and joint ventures, to prepare group financial statements.

The Group financial statements presented with the Corporation's financial statements consolidate the individual financial statements of TfL and its subsidiary undertakings. A subsidiary undertaking is an undertaking controlled by the Corporation. Control is achieved when the Corporation: has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns. The Corporation reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control.

Accounting Policies (continued)

The Group incorporates its share of the profits or losses and its share of the net assets of associated undertakings using the equity accounting method. Associate undertakings are those where the Group is considered to have the power to significantly influence, but not control, the financial and operating policies of the investee.

The acquisition method of accounting has been adopted for acquisitions or disposals into the Group of subsidiary undertakings. Under this method, the identifiable assets and liabilities of an acquired entity are recorded at their fair values at the date of acquisition. Costs of acquisition are expensed in line with IFRS 3 (revised) Business Combinations. The results of subsidiary undertakings acquired or disposed of are included in the Group Comprehensive Income and Expenditure Statement from the date of acquisition until the date of disposal.

d) Going concern

The financial statements have been prepared on a going concern basis as it is considered by the Board that TfL will continue in operational existence for the foreseeable future and meet its liabilities as they fall due for payment. Under the Greater London Authority (GLA) Act 1999, TfL has a legal requirement to produce a financially balanced Budget each year. As at 31 March 2019, the Group had usable reserves totalling £1,627.0m.

e) The application of new and revised standards

The Code stipulates that the requirements of IFRS and other pronouncements by the International Accounting Standards Board (as adopted by the EU) be applied unless specifically adapted or otherwise stated by the Code. The following new standards and amendments have therefore been applied for the first time in these financial statements:

- IFRS 9 Financial Instruments (as revised in 2014) (mandatory for years beginning on or after 1 January 2018). IFRS 9 (as revised in 2014) supersedes IAS 39 Financial Instruments: Recognition and Measurement. The new standard contains the requirements for three areas: a) the classification and measurement of financial assets and financial liabilities, b) impairment methodology and c) general hedge accounting.

  With respect to classification and measurement, all recognised financial assets that are currently within the scope of IAS 39 are now measured at either amortised cost or fair value as set out in ah) Financial instruments. The standard also contains requirements for the classification and measurement of financial liabilities and derecognition requirements. TfL has applied the new standard from 1 April 2018, but the application has had no impact on balances previously reported in these financial statements.

  With respect to impairment methodology, the revised model reflects expected credit losses as opposed to the incurred credit losses recognised under IAS 39. As set out in ah) Financial instruments, TfL has applied the simplified approach to recognise lifetime expected credit losses for its trade receivables as permitted under IFRS 9. In relation to other financial instruments to which TfL is party, these are deemed to have low credit risk and there has not been a significant increase in credit risk since initial recognition. As such, although a loss allowance for 12 month expected credit losses has been calculated upon transition to IFRS 9, this has not had an impact on balances previously reported in TfL's financial statements.

  With regards to hedge accounting, IFRS 9 (as revised in 2014) introduces greater flexibility to the types of transactions eligible, specifically broadening the types of instruments that qualify as hedging instruments. In addition, the effectiveness test has been replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. In accordance with IFRS 9's transition provisions for hedge accounting, the Group has applied the hedge accounting requirements prospectively from 1 April 2018. The Group's qualifying hedging relationships in place as at 1 April 2018 also qualify for hedge accounting in accordance with IFRS 9 and were therefore regarded as continuing hedging relationships. As the critical terms of the hedging instruments match those of their corresponding hedged items, all hedging relationships continue to be effective under the new assessment requirements.

  The Group has not designated any hedging relationships under IFRS 9 that would not have met the qualifying hedge accounting criteria under IAS 39. The application of the hedge accounting requirements has had no impact on the results and financial position of the Group for the current or prior year.

- IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) (mandatory for years beginning on or after 1 January 2018). IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It supersedes IAS 18 Revenue, IAS 11 Construction Contracts, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue-Barter Transactions Involving Advertising Services. The core principle of the new standard is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

  TfL has applied IFRS 15 from 1 April 2018, using the modified retrospective approach. The introduction of this standard has not had a material impact on these consolidated financial statements. All revenue streams including passenger income, revenue in respect of free travel for older customers, congestion charging and commercial advertising income have been

Accounting Policies (continued)

assessed. Contracts with customers and service recipients in these areas are readily identifiable, performance obligations are clear, transaction prices can be determined and allocated under existing processes, and recognition criteria are materially unchanged from the previous policies. The Group's accounting policies for its revenue streams are set out in Accounting Policy note i) Revenue recognition.

The Group has also applied a number of amendments to IFRS Standards and Interpretations issued by the IASB that are effective for annual periods beginning on or after 1 January 2018. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

- IAS 40 (amendments) Transfers of Investment Property. The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred.
- Annual Improvements to IFRS Standards 2014/2016 Cycle. The amendments include amendments to IAS 28 Investments in Associates and Joint Ventures that clarify that, for qualifying entities, the option to measure investments in associates and joint ventures at Fair Value Through Profit and Loss is available separately for each associate or joint venture and that election should be made at initial recognition.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration. This IFRIC addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or liability (e.g. deferred revenue).

The 2018/19 Code for the first time also introduces the Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (issued January 2016). Its adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

f) Accounting standards that have been issued but have not yet been adopted

The following revisions to IFRS are expected to be applicable in future periods, subject to endorsement where relevant. These have been issued by the EU, but have not been applied in these financial statements:

- IFRS 16 Leases. Although this standard is mandatory for years beginning on or after 1 January 2019 under full IFRS, the Code has proposed deferring application for Local Authorities until years beginning on or after 1 January 2020. TfL expects to apply the standard from 1 April 2020. It intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. This standard replaces the current guidance in IAS 17 on leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting remaining substantially unchanged from the IAS 17 approach.
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (mandatory for years beginning on or after a date yet to be determined). The amendments require gains and losses resulting from transactions involving assets that do not constitute a business between an investor and its associate or joint venture to be recognised to the extent of the unrelated investors' interest in the associate or joint venture. Gains or losses from downstream transactions involving assets that constitute a business between an investor and its associate or joint venture should be recognised in full in the investor's financial statements.
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement (mandatory for years beginning on or after 1 January 2019). The amendments specify that when a pension plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period using the actuarial assumptions used to remeasure the net defined benefit liability, reflecting the benefits offered under the plan and the plan assets after that event. It is also required to determine the net interest cost for the remainder of the period using the net defined benefit liability, reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability.
- Amendments to IAS 28 Long-term interests in associates and joint ventures (mandatory for years commencing on or after 1 January 2019). The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied.
- Amendments to IFRS 9 Prepayment Features with Negative Compensation (mandatory for years commencing on or after 1 January 2019). Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

Accounting Policies (continued)

- Annual Improvements 2015/2017 Cycle (issued in December 2017, mandatory for years commencing on or after 1 January 2019). These improvements include:
  - IFRS 3 Business Combinations. The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value
  - IFRS 11 Joint Arrangements. Where an entity that participates in, but does not have joint control of, a joint operation obtains joint control of that joint operation, the amendments clarify that that the previously held interests in that joint operation are not remeasured
  - IAS 12 Income Taxes. The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions that generated the distributable profits, than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income, or equity in line with where the entity originally recognised those past transactions or events
  - IAS 23 Borrowing Costs. The amendments clarify that an entity treats any borrowing originally made to develop a qualifying asset as part of general borrowings once substantially all of the activities necessary to prepare that asset for its intended use are complete
- IFRS 17 Insurance Contracts (mandatory for years commencing on or after 1 January 2021). IFRS 17 will replace IFRS 4 and provides an accounting model for insurance contracts that is more useful and consistent for insurers than existing standards. This standard is not applicable to the TfL Group.

The Group does not consider that any standards, amendments or interpretations issued by the IASB, but not yet applicable, other than those indicated in the paragraphs above, will have a significant impact on the financial statements.

g) Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative Comprehensive Income and Expenditure Statement is re-presented as if the operation had been discontinued from the start of the comparative period.

h) Uses of estimates and judgements

The preparation of financial statements in conformity with the Code requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements are disclosed below. It is not considered likely that any reasonably possible changes in key assumptions in the next 12 months would have a material impact on the carrying amounts of balance sheet items not already held on the balance sheet at fair value.

Use of judgement

Determining whether an arrangement contains a lease

In determining whether an arrangement contains a lease, as required by the International Financial Reporting Interpretations Committee's (IFRIC) IFRIC 4 Determining whether an Arrangement contains a Lease, judgement needs to be exercised in determining whether the arrangement conveys the right to use an asset. Given that this could result in additional finance leases being recognised on the balance sheet this can have a significant effect on the reported financial position of the Group.

Classification of investment properties

IAS 40 Investment Property (IAS 40) requires that properties be classified as investment properties where they are held for the purpose of capital appreciation or to earn rentals. The Group owns a number of commercial properties as part of its infrastructure where part of the property is leased out to third parties. Judgement needs to be exercised in determining whether these properties should be classified as investment properties in accordance with IAS 40. As investment properties are valued at fair value with movements in the fair value being recorded in the Comprehensive Income and Expenditure Statement this could have a significant effect on the financial performance of the Group.

Leases

In assessing whether a lease is an operating lease or a finance lease, judgement needs to be exercised in determining whether or not substantially all the risks and rewards of ownership of the leased asset are held by the Group. Given that finance lease obligations are recognised as liabilities, and operating lease obligations are not, this can have a significant effect on the reported financial position of the Group.

Capitalisation of assets with third party interest

In assessing situations where TfL assets are constructed on, or have significant involvement with, external third parties, judgement is exercised in determining whether substantially all the risks and rewards of ownership of the asset are held by the Group.

Use of estimates

Useful economic life of property, plant and equipment

In determining the useful economic life of property, plant and equipment management estimate the length of time that the assets will be operational. During 2017/18, the expected useful lives of items of property, plant and equipment in London Underground Ltd were reviewed, resulting in a change in some of the asset lives.

Accounting Policies (continued)

Post-retirement benefits
The pension costs and defined benefit plan obligations of the Group's defined benefit plans are calculated on the basis of a range of assumptions, including the discount rate, inflation rate, salary growth and mortality. Differences arising as a result of actual experience differing from the assumptions, or future changes in the assumptions will be reflected in subsequent periods. A small change in assumptions can have a significant impact on the valuation of the liabilities. More details are given in note 33.

Financial derivative instruments
The Group uses financial derivative instruments to manage certain exposures to fluctuations in foreign currency exchange rates and interest rates. In making its assessment and judgements, the Group assesses the effectiveness of the derivatives and changes in their fair values. Note 32 and Accounting Policy ah) on financial instruments, provide detailed information about the key assumptions used in the determination of the fair value of financial instruments, as well as a sensitivity analysis for these assumptions. Management believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

Provisions
Estimation techniques are employed in the calculation of the best estimate of the amount required to settle obligations, including determining how likely it is that expenditure will be required by the Group. This can be very complex, especially when there is a wide range of possible outcomes. More details are given in note 28.

Investment property
Investment property, which is property held to earn rentals and/or capital appreciation, is stated at its fair value (open market value), as estimated by external, professionally qualified surveyors in accordance with Royal Institution of Chartered Surveyors (RICS) guidelines. Gains and losses from changes in the fair value of investment property are included in the Comprehensive Income and Expenditure Statement for the period in which they arise.

Office buildings
Office buildings held within property, plant and equipment are held at fair value (open market value), as estimated by external, professionally qualified surveyors in accordance with RICS guidelines. Movements in the fair value of the property are taken to the revaluation reserve.

i) Revenue recognition

Revenue includes income generated from the provision of travel, other fees and charges, the letting of commercial advertising space and the rental of commercial properties.

Revenue is measured after the deduction of value added tax (where applicable).

Fares revenue
Revenue from annual or periodic tickets and Travelcards is recognised in the Comprehensive Income and Expenditure Statement on a straight-line basis over the period of validity of the ticket or Travelcard as TfL has a stand ready obligation to provide unlimited travel over the period of validity of the ticket or Travelcard. Oyster pay as you go revenue is recognised on usage and one-day Travelcards and single tickets are recognised on the day of purchase.

Revenue received in advance and not recognised in the Comprehensive Income and Expenditure Statement is recorded in the balance sheet and held within current liabilities – contract liabilities, representing creditors' receipts in advance for Travelcards, bus passes and Oyster cards.

Revenue in respect of free and reduced fare travel for older customers and disabled customers
Revenue from the London Borough Councils in respect of free travel for older and disabled customers is recognised on a straight-line basis over the financial year to which the settlement relates, as TfL has a stand ready obligation to provide unlimited travel over the financial year to which the settlement relates.

Congestion charging
The standard daily congestion charge, including those paying through auto-pay, is recognised as income on the day the eligible vehicle enters the Congestion Charge zone.

Income from penalty charge notices is recognised at an amount adjusted for the probability of cancellation, as payment becomes due. Each increase in charge results in income being recognised in full at the date the increase is applied.

Road network compliance
Income from penalty charge notices for traffic and parking infringements on red routes is recognised as it becomes due. Each increase in charge results in income being recognised in full at the date the increase is applied.

Taxi licensing
Income from taxi and private hire licences is recognised on a straight-line basis over the term of the licence.

Commercial advertising
TfL grants a concessionaire partner control over certain advertising assets to facilitate the generation of advertising income across its estate and receives income from this arrangement. This is considered a lease arrangement for accounting purposes.

Where the arrangement is viewed as an operating lease under IAS 17, revenue is recognised on a straight-line basis over the term of the contract.

Where the arrangement is viewed as a finance lease (where the lease transfers substantially all the risks and rewards of ownership of the underlying asset to the third party), a lease receivable is recognised. Finance income is recognised over the term of the lease, based on a pattern reflecting a constant periodic rate of return on the lease receivable. Lease receipts are allocated between reducing the principal balance and interest income.

TfL, through its concessionaire partner, also sells advertising space to customers and receives income from such arrangements under a revenue share agreement with its concessionaire. Revenue share income is dependent upon the revenue generated by the concessionaire and is therefore contingent in nature. Such revenue is recognised in the period when it is earned.

Accounting Policies (continued)

The Group receives performance monitoring credits when certain performance standards are not met. The performance monitoring credits are recognised as revenue when they are earned.

Rental income
Rental income from operating leases of properties, ATMs and car parks is recognised on a straight-line basis over the term of the lease. Rent free periods, incentives, or fixed annual increases in the lease payments are spread on a straight-line basis over the lease term. Any inflation linked annual increases in rentals are treated as contingent rents and are recognised as income when they occur.

For finance leases, where the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset to the customer, a lease receivable is recognised. Finance income is recognised over the term of the lease, based on a pattern reflecting a constant periodic rate of return on the lease receivable. Lease receipts are allocated between reducing the principal balance and interest.

Third party contributions to operating costs
Revenue from third-party contributions to operating costs is earned on services performed by TfL in conjunction with other organisations or Government in relation to works such as dropping curbs, building roundabouts, installing traffic lights, installing shelters, escalators or elevators in stations, installing bus shelters, etc.

Revenue from third-party contributions is measured on the basis of progress towards completion, calculated using the proportion of costs incurred to date in relation to the total costs to be incurred on the entire project.

Cycle hire scheme revenues
Sponsorship revenue is recognised on a straight-line basis over the term of the contract as it represents an obligation to provide branding promotion to the customer during the period of the contract.

Annual memberships scheme revenue is recognised on a straight-line basis over the membership period, as it represents an obligation to provide specific numbers of membership to clients during the membership period.

Daily access fees are recognised upon providing the customer with access to the bicycles.

Museum income
Store sales
Revenue from store sales is recognised at the point of sale to the customer.

Venue hire revenue
Revenue from venue hire is recognised on the date when the space is provided to the customer.

Venue hire catering commission
Venue hire catering commission is recognised upon completion of the event based on the estimated consideration receivable from the customer.

Corporate membership scheme
Corporate membership scheme revenue is recognised on a straight-line basis over the period of membership, as it represents a stand ready obligation to provide unlimited entry during the period of membership.

Café concessionaire commission
Revenue from café concessionaire commission income is recognised over the term of the concessionaire contract and measured based on the estimated consideration receivable from the concessionaire in each period.

Ticket and photocard commission income
Revenue from ticket and photocard commission income is recognised upfront when the ticket or photocard is issued.

j) Segmental reporting

In accordance with the Code, the Group's operating segments have been determined by identifying the segments whose operating results are reviewed by the Board, when making decisions regarding the allocation of resources and for the assessment of performance.

The operating segments of the Group and their principal activities are as follows:

- Underground – Provision of passenger rail services on the London Underground and refurbishment and maintenance of certain parts of the rail network
- Elizabeth line – Delivery of passenger rail services on the Elizabeth line and services currently operating as TfL Rail
- Buses – Provision of bus services
- Streets – Maintenance of London's roads and cycle routes
- Rail – Provision of passenger rail services through contracted third-party operators on the Docklands Light Railway, London Overground and London Trams
- Other operations – Provision of other operations, including Dial-a-Ride, London River Services, Taxi and Private Hire, Santander Cycles, Victoria Coach Station and the Emirates Air Line
- Commercial Development – Property investment and commercial advertising
- Major Projects – Delivery of TfL's largest and most complex infrastructure projects

k) Grants and other funding

The main source of grant funding is a share of Business Rate Retention received from the GLA, which is classified as a resource grant; and specific capital grants from the Department for Transport (DfT) and the GLA for the Crossrail project.

In the accounts of the Corporation and Group, all non-specific grants are credited to the Comprehensive Income and Expenditure Statement upon receipt or when there is reasonable assurance that the grant will be received. If a capital grant is received, but has certain conditions as to when it may be applied, it will be held, in the first instance, as capital grants received in advance, within the payables section of the balance sheet. Once any relevant conditions have been met, the capital grant is credited to the Comprehensive Income and Expenditure Statement.

Accounting Policies (continued)

Where expenditure on property, plant and equipment is financed either wholly or partly by capital or non-specific grants or other contributions, the amount of the grant applied is credited to the Capital Adjustment Account through the Movements in Reserves Statement. Amounts not utilised in the year are credited to the Capital Grants Unapplied Account, a usable reserve, for application in future periods.

Amounts of non-specific grants not used in the year are credited to the General Fund balance or to an Earmarked Reserve for specific use in future periods, where appropriate.

l) Overheads

Overheads are recognised in the Comprehensive Income and Expenditure Statement on an accruals basis. The total absorption costing principles of the CIPFA Service Reporting Code of Practice 2018/19 (SERCOP) are not applicable to TfL as it is a single service authority.

m) Financing and investment income and expenses

Financing and investment income comprises interest income on funds invested and premiums received on the early settlement of borrowings. Interest income is recognised in the Comprehensive Income and Expenditure Statement as it accrues, using the effective interest rate method.

Financing and investment costs comprise the interest expense on borrowings and finance lease liabilities and the net financing cost on defined benefit pension obligations. Also included are premiums paid on the early settlement of borrowings and interest rate derivatives. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the Comprehensive Income and Expenditure Statement using the effective interest rate method (see also Accounting Policy x) Borrowing costs).

n) VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

o) Taxation

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the Comprehensive Income and Expenditure Statement except to the extent that they relate to a business combination, or to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are disclosed net to the extent that they relate to taxes levied by the same authority and the Group has the right of offset.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

p) Business combinations

On the acquisition of a business, fair values are attributed to the identifiable assets and liabilities and contingent liabilities unless the fair value cannot be measured reliably in which case the value is subsumed into goodwill. Where fair values of acquired contingent liabilities cannot be measured reliably, the assumed contingent liability is not recognised but is disclosed in the same manner as other contingent liabilities.

Goodwill is the difference between the fair value of the consideration payable and the fair value of net assets acquired.

q) Intangible assets

Goodwill

Where the cost of a business combination exceeds the fair values attributable to the net assets acquired, the resulting goodwill is capitalised and tested for impairment at each balance sheet date. Goodwill is allocated to income-generating units for the purpose of impairment testing.

Other intangible assets

Software costs are measured at cost less accumulated depreciation and accumulated impairment losses.

Where components of an asset are significant in value in relation to the total value of the asset as a whole, and they have substantially different economic lives, they are recognised separately.

Accounting Policies (continued)

Amortisation is charged to the Comprehensive Income and Expenditure Statement on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use, unless such lives are indefinite.

The useful lives and amortisation methods for software costs are as follows:

Software costs	Straight-line	3-5 years

r) Property, plant and equipment

Recognition and measurement

Infrastructure consists of roads, tunnels, viaducts, bridges, stations, track, signalling, bus stations and stands; properties attached to infrastructure which are not separable from infrastructure; and properties attached to infrastructure that are used to facilitate the service provision but are limited in use by operational constraints. Some of these properties generate revenues which are considered to be incidental to the Group's activities.

Infrastructure, plant and equipment and rolling stock are measured at cost less accumulated depreciation and accumulated impairment losses. Assets under construction are measured at cost less any recognised impairment loss.

Office buildings are valued at fair value by external, professionally qualified surveyors in accordance with RICS Guidelines. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement methodology assumes the valuation is based on the highest and best use of the asset. Office buildings are measured using the income approach, by means of the discounted cash flow method, where the expected cash flows from the properties are discounted (using a market-derived discount rate) to establish the present value of the net income stream. Properties are therefore categorised as Level 3 in the fair value hierarchy, as the measurement technique uses significant unobservable inputs to determine the fair value measurements. Valuations are performed on a rolling basis, with approximately 75 per cent of the portfolio by value being valued each year. Between formal valuations fair values are adjusted by the application of annual indexation. Movements in the fair value of the property are taken to the Revaluation Reserve, with the exception of permanent diminutions in value which are recognised in profit or loss.

The cost of certain items of property, plant and equipment was determined by reference to a revalued amount determined under a previous accounting regimen. The Group elected to apply the optional exemption to use this previous valuation as deemed cost at 1 April 2009, the date of transition to IFRS.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, borrowing costs on qualifying assets for which the commencement date for capitalisation is on or after 1 April 2009, and any other costs directly attributable to bringing the assets to a working condition for their intended use. Where there is a legal obligation to remove the asset and/or restore the site on which it is located at the end of its useful economic life, the costs of dismantling and removing the items and restoring the site on which they are located are also included in the cost of the asset.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. When components are replaced, the costs of the overhaul are capitalised as additions and the carrying amounts of the replaced components are written off to profit or loss.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the item, and are recognised net within other gains and losses in the Comprehensive Income and Expenditure Statement.

Depreciation

Depreciation is calculated on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less the expected residual value at the end of its useful economic life.

Depreciation is recognised in the Comprehensive Income and Expenditure Statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Tunnels and embankments	up to 120 years
Bridges and viaducts	up to 120 years
Track	up to 100 years
Road pavement	up to 40 years
Road foundations	up to 50 years
Signalling	15 to 40 years
Stations	up to 120 years
Other property	20 to 120 years
Rolling stock	30 to 50 years
Lifts and escalators	25 to 40 years
Plant and equipment	3 to 40 years
Computer equipment	3 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate, the effect of such adjustment being prospectively recognised as a change of estimate.

s) Heritage assets

Property, plant and equipment includes a number of assets classified as heritage assets in accordance with the Code. Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. These provisions

Accounting Policies (continued)

apply to the collection of transport-related artefacts held at London Transport Museum. Due to the diverse nature of the assets held and the lack of comparable market values, the cost of obtaining a valuation of TfL's heritage assets is such that it would not be commensurate with the benefits provided to users of the financial statements. TfL has therefore taken the exemption available under the Code to hold its heritage assets at historical cost less any accumulated depreciation or impairment losses.

t) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the supply of services or for administrative purposes.

Investment property is measured initially at cost, including transaction costs, and subsequently measured at fair value with any change therein recognised in profit or loss. When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting. Investment properties held at fair value are not subject to depreciation.

Investment properties are valued at fair value by external, professionally qualified surveyors in accordance with RICS Guidelines. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement methodology assumes the valuation is based on the highest and best use of the asset. Properties are measured using the income approach, by means of the discounted cash flow method, where the expected cash flows from the properties are discounted (using a market-derived discount rate) to establish the present value of the net income stream. Properties are therefore categorised as Level 3 in the fair value hierarchy, as the measurement technique uses significant unobservable inputs to determine the fair value measurements.

Properties with a carrying value in excess of £5,000,000 are valued annually. Properties with a value in excess of £250,000 but less than £5,000,000 are revalued every three years. Properties with a value in excess of £100,000 but less than £250,000 are revalued every five years. Between formal valuations fair values are adjusted by the application of annual indexation.

u) Investment in associated undertakings

An associate is an entity over which the Group has significant influence, but not control. The results and assets and liabilities of associates are incorporated in these consolidated accounts using the equity method of accounting from the date on which the investee becomes an associate. Under the equity method, the investment is initially recognised on the balance sheet at cost and is thereafter adjusted to recognise the Group's share of the profit or loss and other comprehensive income of the associate.

v) Inventories

Inventories consist primarily of fuel, uniforms, and materials required for the operation of services and maintenance of infrastructure. Equipment and materials held for use in a capital programme are accounted for as inventory until they are issued to the project, at which stage they become part of assets under construction.

Inventories are stated at cost less a provision for excess and obsolete inventories. Cost comprises direct materials, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method.

w) Assets held for sale

Long-term assets (and disposal groups comprising a group of assets and potentially some liabilities that an entity intends to dispose of in a single transaction) are classified as held for sale if their carrying amount will be recovered principally through sale rather than continuing use, they are available for immediate sale and sale is highly probable.

On initial classification as held for sale, long-term assets or disposal groups are measured at the lower of their previous carrying amount and fair value less costs to sell. No amortisation or depreciation is charged on long-term assets (including those in disposal groups) classified as held for sale.

x) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets (those necessarily taking a substantial period of time to get ready for their intended use) are added to the cost of those assets, until such time as the assets are ready for their intended use. The Group has opted to use the date of transition to IFRS (1 April 2009) as the effective date for applying IAS 23 Borrowing Costs (IAS 23).

All other finance and borrowing costs are recognised in the Comprehensive Income and Expenditure Statement in the period in which they are incurred.

y) Provisions

Provisions are recognised on the balance sheet when a present legal or constructive obligation exists for a future liability in respect of a past event and where the amount of the obligation can be estimated reliably. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

z) Foreign currencies

Transactions in currencies other than sterling are recognised at the rates of exchange prevailing at the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies

Accounting Policies (continued)

are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks. See Accounting Policy ah) below for hedging accounting policies.

aa) Leases (the Group as lessee)

Leased assets
Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised in the Group's balance sheet.

Lease payments
Payments made under operating leases are recognised in the Comprehensive Income and Expenditure Statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Determining whether an arrangement contains a lease
At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

ab) Leases (the Group as lessor)

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases and initial direct costs are recognised on a straight-line basis over the term of the relevant lease.

ac) Private Finance Initiative (PFI) transactions and similar contracts

The Code requires the Group to account for infrastructure PFI schemes where it controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement. TfL therefore recognises such PFI assets as items of property, plant and equipment together with a liability to pay for them. The fair values of services received under the contract are recorded as operating expenses.

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:

a) The service charge

b) Repayment of the capital

c) The interest element (using the interest rate implicit in the contract)

Services received
The fair value of services received in the year is recorded under the relevant expenditure headings within 'gross expenditure'.

Assets
Assets are recognised as property, plant and equipment or intangible assets when they come into use. The assets are measured initially at fair value in accordance with IAS 17 Leases.

Where the operator enhances assets already recognised in the balance sheet the fair value of the enhancement in the carrying value of the asset is recognised as an asset.

Liabilities
A PFI liability is recognised at the same time as the assets are recognised. It is measured initially at the same amount as the fair value of the PFI assets and is subsequently measured as a finance lease liability in accordance with IAS 17.

