

# Agenda Supplementary Agenda

**Meeting: Audit and Assurance Committee**

**Date: Monday 6 June 2022**

**Time: 10:00am**

**Place: Conference Rooms 1 and 2,  
Ground Floor, Palestra, 197  
Blackfriars Road, London, SE1  
8NJ**

## Members

Mark Phillips (Chair)  
Anurag Gupta (Vice-Chair)  
Julian Bell

Kay Carberry CBE  
Dr Mee Ling Ng OBE

**As provided for under section 100B(4)(b) of the Local Government Act 1972, the Chair is of the opinion that these items should be considered as a matter of urgency. The reason for urgency is that Members need to review the draft Annual Report and Statement of Accounts for the Year Ended 31 March 2022, prior to their submission to the Board for approval on 27 July 2022 and the EY Report to Those Charged with Governance. Information for each of these items was not available when the agenda for this meeting was published on 25 May 2022.**

Copies of the papers and any attachments are available on [tfl.gov.uk How We Are Governed](https://tfl.gov.uk/How-We-Are-Governed).

This meeting will be open to the public and webcast live on [TfL YouTube channel](#), except for where exempt information is being discussed as noted on the agenda.

## Further Information

If you have questions, would like further information about the meeting or require special facilities please contact:

Sue Riley, Secretariat Officer; Email: [Secretariat02@tfl.gov.uk](mailto:Secretariat02@tfl.gov.uk).

For media enquiries please contact the TfL Press Office; telephone: 0343 222 4141; email: [PressOffice@tfl.gov.uk](mailto:PressOffice@tfl.gov.uk)

Howard Carter, General Counsel  
Friday 27 May 2022

**Agenda  
Audit and Assurance Committee  
Monday 6 June 2022**

**5 Annual Report 2021/22** (Pages 1 - 66)

Chief Customer and Strategy Officer

**The Committee is asked to note the Annual Report and the delegation to the Chief Customer and Strategy Officer to make any adjustments prior to submission to the Board.**

**6 TfL Statement of Accounts for the Year Ended 31 March 2022**  
(Pages 67 - 294)

Chief Finance Officer

**The Committee is asked to note the draft Statement of Accounts and the delegation to the Chief Finance Officer to make any adjustments arising from the ongoing audit work prior to submission to the Board.**

**External Audit Items**

**7 EY Report to Those Charged with Governance** (Pages 295 - 330)

Chief Finance Officer

**The Committee is asked to note the paper.**

## Audit and Assurance Committee



**Date:** 6 June 2022

**Item:** Annual Report 2021/22

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### **This paper will be considered in public**

#### **1 Summary**

1.1 The purpose of this paper is to present the Annual Report 2021/22 to the Audit and Assurance Committee.

#### **2 Recommendation**

2.1 **The Committee is asked to note the Annual Report, comment on its contents, and note the delegation to the Chief Customer and Strategy Officer the task of making any adjustments prior to submission to the Board.**

#### **3 Background**

3.1 The Annual Report is one of TfL's key publications and a statutory requirement under the Greater London Authority Act 1999 (as amended). Following discussion by the Committee, the report will be submitted to the meeting of the Board on 27 July 2022.

3.2 The Statement of Accounts and the Annual Governance Statement are being considered elsewhere on the agenda. Following approval, the documents will be combined to form the Annual Report and Statement of Accounts 2021/22.

3.3 The Annual Report for 2019/20 and 2020/21 was not presented before the Audit and Assurance Committee due to the pandemic and a pause to business as usual timelines.

#### **List of appendices to this paper:**

Appendix 1: Annual Report 2021/22

#### **List of Background papers:**

None

Contact Officer: Gareth Powell, Chief Customer & Strategy Officer

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Page 3

# Moving London forward safely, inclusively and sustainably

Annual Report and Statement of Accounts  
2021/22 XX July 2022

## My year at TfL

With great people working at the beating heart of our organisation, we will build back better, stronger and more reflective of the city we serve.

Throughout this report, where you see this 'My year at TfL' badge, we have highlighted the challenges and achievements of some of our people over the year. All our people perform a vital role in keep London moving, working and growing and this is just a snapshot of some of the incredible work that our colleagues do.

Page 4



### Our people on the front cover

- 1 Brooke Knight – Page 46**  
**Network Sponsorship, Investment Delivery Planning**  
Having completed her apprenticeship during a difficult period for London, Brooke is looking forward to the future and continuing to develop her career with us.
- 2 Jenita Treacy – Page 52**  
**Analytics Product Manager in Technology and Data**  
Jenita is pioneering women's role in technology, as well as supporting our RACE Staff Network Group and improving processes for parents at work.
- 3 Jermaine Harrison – Page 41**  
**Open Innovation Graduate**  
Working through our graduate programme, Jermaine has been able to explore all areas of the organisation and enjoyed the networking opportunities that came with it.
- 4 Hayley Magorian – Page 25**  
**Customer Operations Modernisation Manager, London Underground**  
As Chair of our Women's Staff Network Group, Hayley helped with the many activities we ran to celebrate International Women's Day.
- 5 Finnbar Connolly – Page 30**  
**Advanced Train Maintainer on the Central line fleet**  
Having gained promotion from the apprenticeship scheme this year, Finnbar's positive outlook has helped him overcome challenges in his role.

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# Mayor's foreword

## As TfL remains crucial to London's recovery, we must explore a long-term funding agreement

As the pandemic recedes, London is taking firm steps towards recovery. As ever, the dedication of our transport workers has not wavered. My sincere thanks go to them all for keeping our city moving.

However, we sadly lost 105 colleagues from TfL and its partner organisations to COVID-19 and I pay tribute to every single one of them. We will remember them. Last autumn, TfL announced that it would build a permanent memorial and we have this year submitted planning permission for a site in Aldgate.

As London began returning to normal, we were able to resume two Night Tube lines as well as the Night Overground. Meanwhile our Let's Do London campaign is reminding Londoners and visitors of the city's endless opportunities.

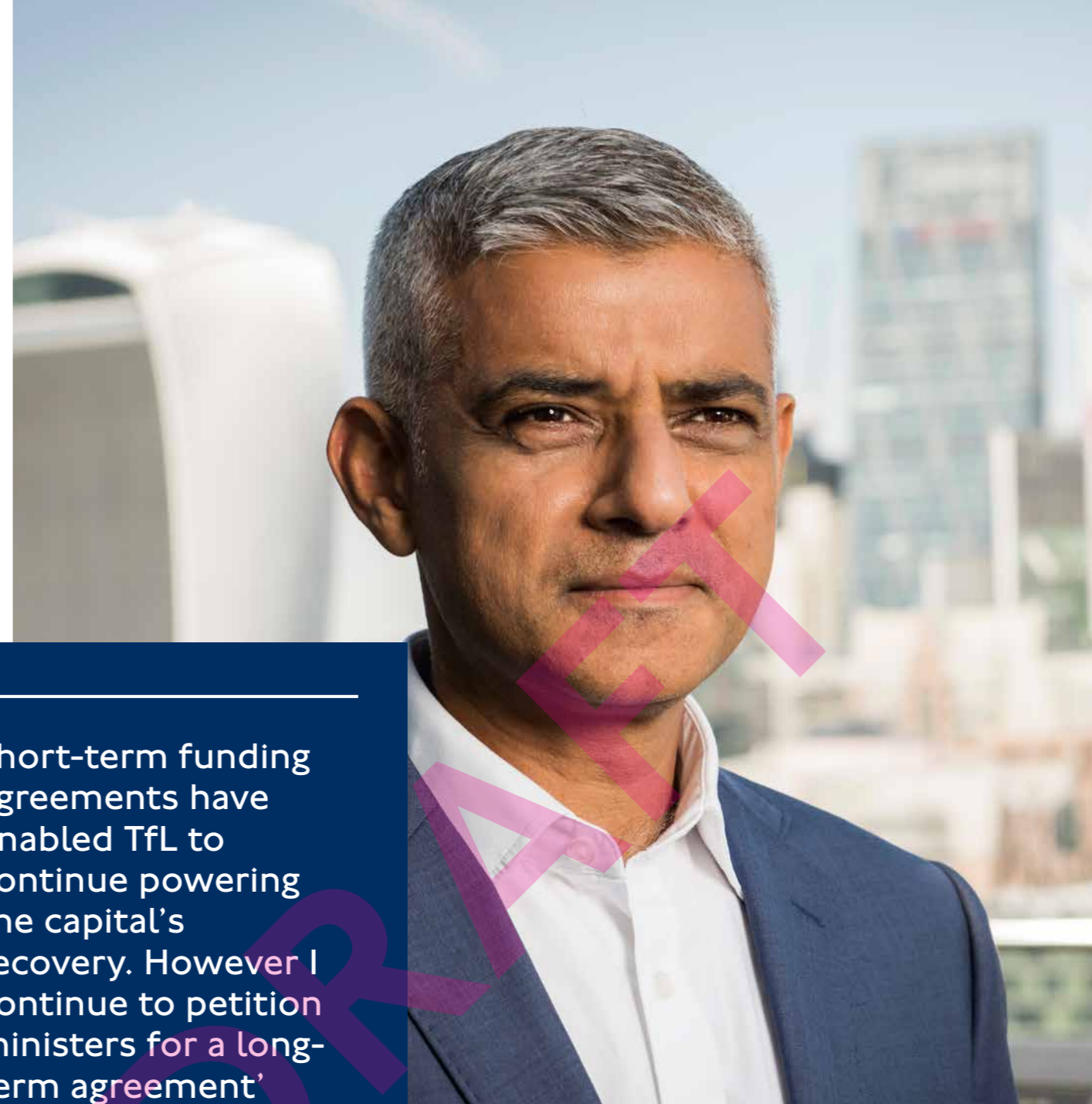
We continue our efforts to tackle London's toxic air. In September, I announced that all new TfL buses will be zero-emission and accelerated our target of a 100 per cent zero-emission fleet from 2037 to 2034. In October, we expanded the Ultra Low Emission Zone (ULEZ) out to the North and South Circular roads and in March 2022, I announced that my favoured future road user charging option is London-wide expansion of the ULEZ in 2023, with TfL investigating a distance-based scheme for the second half of the decade. This will further reduce air pollution, carbon emissions and congestion.

I remain committed to Vision Zero, my plan to eliminate deaths and serious injuries from our roads by 2041. In November, we published a progress report highlighting the actions we have taken to make London's road safer such as lowering speed limits, increasing enforcement and expanding our high-quality cycle network. TfL's world-first Direct Vision Standard, which reduces lethal blind spots on lorries, is already helping to save lives and prevent life-changing injuries. Around 117,000 zero-star rated HGVs have now had Safe Systems fitted.

These safety improvements are making it easier and more attractive for people to walk and cycle in London. Last year, the proportion of journeys made in London by cycling rose by almost 50 per cent. In 2021, 31 per cent of Londoners said they were walking to places where they used to travel by a different mode. Meanwhile, my Streetspace for London programme has further expanded the capital's strategic cycle routes and led to quieter roads in local neighbourhoods.

TfL celebrated 11 years of successful partnership with the Santander Cycles hire scheme with 500 new electric bikes joining the fleet, while NHS staff and key workers made good use of free cycle hire.

I want to thank Heidi Alexander, who stepped down as Deputy Mayor for Transport, for everything she has done for the capital since 2018. I am delighted to



**'Short-term funding agreements have enabled TfL to continue powering the capital's recovery. However I continue to petition ministers for a long-term agreement'**

welcome my new deputy, Seb Dance, who brings a wealth of experience to the role.

TfL's funding remains a challenge. Short-term funding agreements have enabled TfL to continue powering the capital's recovery. However, while I have asked TfL to explore all options, I continue to petition ministers for a long-term agreement. That is what we need not just for London but for the whole country, via the jobs and the recovery that we underpin nationwide. London is the

world's greatest city: with the transport system it deserves, it can help the whole nation get back on its feet.

SIGNATURE

**Sadiq Khan**  
Mayor of London



# Commissioner's foreword

## Transport is crucial for the growth of London and the UK and there is even more we could do

London's transport system is at the heart of our road to recovery from the pandemic. I'm delighted to see both Londoners and visitors returning to the transport network in ever-greater numbers, and I would like to thank all our colleagues for the hard work and dedication they have shown to make this a reality. Around 70 per cent of the customers that we served pre-pandemic are now travelling again. We continue work to welcome them back to the network, providing assurance that it is safe, accessible, clean and well-managed, so that everyone has the confidence to travel.

At the same time, we cannot forget the hardships of the pandemic, above all the deaths of 105 transport workers across London who lost their lives to coronavirus. Our plans to remember our colleagues with a permanent memorial will ensure that we never forget them.

We continue to make progress on the five priorities I set for the organisation: securing our future funding; completing transformative projects; recovering from the pandemic; creating a new vision for our people with greater diversity and inclusion; and delivering a green and sustainable future. This past year, we have together created our new Vision and Values to unite us all. We have also published our first ever Sustainability Report and Corporate Environment Plan. Meanwhile we will soon release our action plan for diversity and inclusion.

Despite the pandemic, we continue to add to London's transport network. The Northern Line Extension delivered two new stations in September last year; Nine Elms and Battersea Power Station, and last month we saw the milestone of one million customers having used these stations. Meanwhile the Bank station upgrade is nearing completion. But these exciting developments were dwarfed by the Elizabeth line when it arrived on 24 May, a transformative project that will add ten per cent to the city's rail capacity.

At the same time, active travel plays a vital role in the city's recovery – and in its future. The Mayor's Transport Strategy has a target of 80 per cent of London journeys being made in 2041 by cycling, walking or public transport. In 2021, we added or improved 21.5 kilometres of high-quality cycle lanes, as well as creating more temporary space for walking and cycling during the pandemic. TfL was also closely involved in the creation of hundreds of low traffic neighbourhoods by boroughs, which have had a transformative effect across the city. We want to create an environment where cycling and walking is a safe and pleasant transport option for everyone.

All this costs money: we continue to work with Government to find a long-term financial agreement to support more improvement works and new projects for the capital.

**'We continue work to welcome people back to the network, providing assurance that it is safe, accessible, clean and well-managed, so that everyone has the confidence to travel'**

Our current financial support ends in June 2022. We need the long-term certainty of funding to keep serving London and its visitors – and to plan for a brighter future for this great city.



SIGNATURE

**Andy Byford**  
Commissioner

# Background of this report

All our work is underpinned by our key pillars and the Mayor's priorities for London

Our Annual Report details our achievements and updates from the last financial year, which runs from 1 April 2021 to 31 March 2022. It shows the progress we have made against our scorecard targets.

As a publicly funded organisation, it is important that we are transparent with our finances, our investments and the work we are doing to help shape our city. Sustainability and our environmental impact are at the heart of our decisions and a key thread throughout everything we do.

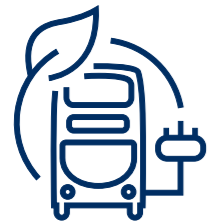
All our work, from our daily running to our investment programmes, follows the key themes as set out in the Mayor's Transport Strategy. These are Healthy Streets and healthy people, a good public transport experience and new homes and jobs.

Throughout this report, we have showcased our achievements and project milestones against these three key areas and reported on the progress we are making towards achieving the Mayor's vision for the future of London.



## Safety

The safety and security of our customers and workforce continues to be our number one priority in all we do.



## Sustainability

Sustainability is core to our purpose and underpins everything we do, from our day-to-day work to future projects.



## Inclusivity

We continue to work to ensure we are inclusive organisation that truly reflects the great diversity of the city we serve

Our reporting is shaped by the ambitions of the Mayor's Transport Strategy, which acknowledges the key role transport plays in shaping London and enforcing its global competitiveness. It also emphasises the way that effective and well-planned transport projects and improvements can play a vital part in improving the health, opportunities and quality of life of those who live and work in our city.

The central aim of the strategy is to create a place that is not only home to more people but is a better space for them to live, work and visit. This means a safer, healthier, cleaner, greener, more inclusive and better-connected city. This was particularly highlighted by the pandemic, which underlined the importance of continuing to make progress on all elements of the strategy.

## Healthy Streets and healthy people

We aim to improve the experience of being in the places where people live, work, spend time and travel. We will reduce traffic dominance and encourage people to walk, cycle and use public transport.



## A good public transport experience

We will ensure public transport is an increasingly attractive alternative to the car, through whole-journey planning to help integrate public transport in our schemes and projects



## New homes and jobs

Transport is vital for creating the new homes and jobs London needs. This includes creating communities where amenities are within walking and cycling distance.



# Emerging from the pandemic

## We continue to adapt to the changing situation and are supporting London's recovery

While people continue to return to the transport network, the effects of the pandemic have not gone away and working habits have likely changed for good. The Mayor is encouraging employers to work with their staff to build systems that work both for those who would prefer to work from home and those who would rather return to the office on a more regular basis.

In July 2021, the Mayor invested £7m in the #LetsDoLondon campaign to encourage people back onto the network. This was our largest public transport focused integrated campaign since the London 2012 Olympic and Paralympic Games. The campaign was designed to remind people what they have missed most about our city. We installed roundels with messages capturing the spirit of London life, including 'Going Out Out' at Shoreditch High Street, 'Retail Therapy' at Bond Street, 'Opening Night' in the West End and 'Best Day Ever' at Gloucester Road.

As we continue to recover from the pandemic, on 24 February we made the decision to no longer require customers to wear face coverings on our services. We considered a variety of factors including the shift in the Government's approach towards living with the virus and decreasing infection rates in London. We also considered the results of independent testing by Imperial College London, which found no traces of coronavirus on the transport network since testing started in September 2020, as well as feedback from stakeholders.

Ridership on the Tube is now at around 68 to 70 per cent of pre-pandemic levels for weekdays, which is around 2.8 million journeys a day. On weekends, this reaches around 80 per cent. On buses, ridership is around 75 to 80 per cent throughout the week, with around 4.8 to 5 million journeys made every weekday.

The pandemic highlighted disparities and existing inequalities, such as poverty, systemic racism, attainment in education and access to meaningful work experience. During National Careers Week, we launched our Everyone's Future Counts programmes, which are designed to support those whose education, careers and work prospects are most held back because of the barriers they face. These programmes provide targeted provision and skills development, helping to reduce the impact of those barriers. They are delivered internally, through our supply chain, our construction partners and London Transport Museum. Realising the potential of all Londoners is key to moving the capital forward, safely, inclusively and sustainably.

The stories and achievements outlined in this report reflect how we have started our journey to recovery in the aftermath of the pandemic.



Londoners have once again enjoyed all that the city has to offer

# Our year at a glance

Despite the challenges faced during the year, we achieved a number of major milestones as we helped to support London's recovery



### April 2021

Debden Tube station becomes step-free, enabling those who need step-free access to use the station and the wider network



### May

We unveil the 18 pedestrian crossings that will feature our innovative pedestrian priority technology to encourage people to walk in London



### June

We launch our latest campaign to stamp out hate crimes and abuse on our network and to encourage people to report any incidents



### July

Our Santander Cycles scheme celebrates its 11th birthday, with figures showing the cycle hire scheme is more popular than ever



### August

Our rental e-scooter trial area extends to Westminster as we continue to assess the safety of e-scooters and their wider impacts



### September

The first major Tube extension this century opens at Battersea Power Station and Nine Elms, improving access for this part of south London



### October

The Ultra Low Emission Zone is expanded up to, but not including the North and South Circular roads as we work to improve air quality



### November

Trial operation exercises begin ahead of the opening of the Elizabeth line, involving members of TfL staff working through real-life scenarios

### December

Three and EE join the BAI Communications network to offer high-speed mobile connectivity across the whole Tube network

### January 2022

Customers are reminded to continue to wear face coverings on our services as coronavirus restrictions are lifted in England

### February

The latest 13.7km of roads that we will work on are identified as part of our work to introduce 20mph speed limits on 220km of roads by 2024

### March

Harrow-on-the Hill becomes the 91st step-free Tube station, meaning a third of the Tube network has now been made step-free

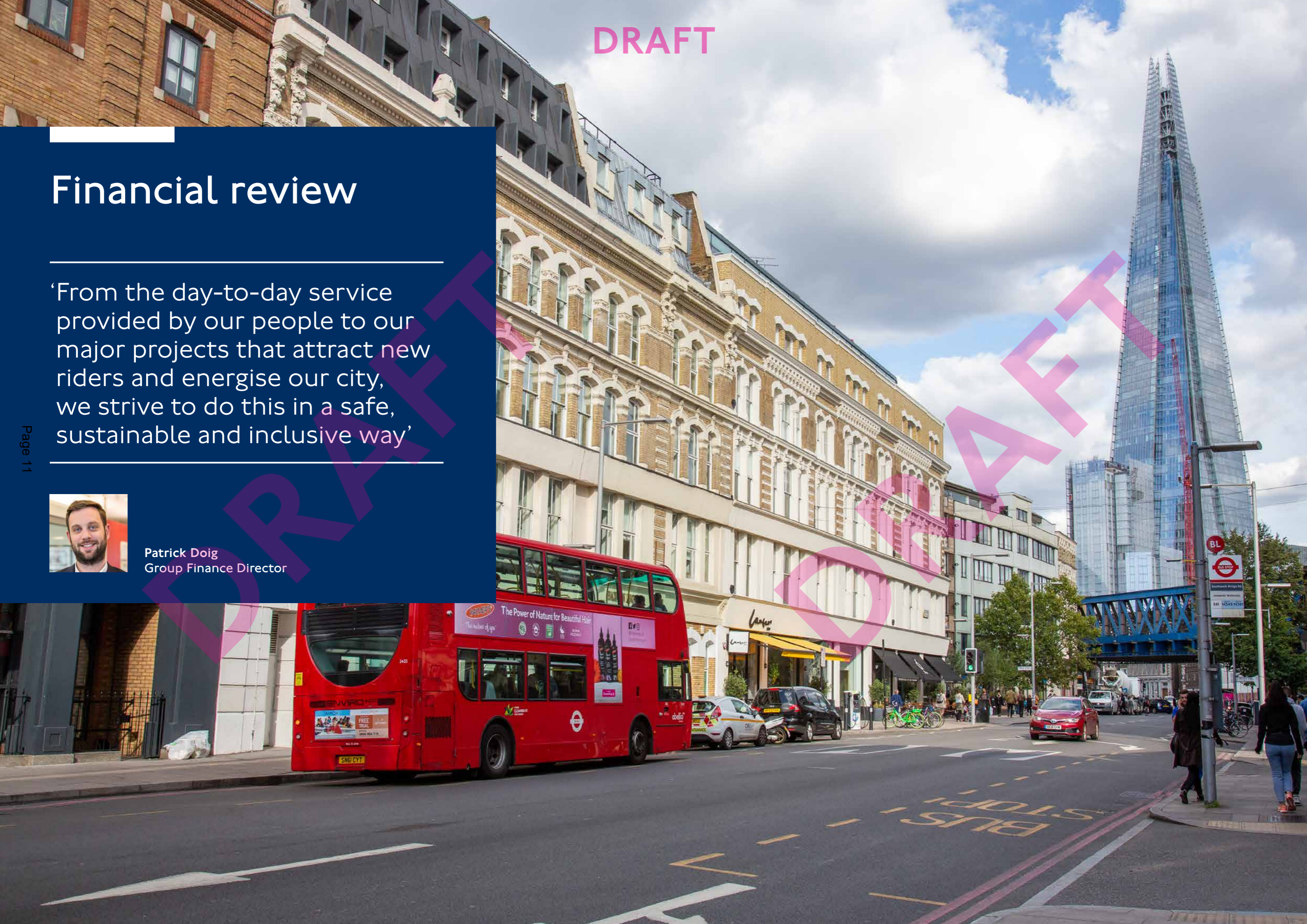
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# Financial review

‘From the day-to-day service provided by our people to our major projects that attract new riders and energise our city, we strive to do this in a safe, sustainable and inclusive way’



Patrick Doig  
Group Finance Director



# A message on our finances

## We continue to support London’s growth but must ensure long-term financial support

This year, we have been completely focused on helping to drive London’s recovery from the pandemic by getting people moving again, building our ridership and working our way towards financial sustainability.

From the day-to-day service provided by our people to delivering major projects that attract new riders and energise our city, we always strive to do this in a safe, sustainable and inclusive way.

We have had to do this with the support of Government funding, which was essential due to the devastating impact of the pandemic on our ridership since it began in March 2020. We are grateful to have received £5bn, which has enabled us to keep our services running. However, our goal is to be financially self-sufficient for our day-to-day expenditure and to secure a long-term funding agreement for investment so we can plan the future of London’s transport network effectively, deliver efficiently and offer certainty for our people, customers and supply chain.

We have continued our enhanced cleaning regime and promoted our safety messages throughout the recovery phase to help rebuild people’s confidence to travel. Passenger demand increased from around 25 per cent of pre-pandemic levels at the start of 2021/22 to around 70 per cent by the end of 2021/22. This means we are on a declining trajectory of emergency Government support.

We know that the way people travel has changed, and we will continue to look at what London needs to support that. We have made strong progress on many projects, with the central section of the Elizabeth line opening on 24 May and the completion of the Northern Line Extension with the opening of two new stations at Battersea and Nine Elms. We have also progressed a number of smaller projects that push forward on a healthy and sustainable recovery through investing in pedestrian and cycling infrastructure.

We are working closely with Government to achieve a longer-term funding agreement and fulfil the strict conditions attached to the current short-term agreements in place. Our current agreement ends on the 24 June 2022 and we are working towards achieving financial sustainability by April 2023. A key condition of our funding agreements was to review new income sources that could generate between £0.5bn and £1bn of additional net revenue per annum from April 2023.

However, even with these potential new income sources, and like other transport organisations, we will require Government commitment to ongoing additional capital funding for major asset replacements and major projects.

This longer-term funding is needed to ensure London’s transport network remains reliable and efficient, can support



‘Like other transport organisations, we will require Government commitment to ongoing additional capital funding for major asset replacements and major projects’

the jobs and new homes that rely upon it, and can support the economic recovery of the capital and the country as a whole. This will also enable us to progress our key outcomes such as decarbonisation, active travel, accessibility, and also ensure we avoid service reductions.

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**Patrick Doig**  
Group Finance Director

# Financial sustainability

## Our trajectory to achieving our goal of financial sustainability by April 2023

Before the pandemic, our efficiency programme had put us on a path to breakeven on our cost of operations, maintenance, financing costs and core renewals in 2022/23. We had taken almost £1bn out of our net operating costs over the four years to 2020. We had also started generating new sources of commercial income and built our financial resilience with a cash balance of more than £2bn, which gave us the agility to manage the headwinds at the time of a subdued economy and Brexit.

However, the pandemic devastated our fares income, which meant we required emergency Government support to run our transport services. One of the commitments we made in accepting this support was to set a plan to become financially sustainable by April 2023. This means we would only require central Government support for major capital enhancements and renewals, which is in common with other transport authorities.

Our latest Budget, published in March 2022, shows we require around £1.2bn of emergency Government support in 2022/23, although this is on a clear declining trajectory compared to the level of support required in previous years. Crucially, it also shows a balanced budget from 2023/24 onwards and the rebuilding of our cash reserves, which have been drawn down to our minimum of £1.2bn due to the impact of the pandemic.

Our path to financial sustainability is founded on continuing to support the return of passengers to the network while delivering operating and capital efficiencies. The Budget includes our commitment to deliver £730m per annum in recurring operating savings by 2024/25.

The Budget also includes the proposals to meet the Government's funding condition of raising at least £500m per annum in new income sources from 2023/24 onwards. These proposals, which will be subject to consultation, stakeholder engagement and impact assessment as appropriate, include:

- Proposed fare policy changes including withdrawal from the Travelcard Agreement, all-day peak fares to Heathrow, phased increase of the age of eligibility for the 60+ concession, and retaining the current restriction on use of 60+ concessionary fares to after 09:00
- Proposed two years of further council tax increases of £20 a year for the average household
- Extension of the Ultra Low Emission Zone London-wide to meet policy objectives

However, due to the lack of capital funding certainty from Government, the Budget does not assume any funding from Government from April 2023 onwards. Therefore, even with the cost savings and additional income proposals, the Budget has

had to assume a 'managed decline' scenario to be financially balanced. This scenario involves deteriorating asset conditions, no new enhancement schemes and very significant service reductions of 18 per cent reduction overall in buses and a nine per cent reduction in Tube and rail services.

This would be disastrous for London and the wider UK, and it is therefore critical that we secure longer-term Government capital funding for major enhancements and renewals. Securing Government capital funding for committed major asset replacements, such as the Piccadilly line rolling stock, would enable us to use our operating income to support our services and avoid the drastic level of service reductions the Budget currently assumes.

Our preferred scenario is the 'Decarbonise by 2030' one outlined in our Financial Sustainability Plan, which we submitted to Government in January 2021. This scenario minimises bus service reductions to only four per cent, which we believe is justified by the change in travel patterns as a result of the pandemic.

'Decarbonise by 2030', with sufficient Government capital funding, would also deliver significant benefits for London and the UK economy – meeting the Government's stated objectives of economic recovery, decarbonisation, improved air quality and making transport better for users.

We have made significant progress towards being financially sustainable, in line with Government conditions:

**£68m**

in recurring savings in 2021/22, following recurring savings of £157m in 2020/21

**4.4%▼**

reduction in Tube service levels for 2023/24, compared to pre-pandemic levels

**1.6%▼**

reduction in bus services we operate

**£15▲**

increase in council tax in 2021 and further £20 in 2022 for the average household, as decided by the Mayor

**RPI+1%▲**

increase in fares in March 2021 and March 2022

**1st**

Capital Efficiency Plan submitted

# Our scorecard

We assess our progress against a range of agreed measures

Our scorecard is designed to measure our progress against the key policy objectives of the Mayor's Transport Strategy and is structured on the measures of our safety, operations, people, finance, customers and overall delivery. The scorecard covers the financial year from 1 April 2021 to 31 March 2022. All results are subject to approval by the Chair of the Audit and Assurance Committee.

| Measure  | Results        | Target         | Floor target |
|--|----------------|----------------|--------------|
| <b>Safety</b>  |                |                |              |
| People killed or seriously injured on our roads (per million journey stages) | 0.32           | 0.43           | 0.45         |
| All customer injuries (per million passenger journeys)                       | 2.77           | 2.54           | 2.65         |
| All workforce injuries (number of injuries)                                  | 1,397          | 1,791          | 2,090        |
| <b>Operations</b>  |                |                |              |
| Reliability – bus journey time (%)   | 31.9           | 32.9           | 33.5         |
| London Underground trips operated, against schedule (%)                      | 88.5           | 91.0           | 84.0         |
| Asset condition – state of good repair (%)                                   | 77             | 77             | 75           |
| CO <sup>2</sup> emissions from TfL operations and buildings (tonnes)         | 832,000        | 915,000        | 950,000      |
| <b>People</b>  |                |                |              |
| Total engagement (percentage points)   | 60.7           | 62             | 57           |
| Inclusion index (percentage points)  | 51.1           | 54             | 52           |
| Wellbeing index (percentage points)  | 57.4           | 59             | 57           |
| <b>Finance</b>   |                |                |              |
| Closing cash balance (£m)  | 1,287          | 1,200          | 1,200        |
| Total operating expenditure cost (£m)  | (£6,478)       | (£6,931)       | (£6,931)     |
| Total capital expenditure cost, including renewals (£m)                      | (£1,368)       | (£1,735)       | (£1,683)     |
| <b>Customer</b>  |                |                |              |
| People who think TfL cares about its customers (%)                           | 57             | 56             | 53           |
| Passenger journeys compared to pre-pandemic levels (%)                       | 62             | 67             | 62           |
| <b>Delivery</b>  |                |                |              |
| Milestone delivery (%)   | 80.6           | 90             | 75           |
| Elizabeth line Trial Operations milestone                                    | November 2021  | October 2021   | January 2022 |
| Complete the Northern Line Extension   | September 2021 | September 2021 | October 2021 |
| Start of Ultra Low Emissions Zone expansion operations                       | October 2021   | October 2021   | Pass/fail    |

**Key**

|                    |                                       |
|--------------------|---------------------------------------|
| Achieved           | <span style="color: green;">■</span>  |
| Partially achieved | <span style="color: orange;">■</span> |
| Not achieved       | <span style="color: red;">■</span>    |



# London's newest railway

## We have welcomed our first customers onto the Elizabeth line

This year, we have seen Crossrail's full transition from a construction project to an operational railway environment in which we became fully responsible for operating and maintaining the new infrastructure.

On 24 May, just before the UK celebrated the Queen's Platinum Jubilee, London witnessed a historic moment as the Elizabeth line launched with a new passenger service between Paddington and Abbey Wood, with the new tunnels and trains under central London bringing benefits to passengers travelling between these stations, with 12 trains per hour in each direction. Direct services from Reading, Heathrow and Shenfield are expected to connect with this section in the autumn, with full end-to-end services set to launch no later than May 2023.

We began the Trial Running phase through the central tunnels in May 2021 to build reliability and flush out any issues with systems and signalling software. We initially ran four trains per hour between Paddington and Abbey Wood to enable us, as the infrastructure manager, to do a number of activities to achieve full readiness. The number of trains was then gradually increased to 12 trains per hour.

In November, we reached a major milestone ahead of opening the Elizabeth line when Trial Operations began on the new line. These operations involved exercises to ensure the safety and reliability of the railway for public use, and to fully test

the timetable. More than 150 operational scenarios were carried out over a number of months to ensure the readiness of the railway for passenger service. These included exercises designed to make sure that all systems and procedures are working and staff can respond safely and effectively to any incidents. The scenarios ranged from customers being unwell, signal failures, and broken down train rescues. We also carried out larger and more complex joint exercises with the emergency services. As part of this phase, we ran a number of mass volume exercises, which saw 5,000 members of staff participate as 'passengers' in controlled evacuation scenarios.

We made significant progress towards completing the new railway during the Christmas period, with a number of planned upgrades taking place. The latest Siemens signalling software for the railway was commissioned along with the installing the updated Alstom train software on trains. There were also upgrades to both the control communications system and the tunnel ventilation system.

Along the western route of the Elizabeth line, new lifts, ticket machines and other station improvements, including clearer customer information for planning onward journeys, have been provided at Acton Main Line, West Ealing, Ealing Broadway, West Drayton, Southall and Hayes & Harlington since March 2021. Network Rail's enhanced station upgrade works continue at Ilford and Romford. Ilford's new ticket hall and

### 'Trial Operations involved exercises to ensure the safety and reliability of the railway for public use'



**Mark Wild**  
Crossrail Chief Executive Officer

lifts are currently forecast to open in the summer, although this is under review. Romford station remains on track to complete refurbishment in the coming months. Network Rail continues to assess the programme for both stations.

Work is ongoing at Bond Street station, which means it did not open with the other stations on 24 May. The station continues to make good progress and the team are working hard to open the station to customers later this year.

The special-purpose committee of the TfL Board, the Elizabeth Line Committee, which includes an observer from the Department for Transport (DfT), continued to meet every eight weeks to fulfil its remit. The future of the committee will be reviewed in autumn 2022.

### The Elizabeth line update this year

- May 2021**  
We begin Trial Running of trains, starting with four trains per hour
- November 2021**  
Trial Operations begin through the central section of the line
- December 2021**  
Series of upgrades take place as we get closer to completing works
- May 2022**  
The Elizabeth line opens to customers

# A sustainable future

We are working to ensure our priorities support a sustainable future for the capital

In September 2021, we published our first Sustainability Report and Corporate Environment Plan, setting out our ambitions to address the climate crisis and support London's green and inclusive recovery so it can become an even more economically, environmentally and socially sustainable place to live, work and travel.

With the right capital investment, we can accelerate our ambitious plans to become a zero-carbon city by 2030

Our environmental sustainability is linked to our financial sustainability, and with the right capital investment, we can accelerate our ambitious plans to become a zero-carbon city by 2030.

Unprecedented weather events, including flooding in July 2021 and severe storms in February 2022, showed that climate change is already impacting the UK. In response to this, the Mayor convened a series of roundtables, which he attended alongside the Deputy Mayors for Transport and Environment and Energy, as well as representatives from TfL, the London Fire Brigade, the Environment Agency, Thames Water, London Councils and various London boroughs. Discussions included identifying joint learnings and actions from the flooding that could result in improved responses by authorities in future. One outcome was to create a time-limited Task and Finish Group, which includes representatives from TfL, to set out how London can best adapt to future demands.

We have established and continue to chair the quarterly Transport Adaptation Steering Group, which brings together stakeholders, such as Network Rail and National Highways, and experts, including the London Climate Change Partnership.

We have established a research programme with a range of partners to determine how extreme weather events affect our operations, ranging from the impact of rainfall and flooding on our road network, to the impact of high temperatures on the Tube. We have completed high-level climate risk assessments to understand our vulnerabilities to changing climate and extreme weather events. This has helped us to understand the key physical risks to our assets and our people.



Our plans will help support London's green and inclusive recovery

# Our financial disclosure on climate change

## Ensuring our future resilience in an ever-changing environment

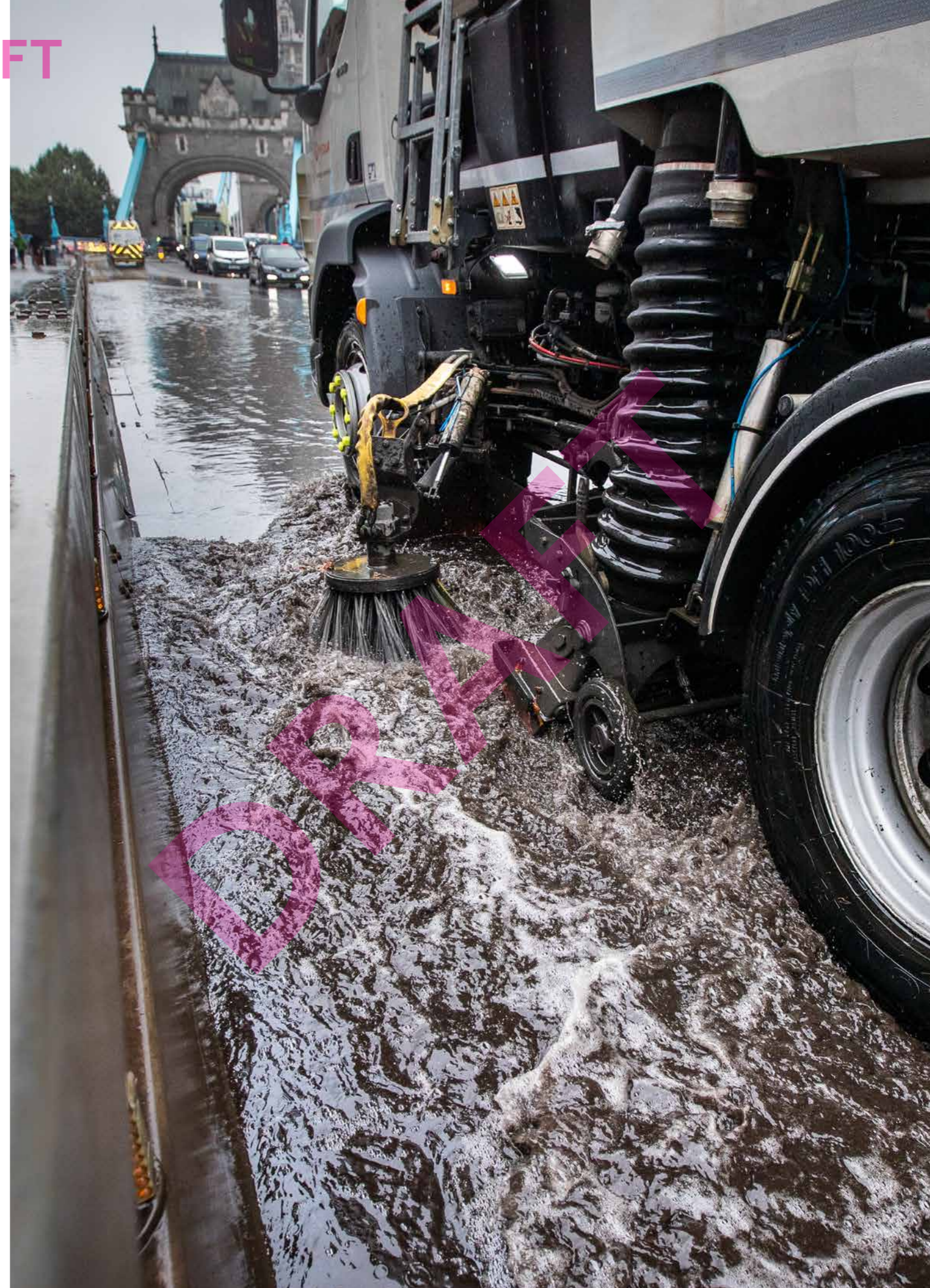
Climate change poses significant financial risks, as well as opportunities for us. Addressing climate change is an urgent and complex challenge, requiring a fundamental transformation of the global economy. The transport sector has a critical role to play and we are determined to play our part.

The financial impacts of climate change to us are increasingly acknowledged. We are progressing with our plans and continuing to refine our approach to reach net zero by 2030, which will have a financial cost for us. Physical climate risks could pose the greatest financial risk to us through increased extreme weather events and longer-term changes in climate. Alongside disclosure of our governance, strategy and metrics for managing climate change risk, our [Adaptation Report 2021](#), which is available on our website, assesses our physical risks. These results are stark. In the near-term, 20 risks are identified as being severe or major. Severe risks are highly likely and of critical impact. Using representative concentration pathways projections, without intervention, we will have 107 major and severe risks by 2080.

The financial impacts of physical risks and of transitioning to a low-carbon world have been identified qualitatively.

As severe weather is expected to become more frequent, financial costs needed for climate resilience measures will increase. Investment in climate adaptation will provide many long-term benefits

Financial impacts include loss of revenue, increased asset repair costs, adaptation costs, and increased construction and procurement costs. To manage the financial risks and opportunities of climate change, we are applying the recommendations developed by the G20 Financial Stability Board's Task Force on Climate-related Financial Disclosures. These recommendations cover governance, strategy, risk management, and targets and metrics, and provide guidance on how companies can disclose and address risks and opportunities from a changing climate.



We are planning for the impacts of risks, including flooding

## Governance

Our board has oversight and advisory responsibility regarding climate risk, external governance is provided through our Audit and Assurance Committee and the Safety, Sustainability and Human Resources Panel. The responsibility for climate risk across the organisation rests with our Executive Committee, although almost every team has some level of responsibility for our day-to-day work.

## Strategy

Our Climate Change Strategy is set out in our Corporate Environment Plan, which is available on our website. The Corporate Environmental Plan outlines our approach to achieving our environmental ambitions through our operations, maintenance and construction activities..

## Risk management

In 2021, our Board made the decision that climate risk would become a standalone Level I risk within the Enterprise Risk Management system. Climate change also appears in enterprise risks of major safety, health or environmental incidents or crisis; major service disruption; and asset condition unable to support our outcomes.

## Climate change risks

Our climate-related financial risks and opportunities fall under physical environment risks and transition risks.

### Acute physical risk

This includes flooding, heatwaves, storms and drought events. The financial impacts of these include loss of revenue from service disruption and customers avoiding our services, asset damage and repair, increased resilience costs, higher people costs and compensation payments, and higher insurance premiums.

### Chronic physical risk

This includes overall rising temperatures, seasonal rainfall changes and rising sea levels. The financial impact of these are increased operating costs and higher costs from lower asset resilience and increased asset replacement.

### Transition risk

As we transition to a low-carbon world, we will see financial impacts of higher costs through our net-zero ambition. We will also experience higher costs of materials and construction activities, increased contract and procurement costs. However, there is an opportunity associated with being more energy efficient, using renewable energy and waste heat, as well as revenue from electric vehicle charging points. There is a reputational opportunity as we pursue greener methods.

### Assessing the risks

We have completed a high-level climate risk assessment for our assets. Our risks were categorised as being either severe, major, moderate or minor. Our most severe risks range from tunnel water ingress,

overwhelmed drainage and flooding causing asset failure. The highest rated temperature risks, include depot staff overheating and staff being exposed to high temperatures and UV levels.

## Severe risks



### High rainfall over a season or longer

Tunnel water ingress due to rising groundwater, or due to soil saturation from a prolonged period of heavy rainfall. Leading to potential pumping station failure due to overloading.



### Flooding

High volumes of water overwhelm the drainage system leading to flooding impacting on network reliability and safety.



### Extreme high rainfall in a single event

High volumes of water overwhelm the drainage system leading to flooding impacting on network reliability and safety.



### Extreme short-term high temperatures

Depot staff will not be able to work under extreme heat, train maintenance could be delayed, which would affect reliability of operations.

1/4 of all the London's carbon emissions come from the transport sector

30 Tube stations were fully or partially closed as a result of two storms in July 2021

£2m cost to us from the impact of storms in July 2021

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# Safety

‘The safety and security of our customers and colleagues remains our number one priority and underpins everything we do’



Lilli Matson  
Chief Safety, Health & Environment Officer



DRAFT



We work closely with our police partners to keep our customers safe

### Tackling work-related violence

We take a zero-tolerance approach to all forms of abuse on our network. We work hard to ensure our staff and customers are safe, feel safe and have the confidence to report any incident knowing that it will be taken seriously and investigated. In July 2021, our Safety, Sustainability and Human Resources Panel approved our annual delivery plan for tackling violence and aggression towards our staff. This included prevention and policing activity, prioritising the investigation of offences and improving support for staff after an incident.

Our transport support enforcement officers support customers and our staff working on the frontline. They are trained and equipped to deal with the triggers of work-related violence and aggression through engagement, enforcement and problem-solving. They work closely with our transport police partners and are deployed to locations with higher levels of incidents or where there are emerging issues with customer behaviour. By the end of 2021/22, we had recruited 90 enforcement officers and our ambition is to increase this to 135 by the end of 2022/23.

The rollout of body-worn video during the pandemic is an important measure in keeping our staff safe and securing successful prosecutions against anyone who causes harm. Working with transport police, we will always seek to bring offenders to justice using all available evidence including CCTV and body-worn camera footage.



### Zero tolerance towards violence against women and girls

We were shocked by the recent murders of women by strangers in public places, which intensified the focus on violence against women and girls and what authorities like us are doing to end it. Women and girls are disproportionately affected by sexual offences and harassment while using public transport, taxis and private hire vehicles, walking and cycling, and we are working with our transport policing partners to tackle it.

Along with our police partners, we reviewed our plans this year. Our work builds on the measures already in place to ensure the safety of staff and customers, including good lighting, CCTV, passenger alarms and crime prevention advice, as well as having trained frontline staff and police. Our programme covers policy, environment and infrastructure measures, communications, training, and legislation. This complements our other activity such as the safeguarding of children and vulnerable adults, tackling hate crime and work-related violence and aggression, and improving customer care.

We are rolling out sexual harassment training to all frontline staff and enforcement officers to help them respond to reports, support customers and each other, and challenge behaviour, with hundreds of staff already completing the training. Sexual harassment will form part of the new training being rolled out to all 25,000 bus drivers from 2022/23.