An annual finance cost is calculated by applying the implicit interest rate in the lease to the opening lease liability for the year and is charged to financing and investment expenditure within the Comprehensive Income and Expenditure Statement.

The element of the unitary payment that is allocated as a finance lease rental is applied to meet the annual finance cost and to repay the lease liability over the contract term.

Life cycle replacement
Components of the asset replaced by the operator during the contract (lifecycle replacement) are capitalised where they

Accounting Policies (continued)

meet the Group's criteria for capital expenditure. They are capitalised at the time they are provided by the operator and are measured initially at their fair value.

PFI arrangements which are accounted for as operating leases are dealt with as detailed in Accounting Policy aa) above.

ad) Impairment of non-financial assets

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired. Other intangible assets, property, plant and equipment and investments in subsidiaries and associated undertakings are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss.

Impairment occurs when an asset's carrying value exceeds its recoverable amount. An asset's recoverable amount is the higher of its value in use and its fair value less costs to sell.

In accordance with the Code, when an asset is not held primarily for the purpose of generating cash flows but for service provision, value in use is the present value of the asset's remaining service potential, which can be assumed to be at least equal to the cost of replacing that service potential. This is the case for the majority of the Group's assets.

ae) Employee benefits

Defined benefit pension plans

The majority of the Group's employees are members of the Group's defined benefit plans, which provide benefits based on final pensionable pay. The assets of schemes are held separately from those of the Group.

On retirement, members of the schemes are paid their pensions from a fund which is kept separate from the Group. The Group makes cash contributions to the funds in advance of members' retirement.

Every three years the Group's schemes are subject to a full actuarial funding valuation using the projected unit method. Separate valuations are prepared for accounting purposes on an IAS 19 basis as at the balance sheet date. Pension scheme assets are measured using current market bid values. Pension scheme defined benefit obligations are measured using a projected unit credit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the defined benefit obligation.

The difference between the value of the pension scheme assets and pension scheme liabilities is a surplus or a deficit. A pension scheme surplus is recognised to the extent that it is recoverable and a pension scheme deficit is recognised in full. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is reflected immediately in the balance sheet with a charge or credit recognised in other comprehensive income in the period in which it occurs. Remeasurement recognised in other comprehensive income will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit obligation or asset. Defined benefit costs are categorised between; (a) Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements), (b) Net interest expense or income, and (c) Remeasurement. The Group presents the first two components in profit or loss within the surplus on the provision of services before tax. Curtailment gains and losses are accounted for as past service costs.

Multi-employer exemption

For certain defined benefit schemes, the Corporation and/or the Group is unable to identify its share of the underlying assets and defined benefit obligations of the scheme on a consistent and reasonable basis. As permitted by the multi-employer exemption in the Code, these schemes are accounted for as defined contribution schemes. Contributions are therefore charged to the Comprehensive Income and Expenditure Statement as incurred.

Group schemes under common control

The Corporation and certain of its subsidiaries are members of a Group defined benefit plan wherein risks are shared between the entities under common control. There is no contractual arrangement in place to apportion the net defined benefit cost across the member entities. Accordingly, in line with the provisions of IAS 19, the total net defined benefit obligation is recognised in the individual financial statements of the sponsoring employer, the Corporation.

Unfunded pension schemes

Ex gratia payments are made to certain employees on retirement in respect of service prior to the establishment of pension funds for those employees. Supplementary payments are made to the pensions of certain employees who retired prior to the index linking of pensions. The Group also augments the pensions of certain employees who retire early under voluntary severance arrangements. In addition, certain employees also accrue benefits under an unfunded pension arrangement. These unfunded pension liabilities are provided for in the balance sheet.

Defined contribution plans

Some employees are members of defined contribution plans. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the Comprehensive Income and Expenditure Statement in the periods during which services are rendered by employees.

Other employee benefits

Other short and long-term employee benefits, including holiday pay and long service leave, are recognised as an expense over the periods in which they accrue.

Accounting Policies (continued)

af) Reserves

Reserves consist of two elements, usable and unusable. Usable reserves are those that can be applied to fund expenditure. They are made up of the General Fund, Earmarked Reserves, the Capital Grants Unapplied Account and the Street Works Reserve. Amounts in the Street Works Reserve represent the net income/ expenditure generated from lane rental revenues. These net revenues may only be employed in funding the reduction of disruption and other adverse effects caused by street works.

Unusable reserves cannot be applied to fund expenditure as they are not cash backed. They include the Capital Adjustment Account, Pension Reserve, the Hedging Reserve, the Financial Instruments Revaluation Reserve, the Financial Instruments Adjustment Account, the Retained Earnings Reserve in Subsidiaries and the Fixed Asset Revaluation Reserve.

ag) Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (grants, business rates etc.) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between TfL's operating segments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

ah) Financial instruments

Financial instruments within the scope of IFRS 9 Financial Instruments (IFRS 9) are classified as:

- Financial assets measured at amortised cost
- Financial assets measured at fair value through other Comprehensive Income and Expenditure (FVTOCI)
- Financial assets measured at fair value through the Comprehensive Income and Expenditure Statement (FVTPL)
- Financial liabilities measured at amortised cost
- Financial liabilities measured at fair value through the Comprehensive Income and Expenditure Statement (FVTPL)

The Group determines the classification of its financial instruments at initial recognition. Financial assets may be reclassified only when the Group changes its business model for managing financial assets, at which point all affected financial assets would be reclassified. Financial liabilities are not reclassified subsequent to initial recognition.

When financial instruments are recognised initially, they are measured at fair value, being the transaction price plus any directly attributable transaction costs. The exception to this is for assets and liabilities measured at fair value, where transaction costs are immediately expensed.

The subsequent measurement of financial instruments depends on whether they are financial assets or financial liabilities and whether specified criteria are met.

Financial assets are measured at amortised cost if:

- it is the objective of the Group to hold the asset in order to collect contractual cash flows; and
- the contractual terms give rise to cash flows, which are solely repayments of a principal value and interest thereon.

After initial recognition, these assets are carried at amortised cost using the effective interest rate method if the time value of money is significant. Gains and losses are recognised in the Comprehensive Income and Expenditure Statement when the asset is derecognised or a loss allowance applied, as well as through the amortisation process.

Financial assets are measured at FVTOCI if:

- assets are non-derivative and held within a business model whose objective is to realise their value through either the collection of contractual cash flows or selling of the financial assets; and
- the contractual terms of the financial asset give rise to periodic cash flows that are the payment of principal and interest.

After initial recognition, interest is taken to the Comprehensive Income and Expenditure Statement using the effective interest rate method and the assets are measured at fair value with gains or losses being recognised in Other Comprehensive Income and Expenditure (and taken to the Financial Instruments Revaluation Reserve), except for impairment gains or losses, until the investment is derecognised, or reclassified at which time the cumulative fair value gain or loss previously reported in reserves is included in the Comprehensive Income and Expenditure Statement. For equity instruments, unlike debt instruments, there is no transfer of accumulated amounts in Other Comprehensive Income to the Comprehensive Income and Expenditure Statement.

Financial assets are measured at FVTPL if they are:

- Derivatives
- Not held at amortised cost or at FVTOCI
- Financial assets that were elected to be designated as measured at FVTPL

After initial recognition, assets are carried in the balance sheet at fair value with gains or losses recognised in the Comprehensive Income and Expenditure Statement.

Financial liabilities are measured at amortised cost if they are non-derivative with limited exceptions.

Accounting Policies (continued)

After initial recognition, non-derivative financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities are measured at FVTPL if they are:

- Derivatives
- Other liabilities held for trading
- Financial liabilities that were elected to be designated as measured at FVTPL

Loans to subsidiaries

Loans to subsidiaries are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Loans are classified as financial assets at amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and investments that are readily convertible to cash without significant penalty and with an outstanding maturity, at the date of acquisition, of less than or equal to three months. Cash and cash equivalents are classified as financial assets at amortised cost.

Other investments

Short-term investments with an outstanding maturity, at the date of acquisition, greater than three months and less than or equal to a year, are classified as short-term investments on the basis that they are not readily convertible to cash without penalty. Short-term investments are classified as financial assets at amortised cost.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently classified as financial assets at amortised cost.

Finance lease receivables

Finance lease receivables are recognised initially at fair value and subsequently classified as financial assets at amortised cost.

Trade and other creditors

Trade and other creditors are recognised initially at fair value and subsequently at amortised cost using the effective interest rate method.

Interest bearing loans and borrowings

All loans and borrowings are classified as financial liabilities measured at amortised cost.

Obligations under finance leases and PFI arrangements

All obligations under finance leases and PFI arrangements are classified as financial liabilities measured at amortised cost.

Other financing liabilities

Other financing liabilities are classified as financial liabilities measured at amortised cost.

Financial derivative instruments

The Group uses financial derivative instruments to manage certain exposures to fluctuations in foreign currency exchange rates and interest rates. The Group does not hold or issue derivative instruments for speculative purposes. The use of derivatives is governed by the Group's Treasury Management policies, approved by the Board.

Derivative assets and derivative liabilities are classified as FVTPL. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of the foreign currency risk of firm commitments (cash flow hedges).

The fair value of hedging derivatives is classified as a long-term asset or a long-term liability if the remaining maturity of the hedge relationship is more than 12 months and as a short-term asset or a short-term liability if the remaining maturity of the hedge relationship is less than 12 months. Derivatives not designated into an effective hedge relationship are classified as a short-term asset or a short-term liability.

Hedge accounting

In order to qualify for hedge accounting, at inception of the transaction the Group formally designates and documents the hedging relationship, which includes the Group's risk management strategy and objective for undertaking the hedge, identification of the hedging instrument, the hedged item, the ratio between the amount of hedged item and the amount of hedging instrument, the nature of the risk being hedged and how the Group assesses that the hedging instrument is highly effective including analysis of potential sources of hedge ineffectiveness.

At the inception of the hedge relationship and prospectively on an ongoing basis, the Group assesses three criteria in determining the hedge is effective and qualifies for hedge accounting, namely:

- An economic relationship exists such that the fair value or cash flows attributable to the hedged risk will be offset by the fair value of the hedged instrument
- Credit risk does not dominate changes in the value of the hedging instrument or hedged item
- The hedge ratio used for hedge accounting purposes is the same as that used for risk management purposes and is to be maintained as initially set throughout the hedge relationship

Where derivatives or portions of hedges do not qualify for hedge accounting, they are recorded at fair value through the Comprehensive Income and Expenditure Statement and any change in value is immediately recognised in the Comprehensive Income and Expenditure Statement.

Cash flow hedges

Derivative instruments are classified as cash flow hedges when they hedge the Group's exposure to variability in cash flows attributable to a particular risk associated

Accounting Policies (continued)

with a recognised asset or liability or a highly probable forecast transaction. Derivative instruments qualifying for treatment as cash flow hedges are principally interest rate swaps and foreign currency forward exchange contracts.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is deferred in reserves. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts deferred in reserves are recycled to profit or loss in the periods when the hedged items (the hedged asset or liability) are recognised in the Comprehensive Income and Expenditure Statement. When the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in reserves are transferred from reserves and are included in the initial measurement of the cost of the related asset or liability. For transaction-related hedged items, this will occur once the hedged transaction has taken place. For time-period related hedged items, the amount that is accumulated in reserves is amortised on a systematic and rational basis as a reclassification adjustment.

Hedge accounting is discontinued when the hedging instrument expires, is sold, terminated, exercised or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in reserves at that time remains in reserves and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in reserves is recognised immediately in profit or loss.

Fair value measurement of financial instruments

The fair value of quoted investments is determined by reference to bid prices at the close of business on the balance sheet date, within Level 1 of the fair value hierarchy as defined within IFRS 13.

Where there is no active market, fair value is determined using valuation techniques. These include using recent arm's length transactions; reference to the current market value of another instrument which is substantially the same; and discounted cash flow analysis and pricing models.

In the absence of quoted market prices, derivatives are valued by using quoted forward prices for the underlying commodity/currency and discounted using quoted interest rates (both as at the close of business on the balance sheet date). Hence, derivatives are within Level 2 of the fair value hierarchy as defined within IFRS 13.

Impairment of financial assets

At each reporting date, the Group assesses whether the credit risk on a significant financial asset measured at amortised cost or FVTOCI has increased significantly since initial recognition and subsequently measures an expected credit loss allowance for that financial instrument.

The expected loss allowance is a measurement based on the probability of default over the lifetime of the contract for trade receivables, lease receivables or contract assets in scope of IFRS 15. For other financial assets, the allowance is based on the probability of default occurring in 12 months providing credit risk is assessed as low.

The expected credit loss is based on a forward looking, probability-weighted measure considering reasonable and supportable information on past events, current conditions and the time value of money. Where financial assets are determined to have shared risk characteristics they are assessed collectively, otherwise, they are reviewed on an individual basis.

No loss allowance for expected credit loss is recognised on a financial asset where the counterparty is central Government or a local authority and where relevant statutory provisions prevent default. Expected credit loss allowances are recognised in the Comprehensive Income and Expenditure Statement.

Embedded derivatives

Derivatives that are embedded in other financial instruments or other host contracts are treated as separate derivatives when:

- the host contract is a financial liability or an asset not within the scope of IFRS 9; and
- the derivative's risks and characteristics are not closely related to those of the host contract; and
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the host contracts are not carried at fair value.

In such cases, an embedded derivative is separated from its host contract and accounted for as a derivative carried on the balance sheet at fair value from inception of the host contract. Unrealised changes in fair value are recognised as gains/losses within the Comprehensive Income and Expenditure Statement during the period in which they arise.

Notes to the Financial Statements

1. Gross income

a) Group gross income

Year ended 31 March	2019 £m	% of total	2018 £m	% of total
Passenger income	4,533.7	80.2	4,319.4	80.3
Revenue in respect of free travel for older and disabled customers	320.3	5.7	325.0	6.0
Congestion Charging	229.9	4.1	229.8	4.3
Charges to London Boroughs and Local Authorities	12.9	0.2	12.5	0.2
Charges to transport operators	10.0	0.2	11.8	0.2
Road Network compliance income	56.8	1.0	49.2	0.9
Commercial advertising receipts	156.0	2.8	152.1	2.8
Rents receivable	86.7	1.5	73.8	1.4
Contributions from third parties to operating costs	73.4	1.3	59.4	1.1
Taxi licensing	32.9	0.6	27.0	0.5
Ticket and photocard commission income	30.5	0.5	24.9	0.5
ATM and car parking income	19.3	0.3	18.1	0.3
Museum income	9.4	0.2	8.9	0.2
Training and specialist services	2.0	0.1	4.3	0.1
Cycle hire scheme	11.7	0.2	11.1	0.2
Other	70.7	1.1	55.1	1.0
	5,656.2	100.0	5,382.4	100.0

b) Corporation gross income

Year ended 31 March	2019 £m	% of total	2018 £m	% of total
Congestion Charging	229.9	60.9	229.8	59.1
Charges to London Boroughs and Local Authorities	11.8	3.1	11.6	3.0
Road Network compliance income	56.8	15.1	49.2	12.7
Commercial advertising receipts	6.0	1.6	6.3	1.6
Rents receivable	1.5	0.4	1.6	0.4
Contributions from third parties to operating costs	1.8	0.5	25.8	6.7
Taxi licensing	32.9	8.7	27.0	6.9
Other	36.7	9.7	37.5	9.6
	377.4	100.0	388.8	100.0

c) Congestion Charging

Year ended 31 March	Group and Corporation 2019 £m	Group and Corporation 2018 £m
Income	229.9	229.8
Toll facilities and traffic management	(66.5)	(57.5)
	163.4	172.3
Administration, support services and depreciation	(16.7)	(16.4)
Net income from Congestion Charging	146.7	155.9

Net income from the Congestion Charge is spent on improving transport in line with the Mayor's Transport Strategy.

Notes to the Financial Statements
1. Gross income (continued)

d) Street works

Year ended 31 March	Group and Corporation 2019 £m	Group and Corporation 2018 £m
Income	**7.8**	6.1
Allowable operating costs of managing the lane rental scheme	**(2.2)**	(1.9)
Application of Street Works Reserve to projects reducing the adverse effects caused by street works	**(4.2)**	(2.4)
Net income recognised within net cost of services	**1.4**	1.8
Allowable capital costs of managing the lane rental scheme	**(0.3)**	(0.4)
Net income for the year transferred to the Street Works Reserve	**1.1**	1.4

Under the London lane rental scheme, introduced in 2012, TfL receives payments where utilities carry out certain street works in circumstances significantly affecting traffic. The legislation (SI 2012/425) requires TfL to apply the net proceeds of these payments to reducing the adverse effects caused by street works. The net income shown above has been transferred to the Street Works Reserve.

Notes to the Financial Statements
2. Segmental analysis

2a) Segmental analysis

Decisions taken by the Board about resource allocation are made using internal management reports, which show the net cost of operations before financing. These management reports are presented on a segmental basis as shown below.

Year ended 31 March 2019

	Underground £m	Elizabeth line £m	Buses £m	Streets £m	Rail £m	Other operations £m	Commercial Development £m	Major Projects £m	Total net operating deficit excluding grant income per internal management reports £m	Central items (note 2c(i)) £m	Total £m
Passenger income	2,767.0	101.0	1,468.0	-	427.0	59.0	-	-	4,822.0	32.0	4,854.0
Other operating income	32.0	17.0	12.0	322.0	40.0	127.0	261.0	1.0	812.0	(9.8)	802.2
Gross income	2,799.0	118.0	1,480.0	322.0	467.0	186.0	261.0	1.0	5,634.0	22.2	5,656.2
Direct operating cost	(2,058.0)	(237.0)	(2,109.0)	(475.0)	(454.0)	(335.0)	(136.0)	(12.0)	(5,816.0)	(1,234.9)	(7,050.9)
Indirect operating cost	(305.0)	(8.0)	(28.0)	(64.0)	(17.0)	(40.0)	(13.0)	(35.0)	(510.0)	-	(510.0)
Gross expenditure	(2,363.0)	(245.0)	(2,137.0)	(539.0)	(471.0)	(375.0)	(149.0)	(47.0)	(6,326.0)	(1,234.9)	(7,560.9)
Net cost of services	436.0	(127.0)	(657.0)	(217.0)	(4.0)	(189.0)	112.0	(46.0)	(692.0)	(1,212.7)	(1,904.7)

Year ended 31 March 2018 (restated*)

	Underground £m	Elizabeth line £m	Buses £m	Streets £m	Rail £m	Other operations £m	Commercial Development £m	Major Projects £m	Total net operating deficit excluding grant income per internal management reports £m	Central items (note 2c(i)) £m	Total £m
Passenger income	2,632.0	83.0	1,453.0	-	418.0	57.0	-	-	4,643.0	1.4	4,644.4
Other operating income	45.0	4.0	13.0	314.0	13.0	118.0	252.0	-	759.0	(21.0)	738.0
Gross income	2,677.0	87.0	1,466.0	314.0	431.0	175.0	252.0	-	5,402.0	(19.6)	5,382.4
Direct operating cost	(2,134.0)	(118.0)	(2,104.0)	(501.0)	(413.0)	(273.0)	(156.0)	(11.0)	(5,710.0)	(1,262.5)	(6,972.5)
Indirect operating cost	(311.0)	(9.0)	(35.0)	(70.0)	(20.0)	(43.0)	(15.0)	(36.0)	(539.0)	-	(539.0)
Gross expenditure	(2,445.0)	(127.0)	(2,139.0)	(571.0)	(433.0)	(316.0)	(171.0)	(47.0)	(6,249.0)	(1,262.5)	(7,511.5)
Net cost of services	232.0	(40.0)	(673.0)	(257.0)	(2.0)	(141.0)	81.0	(47.0)	(847.0)	(1,282.1)	(2,129.1)

* Prior year figures have been restated to reflect the fact that depreciation and amortisation are no longer included in internal management reports, and the Elizabeth line, and Major Projects have been reported to management as separate operating divisions. The recognition of these new operating divisions has also had a consequential impact on the historically reported allocation of indirect costs between divisions.

Notes to the Financial Statements
2. Segmental analysis (continued)

2b) Reconciliation of the Operating Account as included in internal reports to management to the Group Comprehensive Income and Expenditure Statement

Although segmental information is only presented to management to the level of net cost of services, a full Operating Account at the consolidated TfL Group level is also included in internal management reports, published on TfL's website in the form of Quarterly Performance Reports (www.tfl.gov.uk/corporate/publications-and-reports/quarterly-progress-reports). The methodology for preparation and the presentation of figures within the Operating Account differs in several respects from the Group Comprehensive Income and Expenditure Statement as presented in these financial statements. To aid understanding of TfL information as reported in Quarterly Performance Reports, a reconciliation of the Operating Account to the Group Comprehensive Income and Expenditure Statement is presented on the following pages.

Notes to the Financial Statements
2. Segmental analysis (continued)

Reconciliation of the Operating Account as included in internal reports to management to the Group Comprehensive Income and Expenditure Statement (CI&E)

Year ended 31 March 2019	Note	Operating Account as reported to management £m	Items included in the CI&E but excluded from the Operating Account £m	Items included in the Operating Account but excluded from the CI&E £m	Reclassifications between line items £m	Items with different accounting treatment (see notes below) £m	Group Comprehensive Income and Expenditure Statement £m
Gross income/(total operating income)	2c(i)	5,634.0	-	-	-	22.2	5,656.2
(Revenue grant income)		1,050.0	-	-	(1,050.0)	-	-
Gross income/(total income)	2c(i)	6,684.0	-	-	(1,050.0)	22.2	5,656.2
Gross expenditure/(operating cost)	2c(i)	(6,326.0)	(1,064.4)	-	-	(170.5)	(7,560.9)
Net cost of services/(net operating surplus/deficit)		358.0	(1,064.4)	-	(1,050.0)	(148.3)	(1,904.7)
Other operating expenditure	6	-	(32.5)	-	-	-	(32.5)
(Capital renewals)	2c(ii)	(398.0)	-	398.0	-	-	-
Net cost of operations before financing		(40.0)	(1,096.9)	398.0	(1,050.0)	(148.3)	(1,937.2)
Financing and investment income	2c(iii)	-	136.4	-	12.4	-	148.8
Financing and investment expenditure	2c(iv), 2c(v)	-	(9.7)	-	(466.4)	0.8	(475.3)
(Net financing cost)		(454.0)	-	-	454.0	-	-
Grant income	2c(vi)	-	-	-	1,050.0	1,965.5	3,015.5
Group share of loss after tax of associated undertakings	15	-	(94.5)	-	-	-	(94.5)
Surplus on the provision of services before tax/(net cost of operations)		(494.0)	(1,064.7)	398.0	-	1,818.0	657.3
Taxation income	10	-	2.0	-	-	-	2.0
Surplus on the provision of services after tax		(494.0)	(1,062.7)	398.0	-	1,818.0	659.3

Where line item descriptors differ between the Operating Account and the Comprehensive Income and Expenditure Statement, those used in the Operating Account are shown within parentheses in the above table.

Notes to the Financial Statements
2. Segmental analysis (continued)

Reconciliation of the Operating Account as included in internal reports to management to the Group Comprehensive Income and Expenditure Statement (CI&E)

Year ended 31 March 2018	Note	Operating Account as reported to management £m	Items included in the CI&E but excluded from the Operating Account £m	Items included in the Operating Account but excluded from the CI&E £m	Reclassifications between line items £m	Items with different accounting treatment (see notes below) £m	Group Comprehensive Income and Expenditure Statement £m
Gross income/(total operating income)	2c(i)	5,402.0	-	-	-	(19.6)	5,382.4
(Revenue grant income)		1,166.0	-	-	(1,166.0)	-	-
Gross income/(total income)	2c(i)	6,568.0	-	-	(1,166.0)	(19.6)	5,382.4
Gross expenditure/(operating cost)	2c(i)	(6,249.0)	(1,110.1)	-	-	(152.4)	(7,511.5)
Net cost of services/(net operating surplus/deficit)		319.0	(1,110.1)	-	(1,166.0)	(172.0)	(2,129.1)
Other operating expenditure	6	-	(47.3)	-	-	-	(47.3)
(Capital renewals)	2c(ii)	(553.0)	-	553.0	-	-	-
Net cost of operations before financing		(234.0)	(1,157.4)	553.0	(1,166.0)	(172.0)	(2,176.4)
Financing and investment income	2c(iii)	-	60.7	-	8.4	-	69.1
Financing and investment expenditure	2c(iv), 2c(v)	-	(43.7)	-	(419.6)	(23.4)	(486.7)
(Net financing cost)		(428.0)	-	-	428.0	-	-
Grant income	2c(vi)	-	-	-	1,166.0	1,310.9	2,476.9
Group share of loss after tax of associated undertakings	15	-	(62.7)	-	-	-	(62.7)
Deficit on the provision of services before tax/(net cost of operations)		(662.0)	(1,203.1)	553.0	16.8	1,115.5	(179.8)
Taxation income	10	-	3.5	-	-	-	3.5
Deficit on the provision of services after tax		(662.0)	(1,199.6)	553.0	16.8	1,115.5	(176.3)

Where line item descriptors differ between the Operating Account and the Comprehensive Income and Expenditure Statement, those used in the Operating Account are shown within parentheses in the above table.

Notes to the Financial Statements
2. Segmental analysis (continued)

2c(i) Reconciliation of segmental information reported in internal management reports to amounts included in net cost of services

The segmental analysis is prepared using internal management reporting accounting methodologies. In some cases, these methodologies are different from the accounting policies used in the financial statements. Differences between the methodologies are collectively referred to as Central items. Those impacting on the net cost of services are explained below:

- The cost of retirement benefits in the management reports is based on cash flows rather than the current service costs of benefits accrued in the year
- The capital elements (i.e. capital repayment and financing costs) relating to certain PFI contracts are included in the management reports in net operating expenditure but are not included in net cost of services in the Comprehensive Income and Expenditure Statement
- Depreciation, amortisation and impairment charges are not included in the segmental analysis
- Certain items which do not fit into any of the reporting segments are known internally as ‘other Central items’. Other Central items are reported separately to management and are not included in the segmental analysis

A reconciliation of net operating deficit before grant income as reported per internal management reports to amounts included in these statutory financial statements is included in the analyses below.

Reconciliation of net operating deficit per internal management reports to net cost of services per the Comprehensive Income and Expenditure Statement for the year ended 31 March 2019

	Note	Gross income £m	Gross expenditure £m	Net cost of services £m
Net operating deficit excluding grant income per internal management reports		**5,634.0**	**(6,326.0)**	**(692.0)**
Central items:				
Amounts included in the Comprehensive Income and Expenditure Statement not reported in management reports				
Depreciation	3	**-**	**(1,020.8)**	**(1,020.8)**
Amortisation of software intangibles	3	**-**	**(43.6)**	**(43.6)**
		-	**(1,064.4)**	**(1,064.4)**
Amounts subject to differing accounting treatment between the Operating Account and the Comprehensive Income and Expenditure Statement				
Capital and interest payments under the PFI schemes		**-**	**30.4**	**30.4**
Pension costs		**-**	**(214.1)**	**(214.1)**
Other Central items		**22.2**	**13.2**	**35.4**
		22.2	**(170.5)**	**(148.3)**
Net cost of services per the Comprehensive Income and Expenditure Statement		**5,656.2**	**(7,560.9)**	**(1,904.7)**

Notes to the Financial Statements
2. Segmental analysis (continued)

Reconciliation of net operating deficit per internal management reports to net cost of services per the Comprehensive Income and Expenditure Statement for the year ended 31 March 2018

	Note	Gross income £m	Gross expenditure £m	Net cost of services £m
Net operating deficit excluding grant income per internal management reports		5,402.0	(6,249.0)	(847.0)
Central items:				
Amounts included in the Comprehensive Income and Expenditure Statement not reported in management accounts				
Depreciation	3	-	(1,042.6)	(1,042.6)
Amortisation of software intangibles	3	-	(67.5)	(67.5)
		-	(1,110.1)	(1,110.1)
Amounts subject to differing accounting treatment between the Operating Account and the Comprehensive Income and Expenditure Statement				
Capital and interest payments under the PFI schemes		-	42.6	42.6
Pension costs		-	(225.3)	(225.3)
Other Central items		(19.6)	30.3	10.7
		(19.6)	(152.4)	(172.0)
Net cost of services per the Comprehensive Income and Expenditure Statement		5,382.4	(7,511.5)	(2,129.1)

The segmental reporting analysis only deals with Group information and no disclosures are included for the Corporation. This is because the Corporation's results are not reported to the Board on a segmental basis.

No balance sheet information is reported internally by segment and there is accordingly no requirement under the Code to disclose segmental balance sheet information in the Statement of Accounts.

2c(ii) Capital renewals

The Operating Account includes a charge for capital renewals expenditure which, in the statutory financial statements, is included within additions to property, plant and equipment (see note 12). Renewals expenditure is included in the Operating Account for management reporting purposes to allow the Operating Account to present the ongoing, full, day-to-day cost of running, maintaining and renewing our existing network.

2c(iii) Financing and investment income items included in the Comprehensive Income and Expenditure Statement, but not in the Operating Account

The Operating Account excludes the net gain on disposal of investment properties and the change in fair value of investment properties that are included within financing and investment income in the Comprehensive Income and Expenditure Statement (see note 7). Fair value movements are excluded from management reporting as these gains or losses are unrealised. The net proceeds from disposals, meanwhile, are included in the Capital Account for management reporting purposes, as these income streams may only be employed by the Corporation to fund capital expenditure and do not represent an ongoing revenue stream that can be employed to meeting the day-to-day operating costs of the network.

2c(iv) Financing and investment expenditure items included in the Comprehensive Income and Expenditure Statement, but not in the Operating Account

The Operating Account excludes the net interest charge on defined benefit pension obligations included within financing and investment income in the Comprehensive Income and Expenditure Statement (see note 8). It instead includes the full cash payments made during the year to pension funds within operating costs. This better reflects the actual charge made to the General Fund in respect of pension costs which is calculated based on actual contributions paid as opposed to the charges flowing through the Comprehensive Income and Expenditure Statement as calculated under IAS 19.

The Operating Account also excludes the adjustment to financing expenditure made in respect of borrowing costs capitalised into qualifying assets (see note 8). Instead this charge is left within net financing costs so that amounts charged to the Operating Account reflect the full cost to the Group of financing its debt.

Notes to the Financial Statements
2. Segmental analysis (continued)

2c(v) Items where the accounting treatment for elements of financing and investment expenditure differs between the Operating Account and the Comprehensive Income and Expenditure Statement

Financing costs relating to certain PFI contracts are included in net operating expenditure in the Operating Account, but are included within financing and investment expenditure in the Comprehensive Income and Expenditure Statement.

The Operating Account also excludes the charge for derivative gains and losses recycled to profit or loss during the year (see the hedging reserve section of note 36).

2c(vi) Items where the accounting treatment for elements of grant income differs between the Operating Account and the Comprehensive Income and Expenditure Statement

Certain grants received (primarily Business Rates Retention) are treated as capital grant for management reporting purposes and are thus excluded from the Operating Account. However, for legal and statutory reporting purposes, these grants constitute resource grants, and may only be classified as capital grant where they have been applied to fund capital expenditure in the year.

Notes to the Financial Statements

3. Gross expenditure

Gross expenditure recognised in the Comprehensive Income and Expenditure Statement comprises:

Year ended 31 March	Note	Group 2019 £m	Group 2018 £m	Corporation 2019 £m	Corporation 2018 £m
Staff costs:					
Wages and salaries*		**1,402.0**	1,494.4	**377.4**	324.8
Social security costs		**161.8**	161.8	**45.4**	33.1
Pension costs	33	**613.0**	594.4	**366.6**	326.6
		2,176.8	2,250.6	**789.4**	684.5
Other service expenditure**		**4,319.7**	4,150.8	**415.2**	468.3
Depreciation	12	**1,020.8**	1,042.6	**126.1**	127.7
Amortisation of software intangibles	11	**43.6**	67.5	**30.5**	42.0
		7,560.9	7,511.5	**1,361.2**	1,322.5

* Wages and salaries include amounts provided for the cost of voluntary severance.

** Included in the Corporation's other service expenditure is £161.9m (2017/18 £183.4m) relating to financial assistance to London Boroughs and other third parties (see note 40 for detailed analysis). Other service expenditure also includes payments made under operating leases for the year of £90.3m for the Group (2017/18 £96.3m) and of £23.5m (2017/18 £26.9m) for the Corporation.

The average number of persons employed in the year was:

Year ended 31 March	Group 2019 Number	Group 2018 Number	Corporation 2019 Number	Corporation 2018 Number
Permanent staff (including fixed term contracts)	**26,372**	26,994	**7,419**	5,704
Agency staff	**1,350**	1,735	**624**	621
	27,722	28,729	**8,043**	6,325

4. External audit fees

External audit fees are made up as follows:

Year ended 31 March	Group 2019 £m	Group 2018 £m	Corporation 2019 £m	Corporation 2018 £m
Auditor's remuneration:				
for statutory audit services	**1.0**	0.9	**0.2**	0.2
for non-audit services*	**-**	-	**-**	-
	1.0	0.9	**0.2**	0.2

* The Audit and Assurance Committee reviews and notes the nature and extent of non-audit services provided by TfL's external auditor to ensure that independence is maintained.

5. Remuneration

Disclosures in respect of the remuneration of employees (including senior employees) and of termination payments made during the year may be found in the Remuneration Report on pages 84 to 117.

Notes to the Financial Statements

6. Other operating expenditure

Year ended 31 March	**Group 2019 £m**	Group 2018 £m	**Corporation 2019 £m**	Corporation 2018 £m
Net loss on disposal of property, plant and equipment	**(32.5)**	(46.7)	**(7.2)**	(1.2)
Net loss on disposal of intangibles	**-**	(0.6)	**-**	(0.6)
Total other operating expenditure	**(32.5)**	(47.3)	**(7.2)**	(1.8)

7. Financing and investment income

Year ended 31 March	Note	**Group 2019 £m**	Group 2018 £m	**Corporation 2019 £m**	Corporation 2018 £m
Interest income on bank deposits and other investments		**9.8**	7.5	**9.4**	7.3
Interest income on loans to subsidiaries		**-**	-	**362.6**	332.8
Change in fair value of investment properties (including those classified as held for sale)	13, 19	**4.9**	41.7	**1.5**	0.6
Net gain on disposal of investment properties		**131.5**	19.0	**96.5**	15.8
Interest receivable on finance lease receivables		**2.3**	0.6	**-**	-
Other investment income		**0.3**	0.3	**-**	-
		148.8	69.1	**470.0**	356.5

8. Financing and investment expenditure

Year ended 31 March	Note	**Group 2019 £m**	Group 2018 £m	**Corporation 2019 £m**	Corporation 2018 £m
Interest payable on loans and derivatives		**414.4**	389.0	**393.0**	361.2
Interest payable on finance lease liabilities		**30.7**	35.4	**6.2**	6.8
Contingent rentals on PFI contracts		**15.5**	16.8	**9.9**	9.3
Net interest on defined benefit obligation	33	**113.4**	138.0	**112.8**	137.2
Other financing and investment expenditure		**5.0**	1.8	**0.9**	1.1
		579.0	581.0	**522.8**	515.6
Less: amounts capitalised into qualifying assets	12	**(103.7)**	(94.3)	**-**	-
		475.3	486.7	**522.8**	515.6

Notes to the Financial Statements

9. Grant income

Year ended 31 March	**Group 2019 £m**	Group 2018 £m	**Corporation 2019 £m**	Corporation 2018 £m
Non ring-fenced resource grant from the DfT used to fund operations	**27.1**	255.1	**27.1**	255.1
Non ring-fenced Business Rates Retention from the GLA used to fund operations	**1,704.0**	1,036.5	**1,704.0**	1,036.5
Other revenue grant received	**93.8**	50.8	**93.8**	50.8
Council tax precept	**6.0**	6.0	**6.0**	6.0
Total grants allocated to revenue	**1,830.9**	1,348.4	**1,830.9**	1,348.4
Ring-fenced grant from the DfT used to fund capital expenditure relating to Crossrail	**150.0**	-	**150.0**	-
Ring-fenced grant from the GLA used to fund capital expenditure relating to Crossrail	**365.0**	-	**365.0**	-
Non ring-fenced Business Rates Retention from the GLA used to fund capital	**219.1**	777.8	**219.1**	777.8
Community Infrastructure Levy used to fund capital expenditure	**117.1**	100.4	**117.1**	100.4
Other capital grants and contributions received	**333.4**	250.3	**225.5**	213.6
Total grants allocated to capital	**1,184.6**	1,128.5	**1,076.7**	1,091.8
Total grants	**3,015.5**	2,476.9	**2,907.6**	2,440.2

Allocation of capital grants

Year ended 31 March	Note	**Group 2019 £m**	Group 2018 £m	**Corporation 2019 £m**	Corporation 2018 £m
Capital grant funding of subsidiaries		**-**	-	**277.8**	560.2
Applied capital grants	36	**1,856.1**	1,086.9	**1,470.4**	490.0
Transfer (from)/to unapplied capital grants	37	**(671.5)**	41.6	**(671.5)**	41.6
Total capital grants		**1,184.6**	1,128.5	**1,076.7**	1,091.8

10. Taxation

TfL Corporation is exempt from Corporation Tax, but its subsidiaries are assessable individually to taxation in accordance with current tax legislation. All companies, with the exception of Crossrail Ltd, are able to claim group relief.

a) Corporation Tax

The Group tax income for the year, based on the rate of Corporation Tax of 19 per cent (2017/18 19 per cent) comprised:

Year ended 31 March	**Group 2019 £m**	Group 2018 £m
UK Corporation Tax - current year charge	**0.1**	-
UK Corporation Tax - adjustments in respect of prior years	**(2.1)**	(3.5)
Total tax income for the year	**(2.0)**	(3.5)

Reconciliation of tax income

Year ended 31 March	**Group 2019 £m**	Group 2018 £m
Surplus/(deficit) on the provision of services before tax	**657.3**	(179.8)
Surplus/deficit on the provision of services before tax multiplied by standard rate of Corporation Tax in the UK of 19% (2017/18 19%)	**124.9**	(34.2)
Effects of:		
Non-taxable income/non-deductible expenses	**118.9**	44.8
Permanent difference in TfL Corporation	**(179.7)**	10.2
Amount charged to current tax for which no deferred tax was recognised	**(62.5)**	(16.1)
Utilisation of tax losses carried forward for which no deferred tax was recognised	**(1.0)**	(5.7)
Overseas earnings	**(0.5)**	1.0
Adjustments in respect of prior years	**(2.1)**	(3.5)
Total tax income for the year	**(2.0)**	(3.5)

Notes to the Financial Statements
10. Taxation (continued)

b) Unrecognised deferred tax assets

The Group has a potential net deferred tax asset of £1,613.6m (2018 £1,467.3m) in respect of the following items:

At 31 March	Group 2019 £m	Group 2018 £m
Deductible temporary differences	**722.6**	1,467.3
Tax losses	**891.0**	-
Unrecognised deferred tax asset	**1,613.6**	1,467.3

No net deferred tax asset has been recognised as it is not considered probable that there will be sufficient future taxable profits available against which the unused tax credits can be utilised. The tax losses and the deductible temporary differences do not expire under current tax legislation.

The net deferred tax asset excludes any amounts connected to the pension deficit.

c) Movement in recognised deferred tax assets and liabilities during the year

Deferred tax assets have been recognised to the extent of the deferred tax liabilities as at the balance sheet date. Their movements during the year were in respect of the following items:

Year ended 31 March 2019	Balance at 1 April 2018 £m	Movement in year £m	Balance at 31 March 2019 £m
Deferred tax assets			
Property, plant and equipment (net of losses)	80.0	(2.8)	**77.2**
Derivative financial instruments	19.0	(1.7)	**17.3**
Total	99.0	(4.5)	**94.5**
Deferred tax liabilities			
Investment properties	(84.9)	7.0	**(77.9)**
Assets held for sale	(14.1)	(2.5)	**(16.6)**
Total	(99.0)	4.5	**(94.5)**
Net deferred tax asset/(liability)	-	-	**-**

Year ended 31 March 2018	Balance at 1 April 2017 £m	Movement in period £m	Balance at 31 March 2018 £m
Deferred tax assets			
Property, plant and equipment	57.2	22.8	80.0
Derivative financial instruments	23.2	(4.2)	19.0
Total	80.4	18.6	99.0
Deferred tax liabilities			
Investment properties	(78.1)	(6.8)	(84.9)
Assets held for sale	(2.3)	(11.8)	(14.1)
Total	(80.4)	(18.6)	(99.0)
Net deferred tax asset/(liability)	-	-	-

The key movements in the period were due to the following:

- The deferred tax liability arising on investment properties, including those classified as assets held for sale, has reduced due to the revaluation movements recognised in financing and investment income and disposals during the year
- The property, plant and equipment deferred tax asset has changed in the period due to assets acquired in the year, movements in the market value of assets held and capital allowances claimed
- Included in the deferred tax balances for property, plant and equipment is the deferred tax movement on revaluation gains recognised in Other Comprehensive Income
- The deferred tax asset arising in respect of derivative financial instruments has reduced during 2018/19 due to movement in the fair value of derivatives

On 18 November 2015, legislation was enacted setting the Corporation Tax rate at 19 per cent for the years starting 1 April 2017, 2018 and 2019. In September 2016, the main rate of Corporation Tax was further reduced to 17 per cent from 1 April 2020. As the Group's deferred tax balances are not expected to be settled until after April 2020 deferred tax balances at 31 March 2019 have been calculated at the enacted rate of 17 per cent.

No deferred tax asset has been recognised on the Corporation's pension deficit of £5,340.7m as the principal employer is not a taxpaying entity. Future tax deductions for some contributions will be made in the taxable entities, however, as at 31 March 2019, no deferred tax assets have been recognised in these entities.

Notes to the Financial Statements
11. Intangible assets

a) Group intangible assets

	Note	Software costs £m	Intangible assets under construction £m	Goodwill £m	Total £m
Cost					
At 1 April 2017		458.5	2.9	349.2	810.6
Additions		23.7	1.1	-	24.8
Acquisitions		-	-	2.6	2.6
Net transfers from property, plant and equipment	12	19.0	(0.2)	-	18.8
Disposals		(44.7)	-	-	(44.7)
At 31 March 2018		456.5	3.8	351.8	812.1
Additions		**-**	**38.0**	**-**	**38.0**
Transfers between asset classes		**39.1**	**(39.1)**	**-**	**-**
Disposals		**(3.2)**	**-**	**-**	**(3.2)**
At 31 March 2019		**492.4**	**2.7**	**351.8**	**846.9**
Amortisation and impairment					
At 1 April 2017		321.3	-	349.2	670.5
Amortisation charge for the year	3	67.5	-	-	67.5
Disposals		(44.1)	-	-	(44.1)
At 31 March 2018		344.7	-	349.2	693.9
Amortisation charge for the year	3	**43.6**	**-**	**-**	**43.6**
Disposals		**(3.2)**	**-**	**-**	**(3.2)**
At 31 March 2019		**385.1**	**-**	**349.2**	**734.3**
Net book value at 31 March 2019		**107.3**	**2.7**	**2.6**	**112.6**
Net book value at 31 March 2018		111.8	3.8	2.6	118.2

Intangible assets under construction comprise software assets under development by the Group.

b) Corporation intangible assets

	Note	Software costs £m	Intangible assets under construction £m	Total £m
Cost				
At 1 April 2017		276.6	0.2	276.8
Additions		16.3	0.2	16.5
Net transfers from property, plant and equipment	12	5.8	-	5.8
Transfers between asset classes		0.1	(0.1)	-
Disposals		(7.7)	-	(7.7)
At 31 March 2018		291.1	0.3	291.4
Additions		**-**	**29.6**	**29.6**
Transfers between asset classes		**29.0**	**(29.0)**	**-**
At 31 March 2019		**320.1**	**0.9**	**321.0**
Amortisation and impairment				
At 1 April 2017		177.4	-	177.4
Amortisation charge for the year	3	42.0	-	42.0
Disposals		(7.2)	-	(7.2)
At 31 March 2018		212.2	-	212.2
Amortisation charge for the year	3	**30.5**	**-**	**30.5**
At 31 March 2019		**242.7**	**-**	**242.7**
Net book value at 31 March 2019		**77.4**	**0.9**	**78.3**
Net book value at 31 March 2018		78.9	0.3	79.2

Intangible assets under construction comprise software assets under development by the Corporation.

Notes to the Financial Statements
12. Property, plant and equipment

a) Group property, plant and equipment at 31 March 2019 comprised the following elements:

	Note	Infrastructure and office buildings £m	Rolling stock £m	Plant and equipment £m	Assets under construction £m	Total £m
Cost or valuation						
At 1 April 2018		**32,604.2**	**5,495.6**	**1,917.6**	**15,964.1**	**55,981.5**
Additions		**0.8**	**6.2**	**7.3**	**3,353.0**	**3,367.3**
Disposals		**(2.6)**	**(377.9)**	**(9.5)**	**(416.0)**	**(806.0)**
Write offs		**-**	**-**	**-**	**(45.9)**	**(45.9)**
Transfers to investment properties	13	**(36.4)**	**-**	**-**	**-**	**(36.4)**
Transfers between asset classes		**1,005.1**	**287.1**	**119.1**	**(1,411.3)**	**-**
Revaluation		**37.1**	**-**	**-**	**-**	**37.1**
At 31 March 2019		**33,608.2**	**5,411.0**	**2,034.5**	**17,443.9**	**58,497.6**
Depreciation						
At 1 April 2018		**13,154.6**	**2,233.8**	**1,319.1**	**-**	**16,707.5**
Depreciation charge for the year	3	**775.4**	**135.9**	**109.5**	**-**	**1,020.8**
Disposals		**(2.5)**	**(11.1)**	**(9.5)**	**-**	**(23.1)**
Revaluation		**(22.8)**	**-**	**-**	**-**	**(22.8)**
At 31 March 2019		**13,904.7**	**2,358.6**	**1,419.1**	**-**	**17,682.4**
Net book value at 31 March 2019		**19,703.5**	**3,052.4**	**615.4**	**17,443.9**	**40,815.2**
Net book value at 31 March 2018		19,449.6	3,261.8	598.5	15,964.1	39,274.0

b) Group property, plant and equipment at 31 March 2018 comprised the following elements:

	Note	Infrastructure and office buildings £m	Rolling stock £m	Plant and equipment £m	Assets under construction £m	Total £m
Cost or valuation						
At 1 April 2017		31,613.1	5,243.8	1,863.6	13,838.8	52,559.3
Additions		124.2	105.7	30.6	3,292.7	3,553.2
Net transfers to intangible assets	11	(10.4)	-	-	(8.4)	(18.8)
Disposals		(28.9)	-	(14.9)	-	(43.8)
Write offs		(73.6)	-	-	-	(73.6)
Transfers to investment properties	13	(1.0)	-	-	-	(1.0)
Transfers between asset classes		974.6	146.1	38.3	(1,159.0)	-
Revaluation		6.2	-	-	-	6.2
At 31 March 2018		32,604.2	5,495.6	1,917.6	15,964.1	55,981.5
Depreciation						
At 1 April 2017		12,407.0	2,095.7	1,217.7	-	15,720.4
Depreciation charge for the year	3	788.5	138.1	116.0	-	1,042.6
Disposals		(26.0)	-	(14.6)	-	(40.6)
Transfers to investment properties		(0.8)	-	-	-	(0.8)
Revaluation		(14.1)	-	-	-	(14.1)
At 31 March 2018		13,154.6	2,233.8	1,319.1	-	16,707.5

Notes to the Financial Statements
12. Property, plant and equipment (continued)

The Group holds its office buildings at fair value. All other items of property, plant and equipment are held at cost.

Borrowing costs are included in the costs of qualifying assets to the extent that the asset is funded by borrowings. As a result, the total borrowing costs capitalised during the year were £103.7m (2018 £94.3m). The cumulative borrowing costs capitalised are £609.9m (2018 £506.2m). Borrowings are capitalised at the rate of interest directly incurred on the specific borrowings taken out to fund the asset in question.

At 31 March 2019, the Group had capital commitments which are contracted for but not provided for in the financial statements amounting to £2,231.2m (2018 £2,034.4m).

c) Group PFI assets and other leased assets

The net book value above includes the following amounts in respect of PFI assets and other leased assets:

	Infrastructure and office buildings £m	Rolling stock £m	Plant and equipment £m	Total £m
Gross cost				
PFI assets	**976.6**	**45.3**	**16.7**	**1,038.6**
Other leased assets	**-**	**407.7**	**0.4**	**408.1**
	976.6	**453.0**	**17.1**	**1,446.7**
Depreciation				
PFI assets	**511.5**	**43.7**	**16.7**	**571.9**
Other leased assets	**-**	**180.8**	**0.1**	**180.9**
	511.5	**224.5**	**16.8**	**752.8**
Net book value at 31 March 2019	**465.1**	**228.5**	**0.3**	**693.9**
Net book value at 31 March 2018	505.0	242.7	-	747.7

d) Depreciation charge

The total depreciation charge for the Group for the year comprised:

Year ended 31 March	2019 £m	2018 £m
Depreciation of owned assets	**966.6**	960.1
Depreciation of assets held under PFI	**42.2**	70.6
Depreciation of assets held under other leases	**12.0**	11.9
Total depreciation	**1,020.8**	1,042.6

e) Group office buildings

The fair value of office buildings at 31 March 2019 has been arrived at on the basis of a valuation carried out at that date by Cushman & Wakefield, a property valuation company not connected with the Group, and by chartered surveyors working for TfL. Values are calculated under level 3 of the fair value hierarchy using a discounted cash flow approach and are based on current rental income plus anticipated uplifts at the next rent review, lease expiry or break option, taking into consideration lease incentives. Uplifts and the discount rate are derived from rates implied by recent market transactions on similar properties. In estimating fair value, the highest and best use of the properties is assumed to be their current use. There were no transfers of properties in or out of level 3 of the fair value hierarchy during the year (2017/18 none).

Properties are valued in accordance with the Red Book, RICS Valuation – Global Standards 2017 published by the Royal Institution of Chartered Surveyors.

Valuations are performed on a rolling basis, with approximately 75 per cent of the portfolio by value being valued each year. The value of these buildings at 31 March 2019 was £321.7m (2018 £318.3m) and the depreciated historic cost value was £31.3m (2018 £32.2m). A related revaluation gain for the year of £59.9m (2017/18 a gain of £20.3m) has been recognised within Other Comprehensive Income and Expenditure.

Notes to the Financial Statements
12. Property, plant and equipment (continued)

f) Group and Corporation heritage assets

Property, plant and equipment includes a number of assets of importance to the history of London transport which are classified as heritage assets in accordance with the Code. These comprise transport-related objects and material (including vehicles, posters and photographs) held to advance the preservation, conservation and education objects of London Transport Museum. The collection consists of over 400,000 items and is housed at the Museum's sites in Covent Garden and Acton.

These assets are primarily former operational assets of the TfL Group whose legal title is retained by the Corporation or another of its operating subsidiaries. Due to the diverse nature of the assets held and the lack of comparable market values, the cost of obtaining a valuation of TfL's heritage assets is such that it would not be commensurate with the benefits provided to users of the financial statements. The assets therefore remain recorded in the accounts at historical cost less accumulated depreciation. The collections have been externally valued for insurance purposes only. Management do not consider these insurance valuations to be necessarily indicative of open market fair value and hence have not incorporated the insurance values into the financial statements. As at 31 March 2019, the latest available insurance value for the collection was £37.5m (2018 £36.2m). The net book value of these assets at 31 March 2019 was £nil (2018 £nil).

g) Corporation property, plant and equipment at 31 March 2019 comprised the following elements:

	Note	Infrastructure and office buildings £m	Plant and equipment £m	Assets under construction £m	Total £m
Cost or valuation					
At 1 April 2018		**5,149.5**	**204.0**	**1,068.8**	**6,422.3**
Additions		**-**	**-**	**239.6**	**239.6**
Transfers to investment properties	13	**(19.8)**	**-**	**-**	**(19.8)**
Transfers between asset classes		**139.6**	**24.7**	**(164.3)**	**-**
Write offs		**-**	**-**	**(7.2)**	**(7.2)**
Revaluation		**19.8**	**-**	**-**	**19.8**
At 31 March 2019		**5,289.1**	**228.7**	**1,136.9**	**6,654.7**
Depreciation					
At 1 April 2018		**2,327.6**	**153.4**	**-**	**2,481.0**
Depreciation charge for the year	3	**111.6**	**14.5**	**-**	**126.1**
At 31 March 2019		**2,439.2**	**167.9**	**-**	**2,607.1**
Net book value at 31 March 2019		**2,849.9**	**60.8**	**1,136.9**	**4,047.6**
Net book value at 31 March 2018		2,821.9	50.6	1,068.8	3,941.3

Notes to the Financial Statements
12. Property, plant and equipment (continued)

h) Corporation property, plant and equipment at 31 March 2018 comprised the following elements:

	Note	Infrastructure and office buildings £m	Plant and equipment £m	Assets under construction £m	Total £m
Cost or valuation					
At 1 April 2017		4,990.5	200.9	991.8	6,183.2
Additions		76.0	0.9	169.2	246.1
Transfers to intangible assets	11	-	-	(5.8)	(5.8)
Transfers between asset classes		84.2	2.2	(86.4)	-
Disposals		(1.2)	-	-	(1.2)
At 31 March 2018		5,149.5	204.0	1,068.8	6,422.3
Depreciation					
At 1 April 2017		2,220.3	133.0	-	2,353.3
Depreciation charge for the year	3	107.3	20.4	-	127.7
At 31 March 2018		2,327.6	153.4	-	2,481.0

The Corporation holds all its property, plant and equipment at depreciated cost.

Direct borrowing costs are included in the cost of qualifying assets to the extent that the asset is funded by borrowings. Total borrowing costs capitalised during the year were £nil (2018 £nil). The cumulative borrowing costs capitalised are also £nil (2018 £nil).

At 31 March 2019, the Corporation had capital commitments which are contracted for but not provided for in the financial statements amounting to £86.3m (2018 £65.3m).

i) Corporation PFI assets, and other leased assets

The net book value above includes the amounts in the table below in respect of PFI assets:

	Infrastructure and office buildings £m	Plant and equipment £m	Total £m
Gross cost			
PFI assets	**209.1**	**16.7**	**225.8**
Depreciation			
PFI assets	**91.0**	**16.7**	**107.7**
Net book value at 31 March 2019	**118.1**	**-**	**118.1**
Net book value at 31 March 2018	120.8	-	120.8

j) Depreciation charge

The total depreciation charge for the Corporation comprised:

Year ended 31 March	2019 £m	2018 £m
Depreciation of owned assets	**123.4**	125.1
Depreciation of assets held under PFI	**2.7**	2.6
Total depreciation	**126.1**	127.7

Notes to the Financial Statements

12. Property, plant and equipment (continued)

k) Corporation office buildings and other infrastructure assets held at valuation

During the year, the Corporation transferred a car park that had previously been classified as operational infrastructure and held at a depreciated net book value of £nil, into investment properties. In accordance with the provisions of IAS 40 Investment Property, the asset was revalued to its fair market value of £19.8m immediately prior to transfer. The resultant revaluation gain was recognised in the revaluation reserve.