We were pleased to be accredited by White Ribbon UK, a charity engaging with men and boys to end violence against women. We also work with the Mayor's Office for Policing and Crime and the Night Czar to coordinate activity around the Mayor's pledge to make London one of the safest cities for women and girls. We are also engaging with women's safety organisations to better understand and respond to the issues facing women and girls.

# Making our roads safer

We maintain and improve our roads and crossings to ensure they are safe and reliable



Page 21

## New safety measures and cycle lane installed on Westminster Bridge

Work began in November on new safety measures on Westminster Bridge, which included replacing temporary barriers that were installed following the 2017 terrorist attacks with permanent structures. These will protect people walking and cycling, creating a permanent protected cycle lane and footway.

During the works, the bridge was restricted to one lane and there were overnight closures and cyclists continued to cross the bridge. We ran an awareness campaign to ensure road users and local residents could plan ahead.

## Safety-critical work in the Blackwall Tunnel

In July, we carried out safety-critical repairs to the southbound Blackwall Tunnel, which involved installing a linear heat detection system above the carriageway, as part of an upgrade of the previous fire detection system.

This enables automated detection of fires and for us to deploy our pre-defined fire plans, including evacuation activity, through our electronic tunnel management system.

To do the work, we had to close the southbound tunnel for three-nights, although the northbound tunnel remained open throughout. We supported motorists and local residents by offering travel advice and giving advance warning of the closure.

## Work to improve safety on Battersea Bridge

In November, we completed work to make it safer for people to walk at Battersea Bridge. Improving safety on London's roads is a vital part of our Vision Zero commitment to eliminating death and serious injury on the transport network.

Among the improvements were a new signalised pedestrian crossing, expanded pavements on both sides of the road and new tactile paving to improve accessibility. We also reduced the speed limit on Chelsea Embankment from 30mph to 20mph.

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'We want to thank all of the freight operators who have led the way in ensuring they only operate the safest lorries in London and across the UK and we would like to encourage any freight operators who haven't yet applied for a safety permit to do so'



**Christina Calderato**  
Director of Transport Strategy & Policy

## A vision for reducing road danger

### We continue to develop our Direct Vision Standard for heavy vehicles

Working with the London boroughs, freight industry and campaign groups, last March we radically reduced road danger through our Direct Vision Standard. This vital lorry safety scheme is already helping to save lives and prevent life-changing injuries.

The scheme requires owners of heavy goods vehicles (HGVs) weighing more than 12 tonnes to apply for a free permit to drive in London. The

permit rates vehicles on how much the driver can see through their cab windows. If the vehicle fails to meet the minimum rating, it must be retrofitted with Safe System improvements. Around 117,000 zero-star rated HGVs have now had safe systems fitted. The Direct Vision Standard is now operating 24 hours a day, seven days a week, London-wide. The standards are set to tighten further in 2024, delivering even safer lorries across the whole of the country.



**117,000**

zero-star rated HGVs have had Safe Systems fitted to comply with the Direct Vision Standard





We have worked to lower speed limits across certain roads

## 20 is plenty on our roads

### We have been introducing new lower speed limits at key locations across the capital

In February, we continued with our plans to introduce new, lower speed limits on five roads in London, in partnership with the boroughs.

We used a risk-based approach to identify the sites, with four 20mph speed limits being introduced, including the A10-A503 corridor in Haringey, the A13 Commercial Road in Tower Hamlets, the A23 London Road in Croydon and the A107 corridor in Hackney.

We also introduced a 30mph speed limit on a section of the A10 Great Cambridge Road in Enfield and Haringey.

The new speed limits were supported by new signs and road markings, and we continue to work closely with the Metropolitan Police Service to ensure that drivers understand and comply with the new lower speed limits in these parts of London.

We used a risk-based approach to identify the sites, with four 20mph speed limits being introduced in Haringey, Tower Hamlets, Croydon and also in Hackney

### Ban on carrying all private e-scooters on our services

Last December, we introduced a ban on privately owned e-scooters on our services, following fires on our premises and services caused by battery explosions. All privately owned e-scooters and e-unicycles, including those that can be folded or carried, are not permitted on any of our services or premises.

Mobility scooters and foldable e-bikes are permitted on our network. Non-foldable e-bikes will continue to be allowed on some parts of the network at certain times of the day. E-bikes are generally subject to better manufacturing standards and the batteries are usually positioned in a place where they are less likely to be damaged and are less of a fire risk.



## Our progress to achieving Vision Zero

### Our roadmap towards eliminating all deaths and serious injuries on London's roads

London has made huge strides in reducing road deaths since we launched the first Vision Zero action plan in 2018, which set out new tougher measures for eliminating deaths and serious injuries from our roads by 2041. Our activities so far include rolling out the world-first Direct Vision Standard on all roads and our ground-breaking bus safety standard.

Despite our progress, there are still too many people losing their lives on London's streets. In 2020, 96 people were killed and 2,974 people suffered serious injuries on the capital's roads. In November, we published a progress report on our Vision Zero ambition, in partnership with London Councils and the Metropolitan Police Service. The report highlighted

actions such as lowering speed limits, increasing speed enforcement activity and expanding our high-quality cycle network to reach more people which would all play a role in helping us reaching our Vision Zero ambition.

There was also an update on specific activities to protect people riding motorcycles, including mopeds and scooters, who make up only three per cent of vehicle kilometres but account for 32 per cent of people killed in London in 2020. We also launched a new campaign to encourage safer behaviours and challenge the deep-rooted culture that accepts road danger and risk taking, while also encouraging Londoners to look out for each other as they travel on the roads.

We launched a new campaign to encourage safer behaviours and challenge the deep-rooted culture that accepts road danger and risk taking

### My year at TfL



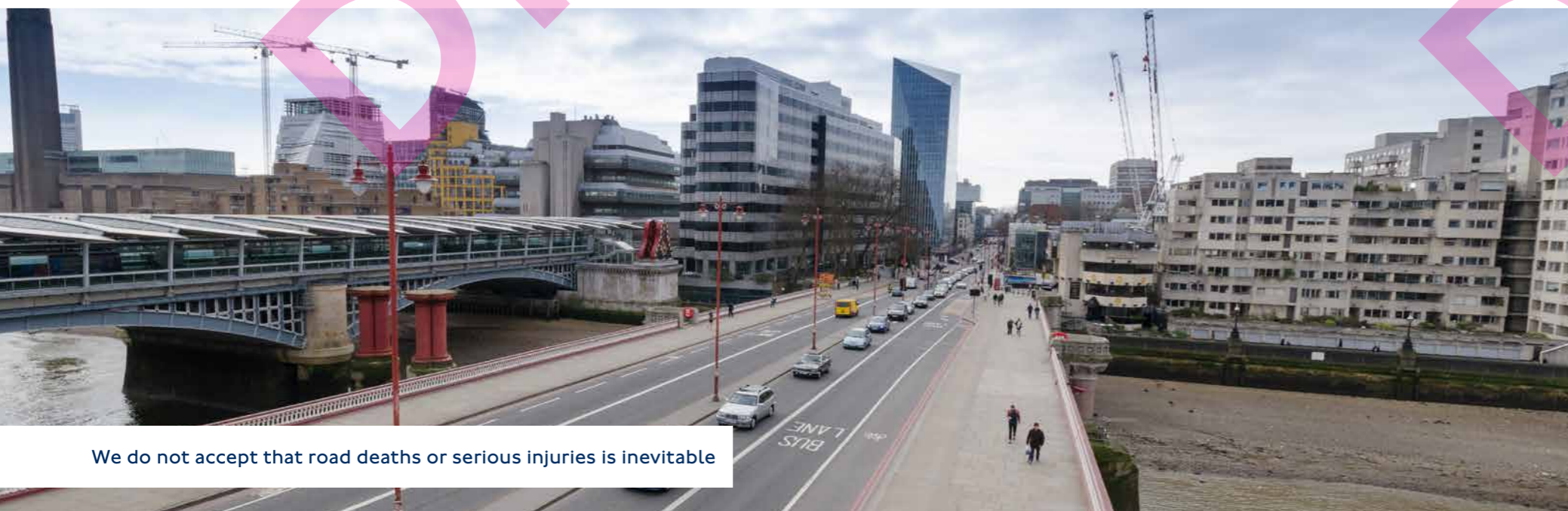
### Tackling workplace violence

**Carol Quearney, Operations Manager for Transport Support and Enforcement, Compliance, Policing and On Street Services**

Working alongside two other managers, Carol runs a team of around 90 transport support and enforcement officers. 'The role was created as part of the Workplace Violence and Aggression Strategy to help eradicate violence and combat anti-social behaviour on our network,' she explains.

One of Carol's biggest challenges was adapting to the changing regulations. 'Our officers rose to this challenge by being flexible and adapting to the changing environment,' she says. 'They helped to promote the compliance of face covering by actively engaging with passengers.'

Carol was pleased with the way her team responded. 'I am very proud of all my officers who help keep passengers and staff safe,' she explains. 'They deal with the most challenging situations and always maintain great customer service and reduce incidents of violence and aggression against their colleagues.'



We do not accept that road deaths or serious injuries is inevitable

# Healthy Streets and healthy people

‘London continues to lead the way in improving streets for people walking and cycling, ensuring a green, clean and healthy recovery from the pandemic’



**Will Norman**  
London's Walking and Cycling Commissioner



# Cycling success stories

There has been a boom in active travel as more people take to two wheels



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## More people choosing to cycle and walk

There was an increase in cycling and walking in London in 2021 as our Travel in London report showed more people were choosing active travel options. The proportion of journeys made by cycling rose by almost 50 per cent from the year before, while there was also a significant increase in the number of trips walked in 2020. In 2021, 31 per cent of Londoners said they were walking to places where they used to travel by a different mode, and 57 per cent said they went on more walks for exercise or were walking for longer than they did before.

Data from our network of cycle counters also suggested that leisure cycling boomed since the start of the pandemic, with the number of journeys at weekends regularly double those of equivalent weekends in previous years. The vital role of Santander Cycles during the pandemic was highlighted, with the scheme seeing record numbers of casual users.

## Milestone for Santander Cycles

We celebrated the 11th anniversary of our popular cycle hire scheme in July, as 2021/22 saw the Santander Cycles hire scheme go from strength to strength, with 11.8 million hires. This number surpassed the previous best record set in 2018/19 by 907,000 hires.

This year also saw one million different customers using the cycles for the first time in a financial year. We also saw 178,000 new members join the scheme, which is a seven per cent increase on 2020 and more than double that of any year prior to 2020.

During the pandemic, Santander Cycles continued to support NHS staff and other key workers by offering free cycle hire access codes, with more than 64,000 free 24-hour access periods given out to NHS and keyworkers in 2021.



## Encouraging London's diverse communities to take up cycling

### It is vital that we enable Londoners from all backgrounds to have the confidence to cycle

In October, we published new data showing that long-term trends in the people cycling in London has changed, with participation much more representative of Londoners than previous years.

For the first time Black, Asian and minority ethnic Londoners are just as likely to have cycled in the last 12 months as White Londoners. Out of all Londoners, 27 per cent had cycled during the past year, compared to 24 per cent of Black people, 25 per cent of Asian people and 31 per cent of people from mixed ethnic backgrounds. This was based on independent research from a representative sample of 3,500 Londoners.

While cycling levels have increased overall, it is vital that people from all backgrounds feel comfortable cycling. The research found that 49 per cent of Black and 46 per cent of Asian non-cyclists were open to trying it.

We want to ensure investment continues to be targeted at breaking down barriers in cycling. Together with British Cycling and other stakeholders, we hosted a summit to discuss actions to diversify cycling. The results are being used to shape a new joint approach to include more people in cycling that can be delivered by a wide range of organisations, funders, campaigners, authorities and community groups.

For the first time Black, Asian and minority ethnic Londoners are just as likely to have cycled in the last 12 months as White Londoners

## My year at TfL



### Promoting the roles of women in transport

**Hayley Magorian, Customer Operations Modernisation Manager, London Underground**

Juggling her role as Customer Operations Modernisation Manager with her position as chair of our Women's Staff Network Group, Hayley has been involved in some inspirational projects, including our International Women's Day celebrations.

'We delivered 27 events in March, attended by almost 1,000 colleagues,' she explains. 'The events covered a variety of topics, with everything from career journeys and how to close the gender pay gap to a panel discussion with speakers.'

This year hasn't always been easy for Hayley, particularly as working practices were adjusted in line with pandemic restrictions. 'I am a very social person and the working from home arrangements were challenging from an isolation perspective,' she admits. 'I have learnt a lot about mental health and the importance of building strong relationships.'



Latest data shows there is more diversity among people cycling

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We created more space for walking and cycling during the pandemic

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## The long-term vision of our Streetspace for London programme

### Providing more space for people to safely walk and cycle on our roads

During the pandemic, we created temporary walking and cycling schemes to support social distancing and encourage people to walk and cycle, through our Streetspace for London programme. These changes were vital in helping people cope with and manage social distancing in the lockdowns, with some of these changes having the potential to be made permanent.

In summer 2021, we held a consultation on the changes we made to Earls Court Road. After

reviewing the issues raised by respondents, we announced in December that we would permanently retain the scheme. In other cases, we tested the effects as the roads returned to normal. We began a consultation on changes to the temporary scheme at Bishopsgate in early 2022. Further consultations will follow on schemes we introduced at other locations, including London Bridge and Borough High Street, the A21 between Lewisham and Catford, Cycleway 9 on Chiswick High Road and Park Lane.

Our Streetspace for London programme was vital in helping people cope with and manage social distancing in the lockdowns, with some of these changes having the potential to be made permanent

### Cycleway 4 to south London

In February, we announced plans to make a series of trial changes on Tooley Street and Duke Street Hill, which will extend the new Cycleway 4 route and enable safer journeys between London Bridge, Rotherhithe and beyond. The changes include light segregation in both directions using wands and creating a new pedestrian space near London Bridge Hospital.

Construction work on Cycleway 4 started in July 2019 and the first section of the route, completed in September 2020, is already connecting neighbourhoods in southeast London to central London via a fully protected cycle route. We will continue to work with local councils on plans to build the remaining sections of Cycleway 4 between Rotherhithe and Greenwich, which will further boost connections via high-quality cycle routes.



# Clearing the air

Our initiatives are helping to bring the health benefits of clean air to many more Londoners



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## Expanding the Ultra Low Emission Zone

In October, we expanded the Ultra Low Emission Zone (ULEZ) from central London up to, but not including, the North and South Circular roads, making it the largest zone of its kind in Europe. This expanded zone, alongside tighter Low Emission Zone standards for heavy vehicles introduced in March 2021 across London, is expected to reduce nitrogen oxides emissions from road transport by 30 per cent.

In January, the Mayor published an independent report by Element Energy to develop pathways toward his target of London reaching net-zero carbon by 2030. The report outlines the urgent action we need to tackle the climate emergency and to create a greener, healthier city that is fit for the future. As well as the urgent need to reduce carbon and address climate change, we still

need to reduce toxic air pollution and cut congestion. To tackle these three challenges, the Mayor announced his intention to consult on a London-wide expansion of the ULEZ in 2023.

We will also develop proposals for consolidating existing road user charging schemes into one simple and fair scheme, which could be introduced later this decade. It will potentially involve drivers paying different rates for using their vehicles depending on, for example, how polluting they are, the distance driven and the time of the journey.

We launched a 10-week public and stakeholder consultation on the 2023 proposals and elements of a potential future scheme.

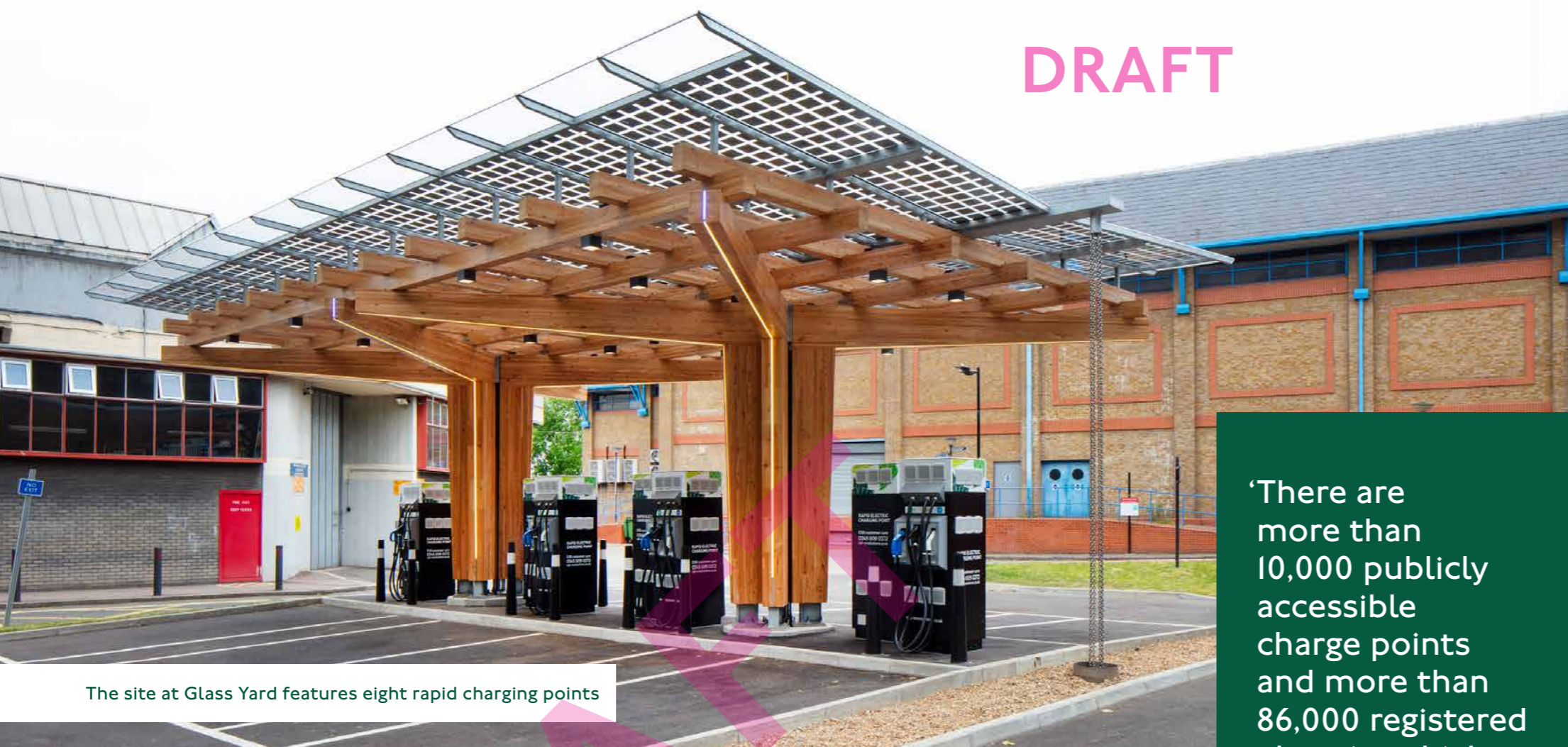
## Congestion Charge consultation

In December, we confirmed some permanent changes to the Congestion Charge to help reduce traffic and congestion in central London. This followed an extensive public consultation that saw nearly 10,000 responses.

In 2020, we introduced temporary changes as an emergency measure in response to the pandemic to ensure traffic was reduced so that essential journeys could continue to take place. These temporary changes were brought forward in accordance with a condition in the May 2020 funding settlement with the Government, and included raising the charge from £11.50 to £15 and increasing the operating hours to include evenings and weekends. The main permanent changes mean that, since February 2022, there are no charges in the evenings after 18:00, and operating hours on weekends and bank holidays have been reduced to 12:00-18:00. The increased charge level of £15 has been retained.

Reimbursement arrangements have been retained for essential trips made by certain NHS patients, care home workers, local councils and charities during epidemics and pandemics. We also listened to feedback and reopened the 90 per cent residents' discount for new applicants. These changes aimed to directly address the traffic challenges in central London and were implemented to ensure gains made in reducing car dependency over more than 15 years are not lost.





The site at Glass Yard features eight rapid charging points

## Charging ahead with electric vehicle infrastructure in London

### Our vision for how we will support the uptake of electric vehicles

In December, we published our electric vehicle infrastructure strategy for London's charging infrastructure up to 2030, by which time the Government plans to end sales of new petrol and diesel-powered cars.

This strategy sets out how we will accelerate the transition to zero-emission vehicles through the requirements for infrastructure provision, focusing on essential trips. As well as providing forecasts for London's charging needs up to 2025 and 2030, the strategy sets how the public and private sectors can further support the delivery of electric vehicle infrastructure. Reassuring drivers that they

will have a place to plug in is key to helping them switch to electric. In September, we opened a new rapid charging hub at Glass Yard in Woolwich. This service station for electric vehicles enables drivers to charge up in 20-30 minutes. There are eight rapid charging points, which means a space is more likely to be available.

Another site at Baynard House in the City of London is being constructed and the private sector is also opening hubs across other parts of the capital.

We are assessing how we can support further charging using GLA group land.

'There are more than 10,000 publicly accessible charge points and more than 86,000 registered electric vehicles in London. Working with the boroughs and the private sector, we will continue to increase the supply of charging points to support the transition to electric vehicles'



Alex Williams  
Director of City Planning

### Rental e-scooter trial continues to go from strength to strength

On 7 June 2021, we launched a trial of rental e-scooters in collaboration with London Councils, London boroughs and operators Dott, Lime and TIER. The e-scooters used in the trial have safety standards that go beyond existing national standards, including a speed limit of 12.5mph, larger wheels and lights that are always on throughout any rental.

In January, the operators announced plans to collaborate with UCL's world-leading research facility, PEARL, to develop a standardised sound for all operators to use. This builds on work done by the operators and is supported by us as it could improve safety across the industry by helping people, particularly those with visual impairments, identify rental e-scooters.

London's trial is one of 32 authorised by the DfT around the UK, which is gathering data to inform future policy and legislation around e-scooters. The Government recently announced that the forthcoming Transport Bill would introduce a new category of low-speed, zero-emission vehicles, which could include e-scooters and ensure they are regulated, safe and licensed.

The London trial has been extended to November to enable us to learn even more about this new category of vehicles before any new legislation comes into force, as well as assess how micromobility could make a positive contribution to transport in London.

12.5mph



speed limit of the e-scooters used in our trial in London



# Building a green future

Sustainability is a key focus across our projects



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## Bus summit to explore greener options for our bus fleets

In September, we held a summit, in conjunction with the Mayor and Campaign for Better Transport, to examine how we can accelerate the roll-out of zero-emission buses across England. The summit saw representatives from central and local government, bus operators and manufacturers come together share ideas. During the summit, the Mayor announced that all new buses in our fleet will be zero emission

and accelerated our target of delivering a 100 per cent zero-emissions bus fleet from 2037 to 2034. This is subject to longer-term funding certainty.

With additional Government funding, the entire fleet could be zero emission by 2030, which would save four million tonnes of carbon by 2037 and moving the date forward to 2030 will save an additional one million tonnes.

With additional Government funding, the entire fleet could be zero emission by 2030, which would save four million tonnes of carbon by 2037

## Our first roadside rain garden

In November, we delivered our first innovative kerb-side rain garden, which uses surface water run off to irrigate the flora at the side of the road.

The sustainable drainage system we used captures the surface water from the footway via a kerb with drainage slots, which is then carried along three gullies to a connected pipe. The rain garden is planted with vegetation that can withstand occasional high levels of water.

The project was part of a wider development on Lavender Hill, Latchmere Road and Elspeth Road in Battersea.

Rain gardens provide a better environment for pedestrians, making routes to and from public transport more pleasant.



500m<sup>2</sup>

of surface water run off captured by our sustainable drainage system



## My year at TfL



### Positive thinking

**Finnbar Connolly, Advanced Train Maintainer on the Central line fleet**

Having completed his apprenticeship, Finnbar has enjoyed a successful year in his career. 'My biggest achievement was to roll off my apprenticeship and being promoted to my current role,' he says.

With a varied workload, Finnbar enjoys the camaraderie of his current role. 'I like working with my team to overcome fleet problems and finding the best solution to solve them,' he explains.

However, it was not all plain sailing. 'Being the youngest advanced train maintainer in my depot, I found it a challenge to get to grips with a new depot and staff,' he admits. 'I overcame this by having a positive outlook for every shift no matter what it threw at me and just being able to learn on the job quickly to ensure I can perform at my best every time I attend work.'

## The first step to safer junctions

### Our pedestrian priority crossing technology is helping to encourage more people to walk around London

In February, we published new data that shows how our innovative pedestrian priority signals could be used to make it easier and safer to walk in London.

In May 2021, we installed the new technology, which shows a continuous green signal to pedestrians until a vehicle approaches at 18 crossings across London. The data from the trial suggests that these signals reduced journey times for people walking and made it easier and safer for them to . The number of journeys made on foot has hugely increased throughout the pandemic, with data from earlier this year showing that 31 per cent of Londoners say

they are walking to places where they used to travel by a different mode.

The data also shows that the signals had virtually no impact on traffic, with only minimal changes to journey times for buses and general traffic – the largest increase for buses was only nine seconds and for general traffic only 11 seconds. Several sites even showed improvements in journey times. We are assessing how the technology could be further improved and used at other locations across London. The technique could also be used elsewhere in the UK and we will engage with local authorities to see how it could benefit other towns and cities.

'We are determined to keep people on London's roads moving as safely, sustainably and efficiently as possible, so it is brilliant to see the positive results of this trial'



**Glynn Barton**  
Director of Network Management

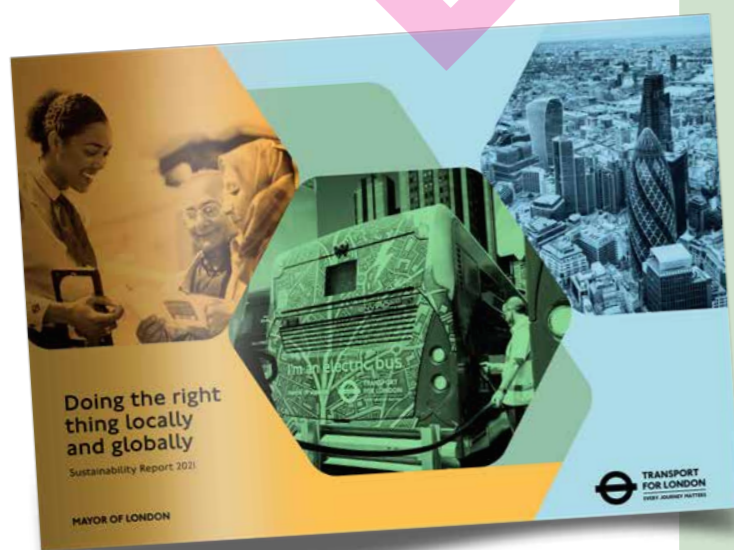


The crossings give pedestrians priority over vehicles

## Securing our sustainable future

Our ambition is to operate in a financially sustainable way and improve social values for a resilient and good quality of life for all Londoners. This is why we published our first Sustainability Report and Corporate Environment Plan in September.

The Sustainability Report sets out our approach to the three pillars of sustainability – Society, Economy and Environment. It highlights the related outputs and benefits of our activities, showing our work to date, with key performance metrics that will be used to monitor progress against our strategies, commitments and priorities. The Corporate Environment Plan underpins the environment pillar in our sustainability approach by detailing our ambition and targets for improving our environmental performance. Key performance metrics used to document our work so far will help us monitor our progress.



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## Sustainable freight futures

### Supporting the freight industry to enable consumers to consider sustainable shopping

The pandemic further bolstered the nation's existing appetite and pivot towards online shopping, with the instruction to stay at home at the height of the pandemic seeing online click and collect dip, while delivery orders peaked.

Our focus is to see a safe, clean and efficient freight industry. Some of the greatest barriers to this are associated with e-commerce delivery practices that cater to convenience. We have been working with stakeholders, retailers, goods carriers and consumers to look at addressing this.

Last autumn, we ran an online session with retailers to assess if they would consider using click-and-collect locker box business locations on our land. We are

developing a Cycle Freight Strategy to enable the use of cargo bikes as a viable alternative to vans, which would drastically reduce the number of motorised vehicles being used on our roads, improve air quality and reduce congestion. We are also working with retailers to help them adopt sustainable messages on their consumer websites.

Other options include asking consumers to adopt more responsible purchasing behaviours, such as using standard delivery options rather than choosing next-day deliveries, limiting the multiple size ordering to reduce returns, and linking peak shopping activity such as Black Friday and Christmas. Work continues to address the growing impact of online retail.



90%

of goods delivered in London are transported by road

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# A good public transport experience

‘We must ensure that our public transport network remains a safe, reliable and affordable option for all Londoners, especially as we continue to recover from the pandemic’



Gareth Powell  
Chief Customer & Strategy Officer



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‘It has been a monumental effort during the most challenging of times, but the opening of the Northern Line Extension could not have come at a more vital moment as London’s recovery from the pandemic gathers pace. The extension has delivered two new step-free stations, creating greater connectivity for south London neighbourhoods’



Andy Lord  
Chief Operating Officer

### Battersea Power Station and Nine Elms on Tube map

Ahead of the launch of the Northern Line Extension, we unveiled a new map putting Nine Elms and Battersea Power Station on our Tube map for the very first time.

The two new stations brought the total number of step-free stations on the Tube network to 88 and total number of Underground stations to 272.

The new map went up in stations prior to the launch, as well as being available as a pocket Tube map on our website and on the TfL Go app.



# Northern Line Extension

Sustainability is a key focus across our projects

## Two new stations giving south London a boost

We opened the doors to two new Tube stations at Nine Elms and Battersea Power Station in September, marking the completion of the Northern Line Extension, the first major Tube extension this century. Major construction on the three-kilometre, twin-tunnel railway between Kennington and Battersea Power Station, via Nine Elms, began in 2015. Despite the challenges of the pandemic, the construction project stayed on track and opened on time.

The first Tube services started running at 05:28 on the 20 September, with passengers on the first day including the Mayor, Secretary of State for Transport Grant Shapps and Transport Commissioner Andy Byford. In addition, the Battersea Power Station Community Choir sang

at the new station to mark its opening day. The two step-free Zone 1 stations have dramatically improved the connectivity of these growing south London neighbourhoods and will support the capital’s recovery from the pandemic at a vital time. A peak-time service of six trains per hour operates on the extension and this will increase to 12 trains per hour by mid-2022 as more people move into new housing in the area and the demand increases. There are five trains per hour during off-peak times, with this set to double to 10 trains per hour next year.

During works, 92 per cent of the waste excavated from the sites was carried in barges along the Thames to East Tilbury, where it was used to create material suitable for farmland.



## Launching London's newest railway

### Trial Operations successfully completed as the Elizabeth line became a reality

In November, we reached a major milestone ahead of opening the Elizabeth line when Trial Operations began. These operations involved exercises to ensure the safety and reliability of the railway and to fully test the timetable. More than 150 scenarios were carried out to ensure the readiness of the railway for passenger service.

These included exercises designed to make sure that all systems and procedures work effectively and staff can respond to any incidents safely and effectively. The scenarios ranged from customers being unwell, signal failures and rescues from broken down trains. We also carried out larger and more complex joint exercises with the emergency services.

We ran a number of mass volume exercises, which saw 5,000 members of staff play the role of passengers

in controlled evacuation scenarios. There was an evacuation at Custom House, a train evacuation in the tunnels to stations at Farringdon and Canary Wharf, an evacuation using an emergency escape shaft at Limmo, two rescue train scenarios, and a mass volume timetable test from Paddington station. Among the volunteers were people with a range of disabilities, demonstrating our response for those requiring additional assistance.

Some of the events were attended by Commissioner Andy Byford, Chief Operating Officer Andy Lord and Chief Executive Officer of Crossrail Mark Wild. The BBC filmed the test at Canary Wharf for a documentary that will launch later in the year.

The start of Trial Operations was the latest milestone in turning the project into a live railway, which has been

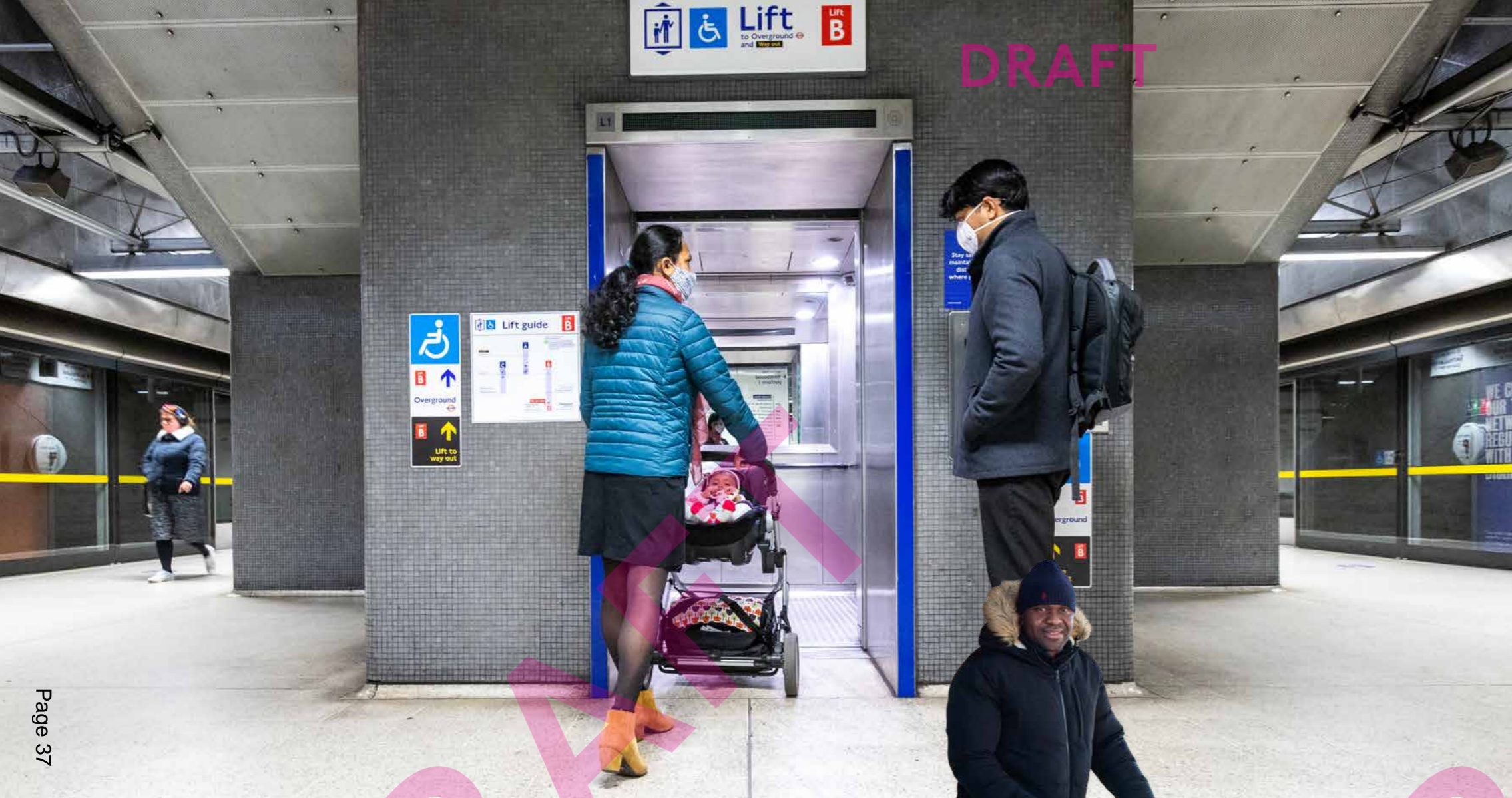
the focus since the project's governance was transferred to us in October 2020. As joint sponsors of Crossrail, along with the DfT, we worked closely with Crossrail to implement the transition plan, as we took full responsibility for delivery of the line. This ensured that decision-making was seamless during the critical final phases of the programme.

Trial Running of trains through the central tunnels began in May 2021, with 12 trains per hour in regular operation to build reliability and flush out any issues with systems and signalling software.

The Elizabeth line opened for passenger services between Paddington and Abbey Wood in May 2022. The final step saw a period of shadow running, operating timetabled services ahead of the line being opened.



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## A positive step

We have made even more of our stations step-free throughout this year

### Improving step-free access across the Tube network

We launched a number of new and improved step-free stations throughout the year. This supports our turn-up-and-go service, which enables all customers at Tube, London Overground and our rail stations to request help on arrival at the station without needing to pre-book assistance. All our staff are trained to offer support and advice to help customers with accessibility needs to help them complete their journeys.

London Underground staff will also assist wheelchair users if required by pushing their wheelchair and can guide visually impaired customers by the arm.

During the pandemic, staff guiding visually impaired customers wore single-use disposable sleeves to give both customers and staff additional protection.



### Step-free stations this year



## Listening to London as part of our major step-free consultation

### Our step-free programme will shape the future of our accessibility ambitions

In November, we launched a consultation into the future of step-free access. It was the biggest consultation of its kind and the first in 15 years. It focused on step-free access priorities to help shape and inform our approach to step-free improvements at Tube stations in the future.

The consultation was designed to help us identify which aspects of making Tube stations more accessible should be prioritised. Respondents were asked whether they would prefer future funding to focus on upgrading a single station, or be divided between smaller or medium sized stations located outside of central London.

They were also asked whether they would prefer for future funding to be used to improve clusters of accessible stations to create a close group of accessible stations or upgrade areas with limited accessibility, or a combination of both.

The consultation ran until early February 2022 and received more than 5,500 responses. The next stage will be to analyse the responses and combine this information with our own passenger and station data.

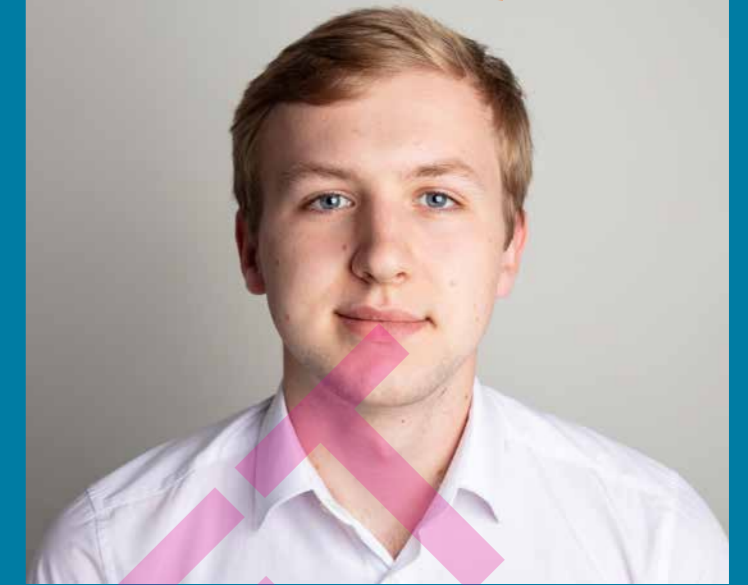
We will outline the findings from the consultation this summer.

‘By launching this important public consultation, we heard directly from Londoners about how we could best make Tube stations more accessible through the provision of step-free access when more funding is available’



Esther Sharples  
Director of Asset Performance and Capital Delivery

## My year at TfL



### Innovative thinking

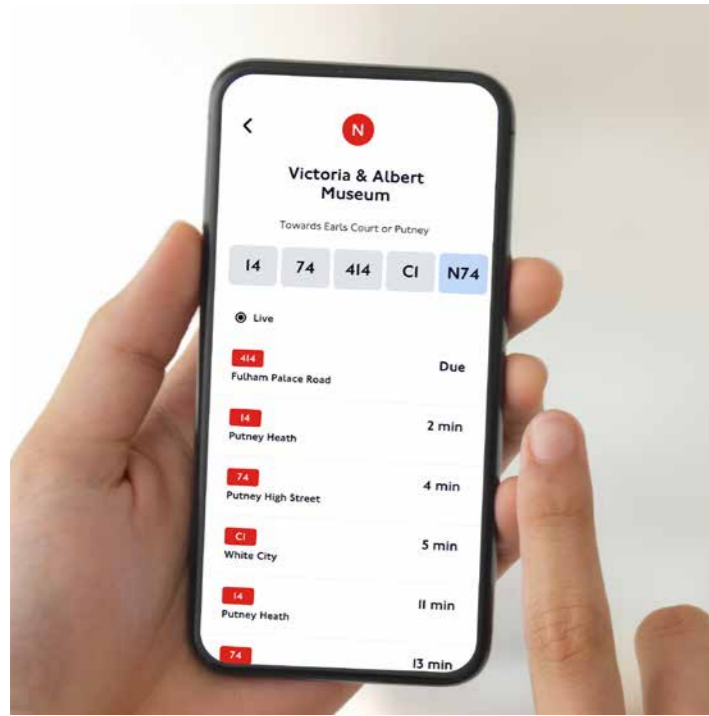
Oliver Punter, Open Innovation Graduate

During the past year, Oliver has been leading on a process improvement project that could deliver annual savings of £246,400 once it is introduced. ‘We have also looked at re-scoping this and if the business agrees to the changes, could save a potential of £1.2m per year through time savings,’ he explains.

One of the challenges he has overcome this was in the 5G trials. Having identified issues in our current systems, Oliver reached out to colleagues to help find a solution. ‘I identified key issues that this technology would solve and then worked with four business areas to create added value.’

‘This meant that we not only hit our original objective during the nine month program, but was able to advise other areas of the business on how they could utilise the technology,’ he explains.





### TfL Go app gets an upgrade

The app launched in 2020 and is built around Harry Beck's Tube map and our iconic design language. The first phase included multi-modal journey planning, live Tube & rail status, nearby bus stops and live arrivals.

During 2021/22 we launched live busyness information for Underground stations, further reassuring customers as they return to the network. Customers can see whether stations are 'quiet now', 'busy now' or 'very busy now', alongside the expected quieter times to travel on any given day.

Our focus on inclusivity is a key differentiator, and the app was nominated for a D&AD Award for inclusive design in 2021. For the first time we're showing detailed accessibility information for stations and platforms, including live step-free access status based on lift availability.

**1.2million**

times the app has been downloaded since its launch



**'The Bank Station Capacity Upgrade will provide an important boost for the City and the capital in general. The improvements we're making at Bank station will be finished by the end of this year and transform journeys through the station'**



**Stuart Harvey**  
Chief Capital Officer

## Improving the experience at Bank station

### Our work will improve the customer experience as we support recovery and growth in the City

Ahead of a 17-week closure of the Northern line Bank branch in January, we ran a London-wide communications campaign to give customers the tools they needed to retime, reroute or use alternative options for their journeys.

We provided a new bus route, number 733, from Oval to Moorgate, Finsbury Square and extra Tube services. We also asked customers to travel at quieter times, consider using active travel options and to check before they travelled using the TfL Go App.

The closure was to enable the completion of vital and complex work on the new Northern line tunnel. The station reopened on May 16, with customers now benefitting from a new concourse, a new railway tunnel. Later this year, customers will also have more direct routes within the station and a new station entrance on Cannon Street.

Improvements at Bank, located at the heart of London's financial district, are critical to supporting the growth and success of the City.



The work at Bank will provide a range of benefits for customers



### Return of the Night Overground

The Night Overground returned to service in December, in time to support Londoners as they celebrated Christmas. The all-night services, which link key areas in the city's night-time economy such as Shoreditch, Hoxton and Islington, were suspended since March 2020 because of the impact of the pandemic.

Night Overground services between Highbury & Islington and New Cross Gate started running every 15 minutes throughout the night on Fridays and Saturdays from 17 December. Reintroducing these services at weekends also helps the 1.6 million people who work at night in London and will provide another safe transport option for all Londoners.

## Getting back on track

Some of our key services resumed as we continued to support London's recovery



### Night Tube services help London bounce back from the pandemic

Night Tube services resumed on the Central and Victoria lines in late November, providing more options for customers who need to travel at night either for leisure or for work, while also making journey times shorter and offering safer routes home for women, girls and all Londoners.

The Night Tube was suspended during the pandemic when drivers were needed to ensure we could keep the Tube running during the day, when demand was highest. London Underground was impacted by staff absences caused by coronavirus, while the pandemic also affected our ability to train new drivers to replace those who have left. The Central and Victoria lines were previously two of the busiest lines on the Night Tube network and provide crucial links between large parts of London and the centre of the city. Restoring night running on these

lines was a boost for businesses like bars, clubs and restaurants as London's night-time economy started its recovery.

It also provides a safe, quick travel option for Londoners and visitors looking to make the most of all the capital has to offer in the evenings, and those who need to travel to or from work at night.

The Tube continues to operate between around 05:30 and 00:30 through central London from Monday to Saturday, and we have started running some trains earlier on Sunday mornings to help customers travel at these times.

We also announced that Jubilee line Night Tube services will resume from May 2022, followed by Northern and Piccadilly lines later this summer.

### Waterloo & City line returns

The Waterloo & City line returned to a full weekday service on 22 November in a further boost to London's recovery from the pandemic, with services running every three minutes during peak hours and five minutes off peak.

The line was closed in March 2020 in response to the Government's advice for people to work from home as demand plummeted. In June 2021, we reintroduced peak-time only weekday services on the line, to support those gradually returning to the office.

Drivers from the line were needed to operate Central line services, where demand was highest. This ensured we could run as many services as possible to enable social distancing.



‘Providing mobile connectivity to customers within the tunnels and on platforms across London will help them stay connected more easily and will both provide a long-term revenue stream for TfL and support economic growth across the city’



Shashi Verma  
Chief Technology Officer

### Improving mobile connectivity

In December 2021, we announced that customers on Three and EE will join the BAI Communications network to provide 4G and 5G ready mobile connectivity across the London Underground. Negotiations are ongoing with Virgin Media O2 and Vodafone.

We are excited that this project will give customers on these networks access to uninterrupted coverage while on the Tube and within the stations. When completed, the network will be the most advanced of any city in the world.

By 2024, customers will be able to enjoy uninterrupted 4G mobile coverage in all ticket halls, platforms and tunnels. Furthermore, the networks will be able to provide mobile connectivity services, to enable emergency services teams throughout the London Underground environment to communicate.



**£1bn**

expected to be invested by BAI in the Connected London programme to improve digital connectivity

### Helping Londoners and visitors get back to what they missed

In May, we supported the Mayor’s #LetsDoLondon campaign to encourage people to explore all the things that were happening across the capital during the summer.

The promotion, which was run in collaboration with London & Partners, was launched to attract domestic visitors to the city and bring central London’s economy back to life. We welcomed customers back to our network and helped them make the most of the increased leisure activities that were increasingly

available, including the reopening of museums, cultural attractions and indoor dining. We ran an extensive campaign covering TV, radio and newspaper advertising.

During the October half-term, we produced cultural maps and guides detailing fun family activities, autumn ideas and late events. This included highlighting places along Tube lines, London Overground and the DLR for people of all ages to visit. We reminded customers of our work to keep our network clean and safe.