The Corporation held no office buildings and no other property, plant or equipment at valuation at any point during the year (2017/18 none).

13. Investment properties

	Note	Group £m	Corporation £m
Valuation			
At 1 April 2017		558.0	10.8
Additions		0.4	-
Acquired through business combinations		11.5	-
Transfers to assets held for sale		(72.9)	-
Transfers from property, plant and equipment	12	0.2	-
Disposals		(1.0)	(0.4)
Fair value adjustments	7	41.0	0.6
At 31 March 2018		537.2	11.0
Additions		**52.5**	**52.3**
Transfers to assets held for sale	19	**(38.5)**	**(23.4)**
Transfers from property, plant and equipment	12	**36.4**	**19.8**
Disposals		**(99.8)**	**(54.4)**
Fair value adjustments	7	**4.2**	**1.5**
At 31 March 2019		**492.0**	**6.8**

The fair value of the Group's investment properties at 31 March 2019 has been arrived at on the basis of valuations at that date by Cushman & Wakefield, a property valuation company not connected with the Group, and by chartered surveyors working for TfL. Values are calculated under level 3 of the fair value hierarchy using a discounted cash flow approach and are based on current rental income plus anticipated uplifts at the next rent review, lease expiry or break option, taking into consideration lease incentives. Uplifts and the discount rate are derived from rates implied by recent market transactions on similar properties. In estimating fair value, the highest and best use of the properties is assumed to be their current use. There were no transfers of properties in or out of level 3 of the fair value hierarchy during the year (2017/18 none).

Notes to the Financial Statements
13. Investment properties (continued)

Properties are valued in accordance with the Red Book, RICS Valuation – Global Standards 2017 published by the Royal Institution of Chartered Surveyors. Properties with a carrying value in excess of £5,000,000 are valued annually. Properties with a value in excess of £250,000 but less than £5,000,000 are revalued every three years. Properties with a value in excess of £100,000 but less than £250,000 are revalued every five years. Between formal valuations fair values are adjusted by the application of annual indexation.

Rental income earned in relation to investment properties is disclosed in note 1. Operating expenditure for the year in respect of investment properties totalled £24.6m for the Group (2017/18 £21.4m).

14. Investment in subsidiaries

Cost	Corporation 2019 £m	Corporation 2018 £m
At 1 April	**8,762.5**	8,562.5
Investments in year	**1,560.0**	200.0
At 31 March	**10,322.5**	8,762.5

During the year, the Corporation increased its investment in the ordinary share capital of Transport Trading Limited (TTL) by £1,560.0m (2017/18 £200.0m). TTL subsequently increased its investment in the ordinary share capital of Crossrail Limited by the same amount.

The Group's subsidiaries are:

Subsidiaries	Principal activity
City Airport Rail Enterprises Limited	Dormant company
Crossrail 2 Limited	Dormant company
Crossrail Limited	Construction of Crossrail infrastructure
Docklands Light Railway Limited	Passenger transport by rail
London Bus Services Limited	Passenger transport by bus
London Buses Limited	Dial-a-Ride services
London Dial-a-Ride Limited	Dormant company
London River Services Limited	Pier operator
London Transport Insurance (Guernsey) Limited	Insurance
London Transport Museum (Trading) Limited	Trading company
London Transport Museum Limited	Charitable company
London Underground Limited	Passenger transport by underground train
LUL Nominee BCV Limited	Maintenance of underground lines
LUL Nominee SSL Limited	Maintenance of underground lines
Rail for London Limited	Passenger transport by rail
Rail for London (Infrastructure) Limited	Infrastructure manager for the Crossrail Central Operating Section
TfL Trustee Company Limited	Pension Fund Trustee
Tramtrack Croydon Limited	Passenger transport by train
Transport for London Finance Limited	Manages financial risk of the Group
Transport Trading Limited	Holding company
TTL Blackhorse Road Properties Limited	Dormant company
TTL Earls Court Properties Limited	Holding company
TTL Kidbrooke Properties Limited	Holding company
TTL Landmark Court Properties Limited	Dormant company
TTL Northwood Properties Limited	Dormant company
TTL Properties Limited	Holding company
TTL Southwark Properties Limited	Property investment
TTL South Kensington Properties Limited*	Property investment
Tube Lines Limited	Maintenance of underground lines
Tube Lines Pension Scheme Trustees Limited	Pension Fund Trustee
Victoria Coach Station Limited	Coach station
Woolwich Arsenal Rail Enterprises Limited	Dormant company

* Incorporated during the year

Notes to the Financial Statements
14. Investment in subsidiaries (continued)

The Group holds 100 per cent of the share capital of all subsidiaries. All companies with the exception of London Transport Insurance (Guernsey) Limited are registered in England and Wales; and their financial statements are lodged at Companies House and also at the Charity Commission for the London Transport Museum Limited. London Transport Insurance (Guernsey) Limited is registered in Guernsey.

15. Investment in associated undertakings

a) Earls Court Partnership Limited

The Group holds a 37 per cent holding in the ownership and voting rights of Earls Court Partnership Limited (ECP), a property development company incorporated in England and Wales. Through its voting rights and representation on the Board of Directors of ECP, the Group has significant influence but not control over the relevant activities of ECP. The Group's investment is therefore accounted for using the equity method in these consolidated accounts.

In early 2015, ECP commenced trading and, on 2 April 2015, the Group granted a 999-year lease over land at Earl's Court into ECP. During 2015/16 the Group invested share capital and non-interest bearing loans totalling £447.1m into ECP. The loan notes are non-interest bearing and have no fixed repayment date. They have therefore been treated in these financial statements as an investment in the equity of ECP. During 2017/18 the Group invested an additional £1.3m in loan notes of ECP, and in 2018/19 a further £8.2m was invested.

The financial year end of ECP is 31 December. For the purposes of applying the equity method of accounting, the financial statements of ECP for the year ended 31 December 2018 have been used, and appropriate adjustments made for the effects of significant transactions between that date and 31 March 2019. On 31 March 2019, TfL obtained an independent valuation of the underlying investment and development property assets of ECP. As a result, an additional share of loss of £27.7m has been reflected in these financial statements.

Summarised financial information in respect of the Group's investment in ECP is set out below:

Balance sheet of Earls Court Partnership Limited at the 100 per cent level

At 31 December	Group 2019 £m	Group 2018 £m
Current assets	**8.8**	5.7
Long-term assets	**731.2**	890.5
Current liabilities	**(5.7)**	(8.4)
Long-term liabilities	**(65.8)**	(61.4)

Included within current assets above was £8.0m of cash (2018 £5.4m). Long-term liabilities represented third-party borrowings.

Reconciliation of net assets to amounts included in the consolidated Group accounts

At 31 March	Group 2019 £m	Group 2018 £m
Net assets at 100%	**668.5**	826.4
Percentage held by the TfL Group	**37%**	37%
TfL Group share of net assets as at 31 December	**247.3**	305.8
Revaluation adjustment as at 31 March 2019	**(27.7)**	-
Investment in equity loan notes between 31 December and 31 March	**1.0**	1.1
Carrying amount of the Group's equity interest in Earls Court Partnership Limited	**220.6**	306.9

Notes to the Financial Statements
15. Investment in associated undertakings (continued)

Group share of comprehensive income and expenditure of Earls Court Partnership Limited

Year ended 31 March	Group 2019 £m	Group 2018 £m
Group share of loss from continuing operations	**(94.5)**	(62.7)
Group share of other comprehensive income	**-**	-
Total Group share of comprehensive income and expenditure for the year	**(94.5)**	(62.7)

The share of loss from continuing operations primarily reflects fair value losses recognised in respect of the revaluation of the Earl's Court development site.

b) Kidbrooke Partnership LLP

In 2017/18 the Group acquired a 49 per cent holding in the members' interest of Kidbrooke Partnership LLP (KP LLP), a property development partnership, for a cash consideration of £12.1m. The investment was purchased through a newly incorporated subsidiary of the Group, TTL Kidbrooke Properties Limited. Through its voting rights and representation on the Board of Members, the Group has significant influence but not control over the relevant activities of KP LLP. The Group's investment is therefore accounted for using the equity method in these consolidated accounts.

In late January 2018, KP LLP commenced trading and the Group granted a 299-year lease over the land lying to the South East of Kidbrooke Park Road to KP LLP for a consideration of £17.0m. The financial year end of KP LLP is 31 March.

During 2018/19, the Group invested a further £0.8m in equity of KP LLP.

Summarised financial information in respect of the Group's investment in KP LLP is set out below:

Balance sheet of Kidbrooke Partnership LLP at the 100 per cent level

At 31 March	Group 2019 £m	Group 2018 £m
Current assets	**0.6**	24.8
Long-term assets	**25.9**	-
Current liabilities	**(0.2)**	-
Long-term liabilities	**-**	-

Reconciliation of net assets to amounts included in the consolidated Group accounts

At 31 March	Group 2019 £m	Group 2018 £m
Net assets at 100%	**26.3**	24.8
Percentage held by the TfL Group	**49%**	49%
Carrying amount of the Group's equity interest in Kidbrooke Properties LLP	**12.9**	12.1

KP LLP has recognised neither a profit nor loss in the year to 31 March 2019 (or in the period to 31 March 2018). There is therefore no impact on Group consolidated profits relating to the associate.

Notes to the Financial Statements

16. Finance lease receivables

Group finance lease receivables

The Group leases certain items of plant and equipment related to its media activities to a third party under a finance lease arrangement.

Finance lease receivables on the balance sheet are calculated as the present value of minimum lease payments outstanding. Interest is accrued at a rate of 6.29 per cent per annum.

At 31 March	Group 2019 £m	Group 2018 £m
Principal outstanding		
Short-term	**12.8**	8.2
Long-term	**39.4**	17.4
	52.2	25.6

17. Inventories

At 31 March	Group 2019 £m	Group 2018 £m
Raw materials and consumables	**60.4**	63.3
Goods held for resale	**0.6**	0.9
	61.0	64.2

There is no material difference between the balance sheet value of Group inventories and their net realisable value. The Corporation had no inventories as at 31 March 2019 or 31 March 2018.

The movement on inventories was as follows:

	Group £m
Balance at 1 April 2017	71.7
Purchases in the year	73.2
Recognised as an expense in the year:	
Consumed in the year	(80.0)
Goods sold in the year	(1.5)
Net write backs in the year	0.8
Balance at 31 March 2018	64.2
Purchases in the year	**68.6**
Recognised as an expense in the year:	
Consumed in the year	**(63.3)**
Goods sold in the year	**(1.7)**
Net write offs in the year	**(6.8)**
Balance at 31 March 2019	**61.0**

Notes to the Financial Statements
18. Debtors

At 31 March	Group 2019 £m	Group 2018 £m
Short-term		
Trade debtors	**155.2**	125.3
Capital debtors	**16.6**	10.2
Other debtors	**133.6**	54.2
Other tax and social security	**58.0**	92.1
Grant debtors	**89.4**	69.4
Interest debtors	**0.5**	0.7
Contract assets: accrued income	**133.4**	97.8
Prepayments for goods and services	**110.3**	110.9
	697.0	560.6
Long-term		
Other debtors	**63.5**	10.3
Prepayments for goods and services	**49.1**	17.4
	112.6	27.7

Trade debtors are non-interest bearing and are generally paid within 28 days.

As at 31 March 2019, £293.2m (2018 £256.0m) was recognised as a provision for expected credit losses on trade and other debtors (see note 32).

Contract asset balances represent accrued income recognised where balances have not yet been invoiced to the customer. Upon completion of the terms of the contract and agreement with the customer/third party contributor, the amounts recognised as contract assets are reclassified to trade debtors.

At 31 March	Corporation 2019 £m	Corporation 2018 £m
Short-term		
Trade debtors	**28.4**	30.3
Amounts due from subsidiary companies	**407.6**	674.4
Capital debtors	**10.0**	10.2
Other debtors	**3.9**	5.0
Other tax and social security	**9.7**	11.9
Grant debtors	**77.5**	66.2
Interest debtors	**0.2**	0.6
Contract assets: accrued income	**56.0**	66.2
Prepayments for goods and services	**23.4**	19.7
	616.7	884.5
Long-term		
Loans made to subsidiary companies	**10,451.3**	9,988.0
Other debtors	**63.5**	0.2
Prepayments for goods and services	**2.8**	4.2
	10,517.6	9,992.4

Trade debtors are non-interest bearing and are generally paid within 28 days. In 2019, £285.7m (2018 £251.0m) was recognised as a provision for expected credit losses on trade debtors (see note 32).

Contract assets balances represent accrued income recognised where balances have not yet been invoiced to the customer. Upon completion of the terms of the contract, the amounts recognised as contract assets are reclassified to trade debtors.

Long-term loans made to subsidiary companies accrue market rates of interest reflecting rates achieved on debt issued to third parties by the Corporation. The average rate of interest accruing on loans outstanding at 31 March 2019 was 3.8 per cent (2018 3.9 per cent).

Notes to the Financial Statements
19. Assets held for sale

	Note	Group £m	Corporation £m
Balance at 1 April 2017		15.0	1.5
Assets newly classified as held for sale:			
Investment properties		72.9	-
Revaluation gains		0.7	-
Disposals:			
Investment properties		(5.4)	(1.5)
Balance at 31 March 2018		83.2	-
Assets newly classified as held for sale:			
Investment properties	13	**38.5**	**23.4**
Revaluation gains	7	**0.7**	**-**
Balance at 31 March 2019		**122.4**	**23.4**

As at 31 March 2019, certain development sites and surplus land were being actively marketed for sale. Disposals are expected to complete within the next 12 months, or, where agreements to sell have already been put in place, in line with the timing of those agreements.

20. Other investments

At 31 March	**Group 2019 £m**	Group 2018 £m
Short-term		
Investments held at amortised cost	**215.9**	692.3

At 31 March	**Corporation 2019 £m**	Corporation 2018 £m
Short-term		
Investments held at amortised cost	**203.0**	669.8

Short-term investments relate to investments in UK Treasury bills, other Sovereign bills, deposits with UK clearing banks, and repurchase agreement investments with a maturity of greater than three but less than twelve months.

Notes to the Financial Statements
21. Cash and cash equivalents

At 31 March	**Group 2019 £m**	Group 2018 £m
Cash at bank	**181.4**	167.3
Short-term investments with maturity less than three months	**1,456.0**	1,045.6
Cash in hand and in transit	**28.4**	26.6
	1,665.8	1,239.5

At 31 March	**Corporation 2019 £m**	Corporation 2018 £m
Cash at bank	**48.6**	56.8
Short-term investments with maturity less than three months	**1,456.0**	1,045.6
	1,504.6	1,102.4

Short-term investments are largely comprised of money market funds. These are classified as cash and cash equivalents as they have a maturity of less than three months.

22. Creditors

a) Group creditors at 31 March comprised:

	Group 2019 £m	Group 2018 £m
Short-term		
Trade creditors	**134.8**	132.2
Accrued interest	**193.2**	187.3
Capital works	**575.5**	818.8
Retentions on capital contracts	**11.5**	4.8
Capital grants received in advance	**12.6**	36.5
Wages and salaries	**97.5**	94.5
Other taxation and social security creditors	**149.0**	43.8
Contract liabilities: receipts in advance for Travelcards, bus passes and Oyster cards	**394.5**	402.3
Contract liabilities representing other deferred income	**61.9**	63.1
Accruals and other payables	**536.7**	565.3
	2,167.2	2,348.6
Long-term		
Trade creditors	**0.2**	0.2
Capital grants received in advance	**2.5**	4.0
Retentions on capital contracts	**3.7**	17.2
Contract liabilities representing other deferred income	**48.0**	36.7
Accruals and other payables	**7.1**	7.6
	61.5	65.7

Notes to the Financial Statements
22. Creditors (continued)

The level of outstanding long-term and short-term contract liabilities as at 31 March 2019 was broadly consistent with the prior year. The remaining performance obligations expected to be met in more than one year relate to:

i. License revenue and funding received from developers for improvements to bus services, which together total £19.1m, of which £14.3m relates to obligations that are to be satisfied within two to three years, and £4.8m within five years

ii. Lease incentives received in respect of head office buildings of £21.5m that are expected to be released within 18 to 24 years

iii. Maintenance income of £5.3m, expected to be released over 30 years

iv. Other miscellaneous contracts, together totalling £2.1m

Set out below is the amount of revenue recognised by the Group during the year from:

Year ended 31 March	Group 2019 £m
Amounts included in contract liabilities at 1 April	369.5
Performance obligations satisfied in previous years	-

b) Corporation creditors at 31 March comprised:

At 31 March	Corporation 2019 £m	Corporation 2018 £m
Short-term		
Trade creditors	54.0	46.5
Accrued interest	190.8	184.3
Capital works	61.4	71.7
Capital grants received in advance	9.5	36.5
Amounts due to subsidiary companies	10.9	71.9
Wages and salaries	24.3	20.4
Other taxation and social security creditors	1.9	1.6
Contract liabilities representing other deferred income	14.1	19.0
Accruals and other payables	168.8	214.9
	535.7	666.8
Long-term		
Capital grants received in advance	2.5	4.0
Contract liabilities representing other deferred income	16.2	12.9
	18.7	16.9

The total long-term and short-term contract liabilities balances are broadly consistent with the prior year. The significant balance in 2019 of remaining performance obligations expected to be recognised in more than one year relates to license revenue totalling £9.6m, of which £8.3m is expected to be satisfied within three years and £1.3m within five years. Maintenance income of £5.3m is expected to be released over 30 years. Balances relating to other miscellaneous contracts totalled £1.3m.

Notes to the Financial Statements
22. Creditors (continued)

Set out below is the amount of revenue recognised during the year from:

Year ended 31 March	Corporation 2019 £m
Amounts included in contract liabilities at 1 April	14.7
Performance obligations satisfied in previous years	-

23. Borrowings and overdrafts

At 31 March	Group 2019 £m	Group 2018 £m
Short-term		
Borrowings	745.9	846.1
Bank overdraft	-	0.1
	745.9	846.2
Long-term		
Borrowings	10,398.7	9,569.4

At 31 March	Corporation 2019 £m	Corporation 2018 £m
Short-term		
Borrowings	745.9	846.1
Long-term		
Borrowings	10,404.5	9,576.0

Further information about the maturity and interest rate profiles of the Group and Corporation's borrowings is provided in note 32 (Funding and financial risk management).

We have a number of loan facilities with the European Investment Bank (EIB) and Export Development Canada (EDC). In addition, we have direct access to the UK Debt Management Office (DMO) via the Public Works Loan Board (PWLB). Borrowing from these sources has contributed to the financing of a range of projects during the year. Further, we utilised our £2bn Commercial Paper programme throughout the year to manage our liquidity requirements.

A total of £575m was borrowed from the PWLB and £350m was drawn under our EIB and EDC facilities, at fixed interest rates, during the year. Under our EDC facilities, a further £100m was fixed in April 2019 for drawdown in 2019/20 and £100m remains available for drawdown in the next two years. These borrowings are expected to form part of our incremental borrowing agreed with Government and have not been recognised as a liability in these financial statements in accordance with IFRS 9 Financial Instruments.

Notes to the Financial Statements

23. Borrowings and overdrafts (continued)

Changes in financial liabilities arising from financing activities

	Group 2019 £m	Group 2018 £m
Balance at 1 April		
Short-term	**916.1**	1,182.4
Long-term	**9,987.6**	9,177.7
	10,903.7	10,360.1
Borrowings drawn down	**924.2**	961.3
Additions to other financing liabilities	**141.5**	-
Repayment of borrowings	**(196.7)**	(342.8)
Repayment of finance leases	**(69.6)**	(76.8)
Repayment of other financing liabilities	**(8.8)**	-
(Repayment)/drawdown of overdraft	**(0.1)**	0.1
Other movements*	**1.6**	1.8
At 31 March	**11,695.8**	10,903.7
Short-term	**816.2**	916.1
Long-term	**10,879.6**	9,987.6
	11,695.8	10,903.7

	Corporation 2019 £m	Corporation 2018 £m
Balance at 1 April		
Short-term	**856.9**	1,117.1
Long-term	**9,707.3**	8,838.9
	10,564.2	9,956.0
Borrowings drawn down	**924.2**	961.3
Repayment of borrowings	**(196.7)**	(342.8)
Repayment of finance leases	**(10.8)**	(11.4)
Other movements*	**0.8**	1.1
At 31 March	**11,281.7**	10,564.2
Short-term	**756.9**	856.9
Long-term	**10,524.8**	9,707.3
	11,281.7	10,564.2

* Other movements are non-cash and relate to the unwind of discounts and fees.

24. Finance lease liabilities

a) Group finance lease liabilities

The Group holds a proportion of its property, plant and equipment under finance lease arrangements as outlined in note 12.

Finance lease liabilities on the balance sheet are calculated as the present value of minimum lease payments outstanding.

	Minimum lease payments £m	Interest £m	Principal (present value of minimum lease payments) £m
At 31 March 2019			
Not later than one year	**96.5**	**(26.2)**	**70.3**
Later than one year but not later than two years	**53.1**	**(21.7)**	**31.4**
Later than two years but not later than five years	**149.7**	**(52.6)**	**97.1**
Later than five years	**264.1**	**(44.4)**	**219.7**
	563.4	**(144.9)**	**418.5**
At 31 March 2018			
Not later than one year	100.5	(30.6)	69.9
Later than one year but not later than two years	96.4	(26.2)	70.2
Later than two years but not later than five years	150.4	(58.9)	91.5
Later than five years	316.3	(59.8)	256.5
	663.6	(175.5)	488.1

At 31 March	2019 £m	2018 £m
Principal outstanding		
Short-term	**70.3**	69.9
Long-term	**348.2**	418.2
	418.5	488.1

Notes to the Financial Statements

24. Finance lease liabilities (continued)

b) Corporation finance lease liabilities

The Corporation holds a proportion of its property, plant and equipment under finance lease arrangements as outlined in note 12.

Finance lease liabilities on the balance sheet are calculated as the present value of minimum lease payments outstanding.

	Minimum lease payments £m	Interest £m	Principal (present value of minimum lease payments) £m
At 31 March 2019			
Not later than one year	**16.7**	**(5.7)**	**11.0**
Later than one year but not later than two years	**14.2**	**(5.2)**	**9.0**
Later than two years but not later than five years	**47.7**	**(13.2)**	**34.5**
Later than five years	**86.8**	**(10.0)**	**76.8**
	165.4	**(34.1)**	**131.3**
At 31 March 2018			
Not later than one year	17.0	(6.2)	10.8
Later than one year but not later than two years	16.7	(5.7)	11.0
Later than two years but not later than five years	43.7	(14.5)	29.2
Later than five years	104.9	(13.8)	91.1
	182.3	(40.2)	142.1

At 31 March	2019 £m	2018 £m
Principal outstanding		
Short-term	**11.0**	10.8
Long-term	**120.3**	131.3
	131.3	142.1

25. Private finance initiative contracts

Private Finance Initiative contracts

The Group is party to the following PFI arrangements where the Group controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement. These arrangements are treated as service concession arrangements and, as stipulated by the Code, are accounted for in accordance with IFRIC 12 Service Concession Arrangements.

The Group therefore recognises PFI assets as items of plant, property and equipment together with a liability to pay for them (see note 12 for details of PFI assets). The fair values of services received under the contract are recorded as operating expenses.

The unitary charge is apportioned between the repayment of the liability, financing costs and charges for services. The service is recognised as an expense in net operating costs and the finance costs are charged to financial expenses in the Comprehensive Income and Expenditure Statement.

Contract	Contract dates	Description
TfL		
A13 Thames Gateway contract	2000 to 2030	Design and construction of improvements to the A13 infrastructure (including communication and traffic signals systems) and ongoing maintenance and operation of the A13 between Butcher Row and Wennington. The contract requires TfL to make an annual unitary payment, charged monthly and calculated according to the service provided by the concession company and the payment mechanisms defined in the contract.

Notes to the Financial Statements

25. Private finance initiative contracts (continued)

Contract	Contract dates	Description
London Underground Limited (LU)		
Connect	1999 to November 2019	Design, installation, management and maintenance of an integrated digital radio system. The contract requires LU to make an annual unitary payment which is adjusted for indexation and performance as specified in the contract.
British Transport Police (London Underground)	1999 to 2021 with a voluntary break option on provision of 12 months' written notice	Provision and ongoing management and maintenance of operational infrastructure to support efficient policing of the Jubilee Line Extension and the delivery of the long-term policing strategy for LU. The contract requires LU to make a base annual unitary payment which is adjusted for indexation and performance as specified in the contract.
Docklands Light Railway Limited (DLR)		
Greenwich	1996 to 2021	Design, construction and ongoing maintenance of the Greenwich extension to the Docklands Light Railway. The contract requires DLR to make payments, which are charged monthly and adjusted for any penalties relating to adverse performance against output measures describing all relevant aspects of the contract.

PFI finance lease liabilities

The following PFI finance lease liabilities are included within total finance lease liabilities in note 24.

	Group 2019 £m	Group 2018 £m	**Corporation 2019 £m**	Corporation 2018 £m
At 1 April	**234.9**	292.5	**142.1**	152.6
Payments	**(67.1)**	(72.8)	**(17.0)**	(17.1)
Interest	**11.9**	15.2	**6.2**	6.6
At 31 March	**179.7**	234.9	**131.3**	142.1

Group

Amounts payable under the PFI arrangements cover payments for repayment of capital, payments of interest and payment of service charges. The total amount payable breaks down as follows:

	Payments of interest £m	**Repayment of capital £m**	**Payments for service charges £m**	**Total amount payable under non-cancellable PFI arrangements £m**
At 31 March 2019				
Less than 1 year	**8.7**	**54.2**	**66.9**	**129.8**
Between 2 and 5 years	**18.8**	**48.7**	**137.3**	**204.8**
Between 6 and 10 years	**9.7**	**71.7**	**149.9**	**231.3**
Between 11 and 15 years	**0.2**	**5.1**	**23.4**	**28.7**
	37.4	**179.7**	**377.5**	**594.6**
At 31 March 2018				
Less than 1 year	11.9	55.3	71.0	138.2
Between 2 and 5 years	23.5	88.6	174.0	286.1
Between 6 and 10 years	13.1	78.4	156.2	247.7
Between 11 and 15 years	0.8	12.6	47.3	60.7
	49.3	234.9	448.5	732.7

Notes to the Financial Statements

25. Private finance initiative contracts (continued)

Corporation

Amounts payable under the PFI arrangements cover payments for repayment of capital, payments of interest and payment of service charges. The total amount payable breaks down as follows:

	Payments of interest £m	Repayment of capital £m	Payments for service charges £m	Total amount payable under non-cancellable PFI arrangements £m
At 31 March 2019				
Less than 1 year	**5.7**	**11.1**	**22.4**	**39.2**
Between 2 and 5 years	**18.5**	**43.5**	**112.3**	**174.3**
Between 6 and 10 years	**9.7**	**71.7**	**149.9**	**231.3**
Between 11 and 15 years	**0.2**	**5.0**	**23.4**	**28.6**
	34.1	**131.3**	**308.0**	**473.4**
At 31 March 2018				
Less than 1 year	6.2	10.8	19.9	36.9
Between 2 and 5 years	20.2	40.3	104.5	165.0
Between 6 and 10 years	13.1	78.4	156.2	247.7
Between 11 and 15 years	0.8	12.6	47.3	60.7
	40.3	142.1	327.9	510.3

26. Other financing liabilities

Group other financing liabilities at 31 March comprised:

At 31 March	Group 2019 £m	Group 2018 £m
Long-term		
Deferred capital payments	**132.7**	-

Other financing liabilities comprise deferred capital payments in respect of the acquisition of property, plant and equipment. Gross payments with a nominal value of £159.7m fall due over the period to March 2033. These have been discounted back at an effective rate of interest of 2.5 per cent to the present value recorded in the table above.