The Mayor’s campaign encouraged people to enjoy London

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## Tackling crime

We take a zero tolerance approach to hate crimes and unwanted sexual behaviour on our network

### Zero tolerance to sexual harassment

We are working with our transport policing partners to make sure our public transport networks are safe, and feel safe, for all our customers and staff. In October 2021, we launched our communications campaign to tackle sexual harassment on public transport.

The campaign was developed in partnership with the Rail Delivery Group, British Transport Police, Metropolitan Police Service and women's safety groups. It forms an important part of our approach to tackling this behaviour, along with other measures such as staff training, policing and enforcement activity, and sexual harassment sessions in schools.

The campaign aims to challenge sexual harassment, sending a message to offenders that it is wrong, harmful and won't be tolerated on our services. We are also asking those that experience or witness sexual harassment to report it so that we can work to prevent it and to take action against offenders.

Our customers and staff should never be subjected to this behaviour when travelling in London. Our job, together with our police partners, is to stop this intolerable behaviour and make our network a hostile place for offenders and a safe welcoming place, especially for women and girls.

### Standing together against hate

Everyone should be safe and feel safe when on London's transport network. In June, we launched our Hands Up communications campaign, which is aimed at raising awareness of hate crime, encouraging people to report it and reassuring customers and staff that all incidents are treated seriously. The campaign was developed by working with community groups and frontline staff to better understand the lived experiences and concerns about hate crime.

Working with our police partners, we continued our engagement events to raise awareness, understand concerns and provide support to victims or those who feel vulnerable. Our surveys and community engagement shows that hate crime is significantly under-reported, so educating users of the transport network on how to respond and report if they witness or experience a hate crime continues to be a focus.

Each year, we work with our policing partners to support National Hate Crime Awareness Week. This year, we worked with community and partner organisations including StopHate UK, Tell MAMA, Covid19 Anti-Racism Group, Gallop and London TravelWatch to improve our understanding of hate crime. This insight was, and continues to be, invaluable in helping to shape our campaigns, engagement activities and interventions, ensuring that our approach and activities are impactful in both reaching and reassuring the communities they represent.

Through our school's outreach Sustainable Travel, Active, Responsible Safe (STARS) Programme, secondary schools are also being given additional support to educate children about the impact of hate crime, encouraging pupils to share the solidarity message that hate crime will not be tolerated.

## My year at TfL



### Delivering across all areas

#### Jermaine Harrison, Finance Graduate Scheme

Through his work on the graduate scheme, Jermaine has discovered the depth and breadth of TfL's remit. 'TfL has exposed me to so many different areas of the business, such as Cycle Hire, Elizabeth line, London Overground and more – this is all within one year!' he says.

'Everyday, we contribute to keeping London moving and making a real difference for the people of London.'

His best achievement has been developing his contacts through networking. 'From meeting with other graduates and apprentices from different schemes to a brief conversation with Andy Byford, I have really engaged with a large number of stakeholders. I have also volunteered at events such as the Finance Business Partner Wellbeing event and various finance events for new intakes.'

# DRAFT

## Ensuring we emerged safely as London opened

### Keeping customers safe as we adjusted to pandemic restrictions

We implemented a range of measures to ensure customers could travel safely and confidently on our services during the pandemic. This included an enhanced cleaning regime, improved ventilation, requiring face coverings as a condition of carriage both before and after they were a legal requirement, and we continued to strongly encourage their use.

National regulations mandating the use of face coverings on public transport were in place from 15 June 2020 to 19 July 2021, and reintroduced on 30 November 2021 to 27 January 2022. During the time then no national regulations were in place, we retained the requirement to wear a face covering on our public transport services

and stations, unless people were exempt, as one of our conditions of carriage.

Our 500 enforcement officers were redeployed from their core activities to focus on face covering compliance and enforcement activity. Under the Government's regulations, we, together with the police, were given powers to issue Fixed Penalty Notices or prosecute customers for not wearing face coverings.

In line with the Government decision to lift restrictions on 27 January 2022, which removed legal powers for us and the police to robustly enforce the regulations on the network, we also took the decision to remove it from our conditions of carriage from 24 February 2022.

During the time when no national regulations were in place, we retained the requirement to wear a face covering on our public transport services and stations, unless people were exempt, as one of our conditions of carriage



We adapted and adjusted to the changing regulations



## Providing safe, reliable and accessible bus travel in London

### Putting plans in place to improve safety and reliability of our buses

In March, we published our Bus Action Plan to set out our long-term vision for bus travel to 2030 and beyond. Buses are already the most used form of public transport in the capital, and our new plan aims to make this mode even more attractive for customers, including improving customer information, refurbishing bus stations and upgrading existing bus stops to meet wheelchair accessible standards.

We aim to provide a faster and more efficient bus network, with journeys 10 per cent quicker than in 2015, with initiatives including the aim to introduce 25km of new and improved bus lanes by 2030. We will improve

connections via a bus network better suited to longer trips with better interchanges, especially in outer London and ensuring residents remain close to a bus stop. We will also bring our decarbonisation and climate resilience objectives to life with a zero-emission bus fleet to tackle climate change and improve air quality.

Further measures in our strategy include strengthening safety and security, with an ambition that nobody will be killed on, or by, a bus by 2030. We want all elements of the Bus Safety Standard implemented by 2024, ensuring customers and staff feel confident, including through improved bus driver training.



10%

improvement in bus journey times compared with 2015

We want all elements of the Bus Safety Standard implemented by 2024, ensuring customers and staff feel confident, including through improved bus driver training

# Sporting success

We have enabled some high profile events across the capital



## Helping to give our Paralympians a heroes homecoming welcome

Londoners turned out to welcome back our athletes from the ParalympicsGB team at a special Homecoming event at OVO Arena Wembley in September.

There was a stellar line up of artists from the world of music and entertainment to provide a fitting tribute to our athletes, who finished second in the medals table.

We supported the spectacular event, which was held during a weekend where Wembley Park station was closed in both directions. There was also no Jubilee

line service between West Hampstead and Stanmore stations and on the Metropolitan line between Aldgate and Harrow-on-the-Hill stations.

We provided guests with additional advice on alternative accessible routes using the Bakerloo line and London Overground services, as well as replacement bus services for the closed Tube routes. We also worked with our National Rail partners to help promote the increased services on Chiltern Rail before and after the event.

## Supporting the return of the London Marathon this year

We supported organisers of the Virgin Money London Marathon when it returned to its traditional course in the capital in October, having been cancelled the previous year because of the pandemic.

The London Marathon is one of the largest mass-participation events in the world with thousands of people, including world class athletes, celebrities and eager runners, raising millions of pounds for charities.

We advised Londoners and visitors of the road closures to support the event and also of essential planned closures on the Central line and London Overground. We encouraged everyone to plan their journeys in advance and check our website or TfL Go app for the latest travel information.

The route took runners past some of London's most famous and historic landmarks and visitors were advised to plan their day carefully and to avoid busy areas, in particular Greenwich Town Centre, Cutty Sark and Tower Bridge.





The Lane Rental scheme charge of £350 per day for utility company works is designed to minimise disruption

## Reducing roadwork disruption

### Our Lane Rental scheme is helping to coordinate works on our roads

In May 2021, we extended our Lane Rental scheme, which charges utility companies a daily fee for digging up the busiest sections of London's roads, to cover roadworks on 20 pavements across London. The charge of £350 per day for works is designed to minimise disruption for people walking.

In July, we announced the scheme had supported 79 projects that improve how roadworks are carried out. These included a project with Thames Water to trial new

technology that creates a new lining within an existing pipe on Seven Sisters Road as an alternative to replacing the road's water main.

Other projects to receive funding include the creation of an augmented reality mapping application to display abandoned mains and spare infrastructure, developing an artificial-intelligence disruption-detection engine that proactively spots and identifies issues, and testing a multi-sensor inspection survey robot that can be used on large sewers.

### Works on Hammersmith Bridge

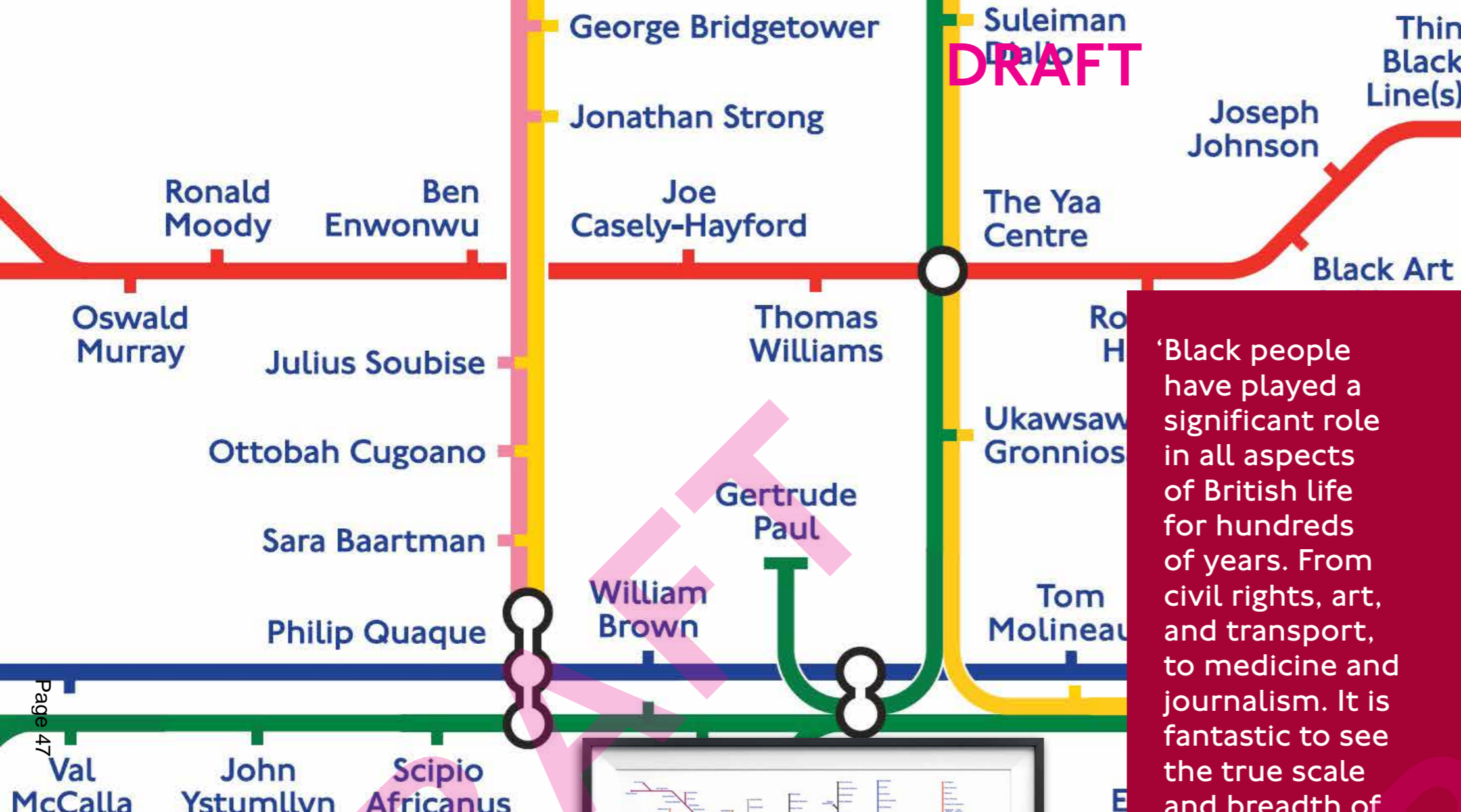
In July 2021, Hammersmith Bridge was re-opened by the London Borough of Hammersmith & Fulham for people to walk and cycle across and for river traffic to pass beneath, following an inspection by safety advisers. It has remained closed for motor traffic.

The council started onsite work to stabilise the bridge in February 2022. This is designed to make it safe and enable it to continue to be used by pedestrians and cyclists. This work is expected to finish in the autumn. Work continues on the design for the strengthening works on the bridge, which will enable it to be reopened to buses and motorists in the long term.

We are working with the DfT and the borough to explore arrangements for how the long-term repairs will be funded.







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### Celebrating the contributions of Black people in London

To mark Black History Month, we teamed up with heritage centre Black Cultural Archives to launch the first ever Black History Tube map in October, celebrating the rich and varied contribution that Black people have made to London and the UK. The reimaged map replaced station names with notable Black people from history, with the associated Tube lines renamed to link them together by common themes – Firsts and Trailblazers; Georgians; Sports; Arts; LGBTQ+; Physicians; Performers; Literary World and Community Organisers. The map highlighted how Black people played an intrinsic role in all parts of British life for hundreds of years.



Among the fascinating figures featured on the map were Cecile Nobrega, a composer, poet, sculptor and educator who led a campaign to establish the first public monument to Black women to be on permanent display in England. Co-founded the Notting Hill Carnival Claudia Jones replaced Camden Town station and Joe Clough, London Transport's first Black motorbus driver in 1910, replaced Elm Park.

'Black people have played a significant role in all aspects of British life for hundreds of years. From civil rights, art, and transport, to medicine and journalism. It is fantastic to see the true scale and breadth of this contribution commemorated on TfL's iconic Tube map – a symbol so synonymous with London and the UK'



**Marcia Williams**  
Director of Diversity, Inclusion and Talent

### Showing our Pride for London

In September, we showed our support for London's LGBTQ+ community by launching a range of specially designed Pride roundels, which were displayed across the network.

The 10 special roundels were designed by our staff and talented and inspiring LGBTQ+ Londoners, including broadcaster and historian Tim Dunn, activist and campaigner Marc Thompson, and prominent museum curator Dan Vo, with each location specially chosen by the creators to best reflect their designs.

Their designs carried stories of lived experiences, personal journeys and hopes for the future across the LGBTQ+ community. Information about the designer, as well as explanations about the design, were displayed next to each roundel.

In addition to the special roundels, there was also a public poster campaign featuring proud TfL LGBTQ+ staff members at North Greenwich, Vauxhall and Green Park Tube stations.



## E-scooter hires on the rise

### Londoners embracing this new transport mode as part of our trial

Our e-scooter rental trial proved popular with Londoners, with more than 800,000 trips made using them by the end of March 2022. By the end of March 2022, the busiest month was October, as people returned to offices and London Borough of Camden joined the scheme. The most popular hour to ride an e-scooter was between 17:00 and 18:00.

The trial has been expanded significantly, with the number of vehicles increasing from 600 to 4,010 and the number of participating London boroughs doubling from five to 10.

More than two million kilometres of trips have been made to date, covering a distance of 60 times around the world.

There are now more than 500 designated parking locations across the whole of the trial area, with plans to expand this number over the coming year to further increase parking density.

London's trial is one of 32 authorised by the DfT around the UK, which are gathering data to inform future policy and legislation around e-scooters.



800,000

rental e-scooter trips have been made



500

designated parking locations across the e-scooter trial area



Our e-scooter rental scheme is available across certain London boroughs

## My year at TfL



### Stepping up the plate

Brooke Knight, Network Sponsorship, Investment Delivery Planning

Brooke has enjoyed a significant year, having completed an apprenticeship with TfL. 'My biggest achievement was delivering my first ever scheme since I rolled off from my apprenticeship,' she says. 'I also got a promotion to the role of sponsor last year.'

Her biggest challenge was dealing with the funding uncertainty and constraints as the impact of the coronavirus lockdowns were felt across London. 'It was a challenging situation and what that meant for the borough we sponsor,' she explains. 'To overcome this, we shared all the information we could with the borough and explained the methodology behind some of the decisions that were made.'

Brooke enjoys her career at TfL. So what makes it special? 'The people,' she enthuses. 'Everyone is so knowledgeable and friendly, which is great when working collaboratively.'



# Our women at work

We have shone a spotlight on the amazing work of women in shaping London

## Putting women on the map as part of international day of celebration

As part of our International Women's Day celebrations in March, we teamed up with Reni Eddo-Lodge, Rebecca Solnit and actress Emma Watson to create a City of Women London Tube map, celebrating the lives of women and non-binary people who have left a lasting impact on our city.

The reimagined Underground map replaced the names of familiar stations with those of notable figures from arts, sports, activism, science, media, law and medicine. Instead of Bond Street, Notting Hill Gate, Warren Street, Paddington, Euston Square, Waterloo, Bank or

Lancaster Gate, the map invited us to mind the gap at Audrey Hepburn, Claudia Jones, Virginia Woolf, Mary Seacole, Noor Inayat Khan, Agnes Beckwith, Boudica or Jung Chang.

Trailblazing women from our London's transport history were also included such as Hannah Dadds, the first female Tube driver; Jill Viner, the first female bus driver; and current emergency planning manager Joan Saunders-Reece – who was not only the first woman to drive a Victoria line train, but also the first female Tube driver instructor.



Afe Komolafe, Engagement Officer

## Putting our women in the frame

To mark International Women's Day in March, we launched a new exhibition at Victoria station showcasing portraits of women who work across the transport network.

The 56 women featured all help to keep London moving, working on both today's journeys and the projects of the future, by operating trains, managing bus stations and responding to major incidents. Others featured in the exhibition work in areas such as architecture, engineering, city planning and coding.

The portraits aimed to inspire and encourage more women to explore transport as a career, as well as recognising the work that still needs to be done to increase the number of women in the sector.

The exhibition was on display for six weeks at Victoria station and also exhibited at West Croydon London Overground station, Poplar DLR station and Hammersmith bus station.





### London's only cable car celebrates landmark number of customers

Ahead of the expiration of our sponsorship agreement with Emirates for our cable car, we announced our search for a new partner in December 2021.

The short-term sponsorship package we have put together includes one-year naming rights to the cable car, which is currently called the Emirates Air Line, branding across the capital on our Tube map, high-impact presence at some of our busiest stations and content creation through cabin branding.

It was also a year of celebration for the cable car as it welcomed the 13 millionth customer in September. The cable car, which opened in 2012 as part of London's Olympic and Paralympic Games, has complemented major regeneration in both the Royal Docks and the Greenwich Peninsula.

### Northern line station advertising

The new stations at Nine Elms and Battersea Power Station presented an exciting addition to our out-of-home advertising landscape. Both stations have tens of thousands of customers passing through them each week, with many being new to the network, providing a new opportunity for advertisers to take advantage of the brand-new, targeted digital screens.

This will add value to advertisers wanting to target residents and shoppers in Zone 1, alongside traditional advertising formats.

'This fantastic installation shows a different way to use our stations in a creative and engaging way to connect with tens of thousands of people'



Julie Dixon  
Interim Customer and Revenue Director

## Commercial thinking

### Supporting business and driving revenue

#### Green Planet take over

To mark the launch of television legend Sir David Attenborough's latest series The Green Planet, in January we worked with the team at BBC Creative to transform Green Park Underground station into a vivid experience that celebrated plant life.

The station was rebranded from Green Park as 'Green Planet', to create an immersive experience for our customers. We presented a range of plants that were featured in the series across every poster space on the southbound spaces of the Victoria line.



The BBC campaign saw Green Park rebranded as Green Planet

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# New jobs and homes

‘Our ongoing projects of work will help support the development of new homes that London vitally needs and an array of employment opportunities alongside these’



Graeme Craig  
Director of Commercial Development



# Eyes down for a full house

Our housing developments are delivering the new homes that London needs



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## Major development at Blackhorse Road site as we deliver more housing

In October, we joined our development partners to celebrate a key moment in the Blackhorse View housing development. We joined then-Deputy Mayor Heidi Alexander and developers L&Q and Barratt London to celebrate the occasion by laying the final brick on top of Alder Point, the 21-storey tower that forms the centrepiece of Blackhorse View.

Located directly opposite Blackhorse Road station, the 1.82-acre development is bringing forward 350 homes, alongside 17,500 square feet flexible

commercial floorspace. Due for completion in late 2022, Blackhorse View offers a choice of one, two and three-bedroom apartments with views across the Walthamstow Wetlands.

The scheme will create up to 300 new jobs for local people, with more than 10 apprentices already working on the scheme and a range of opportunities available for those people who have taken part in our Construction Skills programme.

## New homes at Arnos Grove

Our proposals for 162 new homes by Arnos Grove Tube station were given the green light in March 2022. The project is our fifth Build to Rent development to be given a resolution to grant planning permission, and is being delivered by Connected Living London, our long-term strategic partnership with Grainger plc.

The plans will deliver 40 per cent affordable housing, alongside a new public square outside the station making it easier and safer for people to walk and cycle to Arnos Grove. The new homes, designed by Maccreanor Lavington, will be delivered across four buildings, and will be a mix of one-, two- and three-bedroom properties providing suitable homes for all types of households.

The affordable homes will be provided at a discount to open market rates for rent and all residents will equally benefit from a range of on-site amenities, such as the residents' lounge, gym and dedicated onsite Resident Services team.

Sustainability is a core focus of the plans and the development intends to optimise building performance with respect to energy, carbon, water and waste. It will also include solar panels and wildlife-friendly landscaping, including integrated play-space.





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Our arches provide a base for a range of businesses and retailers

## Under the arches

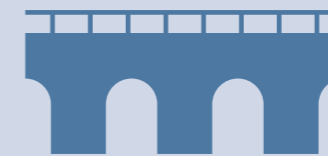
### Supporting our tenants as we celebrated Arches Day together

We encouraged Londoners to support their local businesses based in railway arches and #loveyourlocalarches on Arch Day on 3 July.

The scheme, which is supported by The Arch Co, Network Rail and us, works to highlight the many services, products and activities that can be found under these often-forgotten Victorian railway arches. It also aims to encourage local people to explore the offerings that are available and shop with these great local businesses and retailers.

Transport Commissioner Andy Byford visited businesses in Haggerston that are based in arches managed by us. He discussed their experiences during the pandemic and recognised them for their commitment to the local community as part of our Love your Local Arches Awards.

During the pandemic, we worked hard to support our tenants by offering significant rent, emotional and practical support. We are committed to working with our tenants as partners, getting to know them better and actively supporting business recovery.



800

arches that we own and manage across London

The scheme works to highlight the many services, products and activities that can be found under these often-forgotten Victorian railway arches

# My year at TfL



## Making a difference in all areas

Jenita Treacy, Analytics Product Manager in Technology and Data

This year has been one to celebrate for Jenita, having won the Tech 100 Women award. However, her achievements didn't stop there.

'I became a leadership member for our RACE Staff Network Group,' she explains. 'I also helped change our internal processes to ensure that people on maternity leave or long-term sick are not disadvantaged when they return to work, as well as working on new fertility and surrogacy guidance.'

As many people found when working from home, there have been challenges along the way. 'My role involves understanding operational requirements and issues that sometimes need me to observe or speak candidly to stakeholders,' she explains. 'It took longer to achieve this from my home office, but getting back to the office lately has helped to re-enable this.'

## Celebrating our in-station retail

### We have continued to grow our offering to provide retail space for even more businesses

Following a positive end to 2021, there was a strong start for our in-station retail activity in 2022. A new retail unit at White City Bus Station opened on Boxing Day along with several businesses opening at King's Cross, Baker Street and Parsons Green Tube stations in January. These units provide us with an additional revenue stream, while improving the customer experience.

The unit at White City is one of the 38 we uncovered as part of a programme that began in early 2020 to bring our forgotten, empty retail units back into use. As the unit had been empty since 2018, we had to restore it, including carrying out fire safety

and asbestos checks, to ensure it met health and safety standards. By the end of the 2021/22 financial year, we had reached 52 completions since February 2020, which was just before the first national coronavirus lockdown began.

These deals generate an additional £1.8m of new income for use each year, plus additional turnover-based payments, while improving our customers' experience and enhancing station environments. We are working to source and support new and evolving retail businesses of all sizes and have many more in the pipeline for the coming year.

We are working to source and support new and evolving retail businesses of all sizes



Our retail spaces support business and improve our customer experience





### On the property ladder

Following discussions with the Mayor, central Government, and our Board, we have created a commercial property company, TTL Properties (TTLP), which is wholly owned by us. TTLP will provide sustainable revenue to reinvest in public transport, while delivering thousands of new homes for the capital, a high proportion of which will be affordable.

We are constructing more than 1,700 homes, with work forecast to start in 2022/23 on 12 more sites that will deliver a further 2,400 homes. As well as developing new homes, we also have an existing estate of some 2,000 businesses, and TTLP will continue to invest in this estate to ensure it continues to be a sustainable powerhouse for small- and medium-sized businesses.



## Launching our innovative Sustainable Development Framework

### Our plans for supporting a cleaner, greener and fairer society through development

This year, we developed our Sustainable Development Framework, which is based on nearly three years of developing, piloting and collaborating. The framework sets out our approach to delivering social impact, driving economic development and embodying environmental stewardship in all our projects. It tackles not just the climate emergency, but also balancing a host of wider environmental, social, and economic issues.

We shared the framework with our partners, building contractors and key stakeholders to invite feedback. By

sharing what we have done and learnt, we hope to use our broad portfolio of projects to lead the commercial building sector in delivering sustainable development for all Londoners.

We will continue to engage with our partners and stakeholders to finalise the detailed guidance that will support the framework. We will then look to launch the framework officially and use it as a key tool to underpin how we will work with partners and stakeholders going forward on our commercial development projects.

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# Our people

‘Once again, our people have gone above and beyond to deliver the essential services that London needs as it continues to strengthen after the impact of the pandemic’



Tricia Wright  
Chief People Officer





### Remembering our colleagues

Following the Mayor’s opening of the Cherry Blossom Memorial Garden at the Queen Elizabeth Olympic Park in May 2021, to remember all Londoners who have sadly died from COVID-19, we announced our plans to create a fitting memorial. In October 2021, we notified affected families of our plans to unveil a memorial to honour the contribution of the transport workers who kept the capital moving during one of its most challenging times.

In spring 2022, London Borough of Tower Hamlets granted us planning permission at our preferred site on Braham Street in Aldgate. The space will contain a plaque paying tribute to London’s transport workers as well as a blossom tree and benches to create a contained space that can be used for quiet reflection and remembrance.

Tragically, we have lost 105 transport workers to COVID-19 during the pandemic. We are also aware of a number of taxi and private hire drivers and colleagues from other transport organisations who have sadly died and, alongside trade union colleagues, we continue to offer their families support. We plan to unveil the memorial this autumn.



## Showing support for our Armed Forces on Remembrance Day

### Our poppy tributes to service men and women

We paid tribute to servicemen and women ahead of Remembrance Day in November, replacing several station roundels with the iconic poppy symbol at 10 Underground stations and 14 London Overground stations.

We also decorated six London buses with a special poppy-themed wrap. Poppy vinyls were also displayed on DLR and TfL Rail services, a number of trains and some Santander Cycles. Our piers were also proudly flying poppy flags.

We also partnered with the Royal British Legion to support its fundraising, with collections at 50 stations across London.

More than 3,000 volunteers and fundraisers have come together to collect donations across the TfL Rail and Underground network, including members of the Armed Forces from the British Army, Royal Navy and Royal Air Force. Some of our staff are veterans themselves whose service gave them critical skills for the jobs they do now.



Our special bus wraps help to show our support for the Armed Forces

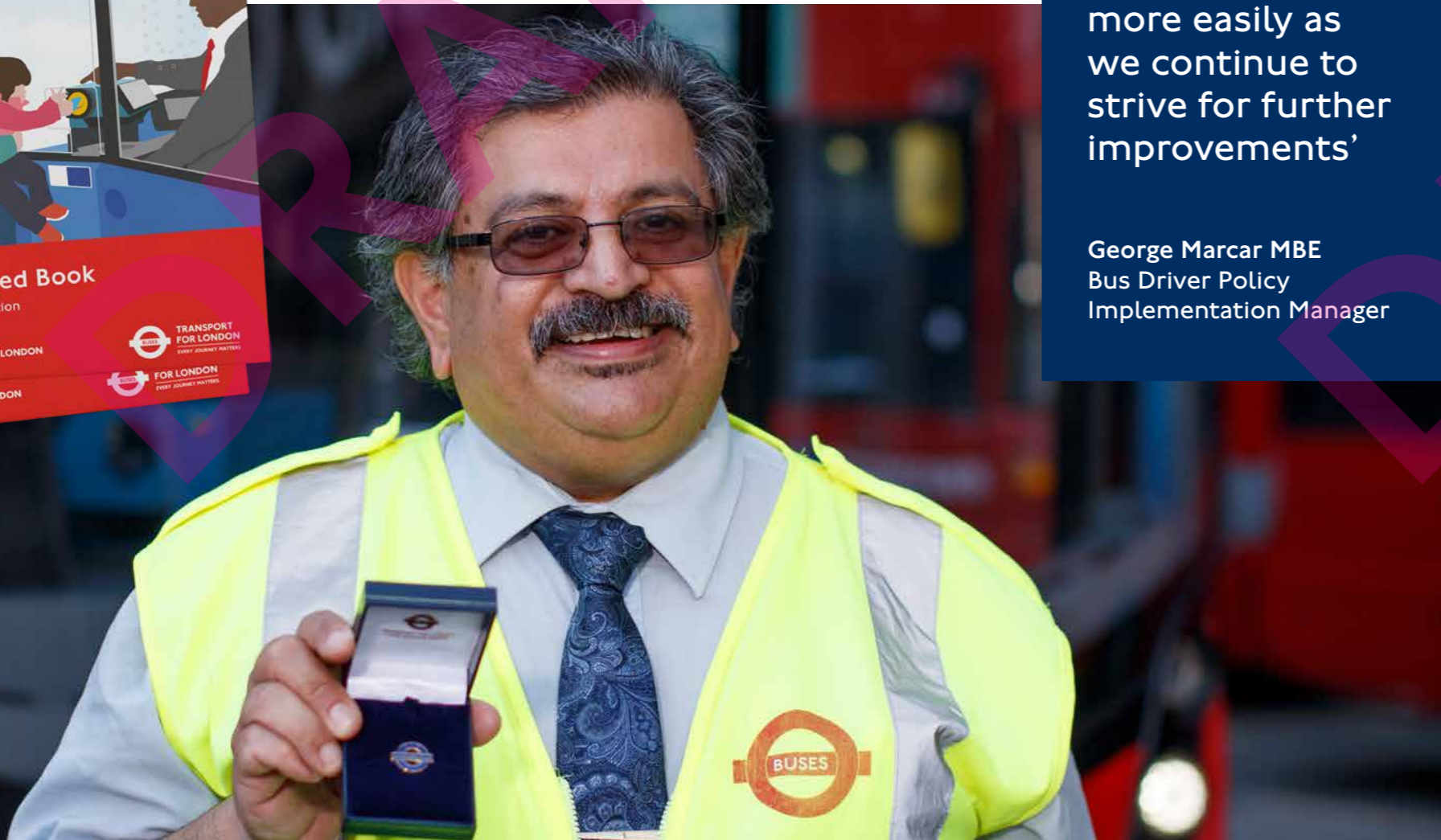
### Royal honour for a pioneer of bus accessibility

In December, Bus Driver Policy Implementation Manager George Marcar was honoured in the Queen’s New Year’s Honours with an MBE for his work in promoting accessibility on the bus network. George was recognised for going above and beyond for many years of service in his role and his continued dedication in improving accessibility for all, including older and disabled people.

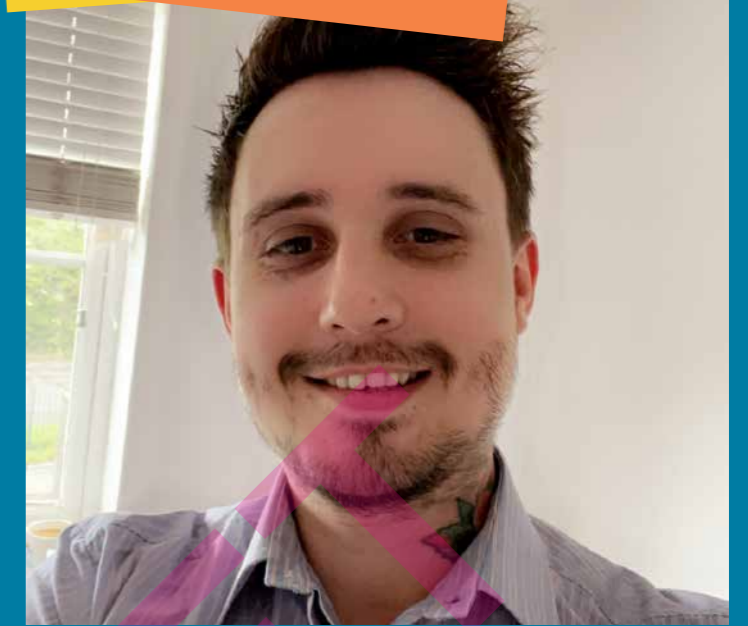
He has also made great strides in raising awareness of those with hidden disabilities, such as dementia and autism. During his years of campaigning, he also developed the Big Red Book – a guidebook with detailed information used to help and guide London’s 25,000 bus drivers. George was also recognised at our employee Transport You Matter awards 2021 with a Lifetime Achievement award for his work.

‘I am proud to now see so many people – all from different backgrounds and each with their own story to tell – using our buses every day, and to know that so many are able to travel more easily as we continue to strive for further improvements’

George Marcar MBE  
Bus Driver Policy  
Implementation Manager



### My year at TfL



### Positive promotion

Chris Eller, Customer Services Manager

Having been diagnosed with epilepsy in 2019, Chris struggled with the challenges this presented. However, he has managed to overcome this and has grown in his role.

‘I recently achieved a promotion to Customer Service Manager at Mile End,’ he explains. ‘This was my greatest achievement this year. Following my diagnosis, and it was a mental struggle, but my head of customer service on the Piccadilly line, as well as other customer service managers and area managers have been so supportive in helping me get through it mentally and pushing me for promotion.’

One of the best things about TfL is the supportive nature, Chris says. ‘I like how diverse the company is and it gives staff opportunity to grow.’

# Working together for all

We are developing approaches to ensure we are a great place for everybody to work



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## Listening to our colleagues to shape our new Vision and Values

In October 2021, we launched our internal Visions and Values strategy, setting out our long-term ambition for the future of our organisation.

Everyone from across the organisation was invited to shape how we should bring about a clear direction to our story and goals, with thousands of colleagues providing feedback. We listened to our staff to shape the direction of our Visions and Values, which will play a key role in delivering a sustainable, green future for London.

Delivering this new vision will be split into six themes of Safety, Operations, Customer, People, Finance and Delivery.

Engagement with our colleagues on this important piece of work demonstrated that input from different voices can successfully formulate a clear roadmap needed to achieve what will be best for the future of London's transport network and ensure we can successfully represent the great diversity of this city that we serve.



## Leading the way forward

In January, Transport Commissioner Andy Byford set out our new executive team structure to best meet the challenges and opportunities as we work towards the next phase of our recovery from the pandemic. The new team has reduced from 11 to seven.

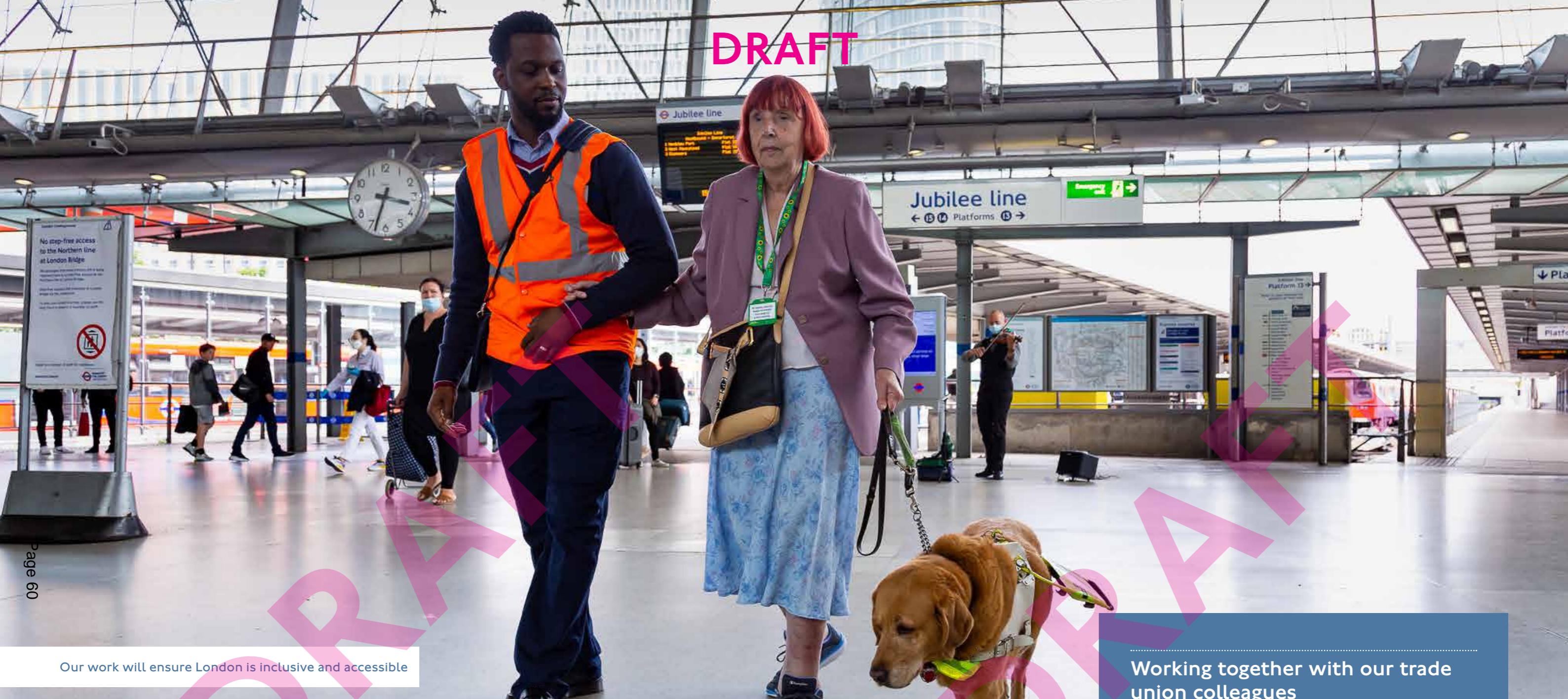
Gareth Powell moved from Managing Director of Surface Transport to become the Chief Customer and Strategy Officer. Stuart Harvey, moved from Director of Major Projects to become our Chief Capital Officer.

Andy Lord moved from Managing Director of London Underground to become our new Chief Operating Officer, bringing all of our operations together in one place for the first time. Our new executive team officially took effect from 1 February 2022.

At the same time as the restructuring, our Managing Director for Customers, Communication & Technology Vernon Everitt and our Chief Finance Officer Simon Kilonback left the organisation.

Group Finance Director, Patrick Doig, will report directly to the Commissioner as an interim measure and is an alternative to appointing an interim Chief Finance Officer, as was announced on 4 March 2022. Patrick will also continue to be our statutory Chief Finance Officer, a role he has held with us since May 2021.

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Our work will ensure London is inclusive and accessible

## Our equality objectives

### Pushing to create a more equal and inclusive organisation and city

We published our equality objectives at the end of 2021, setting out our commitments to promoting equality for our customers, colleagues and stakeholders.

These objectives enable us to perform against our Public Sector Equality Duty, under section 149 of the Equality Act 2010. We recognise we still have a lot of work to do to ensure London's streets and public

transport are equitable and accessible for all. We also know we need to do more to ensure our organisation is a truly inclusive place to work.

Our objectives will help us improve London's transport network for all and drive forward our vision for a more inclusive, diverse, equal organisation for our colleagues.

### Working together with our trade union colleagues

Over the past year we have continued to work closely with our trade union colleagues as we responded and adapted to the pandemic. We have collaborated to ensure our colleagues have been informed of the changing Government guidance and how these impacted them. Most importantly, we sought to keep our colleagues safe together.

The devastating impact of the pandemic on our finances has meant we have to identify savings and efficiencies to cover our operating costs. Over the past year, our trade union colleagues have worked with us to help find solutions to these challenges.

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Our apprenticeship scheme offers people a pathway into work

## Offering a route into the transport sector

### Celebrating National Apprenticeship Week for the next generation

We celebrated National Apprenticeship Week in February by showcasing the range of opportunities across TfL and our supply chain. Our award-winning apprenticeship programme supports people of all ages, helping them to learn new skills while in employment.

This September, we are creating another 143 apprenticeship roles with a further 25 to start in the following January. Applicants can choose from a range of roles including 74 apprenticeships across various disciplines in London Underground, 19 positions in IT and

software development and 15 roles in project management. The schemes range from Apprenticeship Levels 2 to 6, with a Level 2 apprenticeship being the equivalent to five GCSEs, while those on a Level 6 apprenticeship can earn a degree while gaining work experience.

We are committed to improving diversity across the industry. Through our work to encourage women to consider engineering roles, we have taken our Level 3 Engineering Apprenticeship scheme from having no women represented in 2018, to 27 per cent being women in 2021.



143

apprenticeships that are available each September

We have taken our Level 3 Engineering Apprenticeship scheme from having no women represented in 2018, to 27 per cent being women in 2021

# TfL Board members

The Mayor appoints members for their skills, knowledge and experience relating to TfL's activities. The Board is independent of the executive. The Chair and Deputy Chair serve until 3 May 2024. All other members were appointed or reappointed in 2021 and serve until 8 September 2024, except Cllr Julian Bell who joined the Board in February 2020 and will serve until 4 September 2022.



**Sadiq Khan**  
Chair



**Seb Dance\***  
Deputy Chair



**Cllr Julian Bell**



**Kay Carberry CBE**



**Professor Greg Clark**  
CBE



**Anurag Gupta\*\***



**Bronwen Handyside**



**Anne McMeel**



**Dr Mee Ling Ng OBE**



**Dr Nelson Ogunshakin OBE**



**Mark Philips**



**Marie Pye\*\***



**Dr Nina Skorupska**  
CBE FEI



**Dr Lynn Sloman MBE**



**Ben Story**



**Peter Strachan\*\*\***

## Members who left during 2021/22

- Heidi Alexander (Deputy Chair until 24 December 2021)
- Ron Kalifa OBE (Member until 6 May 2022)
- Dr Alice Maynard CBE (Member until 5 September 2021)

\* Member from 1 January 2022. Deputy Chair from 25 January 2022

\*\* Member from 11 November 2022



# Membership of TfL committees and panels

The Board appoints members to committees and panels by matching their skills, knowledge, experience and personal preferences. Changes were made during the year to reflect members leaving and joining the Board and with a view to refreshing and rotating membership, in line with good practice.

## Audit and Assurance Committee



**Mark Phillips\***  
Chair



**Anurag Gupta\*\***  
Vice Chair



**Cllr Julian Bell**



**Kay Carberry CBE**



**Dr Mee Ling Ng OBE**

### Members who left during 2021/22

- Anne McMeel (Member and Chair until 31 December 2021)
- Dr Nelson Ogunshakin OBE (member until 31 December 2021)
- Dr Lynn Sloman (member and Vice Chair until 31 December 2021)

## Elizabeth line Committee



**Heidi Alexander**  
Chair



**Anne McMeel**  
Vice Chair



**Prof Greg Clark CBE**



**Seb Dance**



**Dr Nelson Ogunshakin OBE**



**Mark Phillips**

\* Member and Chair from 1 January 2022

\*\* Member and Vice Chair from 1 January 2022

## Finance Committee



**Anne McMeel\***  
Chair



**Ben Story**  
Vice Chair



**Prof Greg Clark CBE**



**Seb Dance\*\***



**Anurag Gupta**



**Dr Nina Skorupska  
CBE FEI**

### Members who left during 2021/22

- Ron Kalifa OBE  
(member and Chair until 5 May 2021)
- Heidi Alexander  
(member until 2 February 2022)

## Land and Property Committee (Established from 1 April 2022)



**Prof Greg Clark CBE**  
Chair



**Dr Nina Skorupska  
CBE FEI**



**Heidi Alexander**



**Seb Dance**



**Anne McMeel**



**Ben Story**

## Programmes and Investment Committee



**Ben Story\***  
Chair



**Dr Nelson  
Ogunshakin OBE**  
Vice Chair



**Cllr Julian Bell\*\*\***



**Seb Dance\*\***



**Dr Lynn Sloman MBE**



**Peter Strachan\*\*\*\***

### Members who left during 2021/22

- Professor Greg Clark CBE  
(member and Chair until 31 December 2021)
- Heidi Alexander  
(member until 2 February 2022)
- Mark Phillips  
(member until 31 December 2021)
- Dr Nina Skorupska CBE FEI  
(member until 31 December 2021)

\* Chair from 1 January 2022

\*\* Member from 3 February 2022

\*\*\* From 1 January 2022

\*\*\*\* Member from 1 January 2022

## Remuneration Committee



**Kay Carberry CBE\***  
Chair



**Peter Strachan\*\***  
Vice Chair



**Seb Dance\*\*\***



**Dr Nelson Ogunshakin OBE\*\*\*\***

### Members who left during 2021/22

- Ben Story (member and Chair until 31 December 2021)
- Heidi Alexander (Member until 2 February 2022)
- Ron Kalifa OBE (member until 6 May 2021)

## Customer Service and Operational Performance Panel



**Dr Mee Ling Ng OBE**  
Chair



**Marie Pye\*\***  
Vice Chair



**Bronwen Handyside**



**Anne McMeel**



**Dr Lynn Sloman MBE**



**Peter Strachan\*\*\*\***

### Members who left during 2021/22

- Dr Alice Maynard CBE (member and Vice Chair until 5 September 2021)

## Safety, Sustainability and HR Panel



**Dr Lynn Sloman MBE\*\*\*\***  
Chair



**Dr Nina Skorupska CBE FEI**  
Vice Chair



**Kay Carberry CBE\*\*\*\*\***



**Bronwen Handyside**



**Dr Mee Ling Ng OBE**



**Mark Phillips**



**Marie Pye\*\*\*\***

### Members who left during 2021/22

- Cllr Julian Bell (member until 31 December 2021)

\* Chair from 1 January 2022. Vice Chair until 31 December 2021

\*\* Member and Vice Chair from 1 January 2022

\*\*\* Member from 3 February 2022

\*\*\*\* Member from 1 January 2022

\*\*\*\*\* Member and Chair from 1 January 2022

\*\*\*\*\* Chair until 31 December 2021

# TfL members attendance 2021/22

| Member                                  | Board (6) | Audit and Assurance Committee (4) | Elizabeth Line Committee (3) | Finance Committee (4) | Programmes and Investment Committee (5) | Remuneration Committee (2) | Customer Service and Operational Performance Panel (4) | Safety, Sustainability and Human Resources Panel (4) |
|---|-----------|-----------------------------------|------------------------------|-----------------------|---|----------------------------|--|--|
| Sadiq Khan (Chair)                      | 6         | -                                 | -                            | -                     | -                                       | -                          | -  | -  |
| Seb Dance (Vice Chair)                  | 2 (2)     | 1 (1)                             | 1 (1)                        | 1 (1)                 | 1 (1)                                   | -                          | -  | -  |
| Heidi Alexander                         | 6         | -                                 | 6 (1)                        | 3 (3)                 | 3 (3)                                   | 2                          | -  | -  |
| Cllr Julian Bell                        | 6 (1)     | 3                                 | -                            | -                     | -                                       | -                          | -  | 3 (3)  |
| Kay Carberry CBE                        | 6         | 3                                 | -                            | -                     | -                                       | 2                          | -  | 4  |
| Professor Greg Clark CBE                | 6 (2)     | -                                 | 3 (1)                        | 2                     | 3 (3)                                   | -                          | -  | -  |
| Anurag Gupta                            | 3 (3)     | 1 (1)                             | -                            | 1 (1) (1)             | -                                       | -                          | -  | -  |
| Bronwen Handyside                       | 3 (1)     | -                                 | -                            | -                     | -                                       | -                          | 2  | 1  |
| Anne McMeel                             | 6         | 3 (3)                             | 6 (1)                        | 4                     | -                                       | -                          | 4 (2)  | -  |
| Dr Mee Ling Ng OBE                      | 6         | 4                                 | -                            | -                     | -                                       | -                          | 4 (2)  | 4 (1)  |
| Dr Nelson Ogunshakin OBE                | 5 (1)     | 3 (3) (1)                         | 5 (3)                        | -                     | 5 (5)                                   | -                          | -  | -  |
| Mark Phillips                           | 6         | 1 (1)                             | 5                            | -                     | 3 (4) (3)                               | -                          | -  | 4 (2)  |
| Marie Pye                               | 3 (3) (1) | -                                 | -                            | -                     | -                                       | -                          | 1 (1)  | 1 (1) (1)  |
| Dr Nina Skorupska CBE FEI               | 5 (1)     | -                                 | -                            | 4 (1)                 | 3 (3)                                   | -                          | -  | 3  |
| Dr Lynn Sloman MBE                      | 6 (2)     | 3 (3)                             | -                            | -                     | 5 (5)                                   | -                          | 4 (2)  | 1 (1)  |
| Ben Story                               | 5         | -                                 | -                            | 4                     | 3 (3)                                   | 2                          | -  | -  |
| Peter Strachan                          | 3 (3) (1) | -                                 | -                            | -                     | 1 (1) (1)                               | -                          | 1 (1)  | -  |
| <b>Members who left during the year</b> |           |                                   |                              |                       |   |                            |  |  |
| Ron Kalifa OBE                          | 0 (0)     | -                                 | -                            | -                     | -                                       | -                          | -  | -  |
| Dr Alice Maynard CBE                    | 2 (2)     | -                                 | -                            | -                     | -                                       | -                          | 1 (1)  | -  |

Due to the pandemic, some meetings were held on Teams, with decisions taken after by the Chair exercising Chair's Action. The round brackets show the maximum number of meetings available for members to attend.