Notes to the Financial Statements

27. Derivative financial instruments

Group cash flow hedges

At 31 March	Fair value 2019 £m	Notional amount 2019 £m	Fair value 2018 £m	Notional amount 2018 £m
Long-term assets				
Interest rate swaps	**2.7**	**96.0**	7.0	96.0
Foreign currency forward contracts	**4.1**	**49.6**	4.7	126.2
	6.8	**145.6**	11.7	222.2
Current assets				
Foreign currency forward contracts	**7.8**	**272.4**	5.9	510.4
Foreign currency options	**4.0**	**299.0**	-	-
	11.8	**571.4**	5.9	510.4
Current liabilities				
Interest rate swaps	**1.2**	**150.0**	0.7	100.0
Foreign currency forward contracts	**1.8**	**220.9**	0.8	94.9
	3.0	**370.9**	1.5	194.9
Long-term liabilities				
Interest rate swaps	**43.0**	**334.9**	50.4	482.9
Foreign currency forward contracts	**3.5**	**74.4**	1.6	30.9
	46.5	**409.3**	52.0	513.8

The Corporation has not entered into any derivative financial instrument contracts.

28. Provisions

a) Group provisions

	At 1 April 2018 £m	Utilised in the year £m	Charge for the year £m	Releases in the year £m	At 31 March 2019 £m
Compensation and contractual	203.4	(44.4)	146.6	(52.6)	**253.0**
Capital investment activities	81.0	(16.7)	25.8	(0.2)	**89.9**
Environmental harm	1.4	-	-	-	**1.4**
Severance and other	132.6	(36.5)	7.0	(46.9)	**56.2**
	418.4	(97.6)	179.4	(99.7)	**400.5**

At 31 March	2019 £m	2018 £m
Due		
Short-term	**345.9**	334.1
Long-term	**54.6**	84.3
	400.5	418.4

b) Corporation provisions

	At 1 April 2018 £m	Utilised in the year £m	Charge for the year £m	Releases in the year £m	At 31 March 2019 £m
Compensation and contractual	22.7	(4.4)	19.5	(0.3)	**37.5**
Capital investment activities	81.0	(16.7)	25.8	(0.2)	**89.9**
Severance and other	45.9	(20.6)	32.2	(35.7)	**21.8**
	149.6	(41.7)	77.5	(36.2)	**149.2**

At 31 March	2019 £m	2018 £m
Due		
Short-term	**127.8**	124.5
Long-term	**21.4**	25.1
	149.2	149.6

Notes to the Financial Statements
28. Provisions (continued)

c) Nature of provisions

Compensation and contractual
The Group has provisions for expected compensation and contractual claims that arise in respect of disputes arising in the ordinary course of business. During the year, certain provisions held in relation to Crossrail construction contracts were released as the contracts have been renegotiated. The provisions recorded as at 31 March are based on management's best estimate at the balance sheet date of the likely loss to be incurred through settlement. Reflecting the inherent uncertainty with many legal proceedings and claim settlements, the timing and amount of the outflows could differ from the amount provided. Based on current estimates management expects that these amounts, which are based on known facts and take account of past experience for similar items, will be settled within the next one to five years. Where material the provision held is discounted to its present value.

Capital investment activities
Capital investment activities include compulsory purchases, claims in respect of structural damage or diminution in value of properties affected by transport schemes, and other related third-party claims. Estimates are made with reference to relevant market trends. Compulsory Purchase Order provision amounts have been based on the professional estimates of lawyers and surveyors of the land acquisition, development value, disturbance, statutory interest and professional fees for both sides of the negotiation on a case by case basis. Due to the nature of these liabilities and the need to negotiate settlement amounts, there is considerable uncertainty regarding when Compulsory Purchase Order cases will be settled and payments made. At present management expects these provisions to be settled within the next five years.

Environmental harm
Environmental harm relates to potential costs associated with damage to the environment as a result of actions taken in the past. Management expects this provision to be settled within the next five years.

Severance and other
Severance and other provisions include voluntary severance costs arising from reorganisations and other smaller claims. Management expects these provisions to be settled within the next year.

29. Contingencies

There are a number of uncertainties surrounding projects, including claims in the course of negotiations, which may affect the Group's financial performance. Where claims are possible but not probable, or are unquantifiable, such claims are treated as contingent liabilities. Contingent liabilities are not recognised in the financial statements, but are monitored to ensure that, where a possible obligation has become probable or a transfer of economic benefits has become probable, a provision is made.

The impact of these contingent liabilities on the Group's financial performance, liquidity or financial position is not considered to be material.

Notes to the Financial Statements
30. Guarantees

Section 160 of the GLA Act 1999 (the GLA Act) sets out the conditions under which the Corporation may give certain guarantees, indemnities or similar arrangements. Under section 161 of the GLA Act TfL is obliged to disclose in its annual report details of all guarantees etc. so given.

TfL and its subsidiaries have entered into joint and several guarantees in favour of HSBC Bank plc as security for any bank indebtedness outstanding from time to time. TfL has also separately guaranteed any liabilities owing to HSBC Bank plc by its subsidiary, Crossrail Ltd.

The Corporation has given guarantees in respect of some of its subsidiary companies' contracts. The amount that could be payable under the guarantees (as described below) varies depending on a number of factors, including, inter alia, responsibility for the costs arising from an early termination of the underlying contract, which are not known before the event. For information only, the approximate maximum amounts of debt that were envisaged to be drawn by the counterparty at the signing of the agreements are disclosed below. For the avoidance of doubt, these amounts do not represent the amounts that could be payable by TfL under the guarantees but are shown here to give an indication of the relative size of each contract.

	Estimated maximum debt drawn by counterparty at start of contract £m
Agreement with 345 Rail Leasing Limited	658
Agreement with CityLink Telecommunications Ltd	502
Agreements with QW Rail Leasing Ltd	380
Agreement with London Rail Leasing Ltd	350
Agreement with Lloyds Bank PLC	107
Agreement with Pittville Leasing Ltd	51
Agreement with Lombard North Central Plc	7
Agreement with TLD (Landmark Court) Ltd	6
Agreement with APSLL	4

In addition, TfL also guarantees the payments of certain of its subsidiaries under a number of other service and construction contracts. It guarantees Crossrail Ltd's payments to Canary Wharf Properties (Crossrail) Limited under a Development Agreement. It guarantees pension liabilities due to the London Pension Fund Authority from Briggs Marine Contractors Limited in respect of employees working on the Woolwich Ferry. It has guaranteed amounts owed by London Bus Services Limited to the Fuel Cells and Hydrogen Joint Undertaking under a Grant agreement for the 3EMOTION Environmentally Friendly, Efficient Electric Motion project.

It has guaranteed London Underground Limited's payment obligations as a tenant in respect of an operating lease for the Stratford City Business District. It has also provided an indemnity to Berkeley 55 Limited in respect of Mayoral CIL payments that Berkeley 55 Limited may be charged in relation to the fit out of the Crossrail station at Woolwich.

Unlike the agreements listed above, these contracts are not based on an initial amount of debt and so cannot be quantified in a similar manner.

TfL also acts as a guarantor in respect of all liabilities under third party derivative contracts entered into by its subsidiary, Transport for London Finance Limited. The fair value of net liabilities outstanding under derivative contracts at 31 March 2019 is £30.9m (2018 £35.9m).

No arrangements were entered into with another person under which that person gives a guarantee which TfL has power to give under section 160 (4) of the GLA Act and no indemnities associated with the guarantees were given by virtue of section 160 (5) of the GLA Act.

The majority of guarantees granted by TfL are in respect of the obligations of its subsidiaries. These obligations are, in any case, recorded as liabilities on the Group Balance Sheet. The probability of any amounts becoming payable by the Corporation under the above guarantees and indemnities is considered remote. As at 31 March 2019 the fair value of all financial guarantees granted has been recorded as £nil (2018 £nil).

Notes to the Financial Statements
31. Financial commitments

a) Operating leases – The Group as lessee

The Group operating lease agreements primarily relate to office space, motor vehicles and rail access. All leases have been entered into on commercial terms.

The Group is committed to the following future minimum lease payments under non-cancellable operating leases:

	Land and buildings £m	Rail access £m	Motor vehicles £m	Rolling stock £m	Total £m
At 31 March 2019					
Within one year	**51.9**	**10.8**	**2.4**	**16.4**	**81.5**
Between one and two years	**46.9**	**11.1**	**1.9**	**37.4**	**97.3**
Between two and five years	**137.4**	**13.0**	**2.6**	**128.1**	**281.1**
Later than five years	**606.0**	**21.4**	**-**	**748.5**	**1,375.9**
	842.2	**56.3**	**6.9**	**930.4**	**1,835.8**
At 31 March 2018					
Within one year	52.4	12.5	3.3	26.9	95.1
Between one and two years	44.3	11.5	2.1	42.5	100.4
Between two and five years	122.0	22.1	3.1	119.9	267.1
Later than five years	620.3	24.7	-	342.4	987.4
	839.0	70.8	8.5	531.7	1,450.0

b) Operating leases – The Group as lessor

The Group leases out commercial, retail and office property, rail access and land that it holds as a result of its infrastructure holdings.

At the balance sheet date, the Group had contracted with customers for the following future minimum lease payments:

	Land and buildings £m	Rail access £m	Total £m
At 31 March 2019			
Within one year	**65.4**	**5.2**	**70.6**
Between one and two years	**57.1**	**5.4**	**62.5**
Between two and five years	**127.0**	**8.1**	**135.1**
Later than five years	**693.0**	**7.2**	**700.2**
	942.5	**25.9**	**968.4**
At 31 March 2018			
Within one year	64.0	9.8	73.8
Between one and two years	57.1	10.0	67.1
Between two and five years	128.6	22.8	151.4
Later than five years	690.7	8.9	699.6
	940.4	51.5	991.9

Notes to the Financial Statements

31. Financial commitments (continued)

c) Operating leases – The Corporation as lessee

The Corporation's operating lease agreements primarily relate to office space. It also leases motor vehicles under operating leases from a subsidiary undertaking. All leases have been entered into on commercial terms.

The Corporation is committed to the following future minimum lease payments under non-cancellable operating leases:

	Land and buildings £m	Motor vehicles £m	Total £m
At 31 March 2019			
Within one year	**33.4**	**0.1**	**33.5**
Between one and two years	**32.0**	**0.1**	**32.1**
Between two and five years	**95.3**	**0.1**	**95.4**
Later than five years	**395.4**	**-**	**395.4**
	556.1	**0.3**	**556.4**
At 31 March 2018			
Within one year	19.6	0.1	19.7
Between one and two years	19.1	0.1	19.2
Between two and five years	55.8	0.1	55.9
Later than five years	222.2	-	222.2
	316.7	0.3	317.0

d) Operating leases – The Corporation as lessor

The Corporation leases out commercial, retail and office property and land that it holds as a result of its infrastructure holdings.

At the balance sheet date, the Corporation had contracted with customers for the following future minimum lease payments:

	Land and buildings £m	Total £m
At 31 March 2019		
Within one year	**5.3**	**5.3**
Between one and two years	**4.9**	**4.9**
Between two and five years	**8.6**	**8.6**
Later than five years	**8.6**	**8.6**
	27.4	**27.4**
At 31 March 2018		
Within one year	4.8	4.8
Between one and two years	4.5	4.5
Between two and five years	9.9	9.9
Later than five years	8.4	8.4
	27.6	27.6

Notes to the Financial Statements
32. Funding and financial risk management

Introduction

TfL is a statutory corporation established under the GLA Act 1999. TfL is funded by revenues (predominantly passenger income), grant and prudential borrowing. The Group's debt is issued by the statutory corporation, TfL, in the form of loans from the Public Works Loan Board, the European Investment Bank and Export Development Canada (export credit agency), Medium Term Notes under the £5bn TfL Euro Medium Term Note programme, and short-term Commercial Paper under the £2bn TfL Euro Commercial Paper programme.

Treasury Management

TfL has a Treasury Management Strategy which is required to be updated on at least an annual basis and is approved by the TfL Board, prior to the commencement of each financial year.

The Treasury Management Strategy for 2018/19 was prepared having regard to the Local Government Act 2003 and the Local Authorities (Capital Finance and Accounting) Regulations 2003 (as amended), the key recommendations of the Code of Practice and Cross-Sectoral Guidance Notes for Treasury Management in the Public Services (2017 Edition) (the Treasury Management Code) and the Prudential Code for Capital Finance in Local Authorities (2017 Edition) (the Prudential Code), both issued by CIPFA, as well as the key recommendations of the Statutory Guidance on Local Authority Investments (2010 Edition) issued by the former Department for Communities and Local Government (the Investment Guidance).

The Group's principal financial instruments comprise borrowings, investments, derivatives, finance lease liabilities and receivables, cash and cash equivalents. These financial instruments are used to manage funding and liquidity requirements. Other financial instruments that arise directly from the Group's operations include trade receivables and payables and other financing liabilities.

The Group monitors the risk profile of its borrowing, investment and derivative programmes against approved benchmarks and provides regular reports to the Chief Finance Officer. Semi-annual reports on overall performance against the approved strategy are considered by the Finance Committee (a committee of the TfL Board). Section 49 of the TfL Act 2008 confers upon TfL the powers to use derivative financial instruments for risk management purposes only via qualifying subsidiaries.

The Prudential Borrowing Regime

TfL has the power to borrow as it is treated as a local authority for the purposes of financial management under the Local Government Act 2003. In accordance with this Act, the Mayor, in consultation with TfL, sets an affordable borrowing limit for external debt (including direct borrowing and other long-term liabilities). In setting this limit, the Mayor and TfL are required by regulation to have regard to the Prudential Code. In accordance with the Prudential Code and Treasury Management Code, the TfL Board annually approves a long term capital strategy and a set of indicators, for prudent and affordable borrowing, for estimates of capital expenditure, for interest rate exposures and the maturity profile of its borrowing.

TfL also agrees its maximum annual incremental borrowing capacity with Government.

Financial Risks and Risk Management

The Group is exposed to a number of financial risks in the normal course of its business operations, the key ones being:

- Credit risk
- Market risk
- Liquidity risk

Each of these risks is managed in accordance with the Group's comprehensive risk management process. The TfL Board, through its Finance Committee, has approved and monitors the risk management processes, including documented treasury policies, counterparty limits, and controlling and reporting structures.

Credit risk

Credit risk is managed on a Group-wide basis. Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet contractual obligations. The following categories comprise the main credit exposures of the Group.

Notes to the Financial Statements

32. Funding and financial risk management (continued)

(i) Trade receivables and contract assets

The Group earns the majority of its revenue through prepaid fares. Financial assets arise from: penalty charges, fare revenues not earned on a prepaid basis, commercial activities such as property rental or advertising and amounts due under contractual arrangements from partners or suppliers. The maximum exposure to credit risk at the reporting date is the carrying value disclosed in note 18.

A significant portion of the financial assets arising in the Corporation are with other Group companies. Per note 30, the Corporation has granted guarantees in respect of the obligations of its subsidiaries, mitigating credit risk attached to settlement of these intercompany financial assets.

Customer credit risk is managed by a central credit control function subject to TfL's policy, procedures and control framework. Counterparties are assessed individually for their creditworthiness at the time of entering into contracts and an internal credit rating is assigned.

At each reporting date, the Group applies the IFRS 9 simplified approach to measuring expected credit losses. This approach uses a lifetime expected loss allowance for all trade receivables and contract assets. In determining the expected loss rates, trade receivables and contract assets are considered together based on shared credit risk characteristics. Historical loss rates over the short to medium term are applied to groupings of various customer segments within trade receivables and contract assets. These rates are adjusted to reflect expectations about future credit losses. There is a rebuttable presumption that default has occurred if assets are more than 90 days past due.

The provision for doubtful debts in respect of trade receivables and contract assets for 2017/18 was £256.0m. Adoption of IFRS 9 on 1 April 2018 resulted in a loss allowance that was materially unchanged from the assessment as at 31 March 2018, calculated under IAS 39.

Despite the application of a loss allowance, these balances remain subject to enforcement activity and recoveries will be credited against the same line item as the expected credit loss within operating profit. On that basis, the loss allowance as at 31 March 2019 was determined as follows for both trade receivables and contract assets:

Age of trade and other debtors: Group

	Not overdue £m	Overdue by less than 3 months £m	Overdue by between 3 and 6 months £m	Overdue by between 6 months and 1 year £m	Overdue by more than 1 year £m	Total £m
At 31 March 2019						
Expected credit loss rate	0.2%	27.1%	77.2%	92.9%	100.0%	31.1%
Estimated total gross carrying amount at default	621.5	31.0	19.7	36.5	234.7	943.4
Expected credit loss allowance	(1.0)	(8.4)	(15.2)	(33.9)	(234.7)	(293.2)

Age of trade and other debtors: Corporation

	Not overdue £m	Overdue by less than 3 months £m	Overdue by between 3 and 6 months £m	Overdue by between 6 months and 1 year £m	Overdue by more than 1 year £m	Total £m
At 31 March 2019						
Expected credit loss rate	-	45.7%	79.5%	93.7%	100.0%	2.5%
Estimated total gross carrying amount at default	11,092.8	17.5	17.6	34.9	231.0	11,393.8
Expected credit loss allowance	-	(8.0)	(14.0)	(32.7)	(231.0)	(285.7)

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there may be no reasonable expectation of recovery include, amongst other things; failure of a debtor to engage in a repayment plan or advice from TfL's legal department.

Notes to the Financial Statements
32. Funding and financial risk management (continued)

(ii) Investments
All cash balances are invested in accordance with TfL's Treasury Management Strategy, which was developed with regard to the Treasury Management Code and the Investment Guidance, and which requires a prudent approach to the investment of surplus funds with priority given to security and liquidity.

Investments are made within limits approved by the TfL Board annually. Counterparty limits are set according to the assessed risk of each counterparty and are linked to the credit rating of the institution. Exposures are monitored against these limits on a regular basis.

TfL considers the risk of the overall portfolio as well as individual investments, seeking to diversify its investments and has regard to the exposure to any one counterparty, country, industry, investment type and credit. The investment portfolio is allocated across sovereigns, government agencies, financial institutions, corporates and money market funds.

Certain banks hold collateral on TfL's account to provide security for TfL's reverse repurchase agreement investments. As at 31 March 2019, the fair value of the collateral held amounted to £270m (2018 £nil).

The centrally managed cash reserves at 31 March 2019 totalled £1,659.0m (2018 £1,715.4m).

As at 31 March funds managed centrally on behalf of the Group and placed on deposit by the Corporation were as follows:

	Amount £m	Minimum Credit Rating (S&P/Moody's/Fitch)	Weighted average days to maturity
At 31 March 2019			
UK Debt Management Office	**336.3**	**P-1/A-1+**	**49**
Other Government Agencies	**278.1**	**P-1/A-1+/F1+**	**55**
Money Market Funds	**280.0**	**AAA/AAA/AAA**	**1**
Banks (including Gilt backed repos)	**604.0**	**P-2/A-2/F1**	**28**
Corporates	**160.6**	**P-2/A-2/F2**	**42**
Total	**1,659.0**		**33**
At 31 March 2018			
UK Debt Management Office	374.2	P-1/A-1+	81
Other Government Agencies	155.4	P-1/A-1+/F1+	48
Money Market Funds	581.7	AAA/AAA/AAA	1
Banks (including Gilt backed repos)	351.2	P-1/A-1/F1	45
Corporates	252.9	P-1/A-2/F1	58
Total	1,715.4		40

All of the entity's cash and investments are considered to have low credit risk; they are highly rated by major rating agencies, have a low risk of default and the counterparties have a strong capacity to meet obligations in the near term. While low risk, these remain subject to the impairment requirements of IFRS 9 at each reporting date. The identified 12 month expected loss allowance upon adoption of IFRS 9 and at 31 March 2019 was immaterial.

Notes to the Financial Statements
32. Funding and financial risk management (continued)

(iii) Derivative financial instruments
Counterparty limits are established and monitored in accordance with TfL's Policy relating to the use of Derivative Investments, which is approved by the TfL Board. The Group spreads its exposure over a number of counterparties, and has strict policies on how much exposure can be assigned to each counterparty.

The Group's maximum credit risk exposure relating to financial derivative instruments is noted in the maturity profile of derivatives tables within the market risk section of this note. The credit risk with regard to financial derivative instruments is limited because TfL has arrangements in place with each bank wherein, should the derivative be in an asset position for TfL and the market value reaches a contractually defined threshold, TfL can call upon the bank to post collateral in cash or eligible securities. TfL only envisages using these rights in the event that the financial strength of the institution has deteriorated since the limits were approved.

(iv) Guarantees
The Corporation provides guarantees to third parties under section 160 of the GLA Act, as disclosed in note 30, which are deemed necessary for the fulfilment of its objectives. The Group's policy is to recognise financial guarantees at the higher of an expected credit loss allowance and the amount initially recognised as fair value less any amortisation that has occurred to date. As at 31 March 2019, the fair value of the Corporation's financial guarantees has been assessed as £nil (2018 £nil).

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and inflation will affect the Group's income, expenditure or the value of its holdings of financial instruments. The Group, through its wholly owned subsidiary Transport for London Finance Limited, uses derivatives (hedging instruments) to reduce exposure to interest rate and foreign exchange rate movements (the hedged risks) on existing contracts and highly probable future transactions. The Group does not use derivative financial instruments for speculative purposes.

On inception, all interest rate derivatives and foreign currency derivative instruments hedging commercial contracts are designated in highly effective hedge relationships and hedge accounting is applied. If a derivative should no longer satisfy the hedging criteria in accordance with adopted IFRS 9 Financial Instruments (IFRS 9), hedge accounting ceases and the derivative is fair valued immediately through the Comprehensive Income and Expenditure Statement.

The use of derivative instruments can itself give rise to credit and market risk. Market risk is the possibility that future changes in interest rates may make a derivative more or less valuable. Since the Group uses derivatives for risk management, market risk relating to derivative instruments is principally offset by changes in the cash flows of the transactions being hedged.

For the years ended 31 March 2019 and 2018, no ineffectiveness was recognised and all derivatives in designated hedge relationships were assessed as highly effective. Accordingly, the movement in the fair value of those derivatives was taken to reserves.

(i) Foreign exchange risk
During 2018/19, TfL held certain short term investments denominated in Euros. The Euro denominated investments were swapped back to GBP at the Group level through the use of forward foreign exchange contracts. These contracts were not in formally designated hedging relationships for accounting purposes, as the currency gain or loss on retranslation of the investments is offset within net cost of services at the Group level by the movement in the fair value of the derivative instruments. As at 31 March 2019, the Group held foreign exchange contracts to hedge €285.7m of future Euro receipts in relation to its Euro investments (2018 €514.0m). Throughout the year, the hedging strategy provided an effective offset of fair value movements due to holding foreign currency investments. The unrealised exchange net loss was £0.4m as at 31 March 2019 (2017/18 a net gain of £0.1m). These derivative instruments mature in the period to July 2019.

For 2018/19, the broad policy on managing transactional foreign exchange risk arising from contractual obligations with overseas providers was to retain the risk where there was a value in doing so, where the exposure was highly probable and the risk profile highly certain. These exchange rate exposures were managed through the use of forward foreign exchange contracts and call options whose critical terms are closely aligned to the exposure, such as notional amount, expected maturity date and currency. Hedge accounting is applied to these derivative instruments. For exposures not meeting these criteria, the exchange risk was passed on to the vendor.

Where funds were received in specific currencies in which the Group expected to have future exposures, the Treasury Management Strategy made allowances to place these funds on deposit. This gave the Group the flexibility to offer certain payments in specific foreign currencies where required.

Notes to the Financial Statements
32. Funding and financial risk management (continued)

Effects of hedge accounting – Foreign currency hedges in relation to capital expenditure
At 31 March 2019, the Group held forward foreign derivative contracts in Euros, Canadian Dollars, Swiss Francs, Swedish Krona and Chinese Yuan Renminbi and call options in Euros and Canadian Dollars. These forward contracts hedge planned foreign currency capital expenditure payments with a nominal value of £187.1m (2018 £219.5m). At 31 March 2019, these contracts had a combined net fair value of £3.5m (2018 £4.7m). At 31 March 2019, the call options were out of the money. The fair value attributable to time value of the options was £4.0m (2018 £nil). The fair value of forward contracts and the option premia were recognised in equity at 31 March 2019 and once hedged purchases occur, the subsequent realised gain or loss will be transferred to fixed asset additions as a basis adjustment.

The hedge ratio is 1:1. The economic relationship of all hedging relationships have been assessed as effective and the change in value of hedged items since 1 April 2018 has been offset by the change in value of hedging instruments.

It is expected that the hedged purchases will take place in the period to 2 January 2024. Detail on the maturity of these contracts is disclosed later in this note.

The Group has no other material financial assets or liabilities denominated in foreign currencies, and thus has no general translation exposure to gains or losses arising from movements in exchange rates.

Sensitivity analysis on foreign exchange risk

	2019 Net nominal value £m	**2019 Fair value £m**	**2019 Fair value after a 10% increase in GBP against other currency £m**	**2019 Fair value after a 10% decrease in GBP against other currency £m**	2018 Net nominal value £m	2018 Fair value £m	2018 Fair value after a 10% increase in GBP against other currency £m	2018 Fair value after a 10% decrease in GBP against other currency £m
Net sell								
Euros	**-**	**-**	**-**	**-**	372.5	4.7	38.1	(36.1)
Net buy								
Euros	**91.2**	**5.6**	**18.1**	**(18.0)**	-	-	-	-
US dollars	**-**	**-**	**-**	**-**	0.3	-	-	0.1
Canadian dollars	**96.0**	**7.3**	**0.2**	**15.4**	84.2	5.1	(3.0)	14.9
Swiss Francs	**2.8**	**(0.2)**	**(0.5)**	**0.1**	3.2	(0.3)	(0.6)	-
Swedish Krona	**26.1**	**(2.5)**	**(4.6)**	**0.2**	28.7	(1.5)	(3.9)	1.5
Chinese Yuan Renminbi	**6.4**	**0.4**	**(0.2)**	**1.2**	6.9	0.1	(0.5)	1.0
Total asset/ (liability)	**n/a**	**10.6**	**13.0**	**(1.1)**	n/a	8.1	30.1	(18.6)

Notes to the Financial Statements

32. Funding and financial risk management (continued)

(ii) Interest rate risk

As at 31 March 2019, 97.5 per cent (2018 97.1 per cent) of the Group's borrowings were at fixed rates of interest after hedging. The remaining 2.5 per cent was unhedged Commercial Paper which, although having fixed rates of interest for the duration of the note, in practice behaves more like variable rate debt if used on a rolling basis.

The Group is mainly exposed to interest rate risk on its planned future borrowings, which are agreed with Government. As TfL is required by legislation to produce a balanced Budget and produces a balanced Business Plan annually, any uncertainty over the cost of future borrowing requires funding to be set aside in the Business Plan against that risk rather than being invested in the transport system.

The Group is also exposed to interest rate risk in respect of its investments. Investments are made in accordance with the Treasury Management Strategy, which prioritises security and liquidity over yield.

In order to achieve certainty over the cost of a portion of its planned borrowings, TfL, through its wholly owned subsidiary, Transport for London Finance Limited, employs a number of interest rate swaps and gilt locks whose critical terms are closely aligned to the interest payment schedule of both highly probable and existing borrowings. Hedge accounting is applied to these derivative instruments.

Effects of hedge accounting – Interest rate swaps

As at 31 March 2019, the Group, through its wholly owned subsidiary, Transport for London Finance Limited, held 12 interest rate swaps at a total notional value of £580.9m (2018 15 interest rate swaps at a total notional value of £678.9m). The net fair value of these contracts at 31 March 2019 was a liability of £41.5m (2018 £44.1m). The fair value is recognised in equity at 31 March 2019 and will be transferred to net financing costs within the Comprehensive Income and Expenditure Statement as the hedged interest payments occur.

The hedge ratio is 1:1. The economic relationship of all hedging relationships has been assessed as effective and the change in value of hedged items since 1 April 2018 has been offset by the change in value of hedging instruments.

It is expected that the hedged interest payments will take place in the period to December 2042. Details on the maturity of these contracts are disclosed later in this note.

Sensitivity analysis on interest rate risk

(a) Fair value sensitivity analysis for fixed interest instruments

All of the Group's non-derivative financial instruments with fixed rates of interest are accounted for at amortised cost. Fluctuations in market interest rates would therefore have no impact on the balance sheet or net income figures in respect of these items.

(b) Fair value sensitivity analysis for derivative instruments

As at 31 March 2019, the Group holds interest rate derivative contracts with a combined notional value of £580.9m (2018 £678.9m) which are designated as cash flow hedges.

An increase/(decrease) of 100 basis points in interest rates would increase/(decrease) the fair value of the derivative instruments by £34.5m/£(32.6)m (2018 £39.5m/£(35.8)m).

(iii) Inflation risk

The Group has a number of exposures to inflation including staff pay awards and passenger income. The Group has not entered into any derivative instrument to manage its exposure to inflation risk. Historically this risk has been partially offset with index linked revenues and index linked costs creating a natural hedge within the Group.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Corporation manages liquidity risk by maintaining access to a number of sources of funding which are sufficient to meet anticipated funding requirements. As long as the affordable borrowing limit set by the Mayor is not exceeded, the Corporation is able to borrow from the Public Works Loan Board, raise debt on the capital markets through both its established Medium Term Note programme and Commercial Paper programme, borrow from commercial banks or utilise its overdraft facility and, subject to meeting the relevant criteria, borrow at competitive interest rates from the European Investment Bank and Export Development Canada. There is therefore no significant risk that it will be unable to raise finance to meet its planned financial commitments.

The contractual maturities of the Group and Corporation's financial liabilities are listed later in this note.

Notes to the Financial Statements
32. Funding and financial risk management (continued)

Maturity profile of derivatives

The Group's foreign currency derivatives have the following maturities:

At 31 March	2019 Average exchange rate	2019 Fair value £m	2019 Notional amount £m	2018 Average exchange rate	2018 Fair value £m	2018 Notional amount £m
Foreign currency forward contracts						
Buy euro						
Less than one year	**0.862**	**0.1**	**102.1**	0.878	0.3	66.8
Between one and two years	**0.893**	**(0.3)**	**20.2**	0.881	0.2	10.8
Between two and five years	**0.912**	**(0.7)**	**37.4**	0.900	0.8	43.2
After five years	**-**	**-**	**-**	0.928	-	5.8
Sell euro						
Less than one year	**0.870**	**2.8**	**340.0**	0.886	3.4	499.1
Total euro	**0.880**	**1.9**	**499.7**	0.884	4.7	625.7
Buy US Dollars						
Less than one year	**-**	**-**	**-**	0.638	-	0.3
Total US Dollars	**-**	**-**	**-**	0.638	-	0.3
Buy Canadian Dollars						
Less than one year	**0.518**	**3.3**	**31.6**	0.513	1.7	23.1
Between one and two years	**0.515**	**2.5**	**24.4**	0.515	1.7	25.7
Between two and five years	**0.513**	**1.2**	**12.5**	0.511	1.8	35.4
Total Canadian Dollars	**0.516**	**7.0**	**68.5**	0.513	5.2	84.2

At 31 March	2019 Average exchange rate	2019 Fair value £m	2019 Notional amount £m	2018 Average exchange rate	2018 Fair value £m	2018 Notional amount £m
Foreign currency forward contracts						
Buy Swiss Francs						
Less than one year	**0.851**	**-**	**0.5**	0.839	-	0.4
Between one and two years	**0.864**	**(0.1)**	**0.9**	0.851	(0.1)	0.5
Between two and five years	**0.885**	**(0.1)**	**1.4**	0.873	(0.2)	2.0
After five years	**-**	**-**	**-**	0.905	-	0.3
Total Swiss Francs	**0.872**	**(0.2)**	**2.8**	0.868	(0.3)	3.2
Buy Swedish Krona						
Less than one year	**0.093**	**(0.4)**	**3.6**	0.092	(0.2)	2.6
Between one and two years	**0.093**	**(0.7)**	**7.6**	0.093	(0.2)	3.6
Between two and five years	**0.093**	**(1.4)**	**14.9**	0.093	(1.0)	20.0
After five years	**-**	**-**	**-**	0.093	(0.1)	2.5
Total Swedish Krona	**0.093**	**(2.5)**	**26.1**	0.093	(1.5)	28.7
Buy Chinese Yuan Renminbi						
Less than one year	**0.106**	**0.6**	**9.1**	0.113	0.1	6.7
Between one and two years	**0.104**	**0.3**	**3.8**	0.106	0.2	6.6
Between two and five years	**0.100**	**-**	**0.4**	0.101	-	0.4
Sell Chinese Yuan Renminbi						
Less than one year	**0.106**	**(0.5)**	**6.5**	0.109	(0.2)	6.2
Between one and two years	**0.101**	**-**	**0.4**	0.103	-	0.4
Total Chinese Yuan Renminbi	**0.105**	**0.4**	**20.2**	0.106	0.1	20.3
Grand total	**n/a**	**6.6**	**617.3**	n/a	8.2	762.4

Notes to the Financial Statements

32. Funding and financial risk management (continued)

At 31 March 2019 the foreign currency call options were out of the money and as such would not be exercised. The fair value of the foreign currency call options is a net asset of £4.0m (2018 £nil). However, as no future cashflows are expected to arise these derivatives have been excluded from the maturity table.

The Group's interest rate derivatives have the following maturities:

At 31 March	2019 Average contracted fixed interest rate (%)	2019 Fair value £m	2019 Notional amount £m	2018 Average contracted fixed interest rate (%)	2018 Fair value £m	2018 Notional amount £m
Interest rate hedges						
Less than one year	**3.849**	**(1.1)**	**150.0**	3.566	(0.8)	100.0
Between one and two years	**3.548**	**(0.9)**	**25.0**	3.849	(5.4)	150.0
Between two and five years	**4.142**	**(20.7)**	**200.0**	4.024	(21.4)	200.0
After five years	**2.293**	**(18.8)**	**205.9**	2.492	(16.5)	228.9
Total	**3.385**	**(41.5)**	**580.9**	3.401	(44.1)	678.9

TfL was conferred the legal powers to enter into derivatives for the purpose of risk mitigation via qualifying subsidiaries. The Corporation does not itself have the legal powers to enter into derivative transactions. TfL has entered into these contracts for the purpose of risk management and intends to hold these contracts to maturity as hedges against the underlying transactions.

The following tables detail the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

	Less than one year £m	Between one and two years £m	Between two and five years £m	More than five years £m	Total £m
Group – at 31 March 2019					
Derivatives settled gross					
Foreign exchange forward contracts:					
Amounts receivable	**302.8**	**58.0**	**65.7**	**-**	**426.5**
Amounts payable	**(296.8)**	**(56.5)**	**(66.6)**	**-**	**(419.9)**
Derivatives settled net					
Interest rate swaps	**(11.7)**	**(9.1)**	**(15.1)**	**(4.7)**	**(40.6)**
	(5.7)	**(7.6)**	**(16.0)**	**(4.7)**	**(34.0)**
Group – at 31 March 2018					
Derivatives settled gross					
Foreign exchange forward contracts:					
Amounts receivable	507.0	48.3	102.4	8.5	666.2
Amounts payable	(501.8)	(46.6)	(101.0)	(8.6)	(658.0)
Derivatives settled net					
Interest rate swaps	(15.5)	(10.2)	(18.9)	(3.6)	(48.2)
	(10.3)	(8.5)	(17.5)	(3.7)	(40.0)

Notes to the Financial Statements
32. Funding and financial risk management (continued)

The total asset or liability due to the Group as recognised on the balance sheet is the fair value of the derivatives, as this represents the cost to terminate. As such it differs from the total net contractual payments shown in the table above. At 31 March 2019, the fair value of the interest rate derivatives was a net liability of £41.5m (2018 £44.1m). The fair value of forward foreign exchange derivatives was a net asset of £6.6m (2018 a net asset of £8.1m). At 31 March 2019, the foreign currency call options were out of the money and as such would not be exercised. The fair value of the foreign currency call options at 31 March was a net asset of £4.0m (2018 £nil), however, as no future cashflows are expected to arise these derivatives are excluded from the maturity table.

Contractual maturity of financial liabilities

The following table details the Group and the Corporation's remaining contractual maturity for their non derivative financial liabilities. The table has been drawn up on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group or Corporation can be required to pay and, therefore differs from the carrying value and the fair value. The table includes both interest and principal cash flows.

	Less than one year £m	Between one and two years £m	Between two and five years £m	More than five years £m	Total £m
Group - at 31 March 2019					
Trade and other creditors	**1,698.2**	**11.0**	**-**	**-**	**1,709.2**
Borrowings - principal	**746.9**	**113.5**	**952.1**	**9,362.8**	**11,175.3**
Borrowings - interest	**478.6**	**389.9**	**1,043.0**	**6,024.8**	**7,936.3**
Finance lease liabilities	**96.5**	**53.1**	**149.7**	**264.1**	**563.4**
Other financing liabilities	**-**	**6.9**	**38.2**	**114.6**	**159.7**
	3,020.2	**574.4**	**2,183.0**	**15,766.3**	**21,543.9**
Group - at 31 March 2018					
Trade and other creditors	1,846.7	25.0	-	-	1,871.7
Bank overdraft	0.1	-	-	-	0.1
Borrowings - principal	846.8	96.8	936.8	8,566.6	10,447.0
Borrowings - interest	375.1	455.1	1,079.7	5,697.4	7,607.3
Finance lease liabilities	100.5	96.4	150.4	316.3	663.6
Other financing liabilities	-	-	-	-	-
	3,169.2	673.3	2,166.9	14,580.3	20,589.7
Corporation - at 31 March 2019					
Trade and other payables	**512.1**	**-**	**-**	**-**	**512.1**
Borrowings - principal	**746.9**	**113.5**	**952.1**	**9,362.8**	**11,175.3**
Borrowings - interest	**478.6**	**389.9**	**1,043.0**	**6,024.8**	**7,936.3**
Finance lease liabilities	**16.7**	**14.2**	**47.7**	**86.8**	**165.4**
	1,754.3	**517.6**	**2,042.8**	**15,474.4**	**19,789.1**
Corporation - at 31 March 2018					
Trade and other payables	611.3	-	-	-	611.3
Borrowings - principal	846.8	96.8	936.8	8,566.6	10,447.0
Borrowings - interest	375.1	455.1	1,079.7	5,697.4	7,607.3
Finance lease liabilities	17.0	16.7	43.7	104.9	182.3
	1,850.2	568.6	2,060.2	14,368.9	18,847.9

Notes to the Financial Statements
32. Funding and financial risk management (continued)

Fair values
In accordance with IFRS 13, the fair values of the financial assets and liabilities are calculated as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following methods and assumptions were used to estimate the fair values:

- Cash and cash equivalents – approximates to the carrying amount
- Short-term investments – approximates to the carrying amount because of the short maturity of these instruments
- Long-term investments – by reference to bid prices at the close of business on the balance sheet date, within Level 1 of the fair value hierarchy as defined within IFRS 13
- Trade and other debtors – approximates to the carrying amount
- Derivative financial instruments – in the absence of quoted market prices, derivatives are valued by using quoted forward prices for the underlying commodity/currency and discounted using quoted interest rates (both as at the close of business on the balance sheet date). Hence, derivatives are within Level 2 of the fair value hierarchy as defined within IFRS 13:
  - Forward exchange contracts – based on market data and exchange rates at the balance sheet date
  - Interest rate swaps and forward starting interest rate swaps – based on the net present value of discounted cash flows
- Trade and other creditors – approximates to the carrying amount
- Long-term borrowings – determined by calculating the discounted value of the future cash flows (redemption and interest) using appropriate discount rates, based on observable market data, in effect at the balance sheet date at Level 2 of the fair value hierarchy. Fair value approximates to the carrying amount in the case of short-term commercial paper
- Finance lease liabilities – approximates to the carrying amount
- Other financing liabilities – approximates to the carrying amount

The fair values of the Group's financial assets and liabilities together with the carrying amounts recorded in the balance sheets are illustrated below:

At 31 March	**2019 Carrying value £m**	**2019 Fair value £m**	2018 Carrying value £m	2018 Fair value £m
Cash and cash equivalents	**1,665.8**	**1,665.8**	1,239.5	1,239.5
Short-term investments	**215.9**	**215.9**	692.3	692.3
Trade and other debtors	**650.2**	**650.2**	460.0	460.0
Finance lease receivables	**52.2**	**52.2**	25.6	25.6
Derivative financial instruments	**18.6**	**18.6**	17.6	17.6
Total financial assets	**2,602.7**	**2,602.7**	2,435.0	2,435.0
Trade and other creditors	**1,709.2**	**1,709.2**	1,871.7	1,871.7
Borrowings and overdraft	**11,144.6**	**15,367.7**	10,415.6	14,443.3
Finance lease liabilities	**418.5**	**418.5**	488.1	488.1
Other financing liabilities	**132.7**	**132.7**	-	-
Derivative financial instruments	**49.5**	**49.5**	53.5	53.5
Total financial liabilities	**13,454.5**	**17,677.6**	12,828.9	16,856.6
Net financial liabilities	**(10,851.8)**	**(15,074.9)**	(10,393.9)	(14,421.6)

Notes to the Financial Statements

32. Funding and financial risk management (continued)

The fair values of financial assets and liabilities of the Corporation determined in accordance with IFRS 13, together with the carrying amounts recorded in the balance sheet are:

At 31 March	2019 Carrying value £m	2019 Fair value £m	2018 Carrying value £m	2018 Fair value £m
Cash and cash equivalents	1,504.6	1,504.6	1,102.4	1,102.4
Short-term investments	203.0	203.0	669.8	669.8
Trade and other debtors	11,108.1	11,108.1	10,853.0	10,853.0
Total financial assets	12,815.7	12,815.7	12,625.2	12,625.2
Trade and other creditors	512.1	512.1	611.3	611.3
Borrowings	11,150.4	15,367.7	10,422.1	14,443.3
Finance lease liabilities	131.3	131.3	142.1	142.1
Total financial liabilities	11,793.8	16,011.1	11,175.5	15,196.7
Net financial assets	1,021.9	(3,195.4)	1,449.7	(2,571.5)

33. Pensions

The majority of the Group's staff were members of the Public Sector Section of the TfL Pension Fund. The majority of the Group's remaining staff were members of the London Pension Fund Authority's Pension Fund, the Principal Civil Service Pension Scheme, the Crossrail Shared Cost Section of the Railways Pension Scheme (Crossrail Section) or the Tube Lines defined contribution scheme.

a) Amount included in net cost of services

For the year ended 31 March	Note	Group 2019 £m	Group 2018 £m	Corporation 2019 £m	Corporation 2018 £m
TfL Pension Fund		605.4	575.8	369.1	316.2
Local Government Pension Fund		2.0	2.8	2.0	2.8
Crossrail Section of the Railways Pension Scheme		4.2	5.6	-	-
Unfunded schemes provision		9.6	15.6	6.2	15.6
Total for schemes accounted for as defined benefit		621.2	599.8	377.3	334.6
Principal Civil Service Pension Scheme		0.5	0.5	0.5	0.5
Other schemes		3.4	6.0	0.8	3.3
Amounts included in net cost of services		625.1	606.3	378.6	338.4
Less: scheme expenses		(12.1)	(11.9)	(12.0)	(11.8)
Amount included in staff costs	3	613.0	594.4	366.6	326.6

Notes to the Financial Statements
33. Pensions (continued)

b) Defined benefit schemes

This section deals with those pension funds to which the Group contributes that are accounted for under IAS 19 as defined benefit schemes.

Public Sector Section of the TfL Pension Fund (TfL Pension Fund)
The TfL Pension Fund is a final salary scheme established under trust. The Fund's Trustee is the TfL Trustee Company Limited, a wholly owned subsidiary of TfL. Under the rules of the Fund, its 18 Trustee Directors are nominated in equal numbers by TfL and on behalf of the Fund's membership.

Every three years, the TfL Pension Fund actuary makes valuations and recommends the level of contributions to be made by the participating employers to ensure the long-term solvency of the Fund. The latest available valuation of the Fund was carried out as at 31 March 2018 by the Actuary, a partner of consulting actuaries Willis Towers Watson, using the projected unit method. A revised Schedule of Contributions was agreed between the Trustee and the employers following the formal funding valuation of the Public Sector Section.

Under the valuation report, the deficit of the Fund was £603m as at 31 March 2018. Assets totalled £10,321m and the defined benefit obligation totalled £10,924m. Employer's contributions during the year remained in line with the previous year at 31.0 per cent. Employer's contributions for the period from 1 April 2019 until 31 March 2020 will represent future service contributions at the rate of 26.9 per cent. From 1 April 2020 until 31 March 2026, employer contributions will rise to 33.3 per cent, comprising the future service contributions of 26.9 per cent, plus additional deficit recovery repayments at 6.4 per cent of pensionable pay. Additional contingent payments may be made from 1 April 2020 if the funding position deteriorates. The recovery plan states that the expectation is that the funding shortfall will be eliminated by March 2026.

The underlying assets and defined benefit obligation of the TfL Pension Fund cover a number of Group entities and cannot be readily split between each undertaking. No contractual agreement is in place to allocate the total net obligation between the member entities. Thus, in accordance with IAS 19, the Corporation, as the Scheme sponsor, has recognised the total net defined benefit obligation in its own individual accounts.

A separate valuation of the TfL Pension Fund has been prepared, by actuaries at the XPS Pensions Group, for accounting purposes on an IAS 19 basis as at 31 March 2019. The assumptions used by the actuaries are the best estimates chosen from a range of possible actuarial assumptions, while the present value of the schemes' defined benefit obligation is derived from cash flow projections. Due to the timescale covered, neither the assumptions nor the cash flow projections may necessarily be borne out in practice.

The defined benefit obligation for the TfL Pension Fund has been calculated using the mortality assumptions adopted for the latest available funding valuation as at 31 March 2018. Standard mortality tables were used, adjusted to reflect the recent mortality experience of the Fund's pensioners at that date. An allowance was made for future mortality improvements based on the CMI 2018 projections with a long term improvement rate of 1.25 per cent per annum.

The discounted scheme liabilities have an average duration of 18 years.

London Pension Fund Authority Pension Fund (Local Government Pension Fund)
The London Pension Authority Pension Fund is a funded multi-employer defined benefit scheme, administered by the London Pensions Fund Authority. The Corporation is able to identify its share of the assets and defined benefit obligation of the scheme and this scheme has therefore been accounted for as a defined benefit scheme under IAS 19. Employer's contributions were payable at the rate of 15.9 per cent for 2018/19 (2017/18 15.9 per cent) of pensionable pay, plus a lump sum deficit reduction payment of £1.2m (2017/18 £1.2m). The Corporation's share of the underlying assets and defined benefit obligation resulted in an IAS 19 deficit as at 31 March 2019 of £45.6m (2018 £48.2m). The discounted scheme liabilities have an average duration of 20 years.

The last full actuarial valuation available was carried out at 31 March 2016. The annual report and financial statements for the whole scheme can be found on the London Pensions Fund Authority website (www.lpfa.org.uk). A separate valuation as at 31 March 2019 has been prepared for accounting purposes on an IAS 19 basis by Barnett Waddington LLP.

Crossrail Shared Cost Section of the Railways Pension Scheme (Crossrail Section)
On 31 October 2016 Crossrail Ltd transferred its participation in the Railways Pension Scheme from the Omnibus Section of the Railways Pension Scheme to a newly established Crossrail Section of the Railways Pension Scheme. From this date the Crossrail Section has been accounted for in these financial statements as a defined benefit pension scheme under IAS 19.

A full actuarial valuation of the Scheme was carried out at 31 December 2016. The report showed a funding surplus of £5.9m. This was translated into a continuing current employer contribution level of 20.9 per cent. A separate valuation has been prepared for accounting purposes on an IAS 19 basis as at 31 March 2019 by actuaries at the XPS Pensions Group. The Group's share of the underlying assets and defined benefit obligation resulted in a deficit, as at 31 March 2019, of £29.9m (2018 £26.1m). The discounted Crossrail Section liabilities have a duration of approximately 25 years.

Notes to the Financial Statements
33. Pensions (continued)

The defined benefit obligation for the Crossrail Section has been calculated using the mortality assumptions adopted for the latest available funding valuation as at 31 December 2016. Standard mortality tables were used, adjusted to reflect the recent mortality experience of the Scheme's pensioners at that date. An allowance was made for future mortality improvements based on the CMI 2018 projections with a long term improvement rate of 1.25 per cent per annum.

Unfunded pension costs
The Corporation bears the cost of the augmentation of the pensions of certain employees, who retire early under voluntary severance arrangements.

In addition, the Corporation also bears the cost of:

- Ex-gratia payments which are made to certain former employees on retirement in respect of service prior to the establishment of pension funds for those employees
- Supplementary pensions, which are made to certain former employees who retired prior to index linking of pensions
- Pensions of London Regional Transport (LRT) former board members who did not qualify to join the TfL Pension Fund
- Other unfunded defined benefit pensions accruing to certain employees

XPS Pensions Group, consulting actuaries, were instructed to report on the financial position of the unfunded pension defined benefit obligation as at 31 March 2019 for the purpose of IAS 19 only. The report does not constitute a formal actuarial valuation of the unfunded pension defined benefit obligation. The valuation as at 31 March 2019 was £105.7m (2018 £97.8m), and is fully provided for in these financial statements.

Assumptions for defined benefit sections
The main actuarial assumptions used for the TfL Pension Fund, the Crossrail Shared Cost Section of the Railways Pension Scheme, the Local Government Pension Scheme (together 'the Schemes') and unfunded schemes were:

	IAS 19 valuation at 31 March 2019 %	IAS 19 valuation at 31 March 2018 %
RPI Inflation	**3.15-3.40**	3.05-3.30
CPI Inflation	**2.15-2.40**	2.05-2.30
Rate of increase in salaries	**3.15-3.90**	3.05-3.80
Rate of increase in pensions in payment and deferred pensions	**2.03-3.15**	1.95-3.08
Discount rate	**2.35-2.40**	2.45-2.55

The Group's retirement benefit plans typically expose the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk. Sensitivity analyses for the most significant actuarial assumptions made in relation to these risks are as set out below. The analyses have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate were 0.1 per cent higher/(lower), the defined benefit obligation would decrease by £340.1m/(increase by £350.1m)
- If the expected salary growth were increased/(decreased) by 0.1 per cent, the defined benefit obligation would increase by £101.9m/(decrease by £85.9m)
- If life expectancy were increased/(decreased) by one year, the defined benefit obligation would increase by £689.0m/(decrease by £694.0m)
- If the inflation rate were 0.1 per cent higher/(lower), the defined benefit obligation would increase by £336.7m/(decrease by £257.7m)

The sensitivity analyses presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Notes to the Financial Statements
33. Pensions (continued)

c) Accounting for defined benefit schemes

The total assets in the schemes were:

At 31 March	Value 2019 £m	Value 2018 £m
Equities and alternatives	**8,098.4**	7,940.4
Bonds	**2,435.7**	2,283.6
Cash and other	**467.2**	155.7
Total fair value of assets	**11,001.3**	10,379.7

The TfL Pension Fund, the Crossrail Shared Cost Section of the Railways Pension Scheme and the Local Government Pension Scheme assets consist of the following categories, by proportion of the total assets held:

At 31 March	2019 %	2018 %
Equities	**74**	77
Bonds	**22**	22
Cash and other assets	**4**	1
	100	100

The unfunded pension schemes have no assets to cover their defined benefit obligation.

Total pension deficit at 31 March

Group	2019 £m	2018 £m
Fair value of scheme assets	**11,001.3**	10,379.7
Actuarial valuation of defined benefit obligation	**(16,371.9)**	(15,087.0)
Deficit recognised as a liability in the balance sheet	**(5,370.6)**	(4,707.3)

Group	2019 £m	2018 £m
TfL Pension Fund	**(5,189.4)**	(4,535.2)
Local Government Pension Fund	**(45.6)**	(48.2)
Crossrail Section of the Railways Pension Scheme	**(29.9)**	(26.1)
Unfunded schemes provision	**(105.7)**	(97.8)
Deficit recognised as a liability in the balance sheet	**(5,370.6)**	(4,707.3)

Corporation	2019 £m	2018 £m
Fair value of scheme assets	**10,927.0**	10,310.1
Actuarial valuation of defined benefit obligation	**(16,267.7)**	(14,991.3)
Deficit recognised as a liability in the balance sheet	**(5,340.7)**	(4,681.2)

Corporation	2019 £m	2018 £m
TfL Pension Fund	**(5,189.4)**	(4,535.2)
Local Government Pension Fund	**(45.6)**	(48.2)
Unfunded schemes provision	**(105.7)**	(97.8)
Deficit recognised as a liability in the balance sheet	**(5,340.7)**	(4,681.2)

Notes to the Financial Statements
33. Pensions (continued)

Analysis of amounts included in the Comprehensive Income and Expenditure Statement

Analysis of amounts charged to net cost of services

Year ended 31 March	Group 2019 £m	Group 2018 £m	Corporation 2019 £m	Corporation 2018 £m
Current service cost	551.6	572.1	547.5	566.6
Less contributions paid by subsidiaries	-	-	(239.7)	(259.6)
Past service cost	57.5	15.8	57.5	15.8
Total included in staff costs	609.1	587.9	365.3	322.8
Scheme expenses	12.1	11.9	12.0	11.8
Total amount charged to net cost of services	621.2	599.8	377.3	334.6

Amounts charged to financing and investment expenditure

Year ended 31 March	Group 2019 £m	Group 2018 £m	Corporation 2019 £m	Corporation 2018 £m
Net interest expense on scheme defined benefit obligation	113.4	138.0	112.8	137.2

Amount recognised in other comprehensive income and expenditure

Year ended 31 March	Group 2019 £m	Group 2018 £m	Corporation 2019 £m	Corporation 2018 £m
Net remeasurement losses/(gains) recognised in the year	336.7	(1,007.4)	335.7	(998.4)

Analysis of scheme defined benefit obligation into amounts arising from schemes that are wholly or partly funded and wholly unfunded

At 31 March	Group 2019 £m	Group 2018 £m	Corporation 2019 £m	Corporation 2018 £m
Wholly unfunded schemes	105.7	97.8	105.7	97.8
Wholly or partly funded schemes	16,266.2	14,989.2	16,162.0	14,893.5
Total scheme defined benefit obligation	16,371.9	15,087.0	16,267.7	14,991.3

Reconciliation of defined benefit obligation

	Group 2019 £m	Group 2018 £m	Corporation 2019 £m	Corporation 2018 £m
Actuarial value of defined benefit obligation at 1 April	15,087.0	15,267.5	14,991.3	15,170.6
Current service cost	551.6	572.1	547.5	566.6
Interest cost	373.3	400.6	371.1	398.0
Employee contributions	53.8	53.7	53.3	52.9
Remeasurement losses/(gains) on scheme liabilities:				
Net remeasurement - financial	733.9	(187.3)	729.1	(183.4)
Net remeasurement - experience	266.5	(396.6)	266.5	(393.1)
Net remeasurement - demographic	(366.8)	(286.0)	(365.0)	(284.6)
Actual benefit payments	(384.9)	(352.8)	(383.6)	(351.5)
Past service cost	57.5	15.8	57.5	15.8
Actuarial value of defined benefit obligation at 31 March	16,371.9	15,087.0	16,267.7	14,991.3

Reconciliation of fair value of the scheme assets

	Group 2019 £m	Group 2018 £m	Corporation 2019 £m	Corporation 2018 £m
Fair value of assets at 1 April	10,379.7	9,904.0	10,310.1	9,839.1
Expected return on assets net of expenses	259.9	262.6	258.3	260.8
Scheme expenses	(12.1)	(11.9)	(12.0)	(11.8)
Return on assets excluding interest income	296.9	137.6	294.9	137.3
Actual employer contributions	402.8	379.8	161.1	116.9
Contributions paid by subsidiaries	-	-	239.7	259.6
Employee contributions	53.8	53.7	53.3	53.0
Actual benefits paid	(379.7)	(346.1)	(378.4)	(344.8)
Fair value of assets at 31 March	11,001.3	10,379.7	10,927.0	10,310.1

Notes to the Financial Statements
33. Pensions (continued)

The expected return on scheme assets is set equal to the discount rate. The actual return on scheme assets in the year was a gain of £556.8m (2017/18 a gain of £400.3m).