The square brackets show the number of meetings that members attended via Teams, where they take part in discussions but can't take part in the decision-making.

## Audit and Assurance Committee



**Date:** 6 June 2022

**Item:** TfL Statement of Accounts for the Year Ended 31 March 2022

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### **This paper will be considered in public**

## **1 Summary**

1.1 This paper presents the draft TfL Group Statement of Accounts, together with the Remuneration Report for the year ended 31 March 2022, to the Committee for consideration. The current drafts of the Statement of Accounts (attached) and Remuneration Report (to follow) and will be presented to the Board for approval on 27 July 2022.

## **2 Recommendations**

2.1 The members of the Committee are asked to:

- (a) note the draft Statement of Accounts and the Remuneration Report and the delegation to the Statutory Chief Finance Officer to make any adjustments arising from the ongoing audit work prior to submission to the Board. Any material adjustments arising will be reported to the next meeting of the Committee;
- (b) recommend that the Board confirm its overall approval of the provision of an ongoing guarantee by Transport Trading Limited of all the outstanding liabilities of those of its subsidiary companies listed below, such guarantee enabling those subsidiaries to be exempt from the need to have their accounts audited.
  - (i) Woolwich Arsenal Rail Enterprises Limited;
  - (ii) City Airport Rail Enterprises Limited;
  - (iii) London Underground Limited;
  - (iv) LUL Nominee BCV Limited;
  - (v) LUL Nominee SSL Limited;
  - (vi) Docklands Light Railway Limited;
  - (vii) Tube Lines Limited;
  - (viii) Rail for London Limited;
  - (ix) Rail for London (Infrastructure) Limited
  - (x) Tramtrack Croydon Limited;
  - (xi) London Buses Limited;t
  - (xii) London Bus Services Limited;
  - (xiii) London River Services Limited;
  - (xiv) Transport for London Finance Limited;
  - (xv) Victoria Coach Station Limited;
  - (xvi) TTL Properties Limited;

- (xvii) **TTL Blackhorse Road Properties Limited;**
- (xviii) **TTL Earls Court Properties Limited;**
- (xix) **TTL Landmark Court Properties Limited;**
- (xx) **TTL Kidbrooke Properties Limited;**
- (xxi) **TTL Northwood Properties Limited;**
- (xxii) **TTL South Kensington Properties Limited;**
- (xxiii) **TTL Southwark Road Properties Limited;**
- (xxiv) **TTL Build to Rent Properties Limited;**
- (xxv) **TTL FCHB Properties Limited; and**
- (xxvi) **TTL Wembley Park Properties Limited;**

(c) **note that:**

- (i) **as a result of the application of IFRS 9 Financial Instruments, our auditors, Ernst & Young LLP, require that letters of financial support previously provided by Transport for London in respect of the liabilities of its subsidiaries be re-signed annually by TfL’s Chief Finance Officer; and**
- (ii) **Board approval for the issue of such letters was granted when the subsidiaries were first established or acquired and the template for the letter to be signed is included in Appendix 2.**

### **3 Background**

- 3.1 The Statement of Accounts has been prepared in accordance with the provisions of the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015 (“the Regulations”). The form, content and accounting policies followed in preparing the Statement of Accounts are as prescribed in the Regulations and by the Code of Practice on Local Authority Accounting which is developed and published by the CIPFA/LASAAC joint committee (“the Code”). The Code is based on International Financial Reporting Standards (“IFRS”).
- 3.2 The Regulations require that the responsible financial officer, namely the Statutory Chief Finance Officer, sign and date the Statement of Accounts before the commencement of the period for the exercise of public rights, and certify that it presents a true and fair view of the financial position of TfL at the end of the year to which it relates and of TfL’s income and expenditure for that year.
- 3.3 The certified Statement of Accounts, which are at this stage unaudited, together with the Annual Governance Statement must be published on TfL’s website, and an appropriate notice providing details of how public rights may be exercised is also required to be published. The period for exercise of public rights commences the next working day after all these conditions have been fulfilled and runs for a period of 30 working days.
- 3.4 After the conclusion of the 30 working day period, the Statutory Chief Finance Officer again certifies the Statement of Accounts, and following this re-certification the Statement of Accounts, with the addition of the Independent Auditor’s Report, will be considered and approved by the Board.

- 3.5 The unaudited Statement of Accounts will be certified by the Statutory Chief Finance Officer and published on TfL's website together with the Annual Governance Statement. Appropriate notices have been placed on TfL's website. Following the conclusion of the period it is planned that the Board should consider the accounts at the Board meeting on 27 July 2022.
- 3.6 The period for exercise of public rights includes rights of objection and questioning as well as inspection. Should any questions or objections be raised, these will be reported to the Committee at its next meeting.

## **4 Results for the Year**

- 4.1 There are significant differences in the basis of preparation of the Group Comprehensive Income Statement compared with management reports (see section 11 below). The Income Statement shows a surplus in the provision of services after tax of £504m, up from a deficit of £911m in 2020/21. The favourable movement is primarily due to our recovering fares revenue whilst still receiving extraordinary revenue grant funding from the Department for Transport (DfT). Total passenger fares doubled for the year to £3.2bn. Passenger journeys recovered to 68 per cent of pre-pandemic levels as at 31 March 2022.
- 4.2 Our reliance on fares revenue necessitated the provision of extraordinary grant funding from the Government. This support peaked in 2020/21 when we received a total of £2.5bn. In the current year this reduced to £1.7bn.
- 4.3 Continued tight cost control and progressing our long-term savings programme enabled us to keep operating costs consistent year to year. Our gross expenditure increased by £366m primarily from the increase of £210m in current service pension costs mostly associated with the TfL Pension Fund, which are reflected in staff costs.
- 4.4 As at 31 March 2022, the Group had usable reserves of £681m, down from £887m at 31 March 2021.
- 4.5 The General Fund balance of £500m represents the majority of the Group's usable reserve balance as at 31 March 2022. This reserve is held to ensure sufficient cash-backed reserves are maintained by the Group to cover risks that may arise. The level was reviewed during 2019/20, following a benchmarking exercise, and uplifted to a level determined to be the minimum level appropriate given the scale of the Group's operations.
- 4.6 Earmarked reserves of £156m represent where the Group has received funding in advance of incurring costs and completing capital projects. This has decreased from £362m at 31 March 2021. Due to our current financial situation an element of earmarked reserves held as at 31 March 2021 was applied to General Fund to maintain the minimum appropriate level of £500m.

- 4.7 These reserves form part of the overall funding pot for the Investment Programme and are allocated in TfL's Budgets and Business Plans to be spent on delivering investment projects to improve transport in London, including not only Crossrail, but also the Northern line and Barking Riverside extensions, the Deep Tube Upgrade, and major station upgrades.

## **5 Funding**

- 5.1 During 2021/22, under a series of funding agreements from the DfT, TfL received Extraordinary grant totalling £1,717m (2020/21 £2,457m). On 25 February 2020, the latest in this series, being a four month funding settlement with Government to 24 June 2022, was put in place. The funding arrangements agreed during the year with the DfT currently cover the period until 24 June 2022. It guarantees that we can continue to operate and maintain essential transport services in London in a safe way, enabling us to continue our vital contribution to the economic recovery of the capital and the country as a whole. Without providing details of the quantum of future funding, the latest funding letter contained assurances of the DfT's continued support beyond 24 June 2022, and an acknowledgement that, over the longer term, TfL cannot be expected to cover the cost of major capital enhancements from its own operating incomes. It is on the basis of these assurances that the Statement of Accounts for 2020/21 continue to be prepared on a going concern basis.
- 5.2 The Auditor's Report for 2020/21 contained a paragraph on material uncertainty relating to the availability of funding to deliver current operational and capital plans. As described in the going concern note to the Accounting Policies section of the financial statements, this set out that there was significant uncertainty as to the level of future funding to be received from the Government. This continues to be the case at the date of this report. These uncertainties cast doubt over TfL's ability both to continue operating the level of services currently provided and to continue with all projects currently included in the capital investment plan. £68m (2020/21 £63m) of assets were either written off or impaired during the year as a result of a prioritisation review undertaken of our capital programme. Discussions regarding levels of future funding are ongoing with the DfT and the impact on our accounts and disclosures of any developments between the date of this report and the date of final approval by the TfL Board of the Statement of Accounts in July will be kept under review.

## **6 Accounting Policies**

- 6.1 There have been no changes to the Code for 2021/22 that have had an impact on the financial statements.



## **7 Remuneration Disclosures**

- 7.1 The requirements for producing the various elements of remuneration disclosure are unchanged from earlier years. To aid understanding, the required disclosures are made in an extended Remuneration Report, presented outside the financial statements. Audited sections have been clearly identified and are cross-referenced in the notes to the financial statements.

## **8 Disclosure of Pension Fund Deficit**

- 8.1 The Group Balance Sheet includes the deficit on the Public Sector section of the TfL Pension Fund, TfL's share of the deficit on the Local Government Pension Scheme, the deficit on the Crossrail Shared Cost Section of the Railways Pension Scheme, and the liability in respect of unfunded pension obligations, all calculated in accordance with IAS 19 Employment Benefits. The total deficit on TfL's defined benefit pension schemes, calculated in accordance with IAS 19, has decreased from £5.6bn at 31 March 2021 to £3.2bn at 31 March 2022. The main reasons for this decrease are the change in the financial assumptions adopted. The rise in gilt yields (discount rate), partly offset by the increase in expected inflation, resulted in a net decrease on the liabilities over the accounting period. The return on assets also improved the net liability position albeit lesser returns than in the previous financial year.
- 8.2 The IAS 19 basis of valuation is different to that used by the Fund Actuary in the triennial valuations which determine the level of contributions that TfL is required to make to the TfL Pension Fund. The last such valuation was at 31 March 2021 and revealed a surplus of £179m for the Public Sector section. Employer's contributions for 2021/22 for the Public Sector section were 33.3 per cent of pensionable pay, comprising the future service contributions of 27.3 per cent for employers and 5 per cent for members.
- 8.3 The difference between the funding valuation and the IAS 19 valuation is due to the different rules applying to the two valuation bases, particularly the different discount rate. The discount rate for the IAS 19 valuation is required to be based on AA corporate bond yields, but the discount rate for the funding valuation is based on expected returns on the Scheme's assets. There are also differences in the other assumptions. The pension fund Trustees are required to adopt "prudent" assumptions whereas IAS 19 requires "best estimate". In the reconciliation below the most significant items in the £1.7bn "best estimates" adjustment figure are the effect of allowing for lower RPI inflation and the impact of allowing for a less prudent mortality assumption for IAS19.

| <b>Public Sector Section</b>   | <b>£bn</b>   |
|--|--------------|
| Surplus on funding basis at 31 March 2022 (estimated for updated asset values) | 0.6          |
| Lower discount rate used for IAS 19 valuation                                  | (5.3)        |
| Impact of “best estimate” assumptions rather than “prudent”                    | 1.7          |
| Deficit at 31 March 2021 under IAS 19  | <u>(3.0)</u> |

- 8.4 The Code requires that IAS 19 does not impact on Council Tax rates. The income and expenditure account therefore includes an appropriation from or to the Pensions Reserve. The result of these entries is that the pension deficit is not charged to the General Fund, and is instead charged to a separate reserve, and only the actual contributions paid to the pension funds impact on the General Fund.

## **9 Impairments and the impact of Coronavirus**

- 9.1 The TfL Group and Corporation are required to follow the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (‘the Code’), which is based on International Reporting Standards (IFRS). Consequently, TfL Group follows the guidance under IAS 36 Impairment of Assets, IPSAS 21 Impairment of Non-cash generating Assets, IPSAS 26 Impairment of Cash generating Assets and IAS 20 Accounting for Government Grants and Disclosure of Government Assistance.
- 9.2 As part of our annual impairment reviews, we have considered the impact of the pandemic and the funding deal and assessed which Capital Projects will be funded by the DfT. We have also considered whether our priorities have changed as a direct result of how we expect the future travel patterns to evolve after the pandemic.
- 9.3 Projects that have been completely abandoned have been accounted for as asset write offs which are reflected in the “Gross asset cost or valuation” section in the PP&E note. Currently £16.7m is considered as write offs at 31 March 2022 (2020/21 £57.7m).
- 9.4 Projects that have been treated as an impairment loss are those where the assets could potentially be used in the future if we secure funding, and the project is approved. This is reflected within “depreciation and impairment” section of the PP&E note. Currently £51.4m is considered for impairment loss at 31 March 2022 (2020/21 £6.3m).
- 9.5 For the impairments noted above, £33.6m is released from the Capital Adjustment Account (unusable reserve) to the Income Statement to offset these charges. This gives an overall net charge to the Income Statement of £34.5m.

- 9.6 Included in the impairments are Healthy Streets projects totalling £15.9m, which included Waterloo City Hub, Wandsworth Gyrotory removal and Vauxhall Cross. In addition, various LU renewals and enhancements £13.9m, which included station accessibility and step free access.

## **10 Borrowings**

- 10.1 The nominal value of TfL's total borrowings remains broadly unchanged at £12.966bn at 31 March 2022. A reduction of £2m from the prior year of £12.968bn.
- 10.2 Of the new direct borrowings drawn down in the year, £728m related to eight tranches drawn down from the Public Works Loan Board (PWLB), £74m was the final drawn down under a DfT facility. Offsetting these increases were £696m of scheduled PWLB and EIB repayments made in the year and repayment of short-term Commercial Paper of £108m.

## **11 Derivatives and Hedging**

- 11.1 TfL, through a wholly owned subsidiary, holds a portfolio of derivatives to hedge future variability in expenditure arising from interest rate risk and foreign exchange rate risk.
- 11.2 Following Bank of England and Finance Conduct Authority regulation, the London Interbank Offered Rate (LIBOR) ceased to be published from 1 January 2022. Market participants accepted that Sterling Overnight Index Average (SONIA) was the preferred replacement as the market standard.
- 11.3 For TfL, interest rate risk arises primarily on issued floating rate borrowing, planned future borrowing and lease contracts where there is a floating rate component.
- 11.4 TfL agreed with counterparties that contacts of impacted lease arrangements to be amended to reference SONIA. Simultaneously, three interest rate swaps hedging the variability in rolling stock lease contracts due to GBP LIBOR were terminated at a fair value loss of £15m. Under IFRS9 hedge accounting rules this loss was recognised directly in Reserves and will be amortised to the Income Statement over the lease contract.
- 11.5 Two new float to fixed interest rate swaps referencing SONIA were executed two mitigate the interest rate risk on the rolling stock lease contracts. The nominal value of interest rate swap derivative contracts is £216m as at 31 March 2022.
- 11.6 As at 31 March 2022, the Group did not hold derivatives to fix the interest cost on floating rate borrowings which constitute 8.7% of the total borrowing balance. In advance of LIBOR ceasing to exist, three interest rate swaps (with a nominal value of £125m and short tenor remaining) referencing GBP LIBOR were terminated at a fair value loss of £5m. Hedge accounting was discontinued and this loss was recognised in the 2021/22 Income and Expenditure Statement.

## **12 Property Valuations**

- 12.1 In 2019/20, the majority of TfL's investment properties were consolidated into a commercial property portfolio created as a vehicle to support delivery of homes under the Mayor's Transport Strategy, and grow a sustainable income stream. In the last two financial years there have been further minor phases of other properties transferred.
- 12.2 For the TfL Group, there was a net fair value gain of £93.4m during the year (2021/22 loss of £83m) in relation to our investment property portfolio (including those classified as "held for sale"). A further £52.7m gain, was recognised directly in reserves, to reflect newly classified investment assets which had previously been recorded at nil or nominal historical cost values.
- 12.3 All valuations were undertaken by external professionally qualified valuers in accordance with the appropriate sections of the Red Book, RICS Valuation – Global Standards published by the Royal Institute of Chartered Surveyors and are compliant with International Valuation Standards.

## **13 Reconciliation between the Quarterly Performance Report and Profit or Loss**

- 13.1 The net cost of operations as reported in the Quarterly Performance Report for 2020/21 was £416m. The surplus on provision of services after tax in the Group Comprehensive Income and Expenditure Statement was £504m. A difference of £877m. Some of the differences relate to items not included in the Quarterly Performance Report but which are required to be included in the Income and Expenditure Statement. Some differences relate to items not included in the Income and Expenditure Statement, but included in the Quarterly Performance Report. Other differences arise from differing treatment of items explained below and summarised in the table in 13.4.
- 13.2 Items not included in net cost of operations in the Quarterly Performance Report but included in the Income and Expenditure Statement comprise:
- (a) depreciation, amortisation and impairment charges;
  - (b) defined benefit pension service costs;
  - (c) gains and losses on the disposal of fixed assets and investment property;
  - (d) capital grant;
  - (e) valuation gains and losses on the revaluation of investment property;
  - (f) net interest on the defined benefit pension obligation;
  - (g) interest payable on lease and PFI liabilities;
  - (h) capitalised interest;
  - (i) share of gains or losses from associated undertakings and joint ventures;

(j) taxation;

Items not included in the Income and Expenditure Statement but included in the net cost of operations in the Quarterly Performance Report comprise:

(k) cash payments under PFI and lease arrangements;

(l) pension payments charged to operating costs;

(m) capital renewals;

13.3 The net cost of operations as reported in the Quarterly Performance Report for Items where the treatment is different comprise:

(n) grant income adjustments (primarily the difference in Business Rate Retention (BRR) grant badged "Capital BRR" by the Mayor, and the amount actually applied to fund capital spend in the year).

13.4 A reconciliation from the Operating Account as included in the Quarterly Performance Report to the Comprehensive Income and Expenditure Statement as included in the financial statements is set out below.

|  | <b>£m</b>    |
|--|--------------|
| <b>Net cost of operations as reported in the Operating Account of the Quarterly Performance Report</b>                     | <b>(416)</b> |
| Depreciation, amortisation and impairments   | (1,410)      |
| BRR revenue grant treatment  | (367)        |
| Difference between defined benefit pension service costs under IAS19 and pension payments charged to the operating account | (274)        |
| Taxation   | (86)         |
| Net interest on the defined benefit pension obligation   | (106)        |
| Interest payable on lease and PFI liabilities  | (60)         |
| Share of net profit from joint ventures and associates   | 32           |
| Gains and losses on the disposal of fixed assets and investment property   | 69           |
| Valuation gains on the revaluation of investment property  | 93           |
| Capitalisation of interest   | 115          |
| Cash payments under PFI and lease arrangements   | 373          |
| Capital renewals   | 551          |

|   |            |
|---|------------|
| Capital grant income  | 2,014      |
| Other   | (24)       |
| <b>Surplus on provision of services after tax in the Accounts</b> | <b>504</b> |

## 14 Audit Opinion

- 14.1 Under the Local Audit and Accountability Act 2014, TfL's auditors, Ernst & Young LLP are required to opine on the following:
- (a) whether the financial statements, in their opinion, give a true and fair view of the financial position of the Transport for London Corporation and Group as at 31 March 2022 and of its expenditure and income for the year then ended;
  - (b) whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting the United Kingdom 2021/22; and
  - (c) whether they are satisfied that, in all significant respects, Transport for London has put in place proper arrangement to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.
- 14.2 Ernst & Young's update in respect of audit progress in relation to the above is not covered by this paper, but is addressed in the EY Report to those charged with governance included elsewhere in the Audit and Assurance Committee agenda.

## 15 Subsidiary Companies Audit Exemption

- 15.1 For the year ended 31 March 2014, the Group took advantage of changes under section 479A of the Companies Act 2006 that enable certain UK subsidiary companies to claim exemption from audit of their accounts.
- 15.2 The exemption is conditional on a parent undertaking giving a guarantee to its subsidiary in respect of all liabilities of that subsidiary outstanding at the balance sheet date, and on 5 June 2014, under authority delegated by the Board on 26 March 2014, the then Finance and Policy Committee agreed that, for the year ended 31 March 2014 and for future years until withdrawn, the holding company for TfL's trading subsidiaries, Transport Trading Limited, will offer the guarantee to a majority of its subsidiaries.
- 15.3 For the year ended 31 March 2022, the majority of TTL's subsidiaries will again claim exemption from audit.
- 15.4 In the next financial year it is expected that this guarantee will be withdrawn for TTL Properties Limited and its subsidiaries as the TTL Properties Limited Group will be subject to audit for the first time as at 31 March 2022.

15.5 TFL Properties Group will issue a similar guarantee in respect to its subsidiaries at the time of withdrawal.

**List of appendices to this report:**

Appendix 1: Draft TfL Financial Statements

Appendix 2: Template for annual letter of support from TfL to its subsidiary companies

Appendix 3: Remuneration Report (to follow – information subject to validation)

**List of Background Papers:**

None

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DRAFT

Transport for London

Financial Statements

For the year ended 31 March 2022

The status of the Statement of Accounts is unaudited, and the Statement of Accounts as published for the purposes of the exercise of public rights may be subject to change prior to the conclusion of audit.

I confirm that this Statement of Accounts presents a true and fair view of:

- (i) the financial position of Transport for London at the end of the financial year to which it relates; and
- (ii) Transport for London's income and expenditure for the financial year ended 31 March 2022

Patrick Doig  
Statutory Chief Finance Officer

31 May 2022

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# Narrative Report and Financial Review

## Overview

Prior to the outbreak of the pandemic, TfL had been close to reaching financial sustainability in terms of its operational activities without the need for direct Government grant. Between 2015/16 and 2019/20 we were focused on improving our financial position and resilience. We had reduced the net cost of operations, excluding Government funding, by almost £1bn over that period, and we had increased cash reserves to over £2bn, giving ourselves a cash buffer that proved crucial to TfL being able to continue operating in the first phase of the pandemic whilst Government support was negotiated.

However, the pandemic devastated our fares income, which meant that, since March 2020, we have required extraordinary funding support from Government. This support peaked in 2020/21 when we received a total of £2,457m of extraordinary funding grant, in addition to drawing down £600m of additional borrowings and utilising around £800m of our own built-up cash reserves to fund our committed expenditure. In 2021/22 a combination of easing restrictions, leading to recovering income, and ongoing careful cost control has enabled us to move to a declining trajectory of extraordinary Government support; and we are on track to achieve financial sustainability from an operating activities perspective from April 2023.

During 2021/22, under a series of funding agreements from the Department for Transport (DfT), TfL received extraordinary grant totalling £1,717m (2020/21 £2,457m). On 25 February 2022, the latest in this series, being a four-month funding settlement with the Government to 24 June 2022, was put in place. It enables us to continue to operate and maintain essential transport services in London in a safe way, enabling us also to continue our vital contribution to the economic recovery of the capital and the country as a whole.

The settlement, in line with earlier agreements, confirms the Government's intention to continue to support with the cost of operations beyond June, as we work our way to achieving financial sustainability by April 2023. Over the four-month funding period, we will receive base funding of £200m as well as the continuation of a revenue top-up mechanism which reduces the risk around passenger demand being lower than expected.

As in previous agreements, the DfT has set several conditions in relation to the provision of this funding. These include a requirement to manage our cash balances at an average of £1.2bn during the period of the current letter and to provide a plan outlining options for generating up to £400m of appropriate revenue sources and/or cost saving initiatives in 2022/23 (in addition to £730m savings already embedded in our plans). We are also required to progress work on the new revenue stream options which were submitted to the Government in December and presented to the Board in February, which could raise between £0.5bn to £1.0bn a year from 2023. All options would be subject to appropriate consultation, stakeholder engagement and impact assessments. Further detail of the conditions is set out in the going concern section of our Accounting Policies.

# Narrative Report and Financial Review (continued)

Recognising the need for certainty and stability for our capital investment pipeline, the Government has also agreed to set out a proposal on longer-term capital support during this funding period. Reaching agreement on this is crucial for the coming years in order to avoid a 'managed decline' of London's transport network. Under this scenario, the combination of uncertainty over the quantum of long-term funding, lower income levels and increasing inflationary pressures mean that, in order to balance our budget, we would be facing deteriorating asset conditions, which would impact on the reliability and operability of our public transport and road networks. We would have to offer reduced service levels and be unable to enter contracts for new enhancement projects. This, in turn, would mean a failure to deliver on our policy goals of tackling climate change, air quality improvements, reduced congestion, and delivering our vision zero for people killed or seriously injured on our networks.

The Government has recognised that we are not able to fund the replacement of major assets such as rolling stock and signalling solely from our own operating income and, in our discussions with them, we have set out a requirement for circa £0.5-£1bn of additional funding per annum over the medium to long term to replace London's strategic national transport assets and support other transport priorities. Longer-term Government funding will enable us to deliver major renewals. This enables TfL and its supply chain to plan more effectively, improving efficiency and supporting investment in job around the UK. A number of studies, including those commissioned by Government, have estimated that long-term funding can enable cost efficiencies of between 10-30 per cent. This level of funding would enable us to avoid the significant service reductions required under the managed decline scenario and create the conditions required to support long-term financial sustainability.

## Organisational Overview

### Acting fairly between our stakeholders

Transport for London (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 Greater London Authority (GLA) and reports to the Mayor of London. We focus on promoting the success of the organisation through the delivery of an integrated transport service to Londoners and benefitting all our stakeholders. As a public body our activities and engagement are concentrated on delivering the Mayor's Transport Strategy and the needs of our passengers, our people, the general public, our supply chains and service providers.

Key priorities in the Mayor's Transport Strategy are: creating healthy streets and healthy people, creating a good public transport experience and delivering new homes and jobs. See page 5 of the Annual Report.

# Narrative Report and Financial Review (continued)

## High standards of business conduct

Our governance and decision-making arrangements ensure we manage the organisation responsibly and effectively and to high standards of business conduct (see TfL's Governance Framework on page X). This includes operating within the requirements of relevant legislation (including Local Authority legislation), as well as understanding our responsibilities to spend public funds efficiently and manage risks effectively. TfL conducts, at least annually, a review of the effectiveness of its governance framework including the system of internal control, which is reported to the Audit and Assurance Committee. There is also an annual Board Effectiveness Review.

The opinion for the year ending 31 March 2022 concluded that TfL's governance framework was satisfactory for TfL's needs and operated in an effective manner. The opinion highlighted the progress to address previously disclosed weaknesses in several audits of governance and financial controls relating to procurement and contract management.

We have established a Committee and Panel structure to which we delegate detailed scrutiny of key areas of our responsibilities. We have ensured the TfL Board has the right range and depth of knowledge, skills and experiences to run the organisation effectively. We refreshed our Board membership, in line with best practice, so it remained relevant and up to date (the list of our members is on pages X to X). At the date of this report 47 per cent of our Board members are women. We understand the benefits of diversity and are continually seeking to improve this across our Board and executive teams.

We also have a series of policies and guidance setting out expected standards of behaviour and conduct. These include the TfL Code of Conduct, anti-fraud and corruption policy and the whistleblowing policy.

In an organisation as large as TfL, we partly fulfil our duties by delegating day-to-day decisions to employees within our governance framework.

# Narrative Report and Financial Review (continued)

## Coronavirus

Our priority during the coronavirus pandemic has been to follow Government recommendations for action and keep services running, while protecting staff and customer safety.

In support of the Government's efforts to stop the spread of coronavirus and mitigate the financial impact of the lockdown, examples of measures implemented include:

- Using long-lasting, hospital-grade cleaning substances that kill viruses and bacteria on contact
- Cleaning key interchanges more frequently throughout the day
- Trialling continuous UV cleaning of escalator handrails
- Wiping down all touch surfaces on buses, such as poles and doors with strong disinfectant every day
- Added more than 1,000 hand sanitiser points across the network
- Actively managing demand across the network and promoting travel during quiet times to ensure that those who needed to travel could continue to do so safely

We continued to support the recovery of London following the Government's roadmap for coming out of lockdown. Passenger journeys have seen significant growth since the removal of Government restrictions, with total TfL journeys increasing to 68 per cent of pre-pandemic levels at the end of 2021/22.

We oversaw and monitored the response of our executive leadership team to the crisis and ensured that appropriate governance and decision-making frameworks were put in place. We ensured that key decisions were taken in a timely manner to safeguard our people, our passengers, and the public, and to support the country by ensuring essential services continued to run, particularly for key workers.

We maintained regular and open communications with our people, our passengers, train operating companies, key stakeholders, and supply chain to support good decision making.

## Likely consequences of decisions in the long term

The Mayor's Transport Strategy sets out plans to transform London's streets, improve public transport and create opportunities for new homes and jobs. We develop our strategy in consultation with our stakeholders, to improve the services we provide to our passengers. This includes how we engage and work with suppliers, communities, and our people. We have created our new Vision and Values – a bold, long-term vision for the next era for TfL – that sets out our ambitions for the future and outlines what we need to achieve them. We have developed a set of five Roadmaps that chart our next steps towards becoming London's strong, green heartbeat. These Roadmaps are:

# Narrative Report and Financial Review (continued)

- Colleague roadmap – be a great place to work for everyone to thrive
- Customer roadmap – give customers more reasons to choose sustainable travel
- Finance roadmap – rebuild our finances, be more efficient and secure our future
- Green roadmap – reduce emissions in London and protect and improve our environment
- Our Foundation – operational and project delivery

## Interests of the Group's employees

We strive to create a workplace that is safe, secure and contributes to an engaged workforce.

We have now launched our Vision and Values, a culmination of what our people said our future should look like and how they said we should work together to achieve it. This includes our organisational values – caring, open and adaptable.

Our colleague roadmap sets out how we will deliver our ambition to be a great place to work for everyone to thrive. We have recently introduced a new approach to managing talent and career progression, supporting everyone to have regular conversations about their role and their development.

We continue to work closely with our Trade Unions, ensuring that local, functional, and company-level meetings take place across different parts of the organisation.

As coronavirus restrictions ease, we are supporting those employees who have been working remotely to come in and spend more time in the office. We are operating a hybrid working approach which offers more flexibility and means we can offer a richer, more enjoyable working experience.

The wellbeing of our employees remains a priority and we continue to offer a range of services and resources to support physical and mental health.

Ensuring we hear the voice of our employees remains important to us. While our Trade Union relationships play a significant role in achieving this, our staff network groups provide employees the chance to share ideas and support each other in developing our equality agenda in all areas of employment.

# Narrative Report and Financial Review (continued)

## Impact of operations on the community and the environment

Streamlined Energy and Carbon Reporting helps businesses across the UK in scope of the 2018 Regulations to comply with their legal obligations in respect of energy usage and carbon emissions reporting.

### Streamlined Energy & Carbon Reporting 2021/22

| Description                            | Amounts       | Units  | Comparison 2020/21 |
|--|---------------|--------|--------------------|
| Total Electricity consumption          | 1,542,260,719 | kWh    | 1,464,725,952      |
| Total Gas consumption                  | 80,574,572    | kWh    | 89,969,770         |
| Total Fuel for company fleet           | 1,510,631     | litres | 1,489,042          |
| Purchased District Heating and Cooling | 4,076,143     | kWh    | 3,298,494          |

| Emissions Breakdown  | Amounts        | Units                   | Conversion factor (kgCO <sub>2</sub> e) |
|--|----------------|-------------------------|---|
| Scope 1  |                |                         | 0.18387                                 |
| Emissions from combustion of gas   | 14,815         | tCO <sub>2</sub> e      | (natural gas)                           |
| Scope 1  |                |                         | 2.546 (diesel)                          |
| Emissions from combustion of fuel for transport purposes   | 3,793          | tCO <sub>2</sub> e      | 2.168 (petrol)                          |
| Scope 2  |                |                         | 0.21223                                 |
| Emissions from purchased electricity   | 327,468        | tCO <sub>2</sub> e      | (UK grid electricity)                   |
|  |                |                         | 0.1983                                  |
|  |                |                         | (district heating)                      |
| Scope 2  |                |                         | 0.0517                                  |
| Emissions from purchased heating and cooling   | 540            | tCO <sub>2</sub> e      | (district coolth)                       |
| <b>Total Gross CO<sub>2</sub>e based on the above</b>  | <b>346,616</b> | <b>tCO<sub>2</sub>e</b> |   |
| <b>Total Gross CO<sub>2</sub>e including energy/fuel purchased by public transport service operators</b> | <b>831,624</b> | <b>tCO<sub>2</sub>e</b> |   |



# Narrative Report and Financial Review (continued)

## Reporting methodology

We have used invoiced consumption and metered data, and have calculated emissions using government conversion factors for company reporting of greenhouse gas emissions 2021. District heating and cooling factors are specific to the Olympic Park district heating system.

## Energy efficiency action

In line with TfL's 2018 Energy Strategy, we have established a clear hierarchy for reducing our operational carbon emissions. The top of this hierarchy is the removal of fossil fuel use and improving our energy efficiency. We are prioritising energy efficiency measures by carbon and cost savings; starting with further rolling out LED lighting replacements across London Underground stations and depots.

On an annual basis, the safety, health, and environment reports, containing details of TfL's carbon emissions, environmental performance and action plans are published on the TfL website. Further detail on how we monitor and report on climate change risk and adaptation is set out in the principal risks section of this Narrative Report.

## Fostering business relationships with suppliers, customers and others

Working alongside our suppliers and Trade Union partners, we have measures put in place to protect staff and customers during the pandemic.

During the year we developed initiatives to make us more dependable and easier to work with by working smarter with our supply chain partners and involving them earlier in the planning phase to help us improve efficiency. The Procurement and Commercial team has seen significant changes in its management, who are leading a programme of transformation activity that will also strengthen commercial and procurement controls.

## Financial review

### Summary of financial performance for the TfL Group

Total revenues, excluding grant funding, for the year came in at £4,313m, compared to a total of £2,396m for 2020/21, reflecting recovering fares revenues as passengers returned to the network. However, journeys at the end of the year remain at 68 per cent of pre-pandemic levels necessitating the continued provision of extraordinary grant funding from the Government.

Gross expenditure of £7,771m has increased from the prior year total £7,405m primarily from the increase in current service costs associated with the TfL Pension Fund, which are reflected in staff costs. Operating costs are consistent with the prior year total, despite inflationary pressures, demonstrating our commitment to reducing our core costs where possible. This has been achieved through continued tight cost controls and progressing our long-term savings programme.

# Narrative Report and Financial Review (continued)

In 2021/22, our net financing and investment expenditure decreased from £549m to £299m, primarily reflecting the fact that investment property valuations gains of £93m replaced prior year losses of £83m. Net gains on disposals of investment properties also increased from £36m to £105m.

Grant income, at £4,351m, was £381m below the level seen in 2020/21, primarily reflecting reduced levels of extraordinary funding grant received in the year. The share of net profits from our associated undertakings and joint ventures increased from a loss of £3m in 2020/21 to a profit of £32m in 2021/22, primarily a result of revaluation of development assets at Earls Court.

These items combined with Corporation tax of £86m results in an overall Group surplus after tax for the year of £504m compared to a prior year deficit of £911m. After reserves transfers, this translated to a decrease in usable reserves from £887m as at 31 March 2021 to £681m at 31 March 2022.

In addition to £551m (2020/21 £367m) of spend on renewals works, capital spend included new investment of £568m (2020/21 £704m) on the Crossrail project and £890m (2020/21 £1,049m) on other investment projects. Major projects progressed in the year included the Four Lines Modernisation project, Barking Riverside, the opening of the Northern line extension, the Bank Station upgrade and the design and planned construction of DLR rolling stock and systems integration.

## Funding sources

Our activities are funded from four main sources:

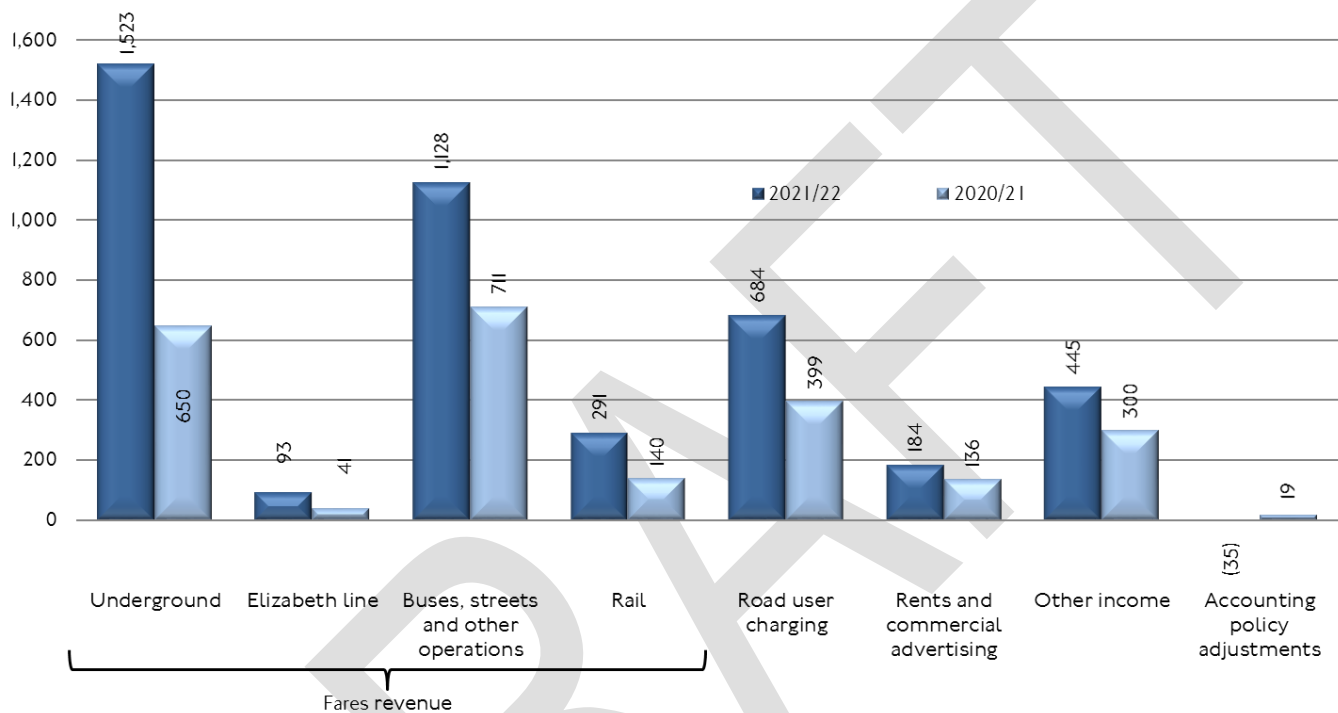
- Passenger fares income – historically this has been the largest single source of our income, but was significantly impacted by the pandemic in 2020/21 and 2021/22
- Other income, including commercial activity and income from the Congestion Charge and other road-user charges
- Grant income, including extraordinary funding grant from the DfT, and a share of London Business Rates passed down to TfL from the GLA
- Prudential borrowing (the amount and profile of which has been agreed with the DfT) and cash reserves.

# Narrative Report and Financial Review (continued)

TfL's Business Plan is financially balanced over the medium term, 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. Work remains ongoing within TfL and through discussions with the DfT to determine how previously planned activity and funding plans will need to change to ensure that we are able to continue to balance our Business Plans and Budgets in a post-coronavirus operating environment.

## Gross income

### Gross income breakdown by type (£m)

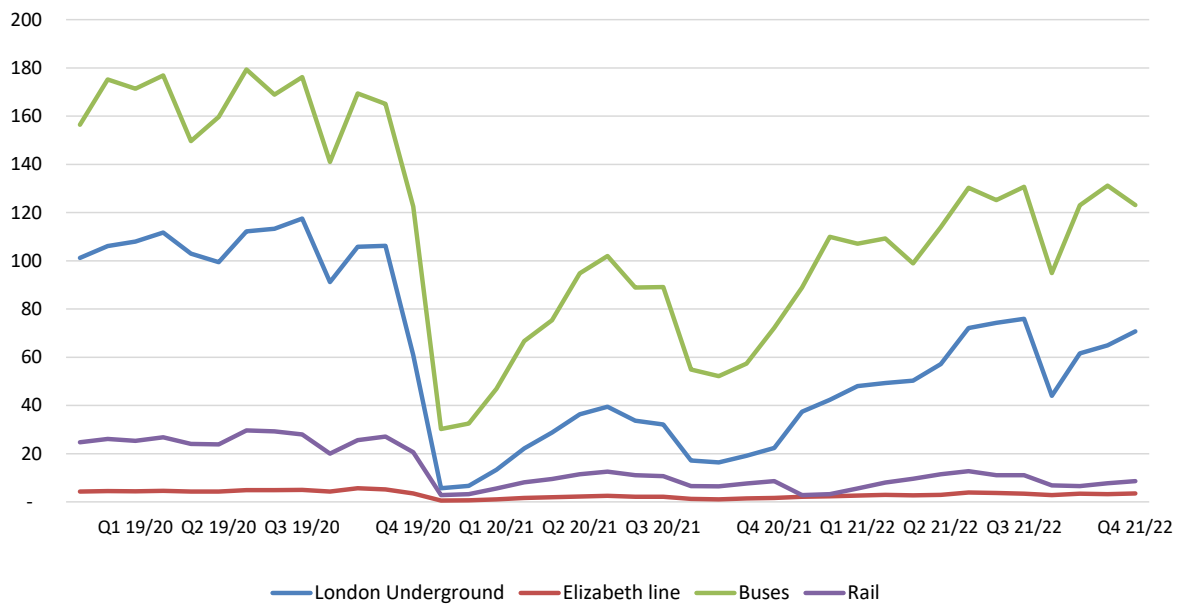


Total gross income increased by 80 per cent from £2,396m in 2020/21 to £4,313m in 2021/22, reflecting the reduction in pandemic related restrictions meaning that customers have been freer to travel and to use our services.

# Narrative Report and Financial Review (continued)

TfL's primary source of income comes from passenger fares income. Currently fares make up around 73 per cent of TfL gross income. Fares income has increased from £1,600m in 2020/21 to £3,154m in 2021/22, almost double that of last year, although it has not fully recovered, reflecting the varying Government restrictions and guidance throughout the year as the pandemic evolved and the changes in travel patterns the pandemic has caused.

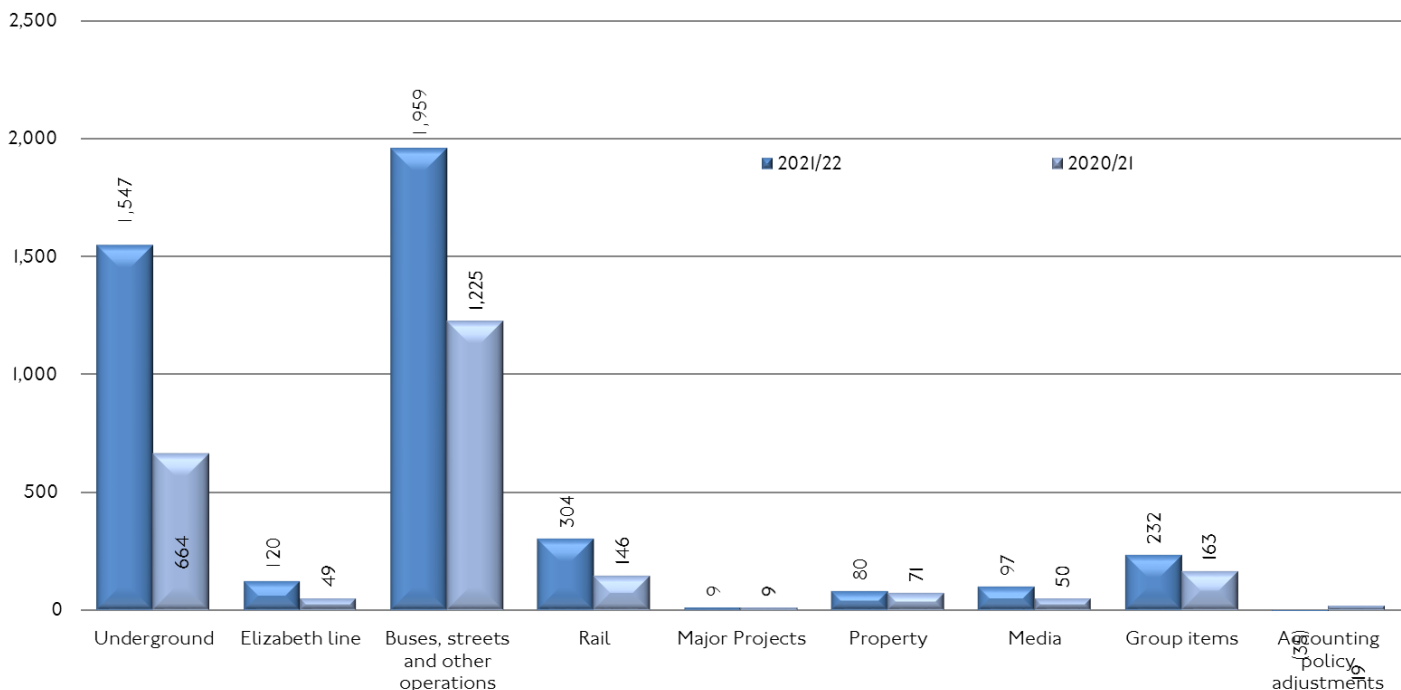
## Passenger journeys per period (in millions) over the three years to 31 March 2022



As well as the increase in passenger journeys illustrated in the graph above, passenger revenues also reflect the fares price increases that came into effect in March 2021. TfL fares decisions are taken annually by the Mayor who, following five years of fare freezes, increased overall fares from 1 March 2021 by 2.6 per cent (RPI plus one per cent). This was a condition of the funding agreement with the Government in October 2020. The 1 June 2021 funding agreement included a commitment that TfL will continue with its existing plan to increase fares, under the Mayor's control, by an average of 4.8 per cent (again reflecting RPI plus one per cent). The implementation date has since been agreed to be from March 2022.