Total contributions of £298.9m are expected to be made to the schemes in the year ending 31 March 2020.

d) Other pension arrangements

Principal Civil Service Pension Scheme and Alpha – Civil Servants and Others Pension Scheme
The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme. From 1 April 2015 most PCSPS members switched to the new Civil Servants and Others Pension Scheme, (also known as Alpha). The Group is unable to identify its share of the underlying assets and defined benefit obligations of these schemes on a consistent and reasonable basis and, as permitted by the multi-employer exemption in IAS 19, the Group treats contributions to the PCSPS and Alpha as if they were contributions to a defined contribution plan. A full actuarial valuation was last carried out at 31 March 2012. The actuarial valuation as at 31 March 2016 is still under way. Details can be found in the Civil Service Superannuation Resource Accounts (www.civilservicepensionscheme.org.uk/).

During 2018/19 and 2017/18 employers' contributions represented an average of 21.1 per cent of pensionable pay. Employer contributions are reviewed every four years. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Docklands Light Railway Pension Scheme
The Docklands Light Railway Pension Scheme (DLR) is a defined benefit scheme established under trust in the UK that provides both pensions in retirement and death benefits to members. The Trustees are responsible for the operation and governance of the DLR Scheme, including making decisions regarding funding and investment strategy in conjunction with Docklands Light Railway Limited (DLR), a subsidiary of the TfL Group, as the Principal Employer of the Scheme.

Actuarial valuations are carried out every three years with the last available valuation being carried out at 31 March 2015. The actuarial valuation as at 1 April 2018 is still under way. The schedule of contributions agreed following the 31 March 2015 valuation remains in force until the new schedule of contributions is agreed between the Trustees and DLR.

Keolis Amey Docklands Limited (KAD) was awarded the franchise to operate the Docklands Light Railway from 7 December 2014 and is a Participating Employer in the DLR Scheme. Under the franchise agreement between DLR and KAD, KAD is required to pay 35.7 per cent of pensionable salaries into the DLR Scheme, the PPF levy and additional contributions if actual pensionable salary increases exceed RPI + 1.5 per cent per annum. The previous franchisee, Serco Limited, ceased paying contributions towards future benefit and accrual and expenses from 7 December 2014, and its final deficit reduction contribution to the DLR Scheme, of £8.25m, was received on 2 January 2018.

DLR, as the Principal Employer of the scheme, is responsible for meeting any further costs towards the cost of accruing benefits and removing the deficit, over and above contributions payable by KAD and Serco Limited, if necessary. Following the completion of the 2015 valuation, it was agreed that DLR will pay 12.8 per cent per annum of pensionable salaries towards future benefit accrual, plus additional contributions towards the deficit of £0.1m per annum until 1 April 2020. In addition, it was agreed that DLR will pay additional contributions if actual pensionable salary growth exceeds RPI + 0.75 percent per annum (up to RPI + 1.5 per cent per annum). Under this clause DLR paid £695k in July 2017 in respect of salary growth in the year to 1 April 2016.

Over the year beginning 1 April 2019 the contributions payable to the DLR Scheme are expected to be around £5.9m from KAD and £2.2m from DLR based on the schedule of contributions currently in force. The actual amounts paid may differ from this if contributions are revised once the new schedule of contributions is agreed.

The discounted DLR Scheme liabilities have a duration of approximately 25 years.

A valuation of the DLR Scheme has been prepared for accounting purposes by XPS Pensions Group on an IAS 19 basis at 31 March 2019. This valuation showed a defined benefit obligation as at 31 March 2019 of £32.1m (2018 £31.9m). The scheme's funding arrangements outlined above, however, mean that DLR is currently unable to identify its share of this obligation on a consistent and reasonable basis. The Group has therefore taken the exemption permitted under IAS 19 for multi-employer schemes and treats contributions to the DLR Scheme as if they were contributions to a defined contribution plan. No defined benefit obligation has been recognised in the balance sheet in respect of this scheme.

Contributions totalling £3.0m were paid by DLR in 2018/19, with an additional £6.6m being paid by KAD (2017/18 £2.8m paid by DLR, £7.3m by KAD and £8.25m by Serco).

Defined contribution schemes
The Group contributes to a number of defined contribution schemes, with total contributions, including contributions to the DLR, PCSPS and Alpha schemes as outlined in the paragraphs above, amounting to £3.9m (2017/18 £6.5m).

Notes to the Financial Statements
34. Cash flow notes

a) Adjustments to net surplus/deficit for non-cash movements

	Group 2019 £m	Group 2018 £m	Corporation 2019 £m	Corporation 2018 £m
Depreciation of property, plant and equipment and amortisation of intangibles	**1,064.4**	1,110.1	**156.6**	169.7
Loss on disposal of property, plant and equipment and intangibles	**32.5**	47.3	**7.2**	1.8
Net gain on sale of investment properties	**(131.5)**	(19.0)	**(96.5)**	(15.8)
Movements in the value of investment properties	**(4.9)**	(41.7)	**(1.5)**	(0.6)
Reversal of unrealised net losses on retranslation of foreign currency investments	**0.1**	0.8	**0.1**	0.8
Reversal of fair value movements on derivatives not in hedging relationships for accounting purposes	**0.3**	(0.9)	**-**	-
Financing income	**(12.4)**	(8.4)	**(372.0)**	(340.1)
Financing expense	**475.3**	486.7	**522.8**	515.6
Capital grants received	**(1,184.6)**	(1,128.5)	**(1,076.7)**	(1,091.8)
Capital grants paid to subsidiaries	**-**	-	**277.8**	560.2
Reversal of share of losses from associated undertakings	**94.5**	62.7	**-**	-
Reversal of defined benefit pension service costs	**621.2**	599.8	**377.3**	334.6
Reversal of taxation credit	**(2.0)**	(3.5)	**-**	-
Adjustments to net surplus/deficit for non-cash movements before movements in working capital	**952.9**	1,105.4	**(204.9)**	134.4
Increase/(decrease) in creditors	**84.1**	13.2	**(97.1)**	(5.9)
(Increase)/decrease in debtors	**(195.3)**	(5.8)	**279.9**	(65.2)
Decrease in inventories	**3.2**	7.5	**-**	0.8
(Decrease)/increase in provisions	**(26.8)**	198.7	**(9.2)**	21.0
Adjustments to net surplus/deficit for non-cash movements after movements in working capital	**818.1**	1,319.0	**(31.3)**	85.1
Net cash payments for employers' contributions to defined benefit pension funds and direct payments to pensioners	**(408.0)**	(386.5)	**(166.3)**	(123.7)
Taxation received	**2.0**	3.5	**-**	-
Total adjustments to net surplus/deficit for non-cash movements	**412.1**	936.0	**(197.6)**	(38.6)

b) Investing activities

Year ended 31 March	Group 2019 £m	Group 2018 £m	Corporation 2019 £m	Corporation 2018 £m
Interest and other investment income received	**12.6**	7.4	**372.4**	339.8
Capital grants received	**1,139.2**	1,061.9	**1,036.9**	1,029.4
Capital grants paid to subsidiaries	**-**	-	**(277.8)**	(560.2)
Purchase of property, plant and equipment and investment property	**(3,525.9)**	(3,400.6)	**(293.1)**	(269.8)
Purchase of intangible assets	**(38.0)**	(24.7)	**(29.6)**	(16.5)
Proceeds from the sale of property, plant and equipment and intangible assets	**796.3**	30.0	**-**	-
Net sales of other investments	**476.4**	331.6	**466.8**	344.3
Repayment of interim funding to third parties in respect of the Crossrail project	**-**	1,268.2	**-**	-
Issue of loans to subsidiaries	**-**	-	**(917.4)**	(618.7)
Repayments of loans to subsidiaries	**-**	-	**454.1**	-
Finance leases granted in year	**(35.6)**	(20.6)	**-**	-
Finance leases repaid in year	**9.0**	-	**-**	-
Proceeds from sale of investment property	**231.3**	25.4	**87.6**	17.8
Investment in equity loan notes of associated undertakings	**(9.0)**	(1.4)	**-**	-
Investment in share capital of associated undertakings	**-**	(12.1)	**-**	-
Investment in share capital of subsidiaries	**-**	(1.4)	**(1,560.0)**	(200.0)
Shareholder loan repaid on acquisition of subsidiary	**-**	(12.6)	**-**	-
Net cash flows from investing activities	**(943.7)**	(748.9)	**(660.1)**	66.1

Notes to the Financial Statements
34. Cash flow notes (continued)

c) Financing activities

Year ended 31 March	Group 2019 £m	Group 2018 £m	Corporation 2019 £m	Corporation 2018 £m
Cash payments for reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI arrangements	**(69.6)**	(76.8)	**(10.8)**	(11.4)
Cash payments for reduction of other financing liabilities	**(8.8)**	-	**-**	-
Net proceeds from new borrowing	**924.2**	961.3	**924.2**	961.3
Repayments of borrowings	**(196.7)**	(342.8)	**(196.7)**	(342.8)
Purchase of derivative option	**(4.7)**	-	**-**	-
Interest paid	**(345.8)**	(249.8)	**(402.8)**	(286.7)
Net cash flows from financing activities	**298.6**	291.9	**313.9**	320.4

35. Acquisitions

Development Securities (Southwark) Limited

On 21 March 2018, the acquisition of Development Securities (Southwark) Limited (DSSL) was completed, with 100 per cent of the shares acquired for a cash consideration of £1.4m.

DSSL owns land interests adjacent to Southwark Station including four residential flats in Styles House, one residential unit in the 'Chalet' building fronting The Cut and Algarve House (rebranded as the 'Platform' building). The TfL Group purchased DSSL for the purpose of further developing this land together with land surrounding Southwark Station that was already owned by TfL. The development is subject to conclusion of a land swap agreement with London Borough of Southwark in order to create a uniform plot for a viable development site.

As part of the sale and purchase agreement, the Group was required to repay loans amounting to £12.6m which were advanced by the seller to DSSL.

In accordance with IFRS 3, adjustments have been made to identifiable assets and liabilities on acquisition to reflect their fair value. As a result, the property in DSSL was reflected at a Group level at £11.5m, resulting in a downwards fair value adjustment of £0.5m. All other assets and liabilities were found to be reflective of their fair values. As part of the exercise, management reviewed DSSL's activities and concluded that there were no intangible assets to be recognised in the fair valued acquisition balance sheet.

The fair value of the net liabilities acquired was £1.2m, which resulted in goodwill of £2.6m. This premium is reflective of the potential to unlock the additional value as a result of the land swap agreement.

Since acquisition by the Group, DSSL has been renamed TTL Southwark Properties Limited.

Notes to the Financial Statements

35. Acquisitions (continued)

The assets and liabilities acquired are set out below:

	20 March 2018 Book value £m	20 March 2018 Fair value adjustments £m	20 March 2018 Fair value total £m
Investment property	12.0	(0.5)	11.5
Trade and other payables	(12.7)	-	(12.7)
Net liabilities acquired	(0.7)	(0.5)	(1.2)
Cash consideration			(1.4)
Total consideration			(1.4)
Goodwill			2.6

Reconciliation to Group Statement of Cash Flows	Note	Group 2018 £m
Cash consideration paid for acquisition for DSSL		(1.4)
Total payments to acquire subsidiaries per Group Statement of Cash Flows	34 b	(1.4)

In accordance with the purchase agreement, the shareholder loan was repaid immediately after acquisition. There were no post-acquisition transactions impacting the Group's consolidated profits.

36. Unusable reserves

At 31 March	**2019 £m**	2018 £m
Group		
Capital adjustment account	**26,481.8**	25,812.6
Pension reserve	**(5,340.7)**	(4,681.2)
Accumulated absences reserve	**(10.2)**	(7.5)
Retained earnings reserve in subsidiaries	**1,550.0**	1,066.1
Revaluation reserve	**345.1**	302.7
Hedging reserve	**(105.5)**	(115.4)
Cost of hedging reserve	**(0.7)**	-
Financial instruments adjustment account	**(159.3)**	(171.0)
Merger reserve	**466.1**	466.1
	23,226.6	22,672.4

At 31 March	**2019 £m**	2018 £m
Corporation		
Capital adjustment account	**13,857.9**	12,434.6
Pension reserve	**(5,340.7)**	(4,681.2)
Accumulated absences reserve	**(10.2)**	(7.5)
Revaluation reserve	**19.8**	-
Financial instruments adjustment account	**(159.3)**	(171.0)
	8,367.5	7,574.9

Notes to the Financial Statements
36. Unusable reserves (continued)

Capital adjustment account

The capital adjustment account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by TfL as finance for the costs of acquisition, construction and enhancement. The account also contains accumulated gains and losses on investment properties.

	Note	**Group 2019 £m**	Group 2018 £m	**Corporation 2019 £m**	Corporation 2018 £m
Balance at 1 April		**25,812.6**	25,617.4	**12,434.6**	12,081.0
Charges for depreciation and impairment of non-current assets		**(156.6)**	(169.7)	**(156.6)**	(169.7)
Gain on disposal of investment properties		**96.5**	15.8	**96.5**	15.8
Movements in the market value of investment properties		**1.5**	0.6	**1.5**	0.6
Capital grants and contributions	9	**1,856.1**	1,086.9	**1,470.4**	490.0
Minimum revenue provision		**18.7**	18.7	**18.7**	18.7
Loss on disposal of property, plant and equipment		**(7.2)**	(1.8)	**(7.2)**	(1.8)
Adjustments between Group and Corporation financial statements	*	**(1,139.8)**	(755.3)	**-**	-
Balance at 31 March		**26,481.8**	25,812.6	**13,857.9**	12,434.6

* The adjustment between the Group financial statements and the Corporation financial statements arises due to an alignment of the accounting policies between the Group and its subsidiaries. Under the Code, capital grants are recognised in the Comprehensive Income and Expenditure Statement and are then transferred to the Capital Adjustment Account (CAA) when utilised. No amortisation of grants or disposal of grants is recognised in the Comprehensive Income and Expenditure Statement. TfL's subsidiary companies account under full EU-adopted IFRS (rather than the Code) and are required to recognise deferred capital grants on the balance sheet and recognise grant amortisation in arriving at their retained earnings. An accounting policy alignment is performed on consolidation to recognise the grant receipts in the Comprehensive Income and Expenditure Statement (from where they are then transferred to the CAA). Equally, the amortisation and grant disposals are removed from the Comprehensive Income and Expenditure Statement and are shown in the CAA so that the total CAA adjustment is equal to the deferred capital grant carried in the subsidiaries' books.

Pension reserve

The pension reserve represents pension and other post-retirement defined benefit obligations shown on the balance sheet, excluding those reflected on the balance sheets of the subsidiary companies. The pension reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Group and Corporation account for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the defined benefit obligations recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Group and Corporation make employer's contributions to pension funds or eventually pay any pensions for which they are directly responsible. The debit balance on the pension reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources that have been set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	Group 2019 £m	Group 2018 £m	**Corporation 2019 £m**	Corporation 2018 £m
Balance at 1 April	**(4,681.2)**	(5,331.5)	**(4,681.2)**	(5,331.5)
Net remeasurement (losses)/gains on pension assets and defined benefit obligations	**(335.7)**	998.4	**(335.7)**	998.4
Reversal of charges relating to retirement benefits	**(729.8)**	(737.8)	**(490.1)**	(471.8)
Employer's pension contributions, contributions from subsidiaries and direct payments to pensioners payable in the year	**406.0**	389.7	**166.3**	123.7
Balance at 31 March	**(5,340.7)**	(4,681.2)	**(5,340.7)**	(4,681.2)

Notes to the Financial Statements
36. Unusable reserves (continued)

Accumulated absences reserve

The accumulated absences reserve absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the reserve.

	Group 2019 £m	Group 2018 £m	**Corporation 2019 £m**	Corporation 2018 £m
Balance at 1 April	**(7.5)**	(7.3)	**(7.5)**	(7.3)
Settlement or cancellation of accrual made at the end of the preceding year	**7.5**	7.3	**7.5**	7.3
Amounts accrued at the end of the current year	**(10.2)**	(7.5)	**(10.2)**	(7.5)
Balance at 31 March	**(10.2)**	(7.5)	**(10.2)**	(7.5)

Retained earnings reserve in subsidiaries

The retained earnings reserve in subsidiaries represents the retained earnings in the Group's subsidiary companies. These are disclosed as unusable reserves as unless and until they are paid up in dividends to the Corporation, they are not available to fund the expenditure of the Corporation.

	Group 2019 £m	Group 2018 £m
Balance at 1 April	**1,066.1**	1,009.3
Deficit on the provision of services after tax	**(286.7)**	(122.4)
Transfer of capital grants and contributions to the Capital Adjustment Account	**(385.7)**	(596.9)
Transfer of adjustments between Group and Corporation financial statements to the Capital Adjustment Account	**1,139.8**	755.3
Remeasurement (losses)/gains on defined benefit pension plan assets and liabilities	**(1.0)**	9.0
Release of revaluation reserve relating to the difference between historic cost of disposal and fair value cost of disposal	**17.5**	11.8
Balance at 31 March	**1,550.0**	1,066.1

Revaluation reserve

The revaluation reserve contains the accumulated gains made arising from increases in the value of property, plant and equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation
- Disposed of and the gains are transferred to retained earnings

	Note	**Group 2019 £m**	Group 2018 £m	**Corporation 2019 £m**	Corporation 2018 £m
Balance at 1 April		**302.7**	294.2	**-**	-
Revaluation of assets	12	**59.9**	20.3	**19.8**	-
Release of revaluation reserve relating to the difference between fair value depreciation and historic cost depreciation		**(17.5)**	(11.8)	**-**	-
Balance at 31 March		**345.1**	302.7	**19.8**	-

Notes to the Financial Statements
36. Unusable reserves (continued)

Hedging reserve

The hedging reserve holds the gain or loss on a hedging instrument that is determined to be an effective hedge. The ineffective portion, if any, is recognised immediately through the Comprehensive Income and Expenditure Statement. The gain or loss deferred in reserves is recognised in the Comprehensive Income and Expenditure Statement in the period(s) during which the hedged forecast transaction affects profit or loss.

	Group 2019 £m	Group 2018 £m
Balance at 1 April	**(115.4)**	(139.1)
Net change in fair value of cash flow interest rate hedges	**2.6**	30.3
Net change in fair value of cash flow foreign exchange hedges	**(1.3)**	(14.8)
Recycling of interest rate fair value losses to profit and loss	**8.6**	8.2
Balance at 31 March	**(105.5)**	(115.4)

The Corporation does not have a hedging reserve as it has not entered into any derivative transactions, nor does it have legal powers to do so.

Cost of hedging reserve

The cost of hedging reserve holds the gain or loss on a hedging instrument arising from changes in the fair value of the time value of an option when the intrinsic value of the option has been designated in an effective hedging relationship. The gain or loss deferred in reserves is recognised in the Comprehensive Income and Expenditure Statement in the period(s) when the hedged forecast transaction affects profit or loss. The ineffective portion, if any, is recognised immediately through the Comprehensive Income and Expenditure Statement.

	Group 2019 £m	Group 2018 £m
Balance at 1 April	**-**	-
Net change in fair value of cash flow foreign exchange hedges	**(0.7)**	-
Balance at 31 March	**(0.7)**	-

The Corporation does not have a cost of hedging reserve as it has not entered into any derivative transactions, nor does it have legal powers to do so.

Financial instruments adjustment account

The financial instruments adjustment account provides a balancing mechanism between the different rates at which gains and losses (such as premium on the early repayment of debt) are recognised under the Code and are required by statute to be met from the General Fund.

	Group 2019 £m	Group 2018 £m	**Corporation 2019 £m**	Corporation 2018 £m
Balance at 1 April	**(171.0)**	(182.8)	**(171.0)**	(182.8)
Release of premium	**11.7**	11.8	**11.7**	11.8
Balance at 31 March	**(159.3)**	(171.0)	**(159.3)**	(171.0)

Merger reserve

The merger reserve of £466.1m arose as a result of the transfer of the net assets of London Regional Transport, including the share capital of London Underground Limited (LU), to TfL in 2003. It represents the share capital of LU and was taken as a credit to the merger reserve. The Group has taken advantage of the exemption in IFRS 1 not to restate business combinations occurring prior to the transition date of 1 April 2009.

	Group 2019 £m	Group 2018 £m	**Corporation 2019 £m**	Corporation 2018 £m
Balance at 1 April and 31 March	**466.1**	466.1	**-**	-

Notes to the Financial Statements
37. Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement recognised by the Corporation in the year in accordance with proper accounting practice in order to determine the resources that are specified by statutory provisions as being available to the Corporation to meet future capital and revenue expenditure. The General Fund reserve represents monies available to finance the day to day activities of TfL.

Notes to the Financial Statements
37. Adjustments between accounting basis and funding basis under regulations (continued)

Corporation

Year ended 31 March 2019	Note	General fund £m	Capital adjustment account £m	Pension reserve £m	Street works reserve £m	Financial instruments adjustment account £m	Accumulated absences reserve £m
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement							
Charges for depreciation, amortisation and impairment of non-current assets	3	156.6	(156.6)	-	-	-	-
Net gain on disposal of investment properties	7	(96.5)	96.5	-	-	-	-
Movements in the market value of investment properties	7	(1.5)	1.5	-	-	-	-
Capital grants and contributions	9	(1,470.4)	1,470.4	-	-	-	-
Unapplied capital grants	9	671.5	-	-	-	-	-
Loss on disposal of non-current assets	6	7.2	(7.2)	-	-	-	-
Reversal of items relating to retirement benefits		490.1	-	(490.1)	-	-	-
Transfers to/from street works reserve		(1.1)	-	-	1.1	-	-
Difference between the remuneration charged on an accruals basis and the remuneration chargeable in accordance with statutory requirements		2.7	-	-	-	-	(2.7)
Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement which are required to be charged in accordance with statutory requirements							
Employer's pension contributions and direct payments to pensioners payable in the year		(166.3)	-	166.3	-	-	-
Minimum Revenue provision	39	(18.7)	18.7	-	-	-	-
Amortisation of premium on financing		(11.7)	-	-	-	11.7	-
		(438.1)	1,423.3	(323.8)	1.1	11.7	(2.7)

Notes to the Financial Statements
37. Adjustments between accounting basis and funding basis under regulations (continued)

Corporation

Year ended 31 March 2018	Note	General fund £m	Capital adjustment account £m	Pension reserve £m	Street works reserve £m	Financial instruments adjustment account £m	Accumulated absences reserve £m
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement							
Charges for depreciation, amortisation and impairment of non-current assets	3	169.7	(169.7)	-	-	-	-
Net gain on disposal of investment properties	7	(15.8)	15.8	-	-	-	-
Movements in the market value of investment properties	7	(0.6)	0.6	-	-	-	-
Capital grants and contributions	9	(490.0)	490.0	-	-	-	-
Unapplied capital grants	9	(41.6)	-	-	-	-	-
Loss on disposal of non-current assets	6	1.8	(1.8)	-	-	-	-
Reversal of items relating to retirement benefits		471.8	-	(471.8)	-	-	-
Transfers to/from street works reserve		(1.4)	-	-	1.4	-	-
Difference between the remuneration charged on an accruals basis and the remuneration chargeable in accordance with statutory requirements		0.2	-	-	-	-	(0.2)
Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement which are required to be charged in accordance with statutory requirements							
Employer's pension contributions and direct payments to pensioners payable in the year		(123.7)	-	123.7	-	-	-
Minimum Revenue provision	39	(18.7)	18.7	-	-	-	-
Amortisation of premium on financing		(11.8)	-	-	-	11.8	-
		(60.1)	353.6	(348.1)	1.4	11.8	(0.2)

Notes to the Financial Statements

38. Sources of finance

Capital expenditure analysed by source of finance:

Year ended 31 March	Note	Corporation 2019 £m	Corporation 2018 £m
Capital expenditure			
Intangible asset additions	11	**29.6**	16.5
Property, plant and equipment additions	12	**239.6**	246.1
Investment property	13	**52.3**	-
Investments in year	14	**1,560.0**	200.0
Loans made to subsidiaries in year for capital purposes		**917.4**	618.7
Capital grants allocated to subsidiaries in year	9	**277.8**	560.2
Total capital expenditure		**3,076.7**	1,641.5
Sources of finance			
Business Rates Retention used to fund capital	9	**219.1**	777.8
Community Infrastructure Levy used to fund capital	9	**117.1**	100.4
Other third party contributions	9	**225.5**	213.6
Crossrail specific grant	9	**515.0**	-
Adjusted by amounts transferred from/(to) Capital Grants Unapplied Account	9	**671.5**	(41.6)
Prudential borrowing		**727.5**	618.7
Repayment of loans to subsidiaries		**454.1**	-
Capital receipts		**150.9**	0.9
Transfer from street works reserve		**1.1**	1.4
Net repayment of finance leases		**(10.8)**	(11.4)
Working capital		**5.7**	(18.3)
Total sources of finance		**3,076.7**	1,641.5

39. Minimum revenue provision

The Local Government and Housing Act 1989 requires a Minimum Revenue Provision (MRP) to be set aside for the redemption of external debt. As a statutory corporation regulated as if it were a local authority, TfL is required to comply with the Local Authorities Capital Finance Regulations. New regulations were approved by the Secretary of State in February 2008. TfL is required to approve an Annual MRP Statement determining the amount of MRP which it considers to be prudent.

The Ministry of Housing, Communities and Local Government issued guidance setting out four possible methods which are deemed automatically prudent, but also states that 'approaches differing from those exemplified should not be ruled out… the broad aim of prudent provision is to ensure that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.'

While statutory guidance suggests four potential methods for calculating MRP it also allows for other methods and approaches to be used. Since 2016/17 TfL has applied the principles inherent in the statutory guidance on MRP, to make an annual provision in TfL (the Corporation), that aims to build up a reserve on the Balance Sheet over the average useful economic life of the assets funded by borrowings in the Corporation, such that, at the end of that useful economic life, that reserve may be employed to either repay borrowings or to finance replacement capex for those assets that have reached the end of their lives. An MRP is effectively already made for borrowings passed down to the subsidiaries through TfL's existing processes for funding those entities. The MRP provision for 2018/19, shown as a transfer from the General Fund to the Capital Adjustment Account in the Group and Corporation Movement in Reserves Statements, was a total of £18.7m (2017/18 £18.7m).