# Narrative Report and Financial Review (continued)

Total gross income by operating division (£m)



Total gross operating income for the Underground was £1,547m, which is £883m higher than 2020/21. The fares component made up the majority of this increase as a result of the increase in passenger journeys from 296 million to 748 million in 2021/22 (a 153 per cent increase). At the end of 2021/22 we are still running at around 65 per cent of pre-pandemic levels indicating the need for continued Government support.

Gross income for the Elizabeth line division (currently operating as 'TfL Rail') increased by 145 per cent from £49m in 2020/21 to £120m in 2021/22. Within this total, passenger income increased from £41m to £93m reflecting the 100 per cent rise in journeys over the year.

Income from Buses, streets and other operations rose 60 per cent from £1,225m in 2020/21 to £1,959m in 2021/22. Within this total, passenger income for the Buses, at £1,121m, was £412m favourable to the prior year, owing to the reduction of pandemic related restrictions which had impacted passenger demand. Fares income from the Emirates Airline, at £7m for the year, was £5m higher than the prior year total.

Road user charging income, at £684m, was £285m higher than 2020/21 levels. Congestion Charge revenues for the full year increasing from £316m in 2020/21 to £423m in 2021/22. In December 2021, we confirmed some permanent changes to the Congestion Charge to help reduce traffic and congestion in central London. This followed an extensive public consultation that saw nearly 10,000 responses. Since

# Narrative Report and Financial Review (continued)

February 2022, there are no charges in the evenings after 18:00, and operating hours on weekends and bank holidays have been reduced to 12:00-18:00. The increased charge level of £15 has been retained.

In October 2021, we expanded the Ultra Low Emission Zone (ULEZ) from central London up to, but not including, the North and South Circular roads, making it the largest zone of its kind in Europe. This expanded zone, alongside tighter Low Emission Zone standards for heavy vehicles introduced in March 2021 across London, is expected to reduce nitrogen oxides emissions from road transport by 30 per cent. The expansion of ULEZ saw income rise from £77m in 2020/21 to £226m in 2021/22.

In the Rail division, income at £304m was 108 per cent above prior year levels. Within this, passenger income of £291m increased £151m above the 2020/21 total, with the increase in passenger demand and the return of the Night Overground services. Passenger journeys on the London Overground increased to more than double the prior year figures, from 54 million to 112 million, while journeys on the DLR increased from 40 million in 2020/21 to 77 million in 2021/22.

Within the Property division income rose slightly from £71m in 2020/21 to £80m 2021/22 as revenue streams continue to be impacted by, the pandemic, as footfall and thus trade was reduced for our tenants and at our car parks. The Group's focus throughout the pandemic has been to support and retain tenants, enabling them to continue trading over the long term as far as possible. Towards the later part of the year, trade started returning to more normal levels, with new lease activity ticking up.

Within the other divisions, Media saw a 94 per cent increase in revenues to £97m in 2021/22 as passengers return to our services and confidence in the advertising industry strengthens and Major projects remained consistent at £9m.

Income from Group items relates to a variety of activities, including taxi and private hire licensing, estates management and travelcard administration. This income is included in the management recharge of net central overheads for the purposes of our internal divisional management reporting.

## Government grants and other funding

In 2021/22, TfL received short-term funding deals from the Government to support the running of our operations following the dramatic fall in our fares. The DfT contributed revenue grant funding totalling £1,717m to TfL in 2021/22 (2020/21 £2,457m) under a number of Extraordinary Funding and Financing Agreements. In addition, TfL continued to receive funding 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.

# Narrative Report and Financial Review (continued)

Other sources of grant income included specific capital grant from the GLA for the Crossrail project and other projects, such as DLR rolling stock replacement, Elephant and Castle infrastructure projects, communication networks on the Underground and other contributions from third parties.

The total of resource and capital grants receivable by TfL in 2021/22 amounted to £4,351m (2020/21 £4,732m).

## Prudential borrowing

The table below summarises movements in the value of borrowings during the year.

| Movement in borrowing (£m)   |        |
|--|--------|
| Opening borrowing at 1 April 2021 per the accounts                                   | 12,968 |
| Public Works Loan Board (PWLB) loans – eight tranches borrowed due between 2029-2056 | 728    |
| DfT Crossrail loans  | 74     |
| Repayment of rolling short-term Commercial Paper                                     | (108)  |
| Scheduled repayments on PWLB and European Investment Bank (EIB) loans                | (696)  |
| Closing borrowing at 31 March 2022 per the accounts                                  | 12,966 |

The authorised limit for direct borrowings for the Corporation set by the Mayor for 2021/22 was £14,494.8m.

In addition to these sources of financing, other sources include Private Finance Initiative contracts (PFIs) (note 27 to the accounts) and other leasing arrangements which are discussed in more detail in note 14 to the financial statements.

## 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 accounting policy adjustments (including depreciation and amortisation) increased by five per cent from £7,405m in 2020/21 to £7,771m in 2021/22. Excluding accounting policy adjustments, expenditure increased by 1.5 per cent from £6,381m to £6,478m.

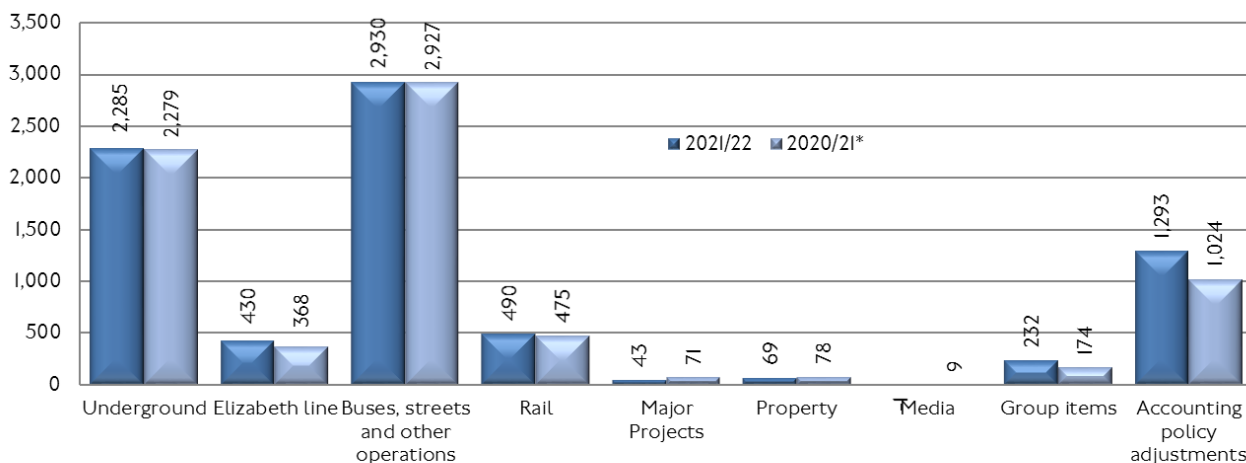
# Narrative Report and Financial Review (continued)

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

|   | 2022           | 2021           |
|---|----------------|----------------|
| Cost of operations per internal management reports                                | (6,478)        | (6,381)        |
| Adjust for one-off items incurred   | 35             | 177            |
| Adjust for investment programme operating costs included in operating expenditure | 157            | 255            |
| Adjust for Elizabeth line direct operating costs                                  | 422            | 337            |
| Adjust for other new services   | 85             | 9              |
| Adjust for one-off coronavirus savings  | -              | (126)          |
| <b>Cost of operations (like-for-like basis)</b>                                   | <b>(5,779)</b> | <b>(5,729)</b> |
| Year-on-year increase   | (50)           |                |
| Year-on-year percentage increase  | 0.9%           |                |

Like-for-like operating costs have remained stable with only a 0.9 per cent increase after adjusting for new services such as the Northern line extension, the ULEZ expansion and the Elizabeth line. We remain focused on increased spend controls and reducing our core costs where possible,

## Gross expenditure by operating division (£m)



\* figures for 2020/21 have been restated to align with revised internal management structures

On the Underground, costs increased marginally by £6m (two per cent) in the year, reflecting a continued emphasis on driving down costs while maintaining a safe and reliable network, as well as savings derived from lower indirect overheads allocated to the division.

Total operating expenditure on the Elizabeth line at £430m was £62m (17 per cent) higher than the prior year figure of £368m, as costs increased resulting from preparations leading up to the successful opening of the Elizabeth line on 24 May 2022.

The cost of operating Buses, streets and other operations at £2,930m was broadly in line with the prior year figure of £2,927m.



# Narrative Report and Financial Review (continued)

Operating expenditure for the Rail division increased by three per cent from £475m in 2020/21 to £490m in 2021/22.

Property and Media costs, however, both decreased during the year – from £78m to £69m for Property, and from £9m to a surplus of £1m in Media, this was owing to the reversal of a IFRS 9 expected credit loss provision following the settlement of outstanding roadside advertising for 2020/21.

Spend in Major projects decreased, by 39 per cent to £43m. During 2020/21 TfL brought all construction project costs to a temporary Safe Stop during the initial phases of the first lockdown which increased non-capitalisable spend in the prior year.

Operating costs included within Group items reflect the fact that the internal management recharge of central overheads to divisions includes elements of income (including amounts for taxi and private hire licencing, estates management and travelcard administration). At the total Group level, for management reporting purposes, this income is shown as an element of 'total income'. In the divisional analysis of performance, however, this income is included in the management recharge of net central overheads in the Operating Accounts of individual divisions.

As set out in note 2, Accounting policy adjustments primarily represent charges 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 increased from £1,351m in 2020/21 to £1,410m in 2021/22. This category also absorbs the difference between the accounting methodologies used in the statutory versus the management accounts. The most significant of these relate to the treatment of defined benefit pension schemes, and to the treatment of former operating lease payable arrangements. In our management accounts the costs of these items are recognised within operating expenditure based on cash flows, whereas in the statutory financial statements, as set out in the Accounting Policies notes to the accounts, IFRS 16 Leases and IAS 19 Employee Benefits are applied.

## Net interest and finance income/charges

Gross financing and investment expenditure for the year was £502m, £97m below the prior year.

This decrease was primarily a reflection of valuation losses of £83m recognised in relation to the Group's investment property portfolio in the prior year. In 2021/22 £93m of valuation gains had been recognised within financing and investment income.

# Narrative Report and Financial Review (continued)

Also within this overall total, interest payable on direct borrowings decreased by one per cent from £437m to £433m. This decrease is the result of lower market rates achieved on borrowing refinanced during 2021/22. As at 31 March 2021, TfL had a nominal £12.995bn of borrowings, of which approximately £0.8bn was short-term borrowing under the Commercial Paper programme. The weighted average interest rate was 3.2 per cent and the borrowings had a weighted average remaining life to maturity of 16.8 years. As at 31 March 2022, the nominal value of borrowings outstanding had decreased to £12.994bn, of which £0.7bn was short-term Commercial Paper. The weighted average interest rate was 3.2 per cent and the borrowings had a weighted average life to maturity of 16.7 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 2021/22 totalled £115m (£90m in 2020/21).

Interest payable on leases, including contingent rentals in respect of PFIs, fell from £73m in 2020/21 to £71m in 2021/22, primarily reflecting the fact that a number of the Group's PFI liabilities were fully settled during the year. The Group's net interest expense in respect of its defined benefit pension scheme obligations increased from £90m in 2020/21 to £106m in 2021/22.

Gross financing and investment income totalled £203m, an increase of £153m from 2020/21. The increase was primarily a reflection of the fact that £93m of investment property valuation gains recognised within financing and investment income in 2021/22, which replaced valuation losses of £83m in 2021/21.

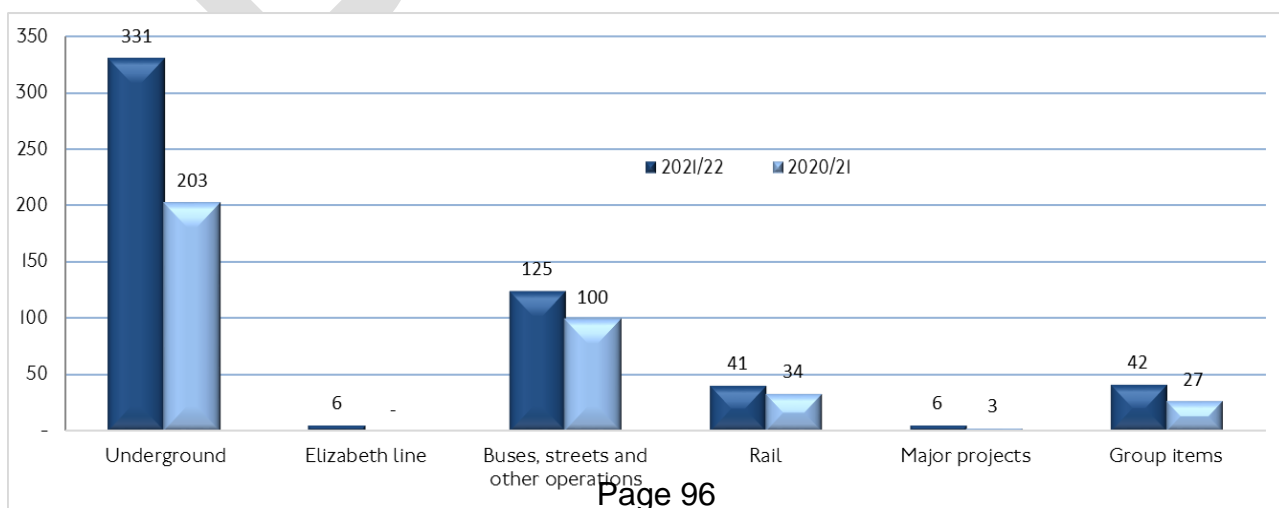
Gains from the disposal of investment properties increased from £36m in 2020/21 to £105m in 2021/22. Interest receivable on finance leases held in respect of advertising assets reduced from £3m in 2020/21 to £1m in 2021/22.

Investment returns on cash and other investment balances fell during the year, from £7m in the prior year to £3m in 2021/22, reflecting both lower average cash balances during the year, and lower rates of return.

## Capital expenditure

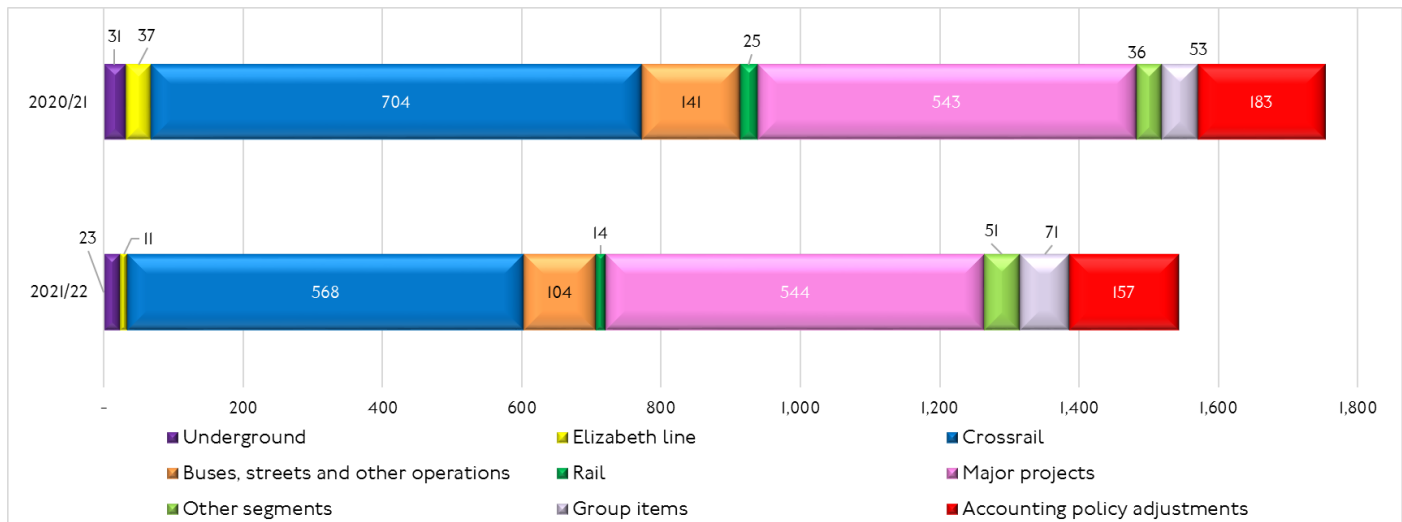
Total Group capital expenditure for the year, including Crossrail, totalled £2,099m (2020/21 £2,120m). Non-Crossrail related expenditure totalled £1,441m (2020/21 £1,416m). Within this total £551m was spent on capital renewals (2020/21 £367m) and £890m (2020/21 £1,049m) was spent on new capital investment.

## Capital renewals by business area (£m)



# Narrative Report and Financial Review (continued)

## New capital investment by business area (£m)



On the Underground, capital expenditure totalled £354m, up from £234m in the prior year as we started to recover from the pandemic. This included £23m of new capital investment and £331m of asset renewals spend.

Harrow-on-the-Hill was the 12th station to be delivered by the Accessibility programme and means that 33.5 per cent of Tube stations are now step-free. Work on the final three stations in the current programme has been paused while our funding position is clarified.

The redevelopment scheme at Tottenham Hale, which includes a new integrated ticket hall providing seamless step-free interchange with National Rail, was successfully brought into customer service on 13 December 2021.

Work is progressing on co-funded station enhancement schemes at Knightsbridge and Paddington, which are on target to be open to the public next year.

We achieved our key programme milestone by installing eight kilometres of new track in the year and replaced 12 sets of points at Northfields over the Christmas period, which will enable the future Piccadilly line trains to be introduced and run safely through the area. We took delivery of two rail-mounted cranes and eight tilting wagons for modular points and crossings renewals which will yield significant time and quality benefits.

Our ongoing programme of modernisation works on the Bakerloo, Central and Jubilee line fleets is critical to improving safety, reliability, accessibility and lowering our running costs. These projects continue to progress with detailed design validation through the installation and testing of prototype systems. In addition, we are continuing to deliver large-scale heavy maintenance work on our fleet.

Contracts have been signed for the Central line signalling and control system life extension. The first five-year tranche of the incremental signalling upgrade programme is progressing well, with concept and detailed design starting on updating the Bakerloo line control system.

We are continuing to upgrade key components of our Connect radio system and are now focusing on rolling out new radio hardware base-stations which will enable the Connect system to function into the

# Narrative Report and Financial Review (continued)

2030s. We have delivered Critical Incident Management functionality at 62 stations, enabling us to remotely control and evacuate a station in the event of a critical incident, and upgraded our CCTV at 75 stations. To tackle fare evasion, we have continued work to enable us to target fare evasion more effectively which has directly contributed to the identification and prosecution of fare evaders.

On the Elizabeth line, capital investment expenditure of £17m was incurred, primarily in relation to station improvements.

Total capital expenditure within the Buses, streets and other operations division of £229m is £12m lower than in 2020/21. Within this total, the amount spent on renewals increased from £100m to £125m.

Despite the continued impact from the pandemic the division delivered significant projects in the year, including the expansion of the ULEZ to the north and south circular roads, the continued addition of zero emission buses to the London Fleet, and the publication of the Electric Vehicle Infrastructure Strategy. The commitment to cutting carbon is in support of the Government's wider plans to cut CO<sub>2</sub> emission in the UK by 68 per cent by 2030, compared to 1990 levels. The compliance figures for vehicles to meet the ULEZ standards have been higher than expected and is a strong indicator in the success of the scheme.

On the roads we continue to prioritise and deliver key asset renewals, and we balance a core of smaller annualised schemes with a number of key asset interventions. Our work on the A40 Westway has seen us complete a number of full weekend closures, and we are on track for delivery of the first phase of work by summer 2022. We broadly completed our scheme on Westminster Bridge to install Hostile Vehicle Mitigations, which will improve safety on the bridge. We continued our programme of essential carriageway renewals by delivering over 350,000m<sup>2</sup> of works.

Active Travel investment continues to be a shared objective between TfL, GLA and the Government, and we have delivered some really good outcomes in 2021/22. More than 20kms of cycling routes were completed or under construction by 31 March 2022. Work is progressing on Old Street Roundabout, and we expect to complete the scheme in Spring 2023. In 2021/22 we reduced the speed limits on almost 30km of TfL's road network, surpassing our strategic milestone of 25km.

The Major Projects Directorate is responsible for our largest and most complex projects which include line upgrades, network extensions, major station upgrades and capacity improvements. Capital expenditure in the directorate totalled £550m in 2021/22, including £544m of new capital investment.

Within this overall total, £53m was spent during 2021/22 on the Northern Line Extension. On 20 September 2021, two new stations at Nine Elms and Battersea Power Station welcomed their first customers. The two step-free Zone 1 stations have improved the connectivity of these vibrant south London neighbourhoods and have contributed to the Capital's recovery from the pandemic. The team is now focused on closing out snagging items, completing assurance documentation, and working towards project closure in 2022. The project came in £160m under planned spend, bringing its estimated final total cost to £1.1bn, despite the cost pressures brought about by the pandemic.

£132m was spent on the Four Lines Modernisation project. This project is transforming some of the world's oldest underground lines into a high performing, modern railway. Following the introduction of 192 new, larger, walkthrough trains across the Circle, District, Hammersmith & City and Metropolitan lines, we are now in the process of replacing and improving outdated signalling, power and depot assets. Two major signalling milestones were achieved in this financial year, firstly on 24 April 2021 when Signalling Migration Area 4 went live. This extended the section of new signalling on the District and Circle lines from Monument to Sloane Square, paving the way for frequencies to be increased and

# Narrative Report and Financial Review (continued)

service reliability to be further improved once the whole route has been similarly automated. Secondly, on 27 March 2022 when a new signalling system went live in Signalling Migration Area 5 between Sloane Square, Paddington, Fulham Broadway and Barons Court. This phase involves upgrading the highly complex junction at Earl's Court and marks completion of upgrades to the new signalling system on the entire Circle line.

A further £153m was invested in relation to manufacture of the new Piccadilly line rolling stock. The stage one assurance for the new trains was completed on 14 December 2021, ahead of target. On 15 December 2021, the new Piccadilly line train cab mock-up arrived at the Tunnelling and Construction Academy in East London from Siemens in Germany before moving to the innovation hub at Siemens manufacturing facility in Goole. The Mayor and Chief Capital Officer visited Goole in March accompanied by news and trade journalists. The visit was intended to showcase not only the new trains (via the cab and saloon mock-ups both now located there) but also that investing in London supports jobs and growth throughout the UK. We awarded the HV Power Immunisation Design and Build contract and expect to award the HV Power Immunisation framework in Spring 2022. We also awarded the depot delivery integrator contract to the joint venture of Lendlease Construction (EMEA) Ltd & Jacobs UK Ltd in December 2021.

The programme has established a carbon footprint baseline which will be used to identify top carbon risks and opportunities as well as to monitor effectiveness of programme delivery in support of both the Mayor's and TfL's ambition for a zero-carbon railway by 2030.

£74m was invested in the Major Stations Upgrade programme. At Bank Station, the preparatory works for the Northern Line Bank branch closure were concluded and the 17 week line closure between Kennington and Moorgate started as planned on 15 January 2022. We ran an extensive communication, marketing and operational campaign to manage travel demand and minimise the impact on customers during this time. The line re-opened right on schedule on 16 May 2022 and when our customer arrive at Bank, they will be greeted by a new wider southbound Northern line platform and a spacious new customer concourse. Three new passageways have also been completed, which will make moving around the station quicker and easier for customers. The installation of 12 escalators, two moving walkways, power, lighting, fire and communications systems has progressed to plan. The testing and commissioning of all systems is being conducted in tandem to prepare for handover to operations for passenger use.

Our new DLR rolling stock programme is manufacturing 43 new trains – 33 to replace the expired B92 fleet and 10 to increase capacity. It also includes an expanded depot at Beckton to stable and service the new fleet and signalling modifications to the Thales automatic train operation system to work with the new trains' functionality. £93m was spent on the programme in this financial year. Rolling stock manufacturing is underway by CAF Construcciones y Auxiliar de Ferrocarriles with 20 car bodies in production and the first two trains assembled, Dynamic Testing is proceeding to plan on the manufacturer's test track in Spain. We have completed the acquisition of the land at Beckton adjoining the current depot which is needed for the construction of the additional sidings funded by the Housing Infrastructure Fund. Activities are underway for the submission of planning permission to allow works on the land later in the year. We are awaiting confirmation from Government before activating an option in the existing rolling stock contract to purchase trains 44 to 54, providing additional capacity and unlocking further housing benefits.

£29m was spent on Barking Riverside Extension, a London Overground extension between Gospel Oak and Barking to serve a new station at Barking Riverside. Barking Riverside is the largest housing development in east London, with planning permission for up to 10,800 new homes. Delivery of the physical works is well advanced, with the installation of track on the viaduct completed as planned in

# Narrative Report and Financial Review (continued)

October 2021.

We are installing the remaining rail systems on the viaduct, ahead of the final signalling stage commissioning.

Other projects progressed by the Major projects division included the Silvertown Tunnel, a new 1.4km long twin-bore road tunnel linking the A102 Blackwall Tunnel Approach on the Greenwich Peninsula to the Tidal Basin Roundabout in the Royal Docks area. The design, build, finance and maintain contract was awarded to the RiverLinx consortium in 2019. Good progress has continued on site this year, including significant piling operations and excavation works to construct the tunnel boring machine launch, rotation and retrieval chambers and the main components of the tunnel boring machine have arrived on site. Our contracts for further transport and traffic, socio-economic and environmental monitoring are progressing well with significant further modelling and analysis work now underway. This will support us in setting the initial user charges at the Silvertown and Blackwall tunnels, developing the new cross-river bus services, and allow a refreshed assessment of the scheme's environmental effects in advance of opening in 2025.

New capital investment in the "Other" category, totalled £51m, reflecting expenditure in the Property division on both the existing commercial estate and new housing developments.

We continue to make progress across our estate to deliver new homes for Londoners, and improve our existing property assets which are home to hundreds of small and medium sized businesses across the capital.

We gained approval from the Secretary of State for our project at Wembley Park being delivered with Barratt London. Enabling works started at the end of the financial year, and the site is being transformed into 454 homes, 40 per cent affordable housing alongside a new retail, improvements for the local community, and refurbished space for operational staff. This brings our total number of homes currently in construction to 1,700.

Connected Living London (CLL) – our joint venture partnership with Grainger plc – will be delivering 162 quality rental homes. Our proposals will have a beneficial impact on the area, with high quality design, respectful of the Grade II listed station building, and that it would reduce vehicle traffic.

Our search for a development partner to build our 852-home project at Bollo Lane, in Acton also progressed. We shortlisted four potential delivery partners and hope to appoint a partner at the end of 2023. We completed our deal at Liberty of Southwark with our development partner U+1. This will deliver around 141,000sqft of commercial workspace and 36 homes, including 50 per cent affordable housing.

During the year, £568m was spent on the Crossrail project. Delivery of the Elizabeth line is now in its complex final stages of delivery. The latest milestone being the opening of the central operating section on 24 May 2022.

In March 2021, the Project hit the important milestone of entering the Trial Running phase under Railways and Other Guided Systems regulations. This involved operating multiple trains within the new tunnels to demonstrate how the infrastructure and operating software performed. Trial Operations commenced in Nov 2021 and involved operational exercises being carried out to ensure the safety and reliability of the railway for public use, and to fully run the timetables.

# Narrative Report and Financial Review (continued)

More than 150 real-life scenarios were carried out to provide key learnings ahead of Passenger Service, making sure that all systems and procedures work effectively, and staff can respond to any incidents. This involved collaborating on the response to the trial scenarios with thousands of staff volunteers and Emergency services. Following the completion of Trial Operations, there was a period dedicated to timetabled running to demonstrate improved reliability across the railway.

All central section stations except for Bond Street are now ready to support passenger service. Bond Street has been decoupled from the opening of the railway as per the Earliest Opening Plan agreed with the Sponsors in 2019. Good progress continues to be made at Bond Street station but this will not be fully operational until after the opening of the central section in May 2022.

Following the opening of the Central Operating Section, Elizabeth Line services from Reading and Heathrow through the central tunnels to Shenfield and Abbey Wood could be implemented from late 2022, with the final timetable being in place in 2023.

Expenditure of £113m on Group items included £49m of new capital investment spent on the Emergency Services Network – a programme, funded by the Home Office, to deliver a new 4G emergency services mobile communications solution. Once live the network will provide mobile connectivity services to enable emergency services teams throughout the London Underground environment to communicate. Completion of this network has now been incorporated into the Telecommunications Commercialisation Project Concession Agreement. Additionally, through investment by the concessionaire, Commercial Mobile Services will also be offered in addition to the creation of a Fibre Network and the utilisation of TfL's Streetscape Assets for the deployment of small cells enhancing 5G coverage.

## Cash and investments

Total cash, cash equivalents and investments with maturities greater than three months held by the Group at 31 March 2022 amounted to £1,409m, a decrease of £320m since the end of 2020/21, driven by the impact of the coronavirus pandemic. Of the total cash balance, £122m is held for the Crossrail project, London Transport Museum Limited, London Transport Insurance (Guernsey) Limited and TTL Properties Limited. Our cash position reflects £4.8bn, received from the Government as part of the extraordinary financing and funding packages since the start of the coronavirus pandemic.

Our liquidity policy requires us to maintain cash reserves equivalent to at least 60 days' worth of forecast annual operating expenditure (currently around £1.2bn). During 2021/22, our cash reserves remained above this minimum level.

The average yield from TfL's cash investments for 2021/22 was 0.10 per cent, down from 0.12 per cent in 2020/21. 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 2022 amount to £156m.

## Treasury risk management

In March 2021, the Board approved TfL's Treasury Management Strategy (TMS) for 2021/22 and its treasury policies. The strategy and policies have regard to the principles of the Code of Practice and Cross-Sectoral Guidance Notes for Treasury Management in the Public Services (2017 Edition) and to the Prudential Code for Capital Finance in Local Authorities (2017 Edition), both issued by the

# Narrative Report and Financial Review (continued)

Chartered Institute of Public Finance and Accountancy (CIPFA). CIPFA published a revision to these two Codes of Practice in December 2021, which are to be fully implemented for the 2023/24 financial year. The revisions include additional disclosure requirements for investment categories and new indicators, these will be incorporated into TfL's TMS and treasury policies, as appropriate, in due course. TfL's TMS and treasury policies also have regard to the Statutory Guidance on Local Authority Investments issued by the Ministry of Housing, Communities and Local Government (as was), 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 TMS, policy matters and for submitting proposals to the Board. From 2021/22 the approval of TfL's treasury strategy and policies was delegated from the Board to the Finance Committee.

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 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 2021/22 borrowing strategy was to manage its borrowings in a manner that is affordable, sustainable and prudent, and combines value for money, 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 2021/22, 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. Investments outstanding at 31 March 2022 were with counterparties with credit ratings of P-1/A-1 or higher. Credit ratings are obtained from the three main rating agencies and are kept under review on an ongoing basis.

## **Funding and liquidity**

In the year to 31 March 2022, primary funding sources comprised passenger fares income, other income including commercial activity and Road User Charging, grant income (including extraordinary grant from the DfT and TfL's share of London's Business Rates) and cash reserves as well as Prudential Borrowing within approved Mayoral and Government affordable debt limits. By harnessing the



# Narrative Report and Financial Review (continued)

assortment of funding sources available to TfL, liquidity risk is primarily managed by maintaining a minimum level of cash reserves of at least 60 days' worth of forecast annual operating expenditure, equivalent to approximately £1.2bn.

Maintaining sufficient cash reserves and having access to a range of flexible funding sources ensures the Group has sufficient liquidity to meet its liabilities, in both normal and stressed conditions. Although it has no immediate plans to borrow in the near term, TfL is able to access several sources of debt funding within the prudential borrowing limit set by the Mayor, including direct access to the UK DMO via the PWLB, the Commercial Paper market and debt capital markets, subject to market conditions.

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# Narrative Report and Financial Review (continued)

With respect to managing the affordability of debt financing, debt maturities are diversified across short-, medium- and long-term horizons that broadly equate to the lives of assets purchased with this source of funding. The maturity profile of borrowing and other financial liabilities outstanding at 31 March 2022 is set out in note 34 to the accounts.

## 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 proportion of fixed rate borrowings at 31 March 2022 was 91.3 per cent; the remaining 8.7 per cent constituted PWLB floating rate loans and 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 2022, the majority of TfL's employees were members of the TfL Pension Fund. The Public Sector Section's deficit decreased from £5,372m at the start of the year to £2,997m at the end of the year, as a result of a change in the financial assumptions adopted. The increase in gilt yields decreased the liabilities over the accounting period. This was partially offset by an increase in expected inflation.

Other factors that contributed to the decrease in the deficit were the return on assets being higher than expected (based on last year's discount rate), updating the base mortality assumption to reflect the latest triennial valuation for the Fund and updating to the latest model for mortality rate improvements.

The total deficit recognised in respect of all funded and unfunded pension arrangements at 31 March 2022 amounted to £3,201m (2021 £5,603m).

The latest available full actuarial valuation of the TfL Pension Fund was carried out as at 31 March 2021. The 2021 valuation showed a combined surplus on the Public Sector and Tube Lines Sections for funding purposes of £179m; and, as a result of this, the employers agreed a revised Schedule of Contributions with the Pension Fund.

# Narrative Report and Financial Review (continued)

## Prospects, outlook, and principal risks

### Viability statement

TfL is one of the only major cities in Europe not to receive a regular Government grant to cover day-to-day operations, with fares making up over 70 per cent of our operating budget, pre-pandemic. Our efficiency programme meant that we had been on a path to break even on the cost of operations, maintenance, financing costs and core renewals, having taken almost £1bn out of our net operating costs over the four years prior to the pandemic. Despite this, we still required external support for capital investment. While, historically, TfL was able to borrow to fund its capital plans, the fact that its debt burden has now reached the limits of affordability means it can no longer continue to borrow significantly in the future without substantial new income streams. As a result, even before the pandemic, an expected shortfall of around £1bn per annum in constant prices had been identified from 2025 onwards in relation to the delivery of the 2019 capital plan.

The pandemic has acted to decimate our finances and has exposed the inadequacy of our current funding model. TfL's significant exposure to changes in demand due to its high fixed costs and dependence on fares revenue mean that it is particularly susceptible to recessions and other travel demand shocks.

To keep the city moving throughout the pandemic while supporting the Government's guidance on social distancing, we have had to secure emergency financial support from the Government.

For the period 1 April 2020 to 31 March 2022, the Secretary of State for Transport has provided £4,174m of extraordinary funding grant through four distinct funding agreements. On top of this grant funding, a further £600m of additional borrowing from the PWLB was agreed in 2020/21.

In addition to this, under a further financing package agreed with the DfT in December 2020, an additional funding shortfall for Crossrail was covered by the GLA borrowing up to a further £825m from the DfT to be given, by the GLA to TfL, as a grant.

Despite this support, we have experienced a reduction in our cash and cash equivalents, and short-term investments from £2,209m at 31 March 2020 to £1,409m at 31 March 2022, as well as finding £160m of operating savings in the period from October 2020 to March 2021, and £300m of operating savings from April 2021 to March 2022, over and above those already planned as part of the TfL Efficiency Programme.

Due to the Omicron variant and Plan B restrictions, new demand insights have been limited, though pre-existing patterns continue to be observed. While it is not yet clear how travel patterns might change and how quickly demand levels will return to pre-pandemic levels, it is clear that a significant financial gap will remain over the next few years.

# Narrative Report and Financial Review (continued)

On 25 February 2022, the latest funding arrangement was agreed covering the period to 24 June 2022. This provides TfL with a further £200m of base funding support in the first quarter of 2022/23, as well as continued revenue guarantee to the DfT's revenue scenario. Further details of conditions are set out in the going concern section of our Accounting Policies. We anticipate further government grant will be needed to support ongoing operating activities until 1 April 2023. To achieve the Government's stated key priorities, additional government support will be required on a longer-term basis to fund the capital investment programme.

The latest TfL Budget, published in March 2022, shows TfL requires circa £1.2bn of additional Government support in 2022/23, but this is on a clear declining trajectory from previous years. Crucially, it also shows a balanced budget from 2023/24 onwards without any emergency Government support. Therefore, this demonstrates TfL is on track to be financially sustainable from April 2023 onwards in line with the requirements of the funding settlements.

However, without any certainty on future capital funding support from Government, the TfL Budget has had to assume no capital funding is provided from April 2023. Therefore, while the TfL Budget shows the organisation can be financially sustainable without additional funding from April 2023, it delivers very different outcomes to the recommended 'Decarbonise by 2030' scenario outlined in the Financial Sustainability Plan (FSP). The 'Decarbonise by 2030' plan would have delivered significant benefits for London and the UK economy, whereas the current TfL Budget is based on an approach of 'managed decline' – deteriorating asset conditions, no new enhancement schemes, and very significant service reductions, which specifically entails an 18 per cent reduction of the bus network, and a nine per cent reduction on the Underground.

The Budget shows fare payers, London residents and road users (through the net proceeds of charging schemes being applied for relevant transport purposes) all contributing to closing TfL's capital funding gap, but excludes any national contribution, despite the benefits of London to the UK economy. These budgeted income sources collectively are not sufficient to cover the whole gap, because TfL has to not just replace lost passenger revenues from the pandemic, but also solve the structural funding issue that existed even before the pandemic due to the inability to continue to borrow to fund investment.

Without additional funding, deferring asset replacements and not enhancing London's transport network will continue into the long term. This constitutes the foundation for discussions with Her Majesty's Government (HMG) for the long-term capital funding that is required for TfL to move beyond the Managed Decline scenario and improve the outcomes TfL can deliver for London and in turn the UK.

Since the FSP, TfL and the Mayor have made significant progress in delivering Government conditions that move towards TfL financial sustainability, while also mitigating additional pressures which have emerged, to ensure that TfL reaches financial sustainability by April 2023. A path to financial sustainability that TfL were on prior to the pandemic.

# Narrative Report and Financial Review (continued)

## Passenger Income

Rebuilding TfL's ridership has been a key area of focus through the pandemic recovery. TfL has continued to do what is within its control to attract customers back onto its network, including delivering exceptional customer service, and creating a safe and clean environment on its buses, trains and in stations through its enhanced cleaning regime. At the end of 2021/22, the demand for services has now recovered to 68 per cent of pre-pandemic levels.

The central section of the Elizabeth line opened on 24 May 2022 and will create a new revenue stream boosting TfL's fares income.

To help TfL reach financial sustainability, fares on TfL services rose by RPI+1 per cent on 1 March 2022 and TfL continues to plan on the basis that its fares are uplifted by RPI+1 per cent on average in January 2023 and annually for at least the next three years, noting that this will be subject to a Mayoral decision.

In addition to this, to help meet the demand from the Government to raise additional revenue for TfL, there are several potential modifications to fares structures and ticketing which are expected to raise between £60-£80m per year. These will all be subject to full impact assessment and stakeholder engagement and/or consultation as appropriate. Decisions about fares are for the Mayor to take. Options include:

1. Apply an all-day peak fare for London Underground journeys between Zone 1 and Heathrow on the Piccadilly line
2. Explore the option to withdraw from the Travelcard Agreement
3. Make permanent the start time of gam for free travel on TfL services available to holders of the 60+ photocard and the older person's Freedom Pass
4. Increase in the age of eligibility for the 60+ concession.

## Commercial Development Activity

On 1 April 2022, TTL Properties Limited (TTLP) was financially separated from TfL as a fully self-financing commercial property company. TTLP has the twin objectives of supporting TfL's financial sustainability through delivering an increasing annual income stream and helping London's post-pandemic recovery, including through building thousands of new homes. TTLP's funding will come from a combination of receipts from property disposals and commercial debt. TTLP's capital programme sits outside the scope of TfL's core business and is not part of its definition of financial sustainability.

# Narrative Report and Financial Review (continued)

## Other Income Sources

The FSP assumed that there would be £500m in new income by 2023/24. In addition to the fares options detailed earlier in this section. An increase of £20 in the council tax Mayoral precept was implemented from the beginning of the 2022-23 financial year. This change will raise an estimated £172m for TfL annually over the next three years.

TfL is also consulting on a proposal to expand the ULEZ London-wide in 2023. The proposal is primarily designed to improve London's air quality but it is also expected to result in some revenue for TfL.

## Operating expenditure

Financial sustainability cannot be achieved without TfL making significant savings in its cost base. Rising inflation poses a significant risk to TfL's operating costs. RPI assumptions have increased from 3.1 per cent in the FSP to 5.7 per cent in the TfL Budget for 2022/23. However, RPI is currently running higher than these assumptions.

Many savings established in the FSP have already been realised, with further savings planned and embedded in its budget including the commitment to delivering £730m recurrent operating expenditure savings during the 2019 Business Plan period (2019/20 to 2024/25).

Significant ongoing focus has been invested across TfL in identifying and delivering sustainable savings plans that protect service performance, customer satisfaction and revenues as far as possible. This includes extensive modernisation programmes in our customer services, line operation and asset operation functions, contract savings, and operating model changes for our professional services.

## Service Levels

To meet the Government's requirements for savings, TfL is seeking to reduce service levels in a targeted, evidence-led way that reflects as best as possible emerging post-pandemic demand forecasts.

On TfL's bus network, to date there have been 8m km of annual service reductions, of the approximately 19m km that would constitute the four per cent reduction set out in the FSP.

On the Underground network, there have been off-peak service reductions on the Northern, Bakerloo, Jubilee and Waterloo & City lines. These changes constitute a 0.93m km reduction in annual train km operated.

Because of the potentially severe funding shortfall in the absence of further funding, recent TfL Budgets have had to assume we implement a "Managed Decline" that would include over time, a package that goes beyond the changes detailed above, and specifically entails an 18 per cent reduction of the bus network, and a nine per cent reduction on the Underground. This assumption has been made for entirely financial reasons. We continue to believe implementing these changes would be deeply harmful and is not justified by the demand trends we are observing.

They are also likely to be commercially inefficient and require very substantial internal resource to implement. It will therefore be a priority to use any additional funding we can secure to avoid this outcome.

## Pay, benefits and pensions

We will continue to keep our reward strategy, including the pension arrangements offered to all TfL employees, under review to ensure the reward package is affordable while remaining fair and

# Narrative Report and Financial Review (continued)

competitive.

TfL froze base pay across TfL in 2021 (with the exception of pre-agreed pay agreements such as those in place in London Underground). It also suspended all performance award schemes for the year 2020/21. For 2021/22 and 2022/23, TfL has embedded within all its Performance Award arrangements an additional performance condition referred to as the 'Financial Overlay Trigger'. This additional condition means that no performance awards can be paid to TfL staff for the financial years 2021/22 and 2022/23 unless TfL achieves financial sustainability by April 2023.

TfL's June 2021 Extraordinary Funding and Financing Agreement contained a requirement from Government for us to carry out a review of the TfL pension scheme. The decision was taken that this review would be conducted independently, to be led by Sir Brendan Barber. An interim report was published in December 2021, which was followed by a Final Report in March 2022.

## Renewals

The renewals forecast in the Budget is significantly below the requirement set out in the FSP. The budgeted renewals represent a 'do minimum' forecast based on TfL's asset management strategy.

The planned expenditure is a top-down financial constraint based on the need to have a balanced budget. TfL is in the process of a detailed review of its renewals requirements over the course of 2022, which will determine an affordable, deliverable level of optimal asset investment in the medium term.

## Enhancements

Within the Budget, TfL is still spending significant amounts on capital enhancements. This is largely due to a small number of large, contractually committed projects where it is not economical to pause or cancel the project.

However, TfL's investment programme is missing significant opportunities to progress outcomes which are shared priorities with national government.

In July 2021, TfL delivered its Capital Efficiency Plan to HMG, which set out how we will consistently target, deliver and track efficiencies across all our capital delivery. It presented our aims for delivering significant capital savings over a five-year period to 2025/26, specifying the actions and milestones required to deliver these. TfL has been progressing with these actions since the report was delivered including publishing an annual update report in May 2022.

## Long term funding

Although TfL has been very successful as a city planner, system integrator, network manager, operator and delivery body, the current funding model with its reliance on fares and the annual cycle (or shorter) of funding decisions by Government, adversely impacts our ability to operate in the most economic and efficient manner and ensure value for money. Without a clear picture of future resources, TfL cannot plan for the future of its network and optimise the benefits it can bring nationally. This short-term approach and lack of certainty undermines the ability of the supply chain to invest, limiting job creation, skills development and ability to command more efficient prices for work – for TfL and other transport operators in the UK and beyond.

TfL is therefore seeking to agree with Government a proposal that will allow funding from Government and outputs from TfL to be set over the medium to long-term. In addition, continuing to discuss with Government the introduction of a revised structural framework, taking some of the relevant principles of the sort commonly used to regulate rail networks, airports and other forms of utility type

# Narrative Report and Financial Review (continued)

infrastructure, would enable TfL to achieve security of funding, where better medium to long term planning and greater assurance can deliver more efficient decision making and value for money.

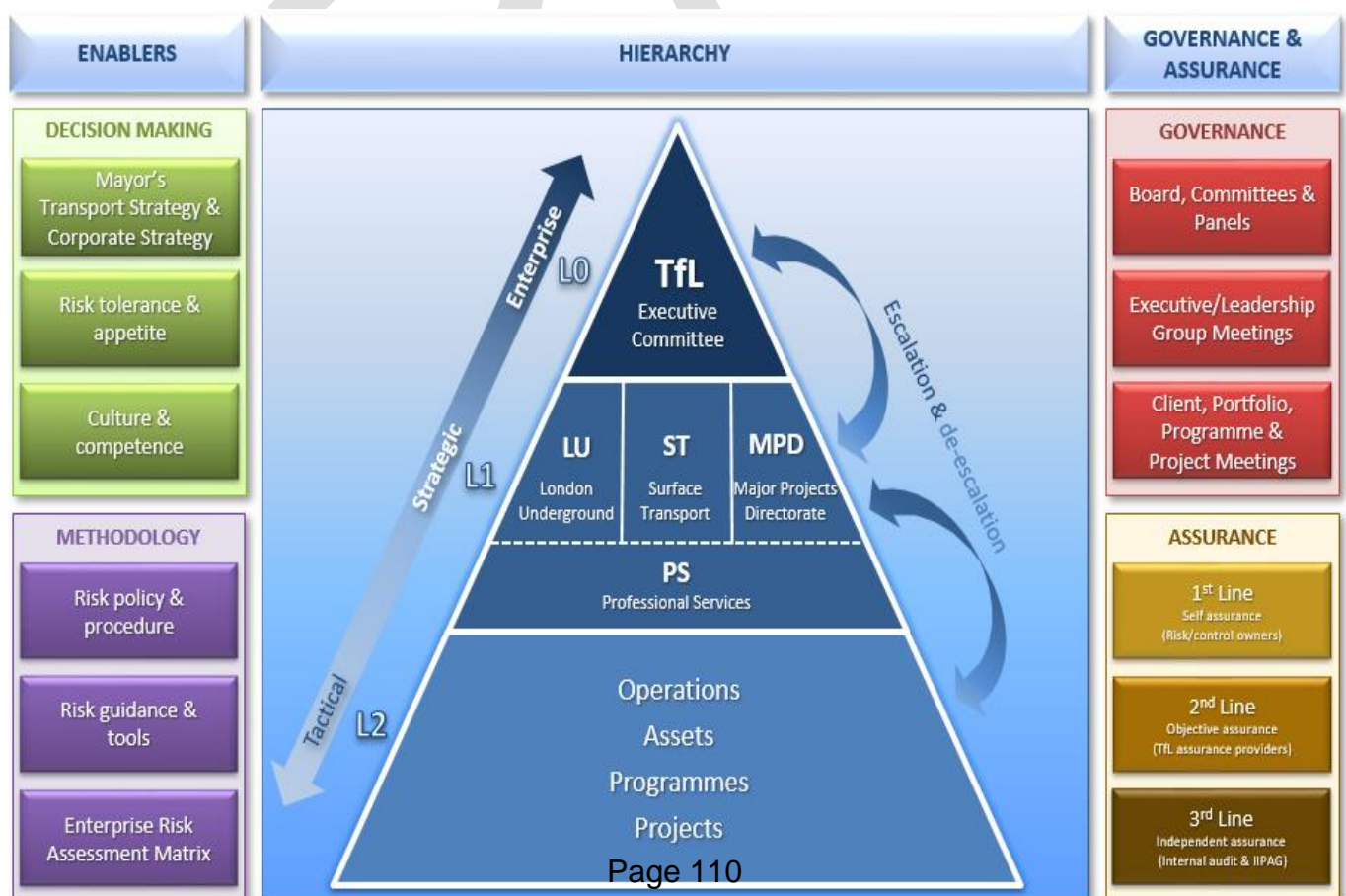
## Enterprise Risk Management Framework

TfL's Enterprise Risk Management Framework (ERMF) supports a broader and more integrated approach to managing risks across the organisation, enabling a co-ordinated process including the provision of governance and assurance activities.

The risk hierarchy shown below will be updated to reflect the new TfL organisational structure. The update will take place following the informal risk discussion session with the Board and Executive Committee on 4 May 2022. Additionally, TfL's current 14 Enterprise risks and risk appetite will be reconsidered to reflect the key challenges cited by the Executive Committee and Board members. We are also looking to align the Enterprise risks to TfL's Vision and Values roadmaps.

The framework encapsulates three key elements for risk management:

- **ENABLERS** to good risk management include robust decision making and a risk management methodology. Risks are assessed against the Mayor's Transport Strategy bearing in mind TfL's risk tolerance and appetite.
- The **HIERARCHY** of risks throughout TfL enables consistent classification, escalation, and de-escalation of risks. Risks exist at three levels across the organisation, with agreed ownership from TfL's Executive Committee to departmental level.
- The **GOVERNANCE AND ASSURANCE** arrangements related to risk management, including risk reporting at various levels of the organisation to the relevant governance forums. The Institute of Internal Auditors' Three Lines Model has been adopted.





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## Principal 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 continues to be presented to TfL's committees and panels at least once a year. Here, members of the Board have an opportunity to scrutinise, challenge or provide recommendations as appropriate.

TfL's Executive Committee reviews and discusses enterprise risks quarterly once a full assessment of each enterprise risk is carried out. 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.

To ensure TfL continues to focus on the right risks as it emerges from the pandemic, our top-level enterprise risks are to be re-assessed and then will be considered individually by the Executive Committee in line with an agreed schedule. New themes have been emerging, and TfL needs to focus its efforts on identifying and mitigating challenges to achieving the five Vision and Values ambitions roadmaps; Customer, Green (including safety), Colleague, Finance and Foundation.

TfL has modelled the systemic interconnectivity of its current risks to better understand causality and enable the identification of more effective strategic mitigations as illustrated below. Enterprise Risk 7 is excluded from the table as our long-term funding is the subject of ongoing discussions with the Government.

The table below details the key mitigations for the current Enterprise risks.

| Risk        | Title  | Key Mitigations  |
|-------------|--|--|
| <b>ERo1</b> | Major Safety, Health or Environmental incident or crisis | <ul style="list-style-type: none"> <li>• Improvements to the Safety, Health &amp; Environment Management System</li> <li>• Contracts and Regulations</li> <li>• Policies and Programmes</li> <li>• Monitoring and benefits realisation</li> <li>• Strategies and targets that promote active, efficient and sustainable transport modes</li> </ul> |
| <b>ERo2</b> | Attraction, retention and wellbeing of our employees     | <ul style="list-style-type: none"> <li>• Annual People Planning Activity</li> <li>• Wellbeing Interventions</li> <li>• Talent Management</li> <li>• Reward Management</li> <li>• Critical role identification</li> </ul>   |

# Narrative Report and Financial Review (continued)

| Risk | Title                    | Key Mitigations   |
|------|--------------------------|---|
| ERo3 | Major service disruption | <ul style="list-style-type: none"> <li>• Maintenance and renewals programmes</li> <li>• Weather plans</li> <li>• Operational and asset incident management</li> <li>• Operational resilience</li> <li>• Supplier management</li> <li>• Readiness review for major investments</li> <li>• 24/7 response with command and control'</li> </ul> |
| ERo4 | Major security incident  | <ul style="list-style-type: none"> <li>• Security strategy, governance, and culture</li> <li>• Threat intelligence and security liaison</li> <li>• Security risk management systems</li> <li>• Security incident preparedness</li> <li>• TfL whistleblowing policy</li> <li>• Cyber security</li> </ul>                                     |
| ERo5 | Supply chain disruption  | <ul style="list-style-type: none"> <li>• Risk and issues Register</li> <li>• High risk supplier contingency plans</li> <li>• Regular communication with suppliers</li> <li>• Financial monitoring</li> <li>• Individual action plans</li> </ul>   |

# Narrative Report and Financial Review (continued)

| Risk        | Title  | Key Mitigations   |
|-------------|--|---|
| <b>ERo6</b> | Loss of stakeholder trust                              | <ul style="list-style-type: none"> <li>• Media monitoring and management</li> <li>• Election planning and political monitoring</li> <li>• Engagement programme</li> <li>• Active strategy to build consensus and alliances</li> <li>• Delivering funding campaign</li> <li>• Working with Stakeholders</li> </ul> |
| <b>ERo8</b> | Delivery of TfL key investment programmes and projects | <ul style="list-style-type: none"> <li>• Project Management Office operating model</li> <li>• Capital Improvement Group (CIG)</li> <li>• Capital Efficiencies Plan (CEP)</li> <li>• Central project list and baseline</li> </ul>  |
| <b>ERo9</b> | Changes in customer demand                             | <ul style="list-style-type: none"> <li>• Scenario and risk-based planning</li> <li>• Business planning and budgeting</li> <li>• Transport Innovation</li> <li>• Forecasting methods</li> </ul>  |
| <b>ER10</b> | Inability to support new ways of working               | <ul style="list-style-type: none"> <li>• New ways of working steering group</li> <li>• Technology improvements, including asset refresh, roll out of Windows 10/Evergreen and training</li> <li>• Staff support, support for managers</li> </ul>  |
| <b>ER11</b> | Disparity leading to unequal or unfair outcomes        | <ul style="list-style-type: none"> <li>• Action on inclusion strategy</li> <li>• Inclusive design framework and programme</li> <li>• Equality impact assessments</li> <li>• Stakeholder engagement</li> <li>• Local community engagement and consultation</li> </ul>  |

| Risk        | Title  | Key Mitigations   |
|-------------|--|---|
| <b>ER12</b> | Asset condition unable to support TfL outcomes | <ul style="list-style-type: none"> <li>• Asset inspections and monitoring</li> <li>• Asset Maintenance regimes</li> </ul> |

# Narrative Report and Financial Review (continued)

|             |                                     |  |
|-------------|-------------------------------------|--|
|             |                                     | <ul style="list-style-type: none"> <li>• Asset renewals</li> <li>• Renewals, maintenance and technical assurance</li> <li>• Information analysis and risk assessment</li> </ul>  |
| <b>ER13</b> | Governance and controls suitability | <ul style="list-style-type: none"> <li>• Standing orders</li> <li>• Governance framework and management system</li> <li>• Integrated assurance plan</li> <li>• Privacy and Data Protection compliance Programme</li> <li>• Enterprise Risk Management Framework</li> </ul> |
| <b>ER14</b> | Opening of the Elizabeth line       | <ul style="list-style-type: none"> <li>• TfL Board oversight via Elizabeth Line Committee</li> <li>• Delivery management</li> <li>• Funding compliance</li> <li>• Critical resources management</li> <li>• Main contractor liaison</li> </ul>                              |

## Climate change risk

Climate change risk is a growing threat that touches on a number of the enterprise risks and is captured within ER01 Major Safety, Health or Environmental incident or crisis. Further to this, work is in progress to develop an enterprise level Climate Adaptation risk.

The number and intensity of extreme weather events is increasing over time with periods of hot and cold weather, flash flooding and storm events. This year was the first time the UK experienced three named storms (Dudley, Eunice and Franklin) within a week since the current naming system was introduced. Storm Eunice resulted in widespread disruption across our operations, with trees and debris blown onto our networks. On 12 and 25 July 2021, heavy rainfall led to severe disruption on roads and Underground services, as well as damaging our assets. Extensive flooding or failure of assets (for example, embankments and failure of flooding controls and defences) have the potential to be catastrophic for London and TfL.

Our data collection and monitoring systems do not currently allow for quantitative or comprehensive assessments of the impact of current weather events on our operations. Given funding constraints, this is likely to remain a challenge in the future. In the meantime, we have a dedicated programme of research to understand current and future extreme weather impacts, to help inform adaptation requirements.

This is a medium-term programme over several years that, is being supplemented by collaborative

# Narrative Report and Financial Review (continued)

projects by universities and outside groups to highlight the impacts of extreme weather on our operations. This information helps make climate change adaptation a priority in our decision-making.

Effective adaptation of London's transport networks cannot be designed and implemented in isolation. Cross-team, sectoral and cross-sector collaboration is crucial to ensure that gaps are avoided, duplication is minimised, and lessons are learned quickly to avoid unnecessary costs. Consequently, we are a regular and contributing member of several key groups.

Adaptation is now a key environmental priority for TfL's Asset Strategy. We have completed our Adaptation Reporting Power 3 submission to the Department for the Environment, Food and Rural Affairs. This report sets out our main climate risk governance, strategy, approach to risk management, and a high-level asset climate risk assessment. The main risk areas for our assets are changes to temperature, precipitation, and storms, all of which have at least one risk score which is considered 'major' or above today. The number of risks scoring major or above is set to rise by 2050 and 2080. This assessment is vital in informing our long-term asset planning, to improve safety and reliability of our assets and services and will increase the cost effectiveness and timeliness of investment.

We are developing a Pan-TfL climate change adaptation plan which will focus on the actions needed across the organisation to improve our maturity in adapting to climate change impacts, and how we will report on progress. We are also working to increase awareness of the importance of green infrastructure for climate change adaptation. We aim to protect and increase green infrastructure and sustainable drainage measures, for example, to help mitigate surface water flood risk and provide shade and local cooling.

# Narrative Report and Financial Review (continued)

## External audit

### Appointment, re-appointment and assessment of effectiveness

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 audit of the accounts from 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.

For 2021/22 a new audit partner, Janet Dawson, was appointed before the beginning of the financial year. 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; and
- 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 in December 2019, only non-audit work that is closely related to the statutory audit may be undertaken by an entity's auditor. Furthermore, total fees for non-audit services provided is limited to no more than 70 per cent of the average of the fees paid in the last three consecutive financial years for the audit of the audited entity and of its controlled undertakings and of the consolidated financial statements of that group of undertakings.

# Narrative Report and Financial Review (continued)

Under TfL's policy on external audit services, Ernst & Young LLP is required to report to the Committee every six months on fees billed for non-audit services. During 2021/22, the non-audit services provided by Ernst & Young LLP 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 two per cent of the total statutory audit fees paid in respect of the combined audit for the TfL and Transport Trading Limited (TTL) Groups, and 32 per cent of the audit fee of the Corporation as a single entity for 2021/22.

## Accounting statements

TfL is a statutory corporation established by section 154 of the 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, joint ventures and associated undertakings as set out in notes 16, 17 and 18

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 as well as those of the TfL Group, has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (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 TTL Group. These accounts are prepared under International Financial Reporting Standards as adopted by the EU. Appropriate adjustments are made to the accounting policies of the subsidiaries upon consolidation into the TfL Group financial statements to ensure they are aligned to the requirements of the Code.

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 joint ventures and 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.

# Narrative Report and Financial Review (continued)

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

Within the Statement of Accounts, references to the 'Corporation' relate to the transactions, assets and liabilities of TfL. 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'.



# Narrative Report and Financial Review (continued)

## 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 2022.

Patrick Doig

Statutory Chief Finance Officer

[X] July 2022

# Independent Auditor’s Report to Transport for London (continued)

[ Placeholder for Independent Auditor’s report ]

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# Group Comprehensive Income and Expenditure Statement

| Year ended 31 March   | Note | Gross income 2022<br>£m | Gross expenditure 2022<br>£m | Net income/<br>(expenditure)<br>2022<br>£m | Gross income 2021<br>£m | Gross expenditure 2021<br>restated<br>£m* | Net income/<br>(expenditure)<br>2021<br>restated<br>£m* |
|---|------|-------------------------|------------------------------|--|-------------------------|---|---|
| <b>Operating segment</b>  |      |                         |                              |  |                         |   |   |
| Underground   |      | 1,547.0                 | (2,285.0)                    | (738.0)                                    | 664.0                   | (2,279.0)                                 | (1,615.0)   |
| Elizabeth line  |      | 120.0                   | (430.0)                      | (310.0)                                    | 49.0                    | (368.0)                                   | (319.0)   |
| Buses, streets and other operations                                     |      | 1,959.0                 | (2,930.0)                    | (971.0)                                    | 1,225.0                 | (2,927.0)                                 | (1,702.0)   |
| Rail  |      | 304.0                   | (490.0)                      | (186.0)                                    | 146.0                   | (475.0)                                   | (329.0)   |
| Other segments  |      | 186.0                   | (111.0)                      | 75.0                                       | 128.0                   | (158.0)                                   | (30.0)  |
| Group items   |      | 232.0                   | (232.0)                      | -  | 165.0                   | (174.0)                                   | (9.0)   |
| Net cost of operations per internal management reports                  | 2    | 4,348.0                 | (6,478.0)                    | (2,130.0)                                  | 2,377.0                 | (6,381.0)                                 | (4,004.0)   |
| Accounting policy adjustments between management and statutory accounts | 2    | (34.6)                  | (1,292.5)                    | (1,327.1)                                  | 18.8                    | (1,023.8)                                 | (1,005.0)   |
| Net cost of services before exceptional items                           | 2    | 4,313.4                 | (7,770.5)                    | (3,457.1)                                  | 2,395.8                 | (7,404.8)                                 | (5,009.0)   |
| Exceptional items   | 6    |                         |                              | -  |                         |   | (29.4)  |
| Net cost of services after exceptional items                            |      |                         |                              | (3,457.1)                                  |                         |   | (5,038.4)   |
| Other net operating expenditure   | 7    |                         |                              | (36.2)                                     |                         |   | (63.4)  |
| Financing and investment income   | 8    |                         |                              | 202.6                                      |                         |   | 49.4  |
| Financing and investment expenditure                                    | 9    |                         |                              | (501.8)                                    |                         |   | (598.6)   |
| Grant income  | 10   |                         |                              | 4,351.1                                    |                         |   | 4,732.3   |
| Surplus/(deficit) on the provision of services                          |      |                         |                              | 558.6                                      |                         |   | (918.7)   |
| Group share of profit before tax of joint ventures                      | 17   |                         |                              | 7.9  |                         |   | 0.7   |
| Group share of loss before tax of associated undertakings               | 18   |                         |                              | 24.0                                       |                         |   | (3.5)   |
| Group surplus/(deficit) before tax                                      |      |                         |                              | 590.5                                      |                         |   | (921.5)   |
| Taxation  | 11   |                         |                              | (86.2)                                     |                         |   | 10.5  |
| Group surplus/(deficit) after tax                                       |      |                         |                              | 504.3                                      |                         |   | (911.0)   |

# Group Comprehensive Income and Expenditure Statement (continued)

| Year ended 31 March   | Note | Gross income 2022<br>£m | Gross expenditure 2022<br>£m | Net income/<br>(expenditure)<br>2022<br>£m | Gross income 2021<br>restated<br>£m* | Gross expenditure 2021<br>restated<br>£m* | Net income/<br>(expenditure)<br>2021<br>restated<br>£m* |
|---|------|-------------------------|------------------------------|--|--------------------------------------|---|---|
| Group surplus/(deficit) after tax   |      |                         |                              | 504.3                                      |                                      |   | (911.0)   |
| 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 **                  | 13   |                         |                              | 21.9                                       |                                      |   | 11.4  |
| Surplus on the valuation of newly created investment properties                 | 15   |                         |                              | 49.0                                       |                                      |   | 72.6  |
| Deferred tax on the surplus on valuation of newly created investment properties | 11   |                         |                              | (54.7)                                     |                                      |   | (0.7)   |
| Net remeasurement (loss)/gain on defined benefit pension schemes **             | 35   |                         |                              | 2,790.9                                    |                                      |   | (1,361.0)   |
|   |      |                         |                              | 2,807.1                                    |                                      |   | (1,277.7)   |
| Items that may be subsequently reclassified to profit or loss                   |      |                         |                              |  |                                      |   |   |
| Movement in the fair value of derivative financial instruments **               | 37   |                         |                              | 52.7                                       |                                      |   | 5.1   |
| Derivative fair value loss reclassified to income and expenditure **            | 37   |                         |                              | 10.2                                       |                                      |   | 9.3   |
| Discontinued hedging relationship   | 37   |                         |                              | (15.0)                                     |                                      |   | -   |
|   |      |                         |                              | 47.9                                       |                                      |   | 14.4  |
|   |      |                         |                              | 2,855.0                                    |                                      |   | (1,263.3)   |
| <b>Total comprehensive income and expenditure</b>                               |      |                         |                              | <b>3,359.3</b>                             |                                      |   | <b>(2,174.3)</b>  |

\* Figures for 2020/21 have been restated to reflect a revised allocation of overheads to each internal management operating segment (see note 2).

\*\* There is no tax effect of these items on other comprehensive income and expenditure in the years ended 31 March 2022 or 2021 (see note 11).

# Group Balance Sheet

|   | Note | 31 March<br>2022<br>£m | 31 March<br>2021<br>£m |
|---|------|------------------------|------------------------|
| <b>Long-term assets</b>                     |      |                        |                        |
| Intangible assets                           | 12   | 256.5                  | 149.3                  |
| Property, plant and equipment               | 13   | 43,791.5               | 43,093.9               |
| Right-of-use assets                         | 14   | 2,209.9                | 2,329.5                |
| Investment property                         | 15   | 1,713.3                | 1,458.7                |
| Investment in joint ventures                | 17   | 47.3                   | 41.3                   |
| Investment in associated undertakings       | 18   | 197.5                  | 166.9                  |
| Long-term derivative financial instruments  | 30   | 13.2                   | 0.2                    |
| Long-term finance lease receivables         | 19   | 23.2                   | 28.6                   |
| Long-term debtors                           | 21   | 72.2                   | 52.2                   |
|   |      | <b>48,324.6</b>        | <b>47,320.6</b>        |
| <b>Current assets</b>                       |      |                        |                        |
| Inventories                                 | 20   | 58.1                   | 51.5                   |
| Short-term debtors                          | 21   | 523.7                  | 493.1                  |
| Assets held for sale                        | 22   | 160.9                  | 95.5                   |
| Short-term derivative financial instruments | 30   | 1.4                    | 6.5                    |
| Short-term finance lease receivables        | 19   | 13.8                   | 15.4                   |
| Short-term investments                      | 23   | 19.0                   | 19.0                   |
| Cash and cash equivalents                   | 24   | 1,390.2                | 1,710.2                |
|   |      | <b>2,167.1</b>         | <b>2,391.2</b>         |
| <b>Current liabilities</b>                  |      |                        |                        |
| Short-term creditors                        | 25   | (1,846.9)              | (2,077.9)              |
| Short-term borrowings                       | 26   | (1,423.0)              | (1,198.1)              |
| Short-term right-of-use lease liabilities   | 14   | (334.1)                | (329.3)                |
| Short-term PFI liabilities                  | 27   | (10.6)                 | (9.9)                  |
| Other short-term financing liabilities      | 28   | (6.4)                  | (6.2)                  |
| Short-term derivative financial instruments | 30   | (6.5)                  | (12.0)                 |
| Short-term provisions                       | 29   | (99.3)                 | (109.1)                |
|   |      | <b>(3,726.8)</b>       | <b>(3,742.5)</b>       |

# Group Balance Sheet (continued)

|  | Note | 31 March<br>2022<br>£m | 31 March<br>2021<br>£m |
|--|------|------------------------|------------------------|
| <b>Long-term liabilities</b>               |      |                        |                        |
| Long-term creditors                        | 25   | (82.3)                 | (56.7)                 |
| Long-term borrowings                       | 26   | (11,543.3)             | (11,769.7)             |
| Long-term right-of-use lease liabilities   | 14   | (2,102.2)              | (2,179.8)              |
| Long-term PFI liabilities                  | 27   | (91.0)                 | (101.7)                |
| Other long-term financing liabilities      | 28   | (121.7)                | (128.1)                |
| Long-term derivative financial instruments | 30   | (14.2)                 | (47.3)                 |
| Long-term deferred tax liabilities         | 11   | (375.2)                | (234.3)                |
| Long-term provisions                       | 29   | (86.6)                 | (60.9)                 |
| Retirement benefit obligation              | 35   | (3,201.5)              | (5,603.1)              |
|  |      | (17,618.0)             | (20,181.6)             |
| <b>Net assets</b>                          |      | <b>29,146.9</b>        | <b>25,787.7</b>        |
| <b>Reserves</b>                            |      |                        |                        |
| Usable reserves                            |      | 681.2                  | 886.9                  |
| Unusable reserves                          | 37   | 28,465.7               | 24,900.8               |
| <b>Total reserves</b>                      |      | <b>29,146.9</b>        | <b>25,787.7</b>        |

The Expenditure and Funding Analysis on page 72 and the notes on pages 74 to 228 form part of these financial statements. These financial statements were approved by the Board on [ ] July 2022 and signed on its behalf by:

Sadiq Khan  
Chair of TfL

# Group Movement in Reserves Statement

|  | Note | General Fund<br>£m | Earmarked<br>Reserves<br>£m | General Fund and<br>Earmarked<br>Reserves<br>£m | Street<br>Works Reserve<br>£m | Usable reserves<br>£m | Unusable reserves<br>£m | Total reserves<br>£m |
|--|------|--------------------|-----------------------------|---|-------------------------------|-----------------------|-------------------------|----------------------|
| At 1 April 2020  |      | 500.0              | 1,080.7                     | 1,580.7   | 23.5                          | 1,604.2               | 26,357.3                | 27,961.5             |
| Movement in reserves during 2020/21                                      |      |                    |                             |   |                               |                       |                         |                      |
| Group deficit after tax  |      | (180.2)            | -                           | (180.2)   | -                             | (180.2)               | (730.8)                 | (911.0)              |
| Other comprehensive income and expenditure                               |      | -                  | -                           | -   | -                             | -                     | (1,263.3)               | (1,263.3)            |
| Total comprehensive income and expenditure                               |      | (180.2)            | -                           | (180.2)   | -                             | (180.2)               | (1,994.1)               | (2,174.3)            |
| Derivative fair value loss reclassified to the Balance Sheet             | 37   | -                  | -                           | -   | -                             | -                     | 0.5                     | 0.5                  |
| Adjustments between accounting basis and funding basis under regulations | 38   | (538.4)            | -                           | (538.4)   | 1.3                           | (537.1)               | 537.1                   | -                    |
| Net (decrease)/increase before transfer to/from Earmarked Reserves       |      | (718.6)            | -                           | (718.6)   | 1.3                           | (717.3)               | (1,456.5)               | (2,173.8)            |
| Transfer to/from Earmarked Reserves                                      |      | 718.6              | (718.6)                     | -   | -                             | -                     | -                       | -                    |
| (Decrease)/increase in 2020/21   |      | -                  | (718.6)                     | (718.6)   | 1.3                           | (717.3)               | (1,456.5)               | (2,173.8)            |
| Balance at 31 March 2021   |      | 500.0              | 362.1                       | 862.1   | 24.8                          | 886.9                 | 24,900.8                | 25,787.7             |
| Movement in reserves during 2021/22                                      |      |                    |                             |   |                               |                       |                         |                      |
| Group deficit after tax  |      | 134.5              | -                           | 134.5   | -                             | 134.5                 | 369.8                   | 504.3                |
| Other comprehensive income and expenditure                               |      | -                  | -                           | -   | -                             | -                     | 2,854.0                 | 2,854.0              |
| Total comprehensive income and expenditure                               |      | 134.5              | -                           | 134.5   | -                             | 134.5                 | 3,223.8                 | 3,358.3              |
| Derivative fair value loss reclassified to the Balance Sheet             | 37   | -                  | -                           | -   | -                             | -                     | 0.9                     | 0.9                  |
| Adjustments between accounting basis and funding basis under regulations | 38   | (340.6)            | -                           | (340.6)   | 0.4                           | (340.2)               | 340.2                   | -                    |
| Net (decrease)/increase before transfer to/from Earmarked Reserves       |      | (206.1)            | -                           | (206.1)   | 0.4                           | (205.7)               | 3,564.9                 | 3,359.2              |
| Transfer to/from Earmarked Reserves                                      |      | 206.1              | (206.1)                     | -   | -                             | -                     | -                       | -                    |
| (Decrease)/increase in 2021/22   |      | -                  | (206.1)                     | (206.1)   | 0.4                           | (205.7)               | 3,564.9                 | 3,359.2              |
| Balance at 31 March 2022   |      | 500.0              | 156.0                       | 656.0   | 25.2                          | 681.2                 | 28,465.7                | 29,146.9             |



# Group Movement in Reserves Statement

Earmarked Reserves have been established to finance future projects and form part of the overall funding available for the Investment Programme and revenue projects. Application of funds against specific projects is dependent on the level and mix of other sources of funding also available to fund TfL's Investment Programme.

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# Group Statement of Cash Flows

| Year ended 31 March  | Note | 2022<br>£m | 2021<br>£m |
|--|------|------------|------------|
| Group deficit after tax  |      | 504.3      | (911.0)    |
| Adjustments to deficit after tax for non-cash movements                | 36 a | 1,593.4    | 1,493.7    |
| Adjustments to deficit after tax for investing or financing activities | 36 b | (2,014.3)  | (933.5)    |
| Net cash flows from operating activities                               |      | 83.4       | (350.8)    |
| Investing activities   | 36 c | (70.9)     | (472.2)    |
| Financing activities   | 36 d | (332.5)    | 966.4      |
| Increase in net cash and cash equivalents in the year                  |      | (320.0)    | 143.4      |
| Net cash and cash equivalents at the start of the year                 |      | 1,710.2    | 1,566.8    |
| Net cash and cash equivalents at the end of the year                   | 24   | 1,390.2    | 1,710.2    |

# Corporation Comprehensive Income and Expenditure Statement

| Year ended 31 March   | Note | 2022<br>£m     | 2021<br>£m       |
|---|------|----------------|------------------|
| <b>Highways and Transport Services</b>                                    |      |                |                  |
| Gross income  |      | 857.7          | 534.3            |
| Gross expenditure   | 3    | (1,477.0)      | (1,174.9)        |
| Net cost of services before exceptional items *                           |      | (619.3)        | (640.6)          |
| Net cost of services after exceptional items                              |      | (619.3)        | (640.6)          |
| Other net operating expenditure   | 7    | (2.7)          | (20.4)           |
| Financing and investment income   | 8    | 540.4          | 436.7            |
| Financing and investment expenditure                                      | 9    | (547.0)        | (534.9)          |
| Grant income  | 10   | 4,289.5        | 4,613.2          |
| Grant funding of subsidiaries   |      | (3,526.5)      | (4,034.2)        |
| Deficit on the provision of services                                      |      | 134.4          | (180.2)          |
| <b>Other comprehensive income and expenditure</b>                         |      |                |                  |
| <b>Items that will not be subsequently reclassified to profit or loss</b> |      |                |                  |
| Surplus on the revaluation of property, plant and equipment               | 13   | 0.1            | 2.8              |
| Surplus on the valuation of newly created investment properties           |      | 0.8            | -                |
| Net remeasurement loss on defined benefit pension schemes                 | 35   | 2,773.2        | (1,324.5)        |
|   |      | 2,774.1        | (1,321.7)        |
| <b>Total comprehensive income and expenditure</b>                         |      | <b>2,908.5</b> | <b>(1,501.9)</b> |

\* 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<br>2022<br>£m | 31 March<br>2021<br>£m |
|---|------|------------------------|------------------------|
| <b>Long-term assets</b>                   |      |                        |                        |
| Intangible assets                         | 12   | 184.5                  | 86.9                   |
| Property, plant and equipment             | 13   | 4,181.7                | 4,253.7                |
| Right-of-use assets                       | 14   | 368.5                  | 391.3                  |
| Investment property                       | 15   | 97.1                   | 11.6                   |
| Investments in subsidiaries               | 16   | 12,782.5               | 12,222.5               |
| Long-term debtors                         | 21   | 12,360.9               | 12,259.5               |
|   |      | <b>29,975.2</b>        | <b>29,225.5</b>        |
| <b>Current assets</b>                     |      |                        |                        |
| Short-term debtors                        | 21   | 262.9                  | 439.9                  |
| Assets held for sale                      | 22   | 12.1                   | 17.5                   |
| Cash and cash equivalents                 | 24   | 1,231.8                | 1,628.4                |
|   |      | <b>1,506.8</b>         | <b>2,085.8</b>         |
| <b>Current liabilities</b>                |      |                        |                        |
| Short-term creditors                      | 25   | (558.1)                | (907.0)                |
| Short-term borrowings                     | 26   | (1,423.0)              | (1,198.1)              |
| Short-term right-of-use lease liabilities | 14   | (27.0)                 | (26.7)                 |
| Short-term PFI liabilities                | 27   | (10.6)                 | (9.6)                  |
| Short-term provisions                     | 29   | (53.3)                 | (64.9)                 |
|   |      | <b>(2,072.0)</b>       | <b>(2,206.3)</b>       |

# Corporation Balance Sheet (continued)

|  | Note | 31 March<br>2022<br>£m | 31 March<br>2021<br>£m |
|--|------|------------------------|------------------------|
| <b>Long-term liabilities</b>             |      |                        |                        |
| Long-term creditors                      | 25   | (54.4)                 | (24.6)                 |
| Long-term borrowings                     | 26   | (11,547.3)             | (11,774.1)             |
| Long-term right-of-use lease liabilities | 14   | (367.1)                | (386.8)                |
| Long-term PFI liabilities                | 27   | (91.0)                 | (101.6)                |
| Long-term provisions                     | 29   | (41.0)                 | (29.6)                 |
| Retirement benefit obligation            | 35   | (3,158.8)              | (5,546.3)              |
|  |      | <b>(15,259.6)</b>      | <b>(17,863.0)</b>      |
| <b>Net assets</b>                        |      |                        |                        |
|  |      | <b>14,150.4</b>        | <b>11,242.0</b>        |
| <b>Reserves</b>                          |      |                        |                        |
| Usable reserves                          |      | 681.2                  | 886.9                  |
| Unusable reserves                        | 37   | 13,469.2               | 10,355.1               |
| <b>Total reserves</b>                    |      | <b>14,150.4</b>        | <b>11,242.0</b>        |

The Expenditure and Funding Analysis on page 72 and the notes on pages 74 to 228 form part of these financial statements. These financial statements were approved by the Board on [ ] July 2022 and signed on its behalf by:

Sadiq Khan  
Chair of TfL

# Corporation Movement in Reserves Statement

| Note   | General Fund<br>£m | Earmarked<br>Reserves<br>£m | General fund<br>and earmarked<br>reserves<br>£m | Street<br>Works Reserve<br>£m | Usable reserves<br>£m | Unusable<br>reserves<br>£m | Total reserves<br>£m |
|--|--------------------|-----------------------------|---|-------------------------------|-----------------------|----------------------------|----------------------|
| At 1 April 2020  | 500.0              | 1,080.7                     | 1,580.7   | 23.5                          | 1,604.2               | 11,139.7                   | 12,743.9             |
| <b>Movement in reserves during 2020/21</b>                                 |                    |                             |   |                               |                       |                            |                      |
| Deficit on the provision of services                                       | (180.2)            | -                           | (180.2)   | -                             | (180.2)               | -                          | (180.2)              |
| Other comprehensive income and expenditure                                 | -                  | -                           | -   | -                             | -                     | (1,321.7)                  | (1,321.7)            |
| <b>Total comprehensive income and expenditure</b>                          | <b>(180.2)</b>     | <b>-</b>                    | <b>(180.2)</b>                                  | <b>-</b>                      | <b>(180.2)</b>        | <b>(1,321.7)</b>           | <b>(1,501.9)</b>     |
| Adjustments between accounting basis and funding basis under regulations   | 38 (538.4)         | -                           | (538.4)   | 1.3                           | (537.1)               | 537.1                      | -                    |
| <b>Net (decrease)/increase before transfer to/from Earmarked Reserves</b>  | <b>(718.6)</b>     | <b>-</b>                    | <b>(718.6)</b>                                  | <b>1.3</b>                    | <b>(717.3)</b>        | <b>(784.6)</b>             | <b>(1,501.9)</b>     |
| Transfer to/from Earmarked Reserves  | 718.6              | (718.6)                     | -   | -                             | -                     | -                          | -                    |
| <b>(Decrease)/increase in 2020/21</b>                                      | <b>-</b>           | <b>(718.6)</b>              | <b>(718.6)</b>                                  | <b>1.3</b>                    | <b>(717.3)</b>        | <b>(784.6)</b>             | <b>(1,501.9)</b>     |
| <b>Balance at 31 March 2021</b>  | <b>500.0</b>       | <b>362.1</b>                | <b>862.1</b>                                    | <b>24.8</b>                   | <b>886.9</b>          | <b>10,355.1</b>            | <b>11,242.0</b>      |
| <b>Movement in reserves during 2021/22</b>                                 |                    |                             |   |                               |                       |                            |                      |
| Deficit on the provision of services                                       | 134.5              | -                           | 134.5   | -                             | 134.5                 | -                          | 134.5                |
| Other comprehensive income and expenditure                                 | -                  | -                           | -   | -                             | -                     | 2,774.0                    | 2,774.0              |
| <b>Total comprehensive income and expenditure</b>                          | <b>134.5</b>       | <b>-</b>                    | <b>134.5</b>                                    | <b>-</b>                      | <b>134.5</b>          | <b>2,774.0</b>             | <b>2,908.5</b>       |
| Adjustments between accounting basis and funding basis under regulations   | 38 (340.6)         | -                           | (340.6)   | 0.4                           | (340.2)               | 340.2                      | -                    |
| <b>Net (decrease)/increase before transfers to/from Earmarked Reserves</b> | <b>(206.1)</b>     | <b>-</b>                    | <b>(206.1)</b>                                  | <b>0.4</b>                    | <b>(205.7)</b>        | <b>3,114.2</b>             | <b>2,908.5</b>       |
| Transfer to/from Earmarked Reserves  | 206.1              | (206.1)                     | -   | -                             | -                     | -                          | -                    |
| <b>(Decrease)/increase in 2021/22</b>                                      | <b>-</b>           | <b>(206.1)</b>              | <b>(206.1)</b>                                  | <b>0.4</b>                    | <b>(205.7)</b>        | <b>3,114.2</b>             | <b>2,908.5</b>       |
| <b>Balance at 31 March 2022</b>  | <b>500.0</b>       | <b>156.0</b>                | <b>656.0</b>                                    | <b>25.2</b>                   | <b>681.2</b>          | <b>13,469.3</b>            | <b>14,150.5</b>      |

Earmarked Reserves have been established to finance future projects and form part of the overall funding available for the Investment Programme and revenue projects. Application of funds against specific projects is dependent on the level and mix of other sources of funding also available to fund TfL's Investment Programme.

# Corporation Statement of Cash Flows

| Year ended 31 March   | Note | 2022<br>£m     | 2021<br>£m     |
|---|------|----------------|----------------|
| Deficit on the provision of services  |      | 134.4          | (180.2)        |
| Adjustments to deficit on the provision of services for non-cash movements                | 36 a | 345.7          | 524.5          |
| Adjustments to deficit on the provision of services for investing or financing activities | 36 b | (738.6)        | (786.3)        |
| <b>Net cash flows from operating activities</b>   |      | <b>(258.5)</b> | <b>(442.0)</b> |
| Investing activities  | 36 c | (100.2)        | (583.4)        |
| Financing activities  | 36 d | (37.9)         | 1,243.1        |
| <b>Increase/(decrease) in net cash and cash equivalents in the year</b>                   |      | <b>(396.6)</b> | <b>217.7</b>   |
| Net cash and cash equivalents at the start of the year                                    |      | 1,628.4        | 1,410.7        |
| <b>Net cash and cash equivalents at the end of the year</b>                               | 24   | <b>1,231.8</b> | <b>1,628.4</b> |

# Expenditure and Funding Analysis

|  | London Underground<br>£m | Elizabeth line<br>£m | Buses, streets and other operations<br>£m | Rail<br>£m | Other segments<br>£m | Group items<br>£m | Total per management reports<br>£m | Accounting policy adjustments between management and statutory accounts<br>£m | Total per the Group Comprehensive Income and Expenditure Statement<br>£m | Less amounts recognised in subsidiaries<br>£m | Total per the Corporation Comprehensive Income and Expenditure Statement<br>£m | Adjustments between accounting basis and funding basis under regulations<br>£m | Amounts remaining chargeable to the General Fund<br>£m |
|--|--------------------------|----------------------|---|------------|----------------------|-------------------|------------------------------------|---|--|---|--|--|--|
| <b>For the year ended 31 March 2022</b>  |                          |                      |   |            |                      |                   |                                    |   |  |   |  |  |  |
| Gross income   | 1,547.0                  | 120.0                | 1,959.0                                   | 304.0      | 186.0                | 232.0             | 4,348.0                            | (34.6)  | 4,313.4  | (3,455.7)                                     | 857.7  | -  | 857.7  |
| Gross expenditure  | (2,285.0)                | (430.0)              | (2,930.0)                                 | (490.0)    | (111.0)              | (232.0)           | (6,478.0)                          | (1,292.5)   | (7,770.5)  | 6,293.5                                       | (1,477.0)  | 217.1  | (1,259.9)  |
| Net cost of services before exceptional items  | (738.0)                  | (310.0)              | (971.0)                                   | (186.0)    | 75.0                 | -                 | (2,130.0)                          | (1,327.1)   | (3,457.1)  | 2,837.8                                       | (619.3)  | 217.1  | (402.2)  |
| Exceptional items  | -                        | -                    | -   | -          | -                    | -                 | -                                  | -   | -  | -   | -  | -  | -  |
| Net cost of services after exceptional items   | (738.0)                  | (310.0)              | (971.0)                                   | (186.0)    | 75.0                 | -                 | (2,130.0)                          | (1,327.1)   | (3,457.1)  | 2,837.8                                       | (619.3)  | 217.1  | (402.2)  |
| Other net operating expenditure  | -                        | -                    | -   | -          | -                    | -                 | -                                  | (36.2)  | (36.2)   | 33.5  | (2.7)  | 2.7  | -  |
| Financing and investment income  | -                        | -                    | -   | -          | -                    | -                 | -                                  | 202.6   | 202.6  | 337.8   | 540.4  | (135.5)  | 404.9  |
| Financing and investment expenditure   | (279.0)                  | (93.0)               | (27.0)                                    | (40.0)     | -                    | -                 | (439.0)                            | (62.8)  | (501.8)  | (45.2)  | (547.0)  | 104.8  | (442.2)  |
| Grant income   | -                        | -                    | -   | -          | -                    | 2,704.0           | 2,704.0                            | 1,647.1   | 4,351.1  | (3,588.1)                                     | 763.0  | (738.6)  | 24.4   |
| Group share of profit before tax of joint ventures                                     | -                        | -                    | -   | -          | -                    | -                 | -                                  | 7.9   | 7.9  | (7.9)   | -  | -  | -  |
| Group share of profit before tax of associated undertakings                            | -                        | -                    | -   | -          | -                    | -                 | -                                  | 24.0  | 24.0   | (24.0)  | -  | -  | -  |
| Capital renewals   | (331.0)                  | (6.0)                | (125.0)                                   | (41.0)     | (6.0)                | (42.0)            | (551.0)                            | 551.0   | -  | -   | -  | -  | -  |
| (Deficit)/surplus before tax   | (1,348.0)                | (409.0)              | (1,123.0)                                 | (267.0)    | 69.0                 | 2,662.0           | (416.0)                            | 1,006.5   | 590.5  | (456.1)                                       | 134.4  | (549.5)  | (415.1)  |
| Taxation   | -                        | -                    | -   | -          | -                    | -                 | -                                  | (86.2)  | (86.2)   | 86.2  | -  | -  | -  |
| (Deficit)/surplus after tax  | (1,348.0)                | (409.0)              | (1,123.0)                                 | (267.0)    | 69.0                 | 2,662.0           | (416.0)                            | 920.3   | 504.3  | (369.9)                                       | 134.4  | (549.5)  | (415.1)  |
| Employer's pension contributions and direct payments to pensioners payable in the year |                          |                      |   |            |                      |                   |                                    |   |  |   | -  | 280.9  | 280.9  |
| Minimum revenue provision  |                          |                      |   |            |                      |                   |                                    |   |  |   | -  | (60.2)   | (60.2)   |
| Amortisation of premium on financing   |                          |                      |   |            |                      |                   |                                    |   |  |   | -  | (11.8)   | (11.8)   |
| <b>Net decrease in 2020/21</b>   |                          |                      |   |            |                      |                   |                                    |   |  |   | <b>134.4</b>   | <b>(340.6)</b>   | <b>(206.2)</b>   |
| Balance of General Fund and Earmarked Reserves at 1 April 2021                         |                          |                      |   |            |                      |                   |                                    |   |  |   |  |  | 862.1  |
| <b>Balance of General Fund and Earmarked Reserves at 31 March 2022</b>                 |                          |                      |   |            |                      |                   |                                    |   |  |   |  |  | <b>655.9</b>   |



# Expenditure and Funding Analysis (continued)

| For the year ended 31 March 2021   | London Underground<br>£m | Elizabeth line<br>£m | Streets, buses and other operations<br>£m | Rail<br>£m | Other segments<br>£m | Group items<br>£m | Total per management reports*<br>£m | Accounting policy adjustments between management and statutory accounts<br>£m | Total per the Group Comprehensive Income and Expenditure Statement<br>£m | Less amounts recognised in subsidiaries<br>£m | Total per the Corporation Comprehensive Income and Expenditure Statement<br>£m | Adjustments between accounting basis and funding basis under regulations<br>£m | Amounts remaining chargeable to the General Fund<br>£m |
|--|--------------------------|----------------------|---|------------|----------------------|-------------------|-------------------------------------|---|--|---|--|--|--|
| Gross income   | 664.0                    | 49.0                 | 1,225.0                                   | 146.0      | 128.0                | 165.0             | 2,377.0                             | 18.8  | 2,395.8  | (1,861.5)                                     | 534.3  | -  | 534.3  |
| Gross expenditure  | (2,279.0)                | (368.0)              | (2,927.0)                                 | (475.0)    | (158.0)              | (174.0)           | (6,381.0)                           | (1,023.8)   | (7,404.8)  | 6,229.9                                       | (1,174.9)  | 184.0  | (990.9)  |
| Net cost of services before exceptional items  | (1,615.0)                | (319.0)              | (1,702.0)                                 | (329.0)    | (30.0)               | (9.0)             | (4,004.0)                           | (1,005.0)   | (5,009.0)  | 4,368.4                                       | (640.6)  | 184.0  | (456.6)  |
| Exceptional items  | -                        | -                    | -   | -          | -                    | -                 | -                                   | (29.4)  | (29.4)   | 29.4  | -  | -  | -  |
| Net cost of services after exceptional items   | (1,615.0)                | (319.0)              | (1,702.0)                                 | (329.0)    | (30.0)               | (9.0)             | (4,004.0)                           | (1,034.4)   | (5,038.4)  | 4,397.8                                       | (640.6)  | 184.0  | (456.6)  |
| Other net operating expenditure  | -                        | -                    | -   | -          | -                    | -                 | -                                   | (63.4)  | (63.4)   | 43.0  | (20.4)   | 20.4   | -  |
| Financing and investment income  | -                        | -                    | -   | -          | -                    | -                 | -                                   | 49.4  | 49.4   | 387.3   | 436.7  | (30.9)   | 405.8  |
| Financing and investment expenditure   | (279.0)                  | (93.0)               | (27.0)                                    | (40.0)     | -                    | (1.0)             | (440.0)                             | (158.6)   | (598.6)  | 63.7  | (534.9)  | 92.0   | (442.9)  |
| Grant income   | 37.0                     | 1.0                  | 9.0                                       | -          | 2.0                  | 3,494.0           | 3,543.0                             | 1,188.3   | 4,732.3  | (4,153.3)                                     | 579.0  | (786.3)  | (207.3)  |
| Group share of loss before tax of joint ventures                                       | -                        | -                    | -   | -          | -                    | -                 | -                                   | 0.7   | 0.7  | (0.7)   | -  | -  | -  |
| Group share of loss before tax of associated undertakings                              | -                        | -                    | -   | -          | -                    | -                 | -                                   | (3.5)   | (3.5)  | 3.5   | -  | -  | -  |
| Capital renewals   | (203.0)                  | -                    | (100.0)                                   | (34.0)     | (3.0)                | (27.0)            | (367.0)                             | 367.0   | -  | -   | -  | -  | -  |
| Deficit before tax   | (2,060.0)                | (411.0)              | (1,820.0)                                 | (403.0)    | (31.0)               | 3,457.0           | (1,268.0)                           | 345.5   | (921.5)  | 741.3   | (180.2)  | (520.8)  | (701.0)  |
| Taxation   | -                        | -                    | -   | -          | -                    | -                 | -                                   | 10.5  | 10.5   | (10.5)  | -  | -  | -  |
| Deficit after tax  | (2,060.0)                | (411.0)              | (1,820.0)                                 | (403.0)    | (31.0)               | 3,457.0           | (1,268.0)                           | 356.0   | (911.0)  | 730.8   | (180.2)  | (520.8)  | (701.0)  |
| Employer's pension contributions and direct payments to pensioners payable in the year | -                        | -                    | -   | -          | -                    | -                 | -                                   | -   | -  | -   | -  | 49.8   | 49.8   |
| Minimum revenue provision  | -                        | -                    | -   | -          | -                    | -                 | -                                   | -   | -  | -   | -  | (55.7)   | (55.7)   |
| Amortisation of premium on financing   | -                        | -                    | -   | -          | -                    | -                 | -                                   | -   | -  | -   | -  | (11.7)   | (11.7)   |
| Net decrease in 2020/21  | -                        | -                    | -   | -          | -                    | -                 | -                                   | -   | -  | -   | (180.2)  | (538.4)  | (718.6)  |
| Balance of General Fund and Earmarked Reserves at 1 April 2020                         | -                        | -                    | -   | -          | -                    | -                 | -                                   | -   | -  | -   | -  | -  | 1,580.7  |
| Balance of General Fund and Earmarked Reserves at 31 March 2021                        | -                        | -                    | -   | -          | -                    | -                 | -                                   | -   | -  | -   | -  | -  | 862.1  |

\* The divisional split of management reporting has been restated to reflect revised internal management operating segments.