Notes to the Financial Statements

40. Financial assistance

TfL may give financial assistance to any body or person in respect of expenditure incurred or to be incurred by that body or person in doing anything which, in the opinion of TfL, is conducive to the provision of safe, integrated, efficient and economic transport facilities or services to, from or within Greater London, and also to London Transport Museum Limited.

Financial assistance given under section 159 of the GLA Act 1999 is outlined below:

Year ended 31 March	Corporation 2019 £m	Corporation 2018 £m
Financial assistance to subsidiaries		
Transport Trading Limited	**291.6**	54.5
London Underground Limited	**499.0**	858.0
London Bus Services Limited	**596.1**	682.9
Docklands Light Railway Limited	**43.1**	38.0
Rail for London Limited	**327.8**	327.9
London River Services Limited	**20.5**	17.3
Tramtrack Croydon Limited	**29.7**	28.7
London Transport Museum Limited	**3.1**	4.0
Crossrail Limited	**5.5**	6.9
Rail for London (Infrastructure) Limited	**12.9**	-
London Buses Limited	**5.9**	-
	1,835.2	2,018.2

Year ended 31 March	Note	Corporation 2019 £m	Corporation 2018 £m
Financial assistance to London Boroughs and other third parties			
Local Implementation Plan		**102.6**	112.0
Crossrail Complementary Measures		**3.4**	6.4
Taxicard		**10.1**	10.3
Safety schemes		**-**	0.1
Cycling		**33.2**	30.0
Bus stop accessibility		**-**	0.4
Other		**12.6**	24.2
Total financial assistance to London Boroughs and other third parties	3	**161.9**	183.4

41. Related parties

TfL is required by the Code and IAS 24 Related Party Disclosures (IAS 24) to disclose material transactions with related parties. Related parties are entities or individuals who have the potential to control, indirectly control or significantly influence TfL or to be controlled, indirectly controlled or significantly influenced by TfL.

TfL is a statutory corporation established by section 154 of the GLA Act 1999. It is a functional body of the GLA and is controlled by the Mayor of London. TfL is classified as a government entity in accordance with IAS 24, as it is controlled by the GLA, through the Mayor. The GLA and its other functional bodies are considered to be related parties of TfL and its subsidiaries, as they are all under the control of the Mayor. Other related parties include TfL's Board Members, members of the TfL Executive Committee (including Managing Directors, the Commissioner, the Chief Finance Officer and General Counsel), the Mayor of London and the TfL Pension Fund. In addition, central Government has the potential to influence TfL by providing the statutory framework within which TfL operates and through the provision of funding in the form of grants and borrowing facilities.

Disclosure of related party transactions allows readers to assess the extent to which the Corporation might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with it.

GLA and functional bodies

Details of amounts received from the Business Rates Retention, Crossrail grants and the Council Tax precept paid to TfL by the GLA are shown in note 9.

During 2018/19 TfL had the following other transactions with the GLA and functional bodies:

	Total income during the year £m	Total expenditure during the year £m	Outstanding balance at 31 March 2019 £m
GLA	**7.3**	**(2.9)**	**3.7**
Mayor's Office for Policing and Crime (MOPC) (formerly Metropolitan Police Authority)	**0.4**	**-**	**0.1**
London Legacy Development Corporation (LLDC)	**1.1**	**-**	**0.3**
London Fire Commissioner	**0.4**	**-**	**-**

Notes to the Financial Statements
41. Related parties (continued)

Board Members and Officers

Board Members, the Mayor of London, and key management (including the Commissioner and the TfL Executive Committee), are required to complete a declaration regarding any related party transactions. During the year, none of the Corporation Board, key management personnel or parties related to them have undertaken any material transactions with the Corporation or its subsidiaries (2017/18 none). Details of the remuneration of the Commissioner and all employees earning a base salary in excess of £150,000 are disclosed in the Remuneration Report (see note 5).

TfL Pension Fund

The Accounts of the TfL Pension Fund are prepared separately and are subject to a separate audit opinion. Contributions payable to the TfL Pension Fund by TfL as employer are disclosed in note 33.

Central Government

The DfT sets the permitted levels of borrowing for TfL through the spending review process. The most recent funding agreement was dated 27 March 2017 and covered permitted levels of borrowing for the period up to 31 March 2021. In addition to the borrowings set out in this agreement, the DfT made a grant of £150m towards the funding of the Crossrail project in July 2018. In December 2018 the Mayor of London and the Government agreed a further financial package to cover Crossrail overruns. The GLA will borrow up to £1.3bn from the DfT. The GLA will repay this loan from the existing Business Rate Supplement (BRS) and Mayoral Community Infrastructure Levy (MCIL). The GLA will also provide a £100m cash contribution, taking its total contribution to £1.4bn which it will provide as a grant to TfL for the Crossrail project.

Because the final costs of the Crossrail project are yet to be confirmed, a contingency arrangement has also been agreed between TfL and the Government. This takes the form of a loan facility from the DfT of up to £750m, should the higher end of the estimate be realised.

Other public bodies

TfL provides financial assistance to London Boroughs to support Borough schemes that improve the local travelling environment. Financial assistance provided is disclosed in note 40.

TfL receives income from the London Boroughs for the provision of free travel for older and disabled customers, and students. This income is set out in note 1.

TfL has borrowings outstanding from the PWLB, and pays interest to PWLB in respect of those borrowings.

TfL makes payments to the British Transport Police for the provision of policing services on the Underground and Overground railways.

TfL makes payments to the Metropolitan Police Service for policing services provided by the Safer Transport Command.

Transactions between the Corporation and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Notes to the Financial Statements
42. Trust funds

The Corporation acts as the sole trustee for the TfL Healthcare Trust, a trust established in 2012 for the purpose of providing certain benefits relating to medical treatment for eligible employees of the Group and their family members. The Trust is administered by AXA PPP Healthcare Administration Services Limited, an independent third party. Under the terms of the Trust deed the funds held by the Trust do not represent the assets of the Corporation or its subsidiaries. Hence the Trust has not been consolidated into these financial statements.

	Income £m	Expenditure £m	Assets £m	Liabilities £m
At 31 March 2019				
TfL Healthcare Trust	**4.9**	**(3.9)**	**3.1**	**(0.1)**
At 31 March 2018				
TfL Healthcare Trust	6.5	(4.9)	2.0	(0.1)

43. Events after the balance sheet date

There have been no events occurring after the reporting date that would have a material impact on these financial statements.

Annual Governance Statement

Scope of Responsibility

Transport for London (TfL) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. TfL also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, TfL is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Under section 127 of the Greater London Authority Act 1999, an individual must be qualified and given personal responsibility by appointment of TfL to 'make arrangements for the proper administration of financial affairs'. This role is performed by TfL's Group Financial Controller, who reports to TfL's Chief Finance Officer (CFO). The CFO oversees TfL's broader financial management responsibilities and is a member of the Executive Committee. TfL's financial management arrangements conform with the governance requirements of the Chartered Institute of Public Finance and Accountancy Statement on the Role of the Chief Financial Officer in Local Government (2010), except that the statutory CFO post holder is not a member of the Executive Committee but plays an active part in TfL strategic decision-making through:

- Involvement in all key decisions with a significant financial implication
- Involvement with Executive Committee: Performance meetings
- Management responsibilities for the production of the Business Plan and statutory accounts

The statutory CFO post holder is appointed and removed by the Board, reviews in advance of submission all papers relating to financial management for the Executive Committee, the TfL Board and its Committees, attends all Board meetings and has unrestricted access to the Commissioner.

As a functional body of the Greater London Authority (GLA), TfL is a signatory to a GLA Group Framework Agreement, which was updated in 2016. The Agreement is an overarching commitment in relation to the culture and individual behaviours of the GLA Group and contains specific corporate governance commitments. The Agreement is a commitment by all parties to be open, transparent and accountable for their actions and behaviour. It is a high-level document that sets common principles that apply across the Group, with the methods of implementation left to each Functional Body to determine. TfL has in place protocols and processes that address all of the requirements of the Agreement.

TfL has approved and adopted a Code of Governance, which is consistent with the principles of the CIPFA/Society of Local Authority Chief Executives Framework, Delivering Good Governance in Local Government.

A copy of the TfL Code of Governance (the Code) is available online at tfl.gov.uk or can be obtained from the Secretariat, 55 Broadway, London, SW1H 0BD. This statement explains how TfL has complied with the Code and also meets the requirements of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

The Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values by which TfL is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables TfL to monitor the achievement of its strategic objectives and the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk and provide reasonable, although not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of TfL's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at TfL since the year ended 31 March 2001. It remains in place at the date of approval of the 2018/19 Statement of Accounts.

The Governance Framework

The Mayor, who serves as its Chair, appoints the TfL Board members. The Board determines and agrees TfL's strategic direction and oversees the performance of the executive team.

The Board has four committees:

- Audit and Assurance
- Finance
- Programmes and Investment
- Remuneration

The Board has two panels, made up of Board members, which provide strategic advice to the Board on the development and execution of policy:

- Customer Service and Operational Performance
- Safety, Sustainability and Human Resources

The Audit and Assurance Committee has been delegated the responsibility for overseeing corporate governance in TfL. It has received reports on the implementation of the Code, this Annual Governance Statement and the results of the compliance review. It receives regular reports from the General Counsel, the Director of Risk and Assurance and the Head of Internal Audit and is responsible for the annual assurance process.

The Commissioner of TfL and the Executive Committee are responsible and accountable for the delivery of the day-to-day operations of TfL. The General Counsel has the overall responsibility for the operation of the Code and for ensuring that it is integral to the routine functioning of TfL. In addition, the Director of Risk and Assurance annually comments on the adequacy and effectiveness of the Code and the extent of TfL's compliance with it and compares TfL's governance arrangements with the UK Corporate Governance Code. TfL is compliant with the UK Corporate Governance Code where this is relevant, given TfL is a corporation rather than an entity with listed shares.

TfL is working to ensure that good governance is fully incorporated into the culture of the organisation and is applied consistently and transparently.

TfL identifies and communicates its vision of its purpose and intended outcomes for citizens and service users by:

- The Mayor developing and publishing a Transport Strategy reflecting national and local priorities
- The Budget and Business Plan reflecting the Transport Strategy and allocating resources accordingly
- Reviewing on a regular basis the implications of the Transport Strategy for its governance arrangements
- Ensuring that those making decisions are provided with information that is fit for purpose – relevant, timely and gives clear explanations of technical issues and their implications
- Conducting its business on an open basis, subject only to the requirements of appropriate levels of individual and commercial confidentiality and security

TfL measures the quality of services for users, ensures they are delivered in accordance with TfL's objectives and ensures that they represent the best use of resources by:

- Having in place sound systems for providing management information for performance measurement purposes
- Ensuring performance information is collected at appropriate intervals across all activities
- Having comprehensive and understandable performance plans in place
- Monitoring and reporting performance against agreed targets
- Maximising its resources and allocating them according to priorities
- Having in place effective arrangements to identify and deal with failure in service delivery
- Developing and maintaining an effective scrutiny function for its Investment Programme that encourages constructive challenge and enhances TfL's performance overall
- Publishing operational and financial performance data each quarter

TfL defines and documents the roles and responsibilities of the Board, Committees, Panels and employees with clear delegation arrangements and protocols by:

- Having a documented scheme of delegation that reserves appropriate responsibilities to the Board and provides employees with the authority to conduct routine business
- Having the roles and responsibilities of Board members and senior employees clearly documented

TfL has developed and communicates the requirements of the Code of Conduct, defining the standards of behaviour for Board members and employees by:

- Ensuring it is an organisation that has a climate of openness, support and respect
- Ensuring that standards of conduct and personal behaviour expected of Board members and employees, between Board members and employees and between TfL, its partners and the community are defined and communicated through codes of conduct and protocols
- Putting in place arrangements to ensure that Board members and employees of TfL are not influenced by prejudice, bias or conflicts of interest
- Ensuring that an effective process, which includes an effective Remuneration Committee, is in place to set the terms and conditions for remuneration of the Commissioner and senior employees
- Developing and maintaining shared values including leadership values for both the organisation and employees reflecting public expectations and communicating these to Board members, employees, the community and partners
- Putting in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitoring their continuing effectiveness in practice

- Setting targets for performance in the delivery of services to ensure equality for all
- Using its shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within TfL

TfL reviews and updates Standing Orders, standing financial instructions, its scheme of delegation and supporting procedures that clearly define how decisions are taken and the processes and controls required to manage risks by:

- Having a clear hierarchy of governance documentation whose components are regularly reviewed
- Maintaining robust systems for identifying and evaluating all significant risks
- Maintaining an effective risk management system
- Ensuring that risk management is embedded into its culture, with Board members and employees at all levels recognising that risk management is part of their jobs

TfL ensures that the core functions of the Audit and Assurance Committee are delivered by:

- Having an effective, independent Audit and Assurance Committee
- Having the Audit and Assurance Committee develop and maintain an effective oversight
- Having an internal audit department that complies with relevant professional standards and is regularly evaluated by external auditors
- Having an Integrated Assurance Plan that is driven by an annual evidenced assessment of the key business risks facing TfL
- Maintaining an Integrated Assurance Framework

TfL ensures compliance with relevant laws, internal policies and procedures, and that expenditure is lawful by:

- Ensuring that a senior member or employee, currently the General Counsel, is responsible for all activities being legally correct, fully documented, appropriately authorised and carried on in a planned manner
- Making a senior member or employee, currently the Group Financial Controller and Statutory CFO, responsible for ensuring that appropriate advice is given in all financial matters, for keeping proper financial records and accounts and for maintaining an effective system of internal financial control
- Maintaining proper records to ensure that the annual accounts show a true and fair view and that expenditure has been properly authorised and allocated in an appropriate manner
- Developing and maintaining open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based
- Putting in place arrangements to safeguard against conflicts of interest
- Ensuring that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately
- Actively recognising the limits of lawful activity placed on it but also striving to utilise its powers to the full benefit of the public
- Observing all legal requirements placed upon it and integrating the key principles of good public law – rationality, legality and natural justice – into its procedures and decision-making processes

TfL has made arrangements for whistle-blowing and for receiving and investigating complaints from the public by:

- Ensuring that effective, transparent and accessible arrangements are in place for making, receiving and dealing with complaints
- Ensuring that arrangements are in place for whistleblowing to which employees and all those contracting with TfL have access including external independent reporting lines

TfL identifies the development needs of Board members and employees in relation to their strategic roles, supported by appropriate training by:

- Ensuring that its Board members and employees are provided with the necessary information to perform their roles
- Ensuring that its employees are competent to perform their roles
- Ensuring that the Statutory CFO has the skills, resources and support necessary to perform effectively in this role and that this role is properly understood throughout TfL
- Assessing the knowledge and skills required by Board members and employees and committing to develop those where necessary to enable roles to be carried out effectively

- Commissioning regular external reviews of Board effectiveness
- Developing skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed

TfL establishes clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation by:

- Having in place proper arrangements designed to encourage individuals and groups from all sections of the community to engage with, contribute to, and participate in the work of TfL
- Making clear to employees and the public what it is accountable for and to whom
- Publishing, publicising and making generally available an annual report as soon as practicable after the end of the financial year
- The annual report presenting an objective and understandable account of its activities and achievements and its financial position and performance
- Cooperating with appropriate organisations to ensure there is independent scrutiny of its financial and operational reporting processes
- Having a clear policy on the types of issues it will consult on or engage with the public and service users about, including a feedback mechanism for those consultees to demonstrate what has changed as a result

TfL incorporates good governance arrangements in respect of partnerships and other group working by:

- Fostering effective delivery relationships and partnerships with other public sector agencies, the private and voluntary sectors
- Establishing appropriate arrangements to engage with all sections of the public effectively
- Establishing appropriate arrangements to engage with interest groups such as financial institutions, businesses and voluntary groups to ensure they are able to interact with TfL on matters of mutual interest

Review of Effectiveness

TfL has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior employees within TfL who have responsibility for the development and maintenance of the governance framework, the Risk and Assurance Annual Report and also by comments made by the external auditors and other review agencies and inspectorates.

TfL's General Counsel has the responsibility for overseeing the implementation and monitoring the operation of the Code and reporting annually to the Audit and Assurance Committee on compliance with the Code and any changes that may be necessary to maintain it and ensure its effectiveness in practice.

In addition, the Head of Internal Audit annually comments on the adequacy and effectiveness of the overall framework of TfL's governance, risk management and internal control; this is provided as an Internal Audit Opinion in the Risk and Assurance Annual Report submitted to the Audit and Assurance Committee.

TfL's Audit and Assurance Committee has considered the review of the effectiveness of the governance framework and a plan to ensure continuous improvement is in place.

Significant Governance Matters

During the year 2018/19, there were changes to the Board. Heidi Alexander was appointed as the new Deputy Chair, with the previous appointee, Val Shawcross CBE, remaining on the Board until 30 April 2019. Two members left the Board at the end of their term of appointment and Mark Phillips was appointed to the Board to further strengthen the Board's knowledge and expertise. The changes maintained the positive gender and BAME representation on the Board.

TfL responded to the announcement by Crossrail Ltd (CRL) that the delivery of the project (and its transition to TfL) would be delayed. In addition to increased funding for the project, TfL has strengthened its oversight and the reporting of project progress. TfL has also been responding to recommendations from the independent review of CRL's governance and other reviews.

TfL continued to embed the TfL Health, Safety and Environment management system (HSEMS) during the year. TfL has continuous improvement plans in place to strengthen the maturity of compliance. The plans are revised annually.

TfL continued to review and refine its reporting to the Board and to each Committee and Panel, in particular to reflect progress against the Mayor's Transport Strategy, published in March 2018 and against the Business Plan and Budget.

The 2018/19 TfL Scorecard was approved by the Board at its meeting on 20 March 2018 and represented a further development of the new Scorecard introduced in 2017/18. The reporting of progress against Scorecard measures through the Board and Committees and Panels was enhanced during the year and reporting arrangements will continue to be developed and refined.

The Head of Internal Audit's annual opinion on the adequacy and effectiveness of the overall framework of TfL's governance, risk management and internal control reported that the overall framework was generally adequate for TfL's business needs and operated in an effective manner, but noted that further work is required before risk management is fully effective and that there are a number of areas where commercial processes have not been adhered to which have affected TfL's ability to secure value for money. The opinion also noted that CRL's assurance and governance framework between sponsors and CRL was in the process of being rebuilt and improved following the independent reviews carried out by KPMG and the National Audit Office.

A number of audits of governance and controls over procurement and contract management indicated the need to enhance controls for procuring supplies and services. A programme of activity to strengthen internal controls is being put in place.

TfL undertook a review of its Enterprise Risk Management (ERM) processes and its strategic risks, involving Board members and senior staff in their development. Regular reports are submitted to the Audit and Assurance Committee and each Strategic Risk has a defined owner, who is responsible for submitting a report on the risk and its management to the appropriate Committee or Panel at least once a year. Further work is being undertaken to ensure a consistent level of risk maturity across TfL.

TfL further improved the quality, consistency and transparency of the finance, safety and other reporting information provided to members and the public and continued the programme of publishing more information.

TfL continues to publish details of gifts and hospitality accepted by members and the most senior staff and details of expenses of the most senior staff.

TfL proposes to continue to improve and develop its governance arrangements over the coming year. Issues to be addressed include:

- Concluding and implementing recommendations from the externally led Board effectiveness review that is currently underway and preparing for any changes to the Board as a result of the May 2020 Mayoral Elections
- Implementing actions to address issues identified in controls over arrangements for procuring supplies and services
- Ensuring that the recommendations from the independent review of CRL's governance and other reviews are implemented and reviewing the proposed approach to the governance of the Crossrail 2 project to ensure lessons are learned
- Implementing the recommendations from a review of TfL's compliance with the new UK Corporate Governance Code, which comes into effect in 2020
- Ensuring that risk management is fully effective by ensuring a consistent level of risk maturity across TfL
- Continuous improvement in the quality, consistency and transparency of the information provided to members and the public

TfL is confident that the current governance processes and planned developments will enable it to meet the challenges identified.

Sadiq Khan
Chair of TfL Board

Mike Brown MVO
Commissioner

TfL Executive Committee members 2018/19

Mike Brown MVO
Commissioner

Howard Carter
General Counsel

Michèle Dix
Managing Director Crossrail 2

Vernon Everitt
Managing Director Customers, Communication and Technology

Graeme Craig
Director of Commercial Development

Stuart Harvey
Major Projects Director

Andrew Pollins
Transformation Director

Shashi Verma
Director of Strategy and Chief Technology Officer

Nigel Holness
Managing Director London Underground

Simon Kilonback
Chief Finance Officer

Gareth Powell
Managing Director Surface Transport

Staynton Brown
Director of Diversity and Inclusion

Alex Williams
Director of City Planning

Tricia Wright
Chief People Officer

TfL Board members 2018/19

Sadiq Khan
Chair

Heidi Alexander[1]
Deputy Chair

Kay Carberry CBE

Professor Greg Clark CBE

Mark Phillips[4]

Valerie Shawcross CBE[5]

Dr Nina Skorupska CBE

Dr Lynn Sloman

Baroness Grey-Thompson DBE[2]

Bronwen Handyside

Ron Kalifa OBE

Michael Liebreich[3]

Ben Story

Dr Alice Maynard CBE

Anne McMeel

Dr Mee Ling Ng OBE

Dr Nelson Ogunshakin OBE

1 Heidi Alexander was appointed to TfL on 11 June 2018 and as Deputy Chair from 13 July 2018
2 Baroness Grey-Thompson DBE left TfL on 2 September 2018
3 Michael Liebreich left TfL on 2 September 2018
4 Mark Phillips was appointed to TfL on 21 January 2019
5 Valerie Shawcross CBE was Deputy Chair of TfL until 8 June 2018

Crossrail Ltd Board members 2018/19

Tony Meggs
Chair

Nick Raynsford
Deputy Chair

Mark Wild
Chief Executive

Chris Sexton
Deputy Chief Executive

David Hendry
Chief Finance Officer

Sarah Atkins

Phil Gaffney

Anne McMeel

Dr Nelson Ogunshakin OBE

Andy Pitt

Membership of TfL committees and panels

Members of TfL

Sadiq Khan – Chair
Heidi Alexander[1] – Deputy Chair
Kay Carberry CBE[2]
Prof Greg Clark CBE
Baroness Grey-Thompson DBE[3]
Bronwen Handyside
Ron Kalifa OBE
Michael Liebreich[4]
Dr Alice Maynard CBE
Anne McMeel
Dr Mee Ling Ng OBE
Dr Nelson Ogunshakin OBE
Mark Phillips[5]
Valerie Shawcross CBE[6]
Dr Nina Skorupska CBE
Dr Lynn Sloman
Ben Story

Committees of TfL

Audit and Assurance Committee

Anne McMeel – Chair
Dr Lynn Sloman – Vice Chair
Kay Carberry CBE[2]
Dr Mee Ling Ng OBE
Dr Nelson Ogunshakin OBE

Finance Committee

Ron Kalifa OBE – Chair
Ben Story – Vice Chair
Heidi Alexander[1]
Prof Greg Clark CBE
Michael Liebreich[4]
Anne McMeel
Valerie Shawcross CBE[6]
Dr Nina Skorupska

Programmes and Investment Committee

Prof Greg Clark CBE – Chair
Dr Nelson Ogunshakin OBE – Vice Chair
Heidi Alexander[1]
Bronwen Handyside
Ron Kalifa OBE
Dr Alice Maynard CBE
Mark Phillips[5]
Dr Nina Skorupska CBE
Dr Lynn Sloman
Ben Story

Remuneration Committee

Ben Story – Chair
Kay Carberry CBE[2] – Vice Chair
Heidi Alexander[1]
Baroness Grey-Thompson DBE[3]
Ron Kalifa OBE
Valerie Shawcross CBE[6]

Panels

Customer Service and Operational Performance Panel

Dr Mee Ling Ng OBE – Chair
Dr Alice Maynard CBE – Vice Chair
Prof Greg Clark CBE
Baroness Grey-Thompson DBE[3]
Bronwen Handyside
Anne McMeel
Dr Nelson Ogunshakin OBE
Valerie Shawcross CBE[6]
Dr Lynn Sloman

Safety, Sustainability and Human Resources Panel

Michael Liebreich[4] – Chair
Kay Carberry CBE[2] – Chair
Dr Nina Skorupska CBE – Vice Chair
Baroness Grey-Thompson DBE[3]
Bronwen Handyside
Dr Mee Ling Ng OBE
Mark Phillips[5]
Valerie Shawcross CBE[6]

1 Heidi Alexander was appointed to TfL on 11 June 2018 and as Deputy Chair from 13 July 2018. She was appointed to the Finance Committee, Programmes and Investment Committee and Remuneration Committee from 26 July 2018
2 Kay Carberry was appointed as Chair of the Safety, Sustainability and Human Resources Panel from 26 July 2018
3 Baroness Grey-Thompson DBE left TfL on 2 September 2018
4 Michael Liebreich left TfL on 2 September 2018. He was the Chair of the Safety, Sustainability and Human Resources Panel until 25 July 2018
5 Mark Phillips was appointed to TfL on 21 January 2019. He was appointed to the Programmes and Investment Committee and the Safety, Sustainability and Human Resources Panel from 1 February 2019
6 Valerie Shawcross CBE was Deputy Chair of TfL until 8 June 2018. She stood down from the Finance Committee and Remuneration Committee on 25 July 2018 and was appointed to the Customer Service and Operational Performance Panel and the Safety, Sustainability and Human Resources Panel from 26 July 2018

TfL members attendance 2018/19

Member	Board	Audit and Assurance Committee	Customer Service and Operational Performance Panel	Finance Committee	Programmes and Investment Committee	Remuneration Committee	Safety, Sustainability and Human Resources Panel
Sadiq Khan	6 (7)						
Heidi Alexander	6 (6)			5 (6)	2 (3)	2 (3)	
Kay Carberry CBE	7 (7)	4 (4)				3 (3)	4 (4)
Prof Greg Clark CBE	5 (7)			5 (6)	5 (5)		
Baroness Grey-Thompson DBE	2 (2)		0 (1)			1 (1)	1 (1)
Bronwen Handyside	6 (7)		4 (4)				3 (4)
Ron Kalifa OBE	4 (7)			6 (6)	2 (5)	3 (3)	
Michael Liebreich	2 (2)			1 (1)			1 (1)
Dr Alice Maynard CBE	7 (7)		4 (4)		4 (5)		
Anne McMeel	6 (6*)	4 (4)	4 (4)	3 (4*)			
Dr Mee Ling Ng OBE	7 (7)	3 (4)	3 (4)				3 (4)
Dr Nelson Ogunshakin OBE	6 (6*)	2 (4)	0 (4)		3 (5)		
Mark Phillips	2 (2)				0 (1)		1 (1)
Valerie Shawcross CBE	7 (7)		3 (3)	1 (1)		0 (1)	3 (3)
Dr Nina Skorupska CBE	7 (7)			6 (6)	2 (5)		4 (4)
Dr Lynn Sloman	7 (7)	4 (4)	4 (4)		5 (5)		
Ben Story	4 (7)			5 (6)	4 (5)	3 (3)	

* The available number of meetings for Anne McMeel (Board and Finance Committee) and Dr Nelson Ogunshakin OBE (Board) were reduced as additional meetings were held to exclusively discuss matters relating to negotiations with Government on potential funding settlements for Crossrail Ltd. As TfL nominated members of the Crossrail Ltd Board, both had declared interests and were therefore prohibited from attending.

August 2019

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