# 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 2021/22 (the Code), developed by 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 2021/22 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.

CIPFA/LASAAC announced its plans to delay implementation of IFRS 16 Leases in the Code until 1 April 2022. IFRS 16 Leases (mandatory for years beginning on or after 1 January 2019 under Adopted IFRS) replaces the previous guidance in IAS 17 on leases. However, as a significant proportion of the Group's activities are conducted through subsidiary companies, which were obliged, under EU Adopted IFRS, to apply IFRS 16 from 1 April 2019, CIPFA included a provision in the Code that permits TfL to adopt IFRS 16 from the same date. The Group has therefore adopted IFRS 16 in its financial statements from 1 April 2019.

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 assets funded by that grant.

### 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.

# Accounting Policies (continued)

## 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.

## Peppercorn rents

The Code includes an adaptation to IFRS 16 Leases in respect of the accounting for peppercorn lease arrangements for lessees. Leases with payments at peppercorn or nominal consideration that are provided at substantially below market terms, and leases for nil consideration, are accounted for as follows:

- a) Any portion of the lease that is payable is accounted for in the same way as other lease obligations under IFRS 16 Leases;
- b) The difference between the present value of any future lease payments due and the fair value of the lease on initial recognition is recognised as a fair value right-of-use asset on the Balance Sheet, with a corresponding gain recognised in grant income within the surplus or deficit recognised on the provision of services.

TfL has a number of leases over property and other transport infrastructure under which it pays £nil or peppercorn rents. A majority of these leases were held at peppercorn rents by a previous lessee prior to the leases being taken on by TfL. We have undertaken an exercise to assess the fair value of the assets leased under these arrangements and have concluded that they have no material value. No amounts have therefore been recorded in these financial statements in respect of these leases.

## b) Basis of preparation

The accounts are made up to 31 March 2022. 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 assets and financial instruments.

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.

# Accounting Policies (continued)

## 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.

The Group incorporates its share of the profits or losses and its share of the net assets of associated undertakings and joint ventures 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. Joint ventures are those where the Group has an interest in the net assets of an investee and has joint control over its financial and operating policies.

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 the Board remain confident that TfL will continue in operational existence for at least 12 months from the date of signing these financial statements and will meet its liabilities as they fall due for payment.

As set out in the Narrative Report, the unprecedented global outbreak of coronavirus significantly impacted the organisation's ability to execute its activities.

The Group has continued delivering essential transport services throughout the pandemic and is well positioned to partner with the Government in driving economic recovery and growth. Nevertheless, the pandemic has acted to decimate our finances and has exposed the inadequacy of the Group's current funding model. TfL's significant exposure to changes in demand due to its high fixed costs and dependence on fares revenue mean that it is particularly susceptible to recessions.

During 2020/21 and 2021/22 TfL secured a series of Extraordinary Funding and Financing Agreements from the Secretary of State, as set out in the Viability Statement section of the Narrative Report, which give it secure access to funding in the form of a mixture of Government grant and borrowing from the Public Works Loan Board until 24 June 2022. These agreements contain an acknowledgement from the Secretary of State for Transport that further financial support from the Government will be needed until April 2023, with longer term external funding being required to support TfL's capital investment programme.

## Accounting Policies (continued)

A number of conditions were attached to the latest funding arrangement agreed with the DfT on 25 February 2022, details of which are set out on TfL's website ([www.tfl.gov.uk](http://www.tfl.gov.uk)). This funding arrangement is in place until the 24 June 2022.

The funding arrangement states that TfL can continue to maintain useable cash reserves of no more than an average of £1.2bn throughout, and at the end of the funding period. TfL are to provide a weekly closing cash balance of its Usable Cash Reserves, reporting the difference between TfL's cash balances and TfL's Usable Cash Reserves, identifying each third-party grant. If an average of £1.2bn is exceeded no top-up grant will be paid until TfL's Usable Cash Reserves fall below £1.2bn, taken as an average over the Reporting Period. No payments under this agreement will take TfL's Usable Cash Reserves above £1.3bn at the end of the funding period.

Over the course of the funding period to 24 June 2022, TfL will be supported by the DfT in implementing a programme of work designed to allow TfL to reach a financially sustainable position as soon as possible, with a target of no later than April 2023 and a declining trajectory, in the meantime, of temporary Government grant support. TfL will also be required to make rapid progress on longer term reforms which are likely to be implemented beyond 2023.

The programme of work seeks to progress many of the actions delivered under the previous Extraordinary Funding and Financing Agreement dated 1st June 2021 and will include the following initiatives (among others):

- TfL will provide a plan demonstrating the options that exist to achieve up to and including £400m of appropriate revenue sources and/or cost savings initiatives in 2022/23.
- TfL to progress its plan to generate between £0.5bn - £1.0bn of additional revenue from 2023. TfL will progress its recommended options through public consultation with a view to implementation by 2023.
- TfL will implement the acceleration identified in its £730m modernisation plan. TfL will also provide a summary and periodic cumulative savings trajectory of the strategic initiatives identified within the plan.
- TfL will agree a capital plan with government in conjunction with any long-term settlement and report to DfT on delivery, including realisation of capital efficiencies as set out in the capital efficiencies plan.
- TfL will continue to deliver the service level changes that it committed to in its Financial Sustainability Plan and continue to monitor demand across its network. TfL will make an assessment on whether any future service level changes are required to support the achievement of financial sustainability by the target date of April 2023.
- TfL to ensure the dedicated commercial property company established by TfL will have the required operational and financial independence to deliver housing in a high demand area and to provide an increased revenue stream.
- TfL will continue to carry out a review of its pension scheme and reform options and consider and progress, as appropriate, any proposals that may be recommended by the final report in order to move the Fund into a financially sustainable position.
- A DfT led joint programme on the implementation of Driverless Trains on the London Underground.

## Accounting Policies (continued)

- Build on the joint review of options for longer term reform of the funding framework for TfL.

The above initiatives and savings are within TfL's control to deliver, given the commitment from the DfT to work collaboratively with TfL over the funding period.

Government have recognised the need for certainty and stability in TfL's capital investment pipeline and they are therefore willing to support in the short and medium term, through extraordinary grant funding, plus capital investment in renewals and enhancements. They are willing to consider a longer-term capital settlement for TfL from the start of 2022/23 for a period of 1-3 years.

TfL has received government's outline capital proposal and are working collaboratively with government to reach a capital settlement for TfL which meets the shared objectives through a simple mechanism and provides certainty for TfL as it becomes financially sustainable.

In the most recent budget presented to TfL's Board in March 2022 a 'managed decline' scenario is still assumed, which includes unacceptable levels of service reductions, no new enhancement schemes and declining asset conditions – even with £500m of new revenue sources committed to TfL by the Mayor. While financially balanced, the current Budget only includes capital enhancements (major and minor) that are contractually committed, financially positive, third-party funded, or the highest-priority safety schemes. The level of net operating surplus that TfL can generate is insufficient to fund its ongoing requirement for major enhancements (including the replacement of life-expired rolling stock and signalling) and major renewals.

Reaching agreement on the capital settlement is crucial for the coming years if the 'managed decline' of London's transport network is to be avoided, and for funding security to be provided for major enhancements and major renewals, to improve the outcomes that TfL can deliver and allow TfL to use its operating incomes to mitigate the need for major service reductions on the bus network.

These current capital discussions only cover the CSR period (up to 2024/25). TfL has indicated to government that the mechanisms for capital support are likely to be needed beyond that period. This therefore creates uncertainty as to the level of longer-term capital support that will be agreed, and what this means for the shape of TfL's planned future activities beyond 2024/25.

As at 31 March 2022, TfL had capital projects in the course of construction totalling £20bn, of which £15bn related to Crossrail and £0.8bn to the Four Lines Modernisation project. The remaining balance related to a range of projects across the network at varying stages of completion. Through the work outlined above, and through ongoing discussions with the Government and the GLA, management believe that all projects in progress at 31 March 2022 should continue to be funded. However, until a longer-term financing package is formally agreed, a material level of uncertainty remains as to whether all projects in the course of construction at 31 March 2022 will be fully funded to completion.

Uncertainty also exists in respect of the levels of future funding available to support our operational services. If future funding levels are set such that the level of services currently operated needs to be revised, some assets in use as at 31 March may no longer have the useful economic lives assumed in these financial statements. If projects or non-essential elements of in-progress projects are not funded, or if changes in services provided are required, there could be a possible further impairment of carrying values at 31 March 2022, which is not reflected in these financial statements.

As at 31 March 2022, the Group had usable reserves totalling £681.2m.

### e) The application of new and revised standards

# Accounting Policies (continued)

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:

- Reporting requirements of Interest Rate Benchmark Reform

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform and additional disclosures related to interest rate benchmark reform.

The impact of the IBOR reform has been documented and it has been assessed to have minimal impact on TfL's Accounts for year ending 31 March 2022. The instruments that used to reference GBP LIBOR are lease contracts and interest rate swaps hedging the finance cost related to those leases and commercial papers. The interest rate swaps have been treated under the normal IFRS 9 hedge discontinuation rules as they were terminated, while the leases met the economically equivalent criteria for the application of the practical expedient allowed under the guidance for derecognition.

- Definition of a Business: Amendments to IFRS 3

Definition of a Business: Amendments to IFRS 3 has been introduced in the 2021/22 Code. The amendments clarify the definition of a business, with the aim of helping entities to determine whether a transaction should be accounted for as an asset acquisition or a business combination. This amendment has had no impact on the consolidated financial statements of the Group.

## 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 17 Insurance Contracts (mandatory for years commencing on or after 1 January 2023)

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 expected to have a significant impact for the TfL Group.

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 (effective for annual periods beginning on or after 1 January 2022)

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment must be applied retrospectively only to assets made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 (effective for annual periods beginning on or after 1 January 2022)

## Accounting Policies (continued)

The amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets specifies that only directly related costs need to be included when assessing whether a contract is onerous or loss-making. The directly related costs include both incremental costs (e.g. the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g. depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded, unless they are explicitly chargeable to the counterparty under the contract.

The amendments must be applied prospectively to contracts for which an entity has not yet fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

- Classification of Liabilities as Current or Non-current - Amendments to IAS 1 (effective for annual periods beginning on or after 1 January 2023)

The amendments clarify the requirements for classifying liabilities as current or non-current.

- Reference to the Conceptual Framework – Amendments to IFRS 3 (effective for annual periods beginning on or after 1 January 2022)

The amendment adds an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments must be applied prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in IFRS Standards.

- Amendments from the 2018-2020 annual improvements cycle consisting of:
  - (i) **Subsidiary as a first-time adopter of International Financial Reporting Standards (IFRS 1).** The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

An entity applies the amendment for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted

- (ii) **Fees in the '10 per cent' test for derecognition of financial liabilities under IFRS 9.** The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.



# Accounting Policies (continued)

An entity applies the amendment for annual reporting periods beginning on or after 1 January 2022. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (IASB decided to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method)

The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3.

- Amendment to IAS 8 on Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023) - The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.
- Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements (effective for annual periods beginning on or after 1 January 2023) - The entity is now required to disclose its 'material' accounting policy information.
- Amendment to IAS 12 on Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023) - The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense).

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, judgements and errors

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

# Accounting Policies (continued)

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 IFRS 16 Leases, there is significant judgement in determining whether the arrangement conveys the right to control the use of an identified asset and in determining the lease term particularly in respect of whether the Group is reasonably certain to exercise extension options or renewal options.

For arrangements where TfL is a lessor there is significant judgement involved in respect of whether the arrangement is a finance or an operating lease.

### Classification of investment properties

The Code requires that properties be classified as investment properties where they are held solely 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 can be separately identified and classified as investment properties in accordance with the requirements of the Code. 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

From the lessor's perspective 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 retained by the Group or are transferred to the lessee. Given that assets leased under a finance lease are derecognised from the Balance Sheet, and assets leased out under operating leases are not, this can have a significant effect on the reported financial position of the Group.

### Availability of future capital funding

In assessing whether any impairment of the carrying value of assets under construction on the Balance Sheet date is required, management exercises judgement as to the level of funding that may be available to fund future expenditure on these projects through to completion. If insufficient future funding is anticipated, management reviews the carrying value of existing assets under construction for possible impairment.

### 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

# Accounting Policies (continued)

In determining the useful economic life of property, plant and equipment management estimate the length of time that the assets will be operational.

## 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 35.

## 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 34 and Accounting Policy aj) 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 29.

## Expected credit loss allowance

The expected credit loss allowance recognised in respect of financial assets 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. As at 31 March 2021 and 2022, management were required to make estimates regarding future losses based on the impact of the coronavirus outbreak on credit risk. Given the unprecedented nature of the pandemic, a greater than usual level of judgement was involved in reaching this estimate.

## Taxes

Deferred tax assets are recognised for unused tax losses only to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The Group has tax losses carried forward with a tax value of £1,313.4m (2021 £999.0m). These losses relate to subsidiaries that have a history of losses, do not expire, and may be used to offset future taxable income in those subsidiaries. If the Group was able to recognise all unrecognised deferred tax assets, profit and equity would have increased by £2,950.1m (2021 £2,119.9m).

# Accounting Policies (continued)

## 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

Owner-occupied office buildings held within property, plant and equipment are held at their existing use value, as estimated by external, professionally qualified surveyors in accordance with RICS guidelines. Movements in the value of the property are taken to the revaluation reserve.

## Leases

When the interest rate implicit in the lease cannot be readily determined, TfL's incremental borrowing rate (IBR) at the lease commencement date is used to calculate the present value of the lease payments. This is the interest rate that the lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. When no observable inputs are available, the Group estimates the IBR, making assumptions to reflect the terms and conditions of the lease and certain entity-specific estimates. These assumptions include the consideration of a number of components including the risk-free rate, the lease term, the credit spread and adjustments related to the specific nature of the underlying asset.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension or termination option. The assessment is reviewed if a significant event or change in circumstances occurs which affects this assessment.

## Valuation of peppercorn leases

TfL has a number of leases over property and other transport infrastructure under which it pays £nil or peppercorn rents. It has undertaken an exercise to assess the fair value of the assets leased under these arrangements and has concluded that they have no material value. No amounts have therefore been recorded in the financial statements in respect of these leases.

## Defined benefit plans

The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'AA' rating or above, as set by an

# Accounting Policies (continued)

internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality.

Those having excessive credit spreads are excluded from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality corporate bonds.

The mortality rate is based on publicly available mortality tables. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates.

Further details about pension obligations are provided in note 35.

## 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

# Accounting Policies (continued)

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 IFRS 16, 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.

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. Rental income based on tenant turnover is considered to be variable income and is therefore recognised as income in the period in which it is earned.

As a result of the pandemic, there have been instances where credit notes have been issued to tenants after the invoice has been issued. In such instances, it is our accounting policy to account for the rent forgiveness as a loss (that is, not a reduction in lease income) in the income statement, with a corresponding reduction to the lease receivable in the period in which the reduction is contractually agreed.

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

# Accounting Policies (continued)

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.

## Revenue from telecoms concessionaire arrangements

Revenue from the concessionaire arrangements relates to the exclusive right granted to the concessionaire to access TfL's broader asset base to install and maintain its new telecommunications assets. The Fixed Concession Fee is recognised on a straight-line basis over the period of the concessionaire term. Revenue share fees are recognised as income when they occur.

## 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 memberships to clients during the membership period.

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

# Accounting Policies (continued)

## 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, streets and other operations – Provision of bus services; maintenance of London's roads and cycle routes; and 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



# Accounting Policies (continued)

- Rail – Provision of passenger rail services through contracted third-party operators on the DLR, London Overground and London Trams
- Major projects – Delivery of TfL’s largest and most complex infrastructure projects
- Property development – Investment in our commercial and residential estate and building portfolio
- Media – Advertising estate and digital marketing infrastructure

Within these financial statements, the Major projects, Property and Media segments outlined above have been combined and disclosed collectively as “Other segments”. Amounts included in TfL Group level management reporting, but excluded from divisional breakdowns are referred to as “Group items”.

TfL’s management reports to the TfL Board are presented using a basis of preparation that differs to the accounting requirements of the CIPFA Code. A reconciliation between the operating performance of the Group as reported to the Board to amounts included in the Group Comprehensive Income and Expenditure Statement is set out in note 2.

## k) Exceptional items

Exceptional costs are costs that are unusual, infrequent and which do not occur in the normal course of operations. An unusual event or transaction has a high degree of abnormality and is clearly unrelated to (or only incidentally related to) the ordinary activities of the organisation, taking into account the operating environment. Infrequent refers to events and transactions that would not reasonably be expected to recur in the foreseeable future, taking into account the operating environment.

The significant costs incurred in relation to the coronavirus pandemic, such as costs incurred in bringing construction projects to a safe stop, were considered exceptional items. These costs were identified separately below the net cost of services on the face of the Comprehensive Income and Expenditure Statement.

## l) Grants and other funding

The main source of grant funding during 2021/22 and 2020/21 was the Extraordinary Funding Support Grant from the DfT. Other grants included a share of Business Rate Retention received from the GLA, which is classified as a resource grant; and specific capital grants from 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 certain conditions remain before it may be applied, it will be held, in the first instance, as capital grant 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.

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.

# Accounting Policies (continued)

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.

Grant received on the Furlough Scheme in 2020/21 was credited to the Comprehensive Income and Expenditure Statement upon receipt.

## m) Overheads

Overheads are recognised in the Comprehensive Income and Expenditure Statement on an accruals basis.

## n) Financing and investment income and expenses

Financing and investment income comprises interest income on funds invested, interest received in relation to finance leases, and premia 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 lease liabilities and the net financing cost on defined benefit pension obligations. Also included are premia 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 z) Borrowing costs).

Also included within financing and investment income or expenditure are fair value gains or losses recognised in relation to the revaluation of investment properties, and any profits or losses recognised on disposal of investment properties.

## o) 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.

## p) 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 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,

# Accounting Policies (continued)

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.

## q) 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.

## r) 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.

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 | Up to 10 years |
|----------------|---------------|----------------|

## s) Property, plant and equipment

# Accounting Policies (continued)

## 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.

Owner-occupied office buildings are valued at existing use value by external, professionally qualified surveyors in accordance with RICS Guidelines. Existing use value is the estimated amount for which a property should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction disregarding potential alternative uses and any other characteristics of the asset that would cause its market value to differ from that needed to replace the remaining service potential at the measurement date. In determining the existing use value, the capitalisation of net income method and the discounting of future cash flows to their present value has been used. This is based upon various assumptions including the anticipated future rental income, maintenance costs and the appropriate discount rate, making reference to market evidence of transaction prices for similar properties. A deduction is made to reflect purchaser's acquisition costs.

Valuations are performed annually. Movements in the 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

# Accounting Policies (continued)

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 120 years |
| Road pavement           | up to 40 years  |
| Road foundations        | up to 50 years  |
| Signalling              | up to 40 years  |
| Stations                | up to 120 years |
| Other property          | up to 120 years |
| Rolling stock           | up to 50 years  |
| Lifts and escalators    | up to 40 years  |
| Plant and equipment     | up to 75 years  |
| Computer equipment      | up to 15 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.

## t) 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 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.

## Accounting Policies (continued)

### u) Investment property

Investment property is property held solely 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 within financing and investment income or expenditure. During 2020/21 and 2021/22, as part of an exercise undertaken by management to create a consolidated commercial property portfolio, new lease structures created allowed the recognition, for the first time, of newly separable investment property assets which were recorded within investment property at fair value at the date of creation of the lease structure. Due to the fact that these assets were created through the separation of new lease structures from larger items of transport infrastructure (included within property, plant and equipment) and the revaluation uplift recorded on initial recognition does not fairly represent the increase in value in the period of the underlying assets, these valuation gains were recognised directly within other comprehensive income. Movement in the fair values of existing investment properties continued to be recognised within financing income or expenditure.

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 annually at fair value by external, professionally qualified surveyors in accordance with RICS Guidelines. Fair value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. The methodology assumes the valuation is based on the highest and best use of the asset. In determining the fair value, the capitalisation of net income method and the discounting of future cash flows to their present value has been used. This is based upon various assumptions including the anticipated future rental income, maintenance costs and the appropriate discount rate, making reference to market evidence of transaction prices for similar properties. A deduction is made to reflect purchaser's acquisition costs. 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.

Revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance. Any such gains and losses recognised by the Corporation are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and transferred to the Capital Adjustment Account.

### v) Investment in joint ventures

A joint venture is a type of joint arrangement wherein the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

# Accounting Policies (continued)

The Group's investments in joint ventures are accounted for using the equity method. 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 joint venture.

## w) 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.

## x) 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.

## y) 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.

## z) 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).

In the initial phase of the first lockdown in 2020, on-site works on our capital projects were brought to a temporary Safe Stop. During this period, capitalisation of borrowing costs was temporarily paused and interest incurred during this period was recognised within financing and investment expenditure.

All other finance and borrowing costs are recognised in the Comprehensive Income and Expenditure Statement in the period in which they are incurred.

## aa) Provisions

# Accounting Policies (continued)

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.

## ab) 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 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 aj) below for hedging accounting policies).

## ac) Leases (the Group as lessee)

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.

The lease liabilities arising from a lease are initially measured on a present value basis comprising the following lease payments:

- Fixed payments (including in-substance fixed payments) less any lease incentives receivable
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- Amounts expected to be payable by the Group under residual value guarantees
- The exercise price of a purchase option if the Group is reasonably certain to exercise that option
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option
- Lease payments to be made under reasonably certain extension options

The lease payments are discounted using the TfL Group's incremental borrowing rate, being the rate the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

For the current year, TfL's incremental borrowing rate for each tenor consists of Public Works Loan Board (PWLb) as this is the source of borrowing we have used during the pandemic.



## Accounting Policies (continued)

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate takes effect, then the lease liability is re-measured using the changed cash flows and changed discount rate. Further, a corresponding adjustment is also made to the right-of-use asset.

Lease payments are allocated between the repayment of principal and a finance cost. The finance cost is charged to the Comprehensive Income and Expenditure Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The right-of-use assets are measured at cost comprising the following:

- The amount of initial measurement of lease liability
- Any lease payments made at or before the commencement date, less any lease incentives received
- Any initial direct costs
- Restoration costs

The right-of-use assets are generally depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term. If it is reasonably certain that the Group will exercise a purchase option, then the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and with low-value assets are recognised on a straight-line basis as an expense in the Comprehensive Income and Expenditure Statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

IFRS 16 permits the use of a practical expedient that permits lessees to make an accounting policy election, by class of underlying asset, to account for each separate lease component of a contract and any associated non-lease components as a single lease component. Contracts for bus services contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. TfL's accounting policy is to apply this expedient to other equipment as a class of underlying asset. If the non-lease components over the contract duration total less than five per cent of the total contract value or £500,000, whichever is lower, then the non-lease and lease components are treated as a single lease.

# Accounting Policies (continued)

## Peppercorn leases

Leases with payments at peppercorn or nominal consideration that are provided at substantially below market terms, and leases for nil consideration, are accounted for as follows:

- Any portion of the lease that is payable is accounted for in the same way as other lease obligations under IFRS 16 Leases
- The difference between the present value of any future lease payments due and the fair value of the lease on initial recognition is recognised as a fair value right-of-use asset on the Balance Sheet, with a corresponding gain recognised in grant income within the surplus or deficit recognised on the provision of services

TfL has a number of leases over property and other transport infrastructure under which it pays £nil or peppercorn rents. It has undertaken an exercise to assess the fair value of the assets leased under these arrangements and has concluded that they have no material value. No amounts have therefore been recorded in the financial statements in respect of these leases.

## ad) Leases (the Group as lessor)

Lease income from operating leases is recognised as income on a straight-line basis over the lease term. 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. Rental income based on turnover is considered variable and therefore is recognised in the period in which it is earned. The respective leased assets are included in the Balance Sheet within property, plant and equipment based on their nature.

Lease income from finance leases is recognised over the lease term at an amount that produces a constant periodic rate of return on the remaining balance of the net investment in the lease. The net investment in the lease is the sum of lease payments receivable during the lease term discounted at the interest rate implicit in the lease.

Lease income in respect of property leases has been adversely impacted by the coronavirus pandemic. Bespoke support has been provided to tenants on a case-by-case basis and includes the grant of rent-free periods and other arrangements reflecting the position of each customer. The accounting treatment for the tenant support, which results in some divergence between net rental income on a reported basis and cash flow basis, is as follows:

- Rent-free periods are generally considered to constitute a lease modification under IFRS 16, with the lease incentive deferred over the remaining lease term. The lease incentive balance will be assessed for impairment at each reporting date. If the pandemic continues and if the level of tenant failures is higher than expected, the impairment of tenant incentives and bad debt expense is also expected to increase
- Lease income from finance leases is recognised over the lease term at an amount that produces a constant periodic rate of return on the remaining balance of the net investment in the lease. The net investment in the lease is the sum of lease payments receivable during the lease term discounted at the interest rate implicit in the lease

# Accounting Policies (continued)

- On lease commencement the carrying value of the asset is derecognised, the net investment in the lease is recognised as a finance lease receivable and any selling profit or loss is recognised in the Comprehensive Income and Expenditure Statement

## ae) 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 IPSAS 32 Service Concession Arrangements – Grantor (IPSAS 32).

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

## Accounting Policies (continued)

Components of the asset replaced by the operator during the contract (lifecycle replacement) are capitalised where they 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.

### af) 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, joint ventures and associates 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.

### ag) 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

# Accounting Policies (continued)

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.

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# Accounting Policies (continued)

## 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 period in which they accrue.

### ah) 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.

# Accounting Policies (continued)

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.

## ai) 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.

## aj) 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 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 through the Comprehensive Income and Expenditure Statement, 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.

# Accounting Policies (continued)

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 as 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.

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 amortised cost.



# Accounting Policies (continued)

## Cash and cash equivalents

Cash and cash equivalents comprise cash balances and investments that are readily convertible to cash 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, of 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. 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 leases and PFI arrangements

All obligations under 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 financial derivative 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

# Accounting Policies (continued)

immediately unless the derivative is designated in an effective as a hedge relationship, 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 derivatives are classified as a long-term asset or a long-term liability if the remaining maturity of the derivative contract is more than 12 months and as a short-term asset or a short-term liability if the remaining maturity of the derivative contract is less than 12 months.

## 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

Hedge relationships are classified as cash flow hedges when they hedge the Group's exposure to variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss. Derivative instruments qualifying as cash flow hedges are principally interest rate swaps (where floating rate interest is swapped to fixed) 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) affect the Comprehensive Income and Expenditure Statement. When the

# Accounting Policies (continued)

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

## Accounting Policies (continued)

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;
- 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.

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# Notes to the Financial Statements

## 1. Gross income

### a) Group gross income

| Year ended 31 March  | 2022<br>£m | % of<br>total | 2021<br>£m | % of<br>total |
|--|------------|---------------|------------|---------------|
| Passenger income   | 2,880.2    | 66.8          | 1,284.6    | 53.6          |
| Revenue in respect of free travel for older and disabled customers | 273.7      | 6.3           | 315.0      | 13.1          |
| Congestion Charging  | 423.3      | 9.8           | 315.7      | 13.2          |
| Ultra Low Emission Zone charges                                    | 225.7      | 5.2           | 77.1       | 3.2           |
| Low Emission Zone charges  | 34.6       | 0.8           | 5.7        | 0.2           |
| Charges to London Boroughs and Local Authorities                   | 12.6       | 0.3           | 12.4       | 0.5           |
| Charges to transport operators                                     | 21.3       | 0.5           | 1.6        | 0.1           |
| Road Network compliance income                                     | 68.3       | 1.6           | 47.4       | 2.0           |
| Commercial advertising receipts                                    | 105.1      | 2.4           | 58.9       | 2.5           |
| Rents receivable   | 78.4       | 1.8           | 77.1       | 3.2           |
| Contributions from third parties to operating costs                | 28.6       | 0.7           | 56.7       | 2.4           |
| Taxi licensing   | 32.9       | 0.8           | 26.5       | 1.1           |
| Ticket and photocard commission income                             | 11.6       | 0.3           | 7.6        | 0.3           |
| General fees and charges   | 11.2       | 0.3           | 7.5        | 0.3           |
| ATM and car parking income   | 10.5       | 0.2           | 3.3        | 0.1           |
| Museum income  | 8.3        | 0.2           | 3.9        | 0.2           |
| Training and specialist services                                   | 26.2       | 0.6           | 13.5       | 0.6           |
| Cycle hire scheme  | 15.2       | 0.4           | 16.8       | 0.7           |
| Other  | 45.7       | 1.0           | 64.5       | 2.7           |
|  | 4,313.4    | 100.0         | 2,395.8    | 100.0         |

# Notes to the Financial Statements

## 1. Gross income (continued)

### b) Corporation gross income

| Year ended 31 March                                 | 2022<br>£m | % of<br>total | 2021<br>£m | % of<br>total |
|---|------------|---------------|------------|---------------|
| Congestion Charging                                 | 423.3      | 49.4          | 315.7      | 59.1          |
| Ultra Low Emission Zone charges                     | 225.7      | 26.3          | 77.1       | 14.4          |
| Low Emission Zone charges                           | 34.6       | 4.0           | 5.7        | 1.1           |
| Charges to London Boroughs and Local Authorities    | 11.8       | 1.4           | 11.9       | 2.2           |
| Road Network compliance income                      | 68.3       | 8.0           | 47.4       | 8.9           |
| Rents receivable                                    | 0.7        | 0.1           | 0.5        | 0.1           |
| Contributions from third parties to operating costs | 24.3       | 2.8           | 24.5       | 4.6           |
| Taxi licensing                                      | 32.9       | 3.8           | 26.5       | 5.0           |
| General fees and charges                            | 4.0        | 0.5           | 3.2        | 0.6           |
| Training and specialist services                    | 17.1       | 2.0           | 12.1       | 2.3           |
| Other   | 15.0       | 1.7           | 9.7        | 1.7           |
|   | 857.7      | 100.0         | 534.3      | 100.0         |

### c) Congestion Charging

| Year ended 31 March                               | Group and<br>Corporation<br>2022<br>£m | Group and<br>Corporation<br>2021<br>£m |
|---|--|--|
| Income  | 423.3                                  | 315.7                                  |
| Toll facilities and traffic management            | (107.5)                                | (83.0)                                 |
|   | 315.8                                  | 232.7                                  |
| Administration, support services and depreciation | (8.5)                                  | (8.5)                                  |
| <b>Net income from Congestion Charging</b>        | <b>307.3</b>                           | <b>224.2</b>                           |

Net income from the Congestion Charge (above), Low Emission Zone and Ultra Low Emission Zone (below) is spent on delivering the Mayor's Transport Strategy.

# Notes to the Financial Statements

## 1. Gross income (continued)

### d) Low Emission Zone (LEZ) Charging

| Year ended 31 March                               | Group and Corporation<br>2022<br>£m | Group and Corporation<br>2021<br>£m |
|---|-------------------------------------|-------------------------------------|
| Income  | 34.6                                | 5.7                                 |
| Toll facilities and traffic management            | (0.8)                               | (0.7)                               |
|   | 33.8                                | 5.0                                 |
| Administration, support services and depreciation | -                                   | -                                   |
| <b>Net income from LEZ Charging</b>               | <b>33.8</b>                         | <b>5.0</b>                          |

### e) Ultra Low Emission Zone (ULEZ) Charging

| Year ended 31 March                               | Group and Corporation<br>2022<br>£m | Group and Corporation<br>2021<br>£m |
|---|-------------------------------------|-------------------------------------|
| Income  | 225.7                               | 77.1                                |
| Toll facilities and traffic management            | (106.9)                             | (33.1)                              |
|   | 118.8                               | 44.0                                |
| Administration, support services and depreciation | (7.4)                               | (6.4)                               |
| <b>Net income from ULEZ Charging</b>              | <b>111.4</b>                        | <b>37.6</b>                         |

# Notes to the Financial Statements

## 1. Gross income (continued)

### f) Street works

| Year ended 31 March   | Group and Corporation 2022<br>£m | Group and Corporation 2021<br>£m |
|---|----------------------------------|----------------------------------|
| Income  | 8.9                              | 8.7                              |
| Allowable operating costs of managing the lane rental scheme  | (2.0)                            | (2.0)                            |
| Application of Street Works Reserve to projects reducing the adverse effects caused by street works | (6.4)                            | (5.4)                            |
| Net income recognised within net cost of services   | 0.5                              | 1.3                              |
| Allowable capital costs of managing the lane rental scheme  | (0.1)                            | -                                |
| Net income for the year transferred to the Street Works Reserve                                     | 0.4                              | 1.3                              |

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

The breakdown of performance reporting by segment is presented in the Expenditure and Funding Analysis on page 72. The analysis only shows Group segmental information and no disclosures are included for the Corporation. This is because the Corporation's results are not reported to the TfL 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.

### 2b) Reconciliation of the Operating Account as included in internal reports to management to the Group Comprehensive Income and Expenditure Statement

The segmental information presented in the Expenditure and Funding Analysis reflects the presentation of the Operating Account as 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](http://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 2022  | Operating Account as reported to management<br>£m | Items included in the CI&E but excluded from the Operating Account<br>£m | Items included in the Operating Account but excluded from the CI&E<br>£m | Reclassifications between line items<br>£m | Items with different accounting treatment (see note 2c)<br>£m | Group Comprehensive Income and Expenditure Statement<br>£m |
|---|---|--|--|--|---|--|
| Gross income/ (total operating income)  | 4,348.0   | -  | -  | -  | (34.6)  | 4,313.4  |
| Gross expenditure/(operating cost)  | (6,478.0)   | (2,071.3)  | 750.9  | -  | 27.9  | (7,770.5)  |
| Net cost of services before exceptional items/(divisional net operating deficit excluding grant income) | (2,130.0)   | (2,071.3)  | 750.9  | -  | (6.7)   | (3,457.1)  |
| Net cost of services after exceptional items  | (2,130.0)   | (2,071.3)  | 750.9  | -  | (6.7)   | (3,457.1)  |
| Other net operating expenditure   | -   | (36.2)   | -  | -  | -   | (36.2)   |
| Grant income  | 2,704.0   | 2,014.3  | -  | -  | (367.2)   | 4,351.1  |
| Group share of profit before tax of joint ventures  | -   | 7.9  | -  | -  | -   | 7.9  |
| Group share of loss before tax of associated undertakings   | -   | 24.0   | -  | -  | -   | 24.0   |
| (Capital renewals)  | (551.0)   | -  | 551.0  | -  | -   | -  |
| (Net cost of operations before financing)   | 23.0  | (61.3)   | 1,301.9  | -  | (373.9)   | 889.7  |
| Financing and investment income   | -   | 198.6  | -  | 4.0  | -   | 202.6  |
| Financing and investment expenditure  | -   | (51.7)   | -  | (443.0)                                    | (7.1)   | (501.8)  |
| (Net financing costs)   | (439.0)   | -  | -  | 439.0                                      | -   | -  |
| Group surplus before tax/ (net cost of operations after extraordinary grant)                            | (416.0)   | 85.6   | 1,301.9  | -  | (381.0)   | 590.5  |
| Taxation income   | -   | (86.2)   | -  | -  | -   | (86.2)   |
| Group surplus after tax   | (416.0)   | (0.6)  | 1,301.9  | -  | (381.0)   | 504.3  |

# 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) (restated)

| Year ended 31 March 2021   | Operating Account as reported to management<br>£m | Items included in the CI&E but excluded from the Operating Account<br>£m | Items included in the Operating Account but excluded from the CI&E<br>£m | Reclassifications between line items<br>£m | Items with different accounting treatment (see note 2c)<br>£m | Group Comprehensive Income and Expenditure Statement<br>£m |
|--|---|--|--|--|---|--|
| Gross income/(total operating income)  | 2,377.0   | -  | -  | -  | 18.8  | 2,395.8  |
| Gross expenditure/(operating cost)   | (6,381.0)   | (1,802.5)  | 751.5  | 29.4                                       | (2.2)   | (7,404.8)  |
| Net cost of services/(divisional net operating deficit excluding grant income) | (4,004.0)   | (1,802.5)  | 751.5  | 29.4                                       | 16.6  | (5,009.0)  |
| Exceptional items  | -   | -  | -  | (29.4)                                     | -   | (29.4)   |
| Net cost of services after exceptional items                                   | (4,004.0)   | (1,802.5)  | 751.5  | -  | 16.6  | (5,038.4)  |
| Other net operating expenditure  | -   | (63.4)   | -  | -  | -   | (63.4)   |
| Grant income   | 3,543.0   | 933.5  | -  | -  | 255.8   | 4,732.3  |
| Group share of profit before tax of joint ventures                             | -   | 0.7  | -  | -  | -   | 0.7  |
| Group share of loss before tax of associated undertakings                      | -   | (3.5)  | -  | -  | -   | (3.5)  |
| (Capital renewals)   | (367.0)   | -  | 367.0  | -  | -   | -  |
| (Net cost of operations before financing)                                      | (828.0)   | (935.2)  | 1,118.5  | -  | 272.4   | (372.3)  |
| Financing and investment income  | -   | 35.8   | -  | 13.6                                       | -   | 49.4   |
| Financing and investment expenditure   | -   | (146.0)  | -  | (453.6)                                    | 1.0   | (598.6)  |
| (Net financing costs)  | (440.0)   | -  | -  | 440.0                                      | -   | -  |
| Group deficit before tax/(net cost of operations after extraordinary grant)    | (1,268.0)   | (1,045.4)  | 1,118.5  | -  | 273.4   | (921.5)  |
| Taxation income  | -   | 10.5   | -  | -  | -   | 10.5   |
| Group deficit after tax  | (1,268.0)   | (1,034.9)  | 1,118.5  | -  | 273.4   | (911.0)  |

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 tables.

# Notes to the Financial Statements

## 2. Segmental analysis (continued)

### 2c) Detailed reconciliation of segmental information reported in internal management reports to amounts included in the Group (deficit)/surplus

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. Where there are accounting policy differences between management reports and the statutory accounts, statutory accounting adjustments are not recorded by segment in the underlying accounting records. It is not therefore possible to produce a segmental breakdown of the Group financial statements on a statutory basis of reporting. Differences between the methodologies are explained in the paragraphs and table below.

- Depreciation, amortisation of intangibles and impairment charges are not included in the segmental analysis
- The cost of retirement benefits is recognised within gross expenditure in the Operating Account as a charge based on cash contributions paid during the year, rather than the pension service cost and net interest charge on defined benefit pension obligations recognised in the Comprehensive Income and Expenditure Statement. 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 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. 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
- Similarly, the Operating Account excludes gains and losses on the disposal of property, plant and equipment and intangible assets recognised within other operating expenditure, and instead includes the net proceeds from these disposals in the Capital Account
- Internal management reporting includes a charge within operating expenditure for the costs of right-of-use leases, based on cash payments made in the period in relation to those leases. In the net cost of services in the Comprehensive Income and Expenditure Statement, this charge has been stripped out and replaced with the amortisation charge in respect of right-of-use assets within net cost of services and a financing charge included within financing and investment expenditure
- 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. 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 and maintaining our existing network

# Notes to the Financial Statements

## 2. Segmental analysis (continued)

- The Operating Account excludes the adjustment to financing expenditure made in respect of borrowing costs capitalised into qualifying assets (see note 9). 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
- Certain grants received (primarily Business Rates Retention) are treated as capital grant for management reporting purposes and are thus excluded from the Operating Account (being instead included in the Capital Account). For statutory reporting purposes, however, all grant is recognised as income in the Comprehensive Income and Expenditure Statement. Moreover, certain grants badged as 'capital grant' for management reporting purposes, under law constitute resource grants, and may only be classified as capital grant where they have been applied to fund capital expenditure during the year
- The results of joint ventures and associated undertakings are excluded from the Operating Account as the TfL Group does not hold a controlling interest in these undertakings
- Other minor differences between the Comprehensive Income and Expenditure Statement and the Operating Account are collectively referred to as Central items and are not included in reports to management

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# Notes to the Financial Statements

## 2. Segmental analysis (continued)

Detailed reconciliation of net cost of operations per internal management reports to net cost of services per the Comprehensive Income and Expenditure Statement

|   | Note | 2022<br>£m | 2022<br>£m | 2021<br>£m | 2021<br>£m |
|---|------|------------|------------|------------|------------|
| Net cost of operations after Extraordinary grant per internal management reports  |      |            | (416.0)    |            | (1,267.0)  |
| <b>Adjustments between management and statutory reports:</b>  |      |            |            |            |            |
| <b>Add amounts included in the Comprehensive Income and Expenditure Statement not reported in management reports</b>                          |      |            |            |            |            |
| Depreciation  | 3    | (940.4)    |            | (939.7)    |            |
| Amortisation of right-of-use assets   | 3    | (361.6)    |            | (367.6)    |            |
| Amortisation of software intangibles  | 3    | (50.2)     |            | (37.2)     |            |
| Impairment  | 3    | (57.8)     |            | (6.3)      |            |
| Pension service costs   | 35   | (661.3)    |            | (451.7)    |            |
|   |      |            | (2,071.3)  |            | (1,802.5)  |
| Other net operating expenditure   | 7    |            | (36.2)     |            | (63.4)     |
| Group share of profit before tax of joint ventures  | 17   |            | 7.9        |            | 0.7        |
| Group share of loss before tax of associated undertakings   | 18   |            | 24.0       |            | (3.5)      |
| Change in fair value of investment properties included in financing and investment income   | 8    | 93.4       |            | -          |            |
| Net gain on disposal of investment properties   | 8    | 105.2      |            | 35.8       |            |
|   |      |            | 198.6      |            | 35.8       |
| Net interest on defined benefit obligation  | 9    | (105.9)    |            | (90.1)     |            |
| Interest payable on lease and PFI liabilities   | 9    | (60.4)     |            | (63.0)     |            |
| Change in fair value of investment properties included in financing and investment expenditure  | 9    | -          |            | (83.3)     |            |
| Amounts capitalised into qualifying assets  | 9    | 114.6      |            | 90.4       |            |
|   |      |            | (51.7)     |            | (146.0)    |
| Capital grant income  | 10   |            | 2,014.3    |            | 933.5      |
| Tax   | 11   |            | (86.2)     |            | 10.5       |
|   |      |            | (0.6)      |            | (1,034.9)  |
| <b>Less items included in the Operating Account but excluded from the Comprehensive Income and Expenditure Statement</b>                      |      |            |            |            |            |
| Cash payments under PFI and lease arrangements  |      | 373.0      |            | 351.2      |            |
| Pension payments charged to operating costs   |      | 377.9      |            | 400.3      |            |
|   |      |            | 750.9      |            | 751.5      |
| Capital renewals  |      |            | 551.0      |            | 367.0      |
|   |      |            | 1,301.9    |            | 1,118.5    |
| <b>Amounts subject to differing accounting treatment between the Operating Account and the Comprehensive Income and Expenditure Statement</b> |      |            |            |            |            |
| Grant income  |      |            | (367.2)    |            | 254.8      |
| Central items   |      |            | (13.8)     |            | 17.6       |
|   |      |            | (381.0)    |            | 272.4      |
| Group surplus/ (deficit) after tax per the Comprehensive Income and Expenditure Statement   |      |            | 504.3      |            | (911.0)    |

# 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<br>2022<br>£m | Group<br>2021<br>£m | Corporation<br>2022<br>£m | Corporation<br>2021*<br>£m<br>Restated |
|--------------------------------------|------|---------------------|---------------------|---------------------------|--|
| <b>Staff costs:</b>                  |      |                     |                     |                           |  |
| Wages and salaries **                |      | 1,431.5             | 1,422.8             | 394.2                     | 401.5                                  |
| Social security costs                |      | 165.4               | 163.9               | 45.7                      | 46.4                                   |
| Pension costs                        | 35   | 652.5               | 442.4               | 379.6                     | 169.2                                  |
|                                      |      | 2,249.4             | 2,029.1             | 819.5                     | 617.1                                  |
| Other service expenditure ***        |      | 3,926.3             | 3,896.7             | 266.6                     | 288.7                                  |
| Credit loss expense                  |      | 184.8               | 128.2               | 171.7                     | 85.7                                   |
| Depreciation                         | 13   | 940.4               | 939.7               | 142.0                     | 131.2                                  |
| Amortisation right-of-use assets     | 14   | 361.6               | 367.6               | 29.8                      | 30.0                                   |
| Amortisation of software intangibles | 12   | 50.2                | 37.2                | 26.7                      | 22.2                                   |
| Impairment                           | 13   | 57.8                | 6.3                 | 20.7                      | -                                      |
|                                      |      | 7,770.5             | 7,404.8             | 1,477.0                   | 1,174.9                                |

\* Restated to reflect £14.4m staff costs for employees not deemed to have transferred to TTL Properties Limited from 1 April 2020.

\*\* Wages and salaries include amounts provided for the cost of voluntary severance.

\*\*\* Included in the Corporation's other service expenditure is £81.9m (2020/21 £108.5m) relating to financial assistance to London Boroughs and other third parties (see note 41 for detailed analysis).

The average number of persons employed in the year was:

| Year ended 31 March                              | Group<br>2022<br>Number | Group<br>2021<br>Number | Corporation<br>2022<br>Number | Corporation<br>2021*<br>Number<br>Restated |
|--|-------------------------|-------------------------|-------------------------------|--|
| Permanent staff (including fixed term contracts) | 25,408                  | 25,692                  | 7,282                         | 7,175                                      |
| Agency staff                                     | 1,586                   | 1,175                   | 1,093                         | 838  |
|  | 26,994                  | 26,867                  | 8,375                         | 8,013                                      |

\* Restated to reflect employees not deemed to have transferred to TTL Properties Limited from 1 April 2020.

# Notes to the Financial Statements

## 4. External audit fees

External audit fees are made up as follows:

| Year ended 31 March              | Group<br>2022<br>£m | Group<br>2021<br>£m | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|----------------------------------|---------------------|---------------------|---------------------------|---------------------------|
| <b>Auditor's remuneration:</b>   |                     |                     |                           |                           |
| for statutory audit services     | 1.6                 | 1.8                 | 0.1                       | 0.1                       |
| for non-statutory audit services | -                   | 0.1                 | -                         | -                         |
| for non-audit services *         | -                   | -                   | -                         | -                         |
|                                  | <b>1.6</b>          | <b>1.9</b>          | <b>0.1</b>                | <b>0.1</b>                |

\* 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 XX to XX.

## 6. Exceptional items

| Year ended 31 March                                    | Group<br>2022<br>£m | Group<br>2021<br>£m | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|--|---------------------|---------------------|---------------------------|---------------------------|
| Exceptional costs relating to the coronavirus pandemic | -                   | 29.4                | -                         | -                         |

Exceptional costs included in the table above comprise costs relating to the safe stop of capital projects during the lockdown phase of the pandemic.



## Notes to the Financial Statements

### 7. Other operating expenditure

| Year ended 31 March                                   | Group<br>2022<br>£m | Group<br>2021<br>£m | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|---|---------------------|---------------------|---------------------------|---------------------------|
| Net loss on disposal of property, plant and equipment | 36.2                | 63.4                | 2.7                       | 20.4                      |
| <b>Total other operating expenditure</b>              | <b>36.2</b>         | <b>63.4</b>         | <b>2.7</b>                | <b>20.4</b>               |

### 8. Financing and investment income

| Year ended 31 March   | Group<br>2022<br>£m | Group<br>2021<br>£m | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|---|---------------------|---------------------|---------------------------|---------------------------|
| Interest income on bank deposits and other investments                                      | 1.6                 | 2.2                 | 1.5                       | 2.1                       |
| Realised exchange gain on foreign currency investments                                      | -                   | 4.1                 | -                         | -                         |
| Interest income on loans to subsidiaries  | -                   | -                   | 403.3                     | 400.1                     |
| Change in fair value of investment properties (including those classified as held for sale) | 93.4                | -                   | 50.5                      | -                         |
| Net gain on disposal of investment properties   | 105.2               | 35.8                | 85.0                      | 30.9                      |
| Interest receivable on finance lease receivables  | 1.1                 | 2.7                 | -                         | -                         |
| Other investment income   | 1.3                 | 4.6                 | 0.1                       | 3.6                       |
|   | <b>202.6</b>        | <b>49.4</b>         | <b>540.4</b>              | <b>436.7</b>              |

## Notes to the Financial Statements

### 9. Financing and investment expenditure

| Year ended 31 March  | Note | Group<br>2022<br>£m | Group<br>2021<br>£m | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|--|------|---------------------|---------------------|---------------------------|---------------------------|
| Interest payable on loans and derivatives  |      | 433.3               | 437.3               | 414.5                     | 415.5                     |
| Interest payable on right-of-use lease liabilities   |      | 55.5                | 57.5                | 11.0                      | 11.6                      |
| Interest payable on PFI liabilities  |      | 4.9                 | 5.5                 | 4.8                       | 5.2                       |
| Contingent rentals on PFI contracts  |      | 10.5                | 9.7                 | 10.2                      | 9.5                       |
| Change in fair value of investment properties<br>(including those classified as held for sale) |      | -                   | 83.3                | -                         | 2.3                       |
| Net interest on defined benefit obligation   | 35   | 105.9               | 90.1                | 104.8                     | 89.7                      |
| Other financing and investment expenditure   |      | 6.3                 | 5.6                 | 1.7                       | 1.1                       |
|  |      | 616.4               | 689.0               | 547.0                     | 534.9                     |
| Less: amounts capitalised into qualifying assets   | 13   | (114.6)             | (90.4)              | -                         | -                         |
|  |      | 501.8               | 598.6               | 547.0                     | 534.9                     |

# Notes to the Financial Statements

## 10. Grant income

| Year ended 31 March   | Group<br>2022<br>£m | Group<br>2021<br>£m | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|---|---------------------|---------------------|---------------------------|---------------------------|
| Non ring-fenced resource grant from the DfT used to fund operations                   | 1,716.8             | 2,457.2             | 1,716.8                   | 2,457.2                   |
| Non ring-fenced Business Rates Retention from the GLA used to fund operations         | 494.1               | 1,189.4             | 494.1                     | 1,189.4                   |
| Other revenue grant received  | 74.3                | 146.2               | 72.4                      | 104.4                     |
| Council tax precept   | 51.6                | 6.0                 | 51.6                      | 6.0                       |
| <b>Total grants allocated to revenue</b>  | <b>2,336.8</b>      | <b>3,798.8</b>      | <b>2,334.9</b>            | <b>3,757.0</b>            |
| Ring-fenced grant from the GLA used to fund capital expenditure relating to Crossrail | 554.0               | 46.0                | 554.0                     | 46.0                      |
| Non ring-fenced Business Rates Retention from the GLA used to fund capital            | 1,350.2             | 689.6               | 1,350.2                   | 689.6                     |
| Other capital grants and contributions received                                       | 110.1               | 197.9               | 50.4                      | 120.6                     |
| <b>Total grants allocated to capital</b>  | <b>2,014.3</b>      | <b>933.5</b>        | <b>1,954.6</b>            | <b>856.2</b>              |
| <b>Total grants</b>   | <b>4,351.1</b>      | <b>4,732.3</b>      | <b>4,289.5</b>            | <b>4,613.2</b>            |

### Allocation of capital grants

| Year ended 31 March                   | Note | Group<br>2022<br>£m | Group<br>2021<br>£m | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|---------------------------------------|------|---------------------|---------------------|---------------------------|---------------------------|
| Capital grant funding of subsidiaries |      | -                   | -                   | 1,216.0                   | 69.9                      |
| Applied capital grants                | 37   | 2,014.3             | 933.5               | 738.6                     | 786.3                     |
| <b>Total capital grants</b>           |      | <b>2,014.3</b>      | <b>933.5</b>        | <b>1,954.6</b>            | <b>856.2</b>              |

# Notes to the Financial Statements

## 11. Taxation

TfL Corporation is exempt from Corporation Tax, but its subsidiaries are assessable individually to taxation in accordance with current tax legislation.

### a) Corporation Tax

The Group tax expense for the year, based on the rate of Corporation Tax of 19 per cent (2020/21 19 per cent) comprised:

| Year ended 31 March  | Group<br>2022<br>£m | Group<br>2021<br>£m |
|--|---------------------|---------------------|
| UK Corporation Tax - current year charge                   | -                   | -                   |
| UK Corporation Tax - adjustments in respect of prior years | -                   | (1.6)               |
| Total current tax income                                   | -                   | (1.6)               |
| Deferred tax - current year charge/(credit)                | 86.2                | (8.9)               |
| Total tax charge/(credit) for the year                     | 86.2                | (10.5)              |

### Reconciliation of tax expense

| Year ended 31 March   | Group<br>2022<br>£m | Group<br>2021<br>£m |
|---|---------------------|---------------------|
| Surplus/(deficit) on the provision of services before tax   | 590.5               | (921.5)             |
| Surplus/(deficit) on the provision of services before tax multiplied by standard rate of Corporation Tax in the UK of 19% (2020/21 19%) | 112.2               | (175.1)             |
| Effects of:   |                     |                     |
| Non-taxable income/non-deductible expenses  | (65.9)              | 99.0                |
| Prior period adjustments  | -                   | (1.6)               |
| Permanent difference in TfL Corporation   | (97.1)              | 8.0                 |
| Amount charged to current tax for which no deferred tax was recognised  | 138.9               | 58.7                |
| Utilisation of tax losses carried forward for which no deferred tax was recognised  | (0.9)               | (0.9)               |
| Overseas earnings   | (1.0)               | 1.4                 |
| Total tax charge/(credit) for the year  | 86.2                | (10.5)              |

# Notes to the Financial Statements

## 11. Taxation (continued)

### b) Unrecognised deferred tax assets

The Group has a potential net deferred tax asset of £2,983.5m (2021 £2,119.9m) in respect of the following items:

|  | Group<br>2022<br>£m | Group<br>2021<br>£m |
|--|---------------------|---------------------|
| Deductible temporary differences       | 1,636.7             | 1,120.9             |
| Tax losses                             | 1,313.4             | 999.0               |
| <b>Unrecognised deferred tax asset</b> | <b>2,950.1</b>      | <b>2,119.9</b>      |

No net deferred tax asset has been recognised in respect of the above 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 only to the extent that they are considered available to offset deferred tax liabilities as at the Balance Sheet date. Their movements during the year were in respect of the following items:

|   | Balance at<br>1 April<br>2021<br>£m | Movement<br>in the provision<br>of services<br>£m | Movement in<br>other<br>comprehensive<br>income during<br>the year<br>£m | Balance at 31<br>March<br>2022<br>£m |
|---|-------------------------------------|---|--|--------------------------------------|
| <b>For the year ended 31 March 2022</b> |                                     |   |  |                                      |
| <b>Deferred tax assets</b>              |                                     |   |  |                                      |
| Property, plant and equipment           | 14.5                                | 44.5  | -  | 59.0                                 |
| Derivative financial instruments        | 20.7                                | (9.1)   | -  | 11.6                                 |
| <b>Total</b>                            | <b>35.2</b>                         | <b>35.4</b>                                       | <b>-</b>   | <b>70.6</b>                          |
| <b>Deferred tax liabilities</b>         |                                     |   |  |                                      |
| Investment properties                   | (254.7)                             | (120.0)   | (54.7)   | (429.4)                              |
| Assets held for sale                    | (14.8)                              | (1.6)   | -  | (16.4)                               |
| <b>Total</b>                            | <b>(269.5)</b>                      | <b>(121.6)</b>                                    | <b>(54.7)</b>  | <b>(445.8)</b>                       |
| <b>Net deferred tax liability</b>       | <b>(234.3)</b>                      | <b>(86.2)</b>                                     | <b>(54.7)</b>  | <b>(375.2)</b>                       |

# Notes to the Financial Statements

## 11. Taxation (continued)

### c) Movement in recognised deferred tax assets and liabilities during the year (continued)

| For the year ended 31 March 2021  | Balance at 1<br>April 2020<br>£m | Movement<br>in the provision<br>of services<br>£m | Movement in<br>other<br>comprehensive<br>income during<br>the year<br>£m | Balance at 31<br>March<br>2021<br>£m |
|-----------------------------------|----------------------------------|---|--|--------------------------------------|
| <b>Deferred tax assets</b>        |                                  |   |  |                                      |
| Property, plant and equipment     | 16.0                             | (1.5)   | -  | 14.5                                 |
| Derivative financial instruments  | 23.3                             | (2.6)   | -  | 20.7                                 |
| <b>Total</b>                      | <b>39.3</b>                      | <b>(4.1)</b>                                      | <b>-</b>   | <b>35.2</b>                          |
| <b>Deferred tax liabilities</b>   |                                  |   |  |                                      |
| Investment properties             | (263.9)                          | 9.9   | (0.7)  | (254.7)                              |
| Assets held for sale              | (17.9)                           | 3.1   | -  | (14.8)                               |
| <b>Total</b>                      | <b>(281.8)</b>                   | <b>13.0</b>                                       | <b>(0.7)</b>   | <b>(269.5)</b>                       |
| <b>Net deferred tax liability</b> | <b>(242.5)</b>                   | <b>8.9</b>  | <b>(0.7)</b>   | <b>(234.3)</b>                       |

The key movements in the period were due to the following:

- An increase in the UK Corporation Tax rate to 25 per cent, with effect from 1 April 2023, was substantively enacted in the period. As the deferred tax balances are not expected to be settled until after 1 April 2023, they have been calculated at a rate of 25 per cent (2020/21: 19 per cent). This change in tax rate has led to an increase in all deferred tax liabilities and assets.
- The deferred tax liability arising on investment properties, including those classified as assets held for sale, has increased due to the revaluation movements recognised in financing and investment income and Other Comprehensive Income during the year
- Certain properties that had not previously been held at a value were reclassified as investment property and valued at open market value prior to transfer to TTL Properties Limited (a subsidiary of the Corporation) during the year. It is not considered that sufficient deferred tax assets will be available to offset this deferred tax liability in full. A deferred tax liability has been recognised in Other Comprehensive Income in relation to the revaluation gain recognised in Other Comprehensive income in respect of these assets
- 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 decreased during 2021/22 due to movement in the fair value of derivatives

UK Corporation Tax is calculated at a rate of 19 per cent (2020/21: 19 per cent). In the Spring Budget 2021, it was announced that the main rate of Corporation Tax will increase to 25 per cent with effect from 1 April 2023, this amendment was

## Notes to the Financial Statements

substantively enacted in May 2021. As the Group's deferred tax balances are not expected to be settled until after 1 April 2023, deferred tax balances at 31 March 2022 have been calculated at a rate of 25 per cent.

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# Notes to the Financial Statements

## 11. Taxation (continued)

No deferred tax asset has been recognised on the Corporation's pension deficit 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 2022, no deferred tax assets have been recognised in these entities.

## 12. Intangible assets

### a) Group intangible assets

|  | Note | Software costs<br>£m | Intangible assets under construction<br>£m | Goodwill<br>£m | Total<br>£m  |
|--|------|----------------------|--|----------------|--------------|
| <b>Cost</b>                                      |      |                      |  |                |              |
| At 1 April 2020                                  |      | 463.7                | 16.5                                       | 351.8          | 832.0        |
| Additions  |      | 37.8                 | 1.9  | -              | 39.7         |
| Net transfers from property, plant and equipment | 13   | 28.1                 | -  | -              | 28.1         |
| Transfers between asset classes                  |      | 0.1                  | (0.1)                                      | -              | -            |
| <b>At 31 March 2021</b>                          |      | <b>529.7</b>         | <b>18.3</b>                                | <b>351.8</b>   | <b>899.8</b> |
| Additions  |      | 8.2                  | 6.0  | -              | 14.2         |
| Net transfers from property, plant and equipment | 13   | 46.0                 | 97.6                                       | -              | 143.6        |
| Transfers between asset classes                  |      | 93.8                 | (93.8)                                     | -              | -            |
| <b>At 31 March 2022</b>                          |      | <b>509.9</b>         | <b>28.1</b>                                | <b>351.8</b>   | <b>889.8</b> |
| <b>Amortisation and impairment</b>               |      |                      |  |                |              |
| At 1 April 2020                                  |      | 364.1                | -  | 349.2          | 713.3        |
| Amortisation charge for the year                 | 3    | 37.2                 | -  | -              | 37.2         |
| <b>At 31 March 2021</b>                          |      | <b>401.3</b>         | <b>-</b>                                   | <b>349.2</b>   | <b>750.5</b> |
| Amortisation charge for the year                 | 3    | 50.2                 | -  | -              | 50.2         |
| Net transfers to property, plant and equipment   | 13   | 0.4                  | -  | -              | 0.4          |
| Disposals  |      | (167.8)              | -  | -              | (167.8)      |
| <b>At 31 March 2022</b>                          |      | <b>284.1</b>         | <b>-</b>                                   | <b>349.2</b>   | <b>633.3</b> |
| <b>Net book value at 31 March 2022</b>           |      | <b>225.8</b>         | <b>28.1</b>                                | <b>2.6</b>     | <b>256.5</b> |
| <b>Net book value at 31 March 2021</b>           |      | <b>128.4</b>         | <b>18.3</b>                                | <b>2.6</b>     | <b>149.3</b> |

Intangible assets under construction comprise software assets under development by the Group.



## Notes to the Financial Statements

### 12. Intangible assets (continued)

#### b) Corporation intangible assets

|  | Note | Software costs<br>£m | Intangible<br>assets under<br>construction<br>£m | Total<br>£m  |
|--|------|----------------------|--|--------------|
| <b>Cost</b>                                      |      |                      |  |              |
| At 1 April 2020                                  |      | 331.9                | 10.5   | 342.4        |
| Additions  |      | 31.4                 | -  | 31.4         |
| Transfers between asset classes                  |      | 2.6                  | (2.6)  | -            |
| <b>At 31 March 2021</b>                          |      | <b>365.9</b>         | <b>7.9</b>                                       | <b>373.8</b> |
| Additions  |      | 8.0                  | 0.6  | 8.6          |
| Net transfers from property, plant and equipment | 13   | 8.0                  | 108.0  | 116.0        |
| Transfers between asset classes                  |      | 104.3                | (104.3)  | -            |
| Disposals  |      | (167.7)              | -  | (167.7)      |
| <b>At 31 March 2022</b>                          |      | <b>318.5</b>         | <b>12.2</b>                                      | <b>330.7</b> |
| <b>Amortisation and impairment</b>               |      |                      |  |              |
| At 1 April 2020                                  |      | 264.7                | -  | 264.7        |
| Amortisation charge for the year                 | 3    | 22.2                 | -  | 22.2         |
| <b>At 31 March 2021</b>                          |      | <b>286.9</b>         | <b>-</b>   | <b>286.9</b> |
| Amortisation charge for the year                 | 3    | 26.7                 | -  | 26.7         |
| Net transfers from property, plant and equipment | 13   | 0.4                  | -  | 0.4          |
| Disposals  |      | (167.8)              | -  | (167.8)      |
| <b>At 31 March 2022</b>                          |      | <b>146.2</b>         | <b>-</b>   | <b>146.2</b> |
| <b>Net book value at 31 March 2022</b>           |      | <b>172.3</b>         | <b>12.2</b>                                      | <b>184.5</b> |
| Net book value at 31 March 2021                  |      | 79.0                 | 7.9  | 86.9         |

Intangible assets under construction comprise software assets under development by the Corporation.

## Notes to the Financial Statements

### 13. Property, plant and equipment

a) Group property, plant and equipment at 31 March 2022 comprised the following elements:

|  | Note | Infrastructure and office buildings<br>£m | Rolling stock<br>£m | Plant and equipment<br>£m | Assets under construction<br>£m | Total<br>£m     |
|--|------|---|---------------------|---------------------------|---------------------------------|-----------------|
| <b>Cost or valuation</b>               |      |   |                     |                           |                                 |                 |
| At 1 April 2021                        |      | 35,121.0                                  | 5,050.7             | 2,240.2                   | 20,038.7                        | 62,450.6        |
| Additions                              |      | 421.1                                     | 23.1                | 34.1                      | 1,573.6                         | 2,051.9         |
| Transfers to intangible assets         | 12   | (8.0)                                     | -                   | -                         | (135.6)                         | (143.6)         |
| Transfers to investment properties     | 15   | (5.3)                                     | -                   | -                         | (110.1)                         | (115.4)         |
| Transfers to assets held for sale      |      | -   | -                   | -                         | (83.4)                          | (83.4)          |
| Transfers between asset classes        |      | 2,385.1                                   | 13.7                | 66.6                      | (2,465.4)                       | -               |
| Disposals                              |      | (13.1)                                    | -                   | (111.1)                   | -                               | (124.2)         |
| Write offs                             |      | -   | -                   | (5.3)                     | (30.9)                          | (36.2)          |
| Revaluation                            |      | 13.1                                      | -                   | -                         | -                               | 13.1            |
| <b>At 31 March 2022</b>                |      | <b>37,913.9</b>                           | <b>5,087.5</b>      | <b>2,224.5</b>            | <b>18,786.9</b>                 | <b>64,012.8</b> |
| <b>Depreciation and impairment</b>     |      |   |                     |                           |                                 |                 |
| At 1 April 2021                        |      | 15,467.4                                  | 2,383.6             | 1,500.8                   | 4.9                             | 19,356.7        |
| Depreciation charge for the year       | 3    | 702.8                                     | 123.1               | 114.5                     | -                               | 940.4           |
| Impairment charge for the year         | 3    | -   | -                   | 6.4                       | 51.4                            | 57.8            |
| Transfers to investment properties     | 15   | (0.5)                                     | -                   | -                         | -                               | (0.5)           |
| Disposals                              |      | (8.6)                                     | -                   | (115.3)                   | -                               | (123.9)         |
| Revaluation                            |      | (8.8)                                     | -                   | -                         | -                               | (8.8)           |
| <b>At 31 March 2022</b>                |      | <b>16,151.9</b>                           | <b>2,506.7</b>      | <b>1,506.4</b>            | <b>56.3</b>                     | <b>20,221.3</b> |
| <b>Net book value at 31 March 2022</b> |      | <b>21,762.0</b>                           | <b>2,580.8</b>      | <b>718.1</b>              | <b>18,730.6</b>                 | <b>43,791.5</b> |
| Net book value at 31 March 2021        |      | 19,653.6                                  | 2,667.1             | 739.4                     | 20,033.8                        | 43,093.9        |

## Notes to the Financial Statements

### 13. Property, plant and equipment (continued)

b) Group property, plant and equipment at 31 March 2021 comprised the following elements:

|                                    | Note | Infrastructure and office buildings<br>£m | Rolling stock<br>£m | Plant and equipment<br>£m | Assets under construction<br>£m | Total<br>£m     |
|------------------------------------|------|---|---------------------|---------------------------|---------------------------------|-----------------|
| <b>Cost or valuation</b>           |      |   |                     |                           |                                 |                 |
| At 1 April 2020                    |      | 34,182.4                                  | 4,976.6             | 2,129.7                   | 19,252.7                        | 60,541.4        |
| Additions                          |      | 953.2                                     | 74.1                | 126.5                     | 894.8                           | 2,048.6         |
| Transfers to intangible assets     | 12   | -   | -                   | -                         | (28.1)                          | (28.1)          |
| Transfers to investment properties | 15   | (21.1)                                    | -                   | -                         | -                               | (21.1)          |
| Transfers between asset classes    |      | 0.2                                       | -                   | 21.3                      | (21.5)                          | -               |
| Disposals                          |      | (1.1)                                     | -                   | (35.8)                    | (3.0)                           | (39.9)          |
| Write offs                         |      | -   | -                   | (1.5)                     | (56.2)                          | (57.7)          |
| Revaluation                        |      | 7.4                                       | -                   | -                         | -                               | 7.4             |
| <b>At 31 March 2021</b>            |      | <b>35,121.0</b>                           | <b>5,050.7</b>      | <b>2,240.2</b>            | <b>20,038.7</b>                 | <b>62,450.6</b> |
| <b>Depreciation</b>                |      |   |                     |                           |                                 |                 |
| At 1 April 2020                    |      | 14,754.8                                  | 2,266.1             | 1,427.9                   | -                               | 18,448.8        |
| Depreciation charge for the year   | 3    | 716.8                                     | 117.5               | 105.4                     | -                               | 939.7           |
| Impairment charge for the year     |      | -   | -                   | 1.4                       | 4.9                             | 6.3             |
| Transfers to investment properties | 15   | (0.2)                                     | -                   | -                         | -                               | (0.2)           |
| Disposals                          |      | -   | -                   | (33.9)                    | -                               | (33.9)          |
| Revaluation                        |      | (4.0)                                     | -                   | -                         | -                               | (4.0)           |
| <b>At 31 March 2021</b>            |      | <b>15,467.4</b>                           | <b>2,383.6</b>      | <b>1,500.8</b>            | <b>4.9</b>                      | <b>19,356.7</b> |

The Group holds its office buildings at valuation. All other items of property, plant and equipment are held at cost.

As set out in the going concern note to the accounting policies, as part of the wider Government review of the Group, a review of the capital programme has been conducted and a Financial Sustainability Plan has been drawn up identifying capital projects that remain priorities for future funding. TfL's current and planned future capital investment projects have been categorised by management according to their relative funding priority, taking into consideration such factors as health and safety requirements, the phase at which a project sits in its lifecycle, Government and mayoral priorities, sources of funding and penalties that may be incurred if projects are paused or permanently halted. Certain lower priority projects where termination penalties are not prohibitive have been paused or terminated during the year and related assets under construction have been written off or impaired as appropriate in the table above. Management believe that all capital projects in progress at 31 March 2022 should continue to be funded. However, until a longer-term financing package has been formally agreed, a material level of uncertainty remains as to whether all projects in the course of construction at 31 March 2022 will be fully funded to completion.

## Notes to the Financial Statements

### 13. Property, plant and equipment (continued)

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 £114.6m (2021 £90.4m). The cumulative borrowing costs capitalised are £923.4m (2021 £808.8m). 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 2022, the Group had capital commitments which are contracted for but not provided for in the financial statements amounting to £1,103.7m (2021 £1,240.9m).

On 21 November 2019, the Corporation entered into an agreement with RiverLinx Limited for the Design, Build, Financing, Operations and Maintenance of Silvertown Tunnel, connecting the Greenwich Peninsula and the Royal Docks in London. Our financial obligations to make payments to RiverLinx Limited will start once the tunnel is open, currently planned in early 2025 (the 'Permit to Use Date'). From the Permit to Use Date, the Corporation will make performance-based availability payments, initially at £65m annually and indexed until the expiry date of the agreement in January 2050.

#### c) Group PFI assets

The net book value above includes the following amounts in respect of PFI assets:

|  | Infrastructure and office buildings<br>£m | Rolling stock<br>£m | Plant and equipment<br>£m | Total<br>£m  |
|--|---|---------------------|---------------------------|--------------|
| Gross cost                             | 976.6                                     | 45.3                | 16.7                      | 1,038.6      |
| Accumulated depreciation               | (554.7)                                   | (45.3)              | (16.7)                    | (616.7)      |
| <b>Net book value at 31 March 2022</b> | <b>421.9</b>                              | <b>-</b>            | <b>-</b>                  | <b>421.9</b> |
| Net book value at 31 March 2021        | 254.8                                     | -                   | -                         | 254.8        |

#### d) Depreciation charge

The total depreciation charge for the Group for the year comprised:

| Year ended 31 March                                | Note     | 2022<br>£m   | 2021<br>£m   |
|--|----------|--------------|--------------|
| Depreciation of owned assets                       |          | 935.5        | 934.8        |
| Depreciation of assets held under PFI arrangements |          | 4.9          | 4.9          |
| <b>Total depreciation</b>                          | <b>3</b> | <b>940.4</b> | <b>939.7</b> |

## Notes to the Financial Statements

### 13. Property, plant and equipment (continued)

#### e) Group office buildings

The existing use value of owner-occupied office buildings at 31 March 2022 has been arrived at on the basis of a valuation carried out at that date by CBRE, a real estate advisory business not connected with the Group, and by chartered surveyors working for TfL. In determining the existing use value, the capitalisation of net income method and the discounting of future cash flows to their present value has been used. This is based upon various assumptions including the anticipated future rental income, maintenance costs and the appropriate discount rate, making reference to market evidence of transaction prices for similar properties. A deduction is made to reflect purchaser's acquisition costs.

Properties are valued in accordance with the Red Book, RICS Valuation – Global Standards published by the Royal Institution of Chartered Surveyors.

Valuations are performed annually. The value of these buildings at 31 March 2022 was £74.1m (2021 £185.2m) and the depreciated historical cost value was £26.9m (2021 £36.6m). A related revaluation gain for the year of £3.6m (2020/21 a gain of £11.4m) has been recognised within Other Comprehensive Income and Expenditure.

#### 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 more than 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. No valuation was carried out during the year. The last valuation was carried out as at 31 March 2021 resulting in a value of £37.5m. The net book value of these assets at 31 March 2022 was £nil (2021 £nil).

## Notes to the Financial Statements

### 13 Property, plant and equipment (continued)

g) Corporation property, plant and equipment at 31 March 2022 comprised the following elements:

|  | Note | Infrastructure and office buildings<br>£m | Plant and equipment<br>£m | Assets under construction<br>£m | Total<br>£m    |
|--|------|---|---------------------------|---------------------------------|----------------|
| <b>Cost or valuation</b>               |      |   |                           |                                 |                |
| At 1 April 2021                        |      | 5,522.5                                   | 293.3                     | 1,301.3                         | 7,117.1        |
| Additions                              |      | 43.6                                      | 20.3                      | 188.9                           | 252.8          |
| Net transfers to intangible assets     | 12   | (8.0)                                     | -                         | (108.0)                         | (116.0)        |
| Transfers to investment properties     | 15   | -   | -                         | (34.4)                          | (34.4)         |
| Transfers between asset classes        |      | 907.7                                     | 27.2                      | (934.9)                         | -              |
| Disposals                              |      | 0.1                                       | (70.3)                    | (2.9)                           | (73.1)         |
| Intercompany transfer                  |      | (9.5)                                     | -                         | -                               | (9.5)          |
| Revaluation                            |      | 0.1                                       | -                         | -                               | 0.1            |
| <b>At 31 March 2022</b>                |      | <b>6,456.5</b>                            | <b>270.5</b>              | <b>410.0</b>                    | <b>7,137.0</b> |
| <b>Depreciation</b>                    |      |   |                           |                                 |                |
| At 1 April 2021                        |      | 2,662.0                                   | 201.4                     | -                               | 2,863.4        |
| Depreciation charge for the year       | 3    | 118.1                                     | 23.9                      | -                               | 142.0          |
| Impairment charge for the year         |      | -   | -                         | 20.7                            | 20.7           |
| Transfers to intangible assets         |      | (0.4)                                     | -                         | -                               | (0.4)          |
| Disposals                              |      | (0.1)                                     | (70.3)                    | -                               | (70.4)         |
| <b>At 31 March 2022</b>                |      | <b>2,779.6</b>                            | <b>155.0</b>              | <b>20.7</b>                     | <b>2,955.3</b> |
| <b>Net book value at 31 March 2022</b> |      | <b>3,676.9</b>                            | <b>115.5</b>              | <b>389.3</b>                    | <b>4,181.7</b> |
| Net book value at 31 March 2021        |      | 2,860.5                                   | 91.9                      | 1,301.3                         | 4,253.7        |

## Notes to the Financial Statements

### 13 Property, plant and equipment (continued)

h) Corporation property, plant and equipment at 31 March 2021 comprised the following elements:

|                                  | Note | Infrastructure<br>and office<br>buildings<br>£m | Plant and<br>equipment<br>£m | Assets under<br>construction<br>£m | Total<br>£m    |
|----------------------------------|------|---|------------------------------|------------------------------------|----------------|
| <b>Cost or valuation</b>         |      |   |                              |                                    |                |
| At 1 April 2020                  |      | 5,356.9   | 253.1                        | 1,274.1                            | 6,884.1        |
| Additions                        |      | 163.2   | 40.2                         | 47.6                               | 251.0          |
| Disposals                        |      | -   | -                            | (1.5)                              | (1.5)          |
| Write offs                       |      | -   | -                            | (18.9)                             | (18.9)         |
| Revaluation                      |      | 2.4   | -                            | -                                  | 2.4            |
| <b>At 31 March 2021</b>          |      | <b>5,522.5</b>                                  | <b>293.3</b>                 | <b>1,301.3</b>                     | <b>7,117.1</b> |
| <b>Depreciation</b>              |      |   |                              |                                    |                |
| At 1 April 2020                  |      | 2,549.2   | 183.4                        | -                                  | 2,732.6        |
| Depreciation charge for the year | 3    | 113.2   | 18.0                         | -                                  | 131.2          |
| Revaluation                      |      | (0.4)   | -                            | -                                  | (0.4)          |
| <b>At 31 March 2021</b>          |      | <b>2,662.0</b>                                  | <b>201.4</b>                 | <b>-</b>                           | <b>2,863.4</b> |

The Corporation holds its office buildings at valuation. All other items of property, plant and equipment are held 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 (2021 £nil). The cumulative borrowing costs capitalised are also £nil (2021 £nil).

At 31 March 2022, the Corporation had capital commitments which are contracted for but not provided for in the financial statements amounting to £43.2m (2021 £64.9m).

In addition, and as described in section b) to this note, the Corporation has entered into an agreement with RiverLinX Limited for Design, Build, Financing and Maintenance of a Silvertown Tunnel, connecting the Greenwich Peninsula and the Royal Docks in London. Our financial obligations to make payments to RiverLinX Limited will start once the tunnel is open, currently planned in early 2025, initially at £65m annually and indexed until the expiry date of the agreement in January 2050.

## Notes to the Financial Statements

### 13. Property, plant and equipment (continued)

#### i) Corporation PFI assets

The net book value above includes the amounts in the table below in respect of PFI assets:

|                                 | Infrastructure and office buildings<br>£m | Plant and equipment<br>£m | Total<br>£m |
|---------------------------------|---|---------------------------|-------------|
| Gross cost                      | 209.1                                     | 16.7                      | 225.8       |
| Depreciation                    | (99.0)                                    | (16.7)                    | (115.7)     |
| Net book value at 31 March 2022 | 110.1                                     | -                         | 110.1       |
| Net book value at 31 March 2021 | 112.8                                     | -                         | 112.8       |

#### j) Depreciation charge

The total depreciation charge for the Corporation comprised:

| Year ended 31 March                   | Note     | 2022<br>£m   | 2021<br>£m   |
|---------------------------------------|----------|--------------|--------------|
| Depreciation of owned assets          |          | 139.2        | 128.6        |
| Depreciation of assets held under PFI |          | 2.7          | 2.6          |
| <b>Total depreciation</b>             | <b>3</b> | <b>141.9</b> | <b>131.2</b> |

#### k) Corporation office buildings and other infrastructure assets held at valuation

The existing use value of owner-occupied office buildings at 31 March 2022 has been arrived at on the basis of a valuation carried out at that date by CBRE, a real estate advisory business not connected with the Group, and by chartered surveyors working for TfL. In determining the existing use value, the capitalisation of net income method and the discounting of future cash flows to their present value has been used. This is based upon various assumptions including the anticipated future rental income, maintenance costs and the appropriate discount rate, making reference to market evidence of transaction prices for similar properties. A deduction is made to reflect purchaser's acquisition costs.

Properties are valued in accordance with the Red Book, RICS Valuation – Global Standards published by the Royal Institution of Chartered Surveyors.

Valuations are performed annually. The value of these buildings held by the Corporation at 31 March 2022 was £0.6m (2021 £10.2m) and the depreciated historical cost value was £nil (2021 £nil). A related revaluation gain for the year of £nil (2020/21 a gain of £2.8m) has been recognised within Other Comprehensive Income and Expenditure.



## Notes to the Financial Statements

### 14. Right-of-use assets and related lease liabilities

This note provides information for leases where the Group and/or Corporation is a lessee. For leases where the Group and/or Corporation is a lessor, see note 19.

As described in note e) to the Accounting Policies, the IASB issued COVID-19-Related Rent Concessions - amendment to IFRS 16 Leases to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the coronavirus pandemic. In a few instances, particularly on property leases, a rent concession in the form of a rent holiday was received in 2020/21. We applied the practical expedient where TfL as a lessee elected not to assess whether a COVID-19-related rent concession from a lessor was a lease modification.

a) Group right-of-use assets at 31 March 2022 comprised the following elements:

|  | Note | Infrastructure and office buildings<br>£m | Rolling stock<br>£m | Buses<br>£m    | Motor vehicles<br>£m | Other equipment<br>£m | Total<br>£m    |
|--|------|---|---------------------|----------------|----------------------|-----------------------|----------------|
| <b>Cost or valuation</b>               |      |   |                     |                |                      |                       |                |
| At 1 April 2021                        |      | 577.5                                     | 1,495.7             | 1,006.6        | 13.7                 | 119.3                 | 3,212.8        |
| Additions                              |      | 8.7                                       | 44.5                | 176.5          | 0.3                  | 6.6                   | 236.6          |
| Lease terminations                     |      | -   | -                   | (7.2)          | -                    | (5.4)                 | (12.6)         |
| Valuation adjustment                   |      | (0.9)                                     | 6.3                 | -              | -                    | -                     | 5.4            |
| <b>At 31 March 2022</b>                |      | <b>585.3</b>                              | <b>1,546.5</b>      | <b>1,175.9</b> | <b>14.0</b>          | <b>120.5</b>          | <b>3,442.2</b> |
| <b>Amortisation</b>                    |      |   |                     |                |                      |                       |                |
| At 1 April 2021                        |      | 77.4                                      | 324.4               | 438.4          | 5.5                  | 37.6                  | 883.3          |
| Charge for the year                    | 3    | 39.1                                      | 80.6                | 219.6          | 3.0                  | 19.3                  | 361.6          |
| Disposals                              |      | -   | -                   | (7.2)          | -                    | (5.4)                 | (12.6)         |
| <b>At 31 March 2022</b>                |      | <b>116.5</b>                              | <b>405.0</b>        | <b>650.8</b>   | <b>8.5</b>           | <b>51.5</b>           | <b>1,232.3</b> |
| <b>Net book value at 31 March 2022</b> |      | <b>468.8</b>                              | <b>1,141.5</b>      | <b>525.1</b>   | <b>5.5</b>           | <b>69.0</b>           | <b>2,209.9</b> |
| Net book value at 31 March 2021        |      | 500.1                                     | 1,171.3             | 568.2          | 8.2                  | 81.7                  | 2,329.5        |

## Notes to the Financial Statements

### 14. Right-of-use assets and related lease liabilities (continued)

b) Group right-of-use assets at 31 March 2021 comprised the following elements:

|                          | Note | Infrastructure<br>and office<br>buildings<br>£m | Rolling stock<br>£m | Buses<br>£m    | Motor vehicles<br>£m | Other<br>equipment<br>£m | Total<br>£m    |
|--------------------------|------|---|---------------------|----------------|----------------------|--------------------------|----------------|
| <b>Cost or valuation</b> |      |   |                     |                |                      |                          |                |
| At 1 April 2020          |      | 555.8   | 1,384.7             | 762.1          | 11.4                 | 111.3                    | 2,825.3        |
| Additions                |      | 23.2  | 127.3               | 244.5          | 2.3                  | 8.0                      | 405.3          |
| Valuation adjustment     |      | (1.5)   | (16.3)              | -              | -                    | -                        | (17.8)         |
| <b>At 31 March 2021</b>  |      | <b>577.5</b>                                    | <b>1,495.7</b>      | <b>1,006.6</b> | <b>13.7</b>          | <b>119.3</b>             | <b>3,212.8</b> |
| <b>Amortisation</b>      |      |   |                     |                |                      |                          |                |
| At 1 April 2020          |      | 38.3  | 245.5               | 213.8          | 2.5                  | 15.6                     | 515.7          |
| Charge for the year      | 3    | 39.1  | 78.9                | 224.6          | 3.0                  | 22.0                     | 367.6          |
| <b>At 31 March 2021</b>  |      | <b>77.4</b>                                     | <b>324.4</b>        | <b>438.4</b>   | <b>5.5</b>           | <b>37.6</b>              | <b>883.3</b>   |

## Notes to the Financial Statements

### 14. Right-of-use assets and related lease liabilities (continued)

#### c) Group lease liabilities in relation to right-of-use assets

| At 31 March            | 2022<br>£m | 2021<br>£m |
|------------------------|------------|------------|
| Principal outstanding  |            |            |
| Short-term liabilities | 334.1      | 329.3      |
| Long-term liabilities  | 2,102.2    | 2,179.8    |
|                        | 2,436.3    | 2,509.1    |

#### d) Group maturity analysis of right-of-use lease liabilities

| At 31 March  | 2022<br>£m | 2021<br>£m |
|--|------------|------------|
| Contractual undiscounted payments due in:          |            |            |
| Not later than one year                            | 365.5      | 361.8      |
| Later than one year but not later than two years   | 328.4      | 334.4      |
| Later than two years but not later than five years | 580.3      | 596.6      |
| Later than five years                              | 1,799.6    | 1,875.8    |
|  | 3,073.8    | 3,168.6    |
| Less:  |            |            |
| Present value discount                             | (637.4)    | (659.2)    |
| Exempt cashflows                                   | (0.1)      | (0.3)      |
| Present value of minimum lease payments            | 2,436.3    | 2,509.1    |

## Notes to the Financial Statements

### 14. Right-of-use assets and related lease liabilities (continued)

#### e) Analysis of amounts included in the Group Comprehensive Income and Expenditure Statement

| Year ended 31 March  | Note | 2022<br>£m | 2021<br>£m |
|--|------|------------|------------|
| Amortisation of right-of-use assets  | 3    | 361.6      | 367.6      |
| Interest payable on right-of-use lease liabilities (before impact of interest rate hedges)                                   |      | 59.5       | 61.8       |
| Expense relating to short-term leases (included in gross expenditure)  |      | 3.0        | 0.5        |
| Expense relating to leases of low-value assets that are not shown above as short-term leases (included in gross expenditure) |      | 0.1        | -          |
| Income from sub-leasing right-of-use assets (included in gross income)   |      | 12.5       | 10.7       |

#### f) Analysis of amounts included in the Statement of Cash Flows

The total cash outflow in the Group in respect of leases was £376.6m (2020/21 £357.2m).

#### g) The Group's leasing activities and how these are accounted for

As a lessee, the Group leases various infrastructure and office buildings, rolling stock, buses, motor vehicles and other equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The accounting for these leases is described within the Accounting Policies, note ac).

#### h) Future cash flows to which the lessee is potentially exposed that are/are not reflected in the measurement of lease liabilities

##### Variable lease payments

Most of the Group's infrastructure and office buildings have variable lease payments linked to a consumer price index. Rolling stock contracts have variable lease payments interest linked to a floating rate. When there is a change in cash flows because of the change in consumer price index or change in floating rate, then the lease liability is re-measured to reflect those revised lease payments and corresponding adjustments are made to the right-of-use asset.

##### Extension and termination options

Some of the Group's lease contracts have extension and termination options. These options and related payments are only included when the Group is reasonably certain that it will exercise these options. At the date of these financial statements, there are no facts and circumstances that create an economic incentive for the Group to extend or terminate the lease.

## Notes to the Financial Statements

### 14. Right-of-use assets and related lease liabilities (continued)

#### Leases not yet commenced to which the TfL Group as a lessee is committed

As at 31 March 2022, one rolling stock contract had commenced. However, while a certain number of units of rolling stock had been accepted and leased under this contract as at 31 March, the entire quota in this contract had not yet been received or recognised. The right-of-use asset and the related lease liability in relation to the rolling stock accepted at 31 March 2022 were £226.5m and £248.6m respectively (2021 £911.4m and £1,037.5m respectively), out of a total commitment of £268.1m (2021 £1,100m) in the contract. Because the contractual payments under these lease arrangements are set at the outset of the contract in relation to the full quota of trains to be received, and the total contractual payments are not linked to the timing of acceptance of specific batches of trains, the Incremental Borrowing Rate at the commencement of the lease has been applied as the rate at which future liabilities relating to all trains under these contracts are discounted, irrespective of the date of their acceptance into use by TfL.

Further in the current year, for one of the lease contracts all the rolling stock units have been accepted this year and hence the entire liability is recorded at 31 March 2022.

#### i) Corporation right-of-use assets at 31 March 2022 comprised the following elements:

|  | Note | Infrastructure and office buildings<br>£m | Other equipment<br>£m | Total<br>£m  |
|--|------|---|-----------------------|--------------|
| <b>Cost or valuation</b>               |      |   |                       |              |
| At 1 April 2021                        |      | 430.8                                     | 19.1                  | 449.9        |
| Additions                              |      | -   | 7.0                   | 7.0          |
| Disposals                              |      | -   | (3.8)                 | (3.8)        |
| Revaluation                            |      | -   | -                     | -            |
| <b>At 31 March 2022</b>                |      | <b>430.8</b>                              | <b>22.3</b>           | <b>453.1</b> |
| <b>Amortisation</b>                    |      |   |                       |              |
| At 1 April 2021                        |      | 50.4                                      | 8.2                   | 58.6         |
| Charge for the year                    | 3    | 25.1                                      | 4.7                   | 29.8         |
| Disposals                              |      | -   | (3.8)                 | (3.8)        |
| <b>At 31 March 2022</b>                |      | <b>75.5</b>                               | <b>9.1</b>            | <b>84.6</b>  |
| <b>Net book value at 31 March 2022</b> |      | <b>355.3</b>                              | <b>13.2</b>           | <b>368.5</b> |
| Net book value at 31 March 2021        |      | 380.4                                     | 10.9                  | 391.3        |

## Notes to the Financial Statements

### 14. Right-of-use assets and related lease liabilities (continued)

j) Corporation right-of-use assets at 31 March 2021 comprised the following elements:

|                          | Note | Infrastructure<br>and office<br>buildings<br>£m | Other<br>equipment<br>£m | Total<br>£m  |
|--------------------------|------|---|--------------------------|--------------|
| <b>Cost or valuation</b> |      |   |                          |              |
| A 1 April 2020           |      | 432.3   | 17.4                     | 449.7        |
| Additions                |      | (0.1)   | 1.7                      | 1.6          |
| Revaluation              |      | (1.4)   | -                        | (1.4)        |
| <b>At 31 March 2021</b>  |      | <b>430.8</b>                                    | <b>19.1</b>              | <b>449.9</b> |
| <b>Amortisation</b>      |      |   |                          |              |
| At 1 April 2020          |      | 25.2  | 3.4                      | 28.6         |
| Charge for the year      | 3    | 25.2  | 4.8                      | 30.0         |
| <b>At 31 March 2021</b>  |      | <b>50.4</b>                                     | <b>8.2</b>               | <b>58.6</b>  |

## Notes to the Financial Statements

### 14. Right-of-use assets and related lease liabilities (continued)

#### k) Corporation lease liabilities in relation to right-of-use assets

|                        | 2022<br>£m | 2021<br>£m |
|------------------------|------------|------------|
| At 31 March            |            |            |
| Principal outstanding  |            |            |
| Short-term liabilities | 27.0       | 26.7       |
| Long-term liabilities  | 367.1      | 386.8      |
|                        | 394.1      | 413.5      |

#### l) Corporation maturity analysis of right-of-use lease liabilities

|  | 2022<br>£m | 2021<br>£m |
|--|------------|------------|
| At 31 March  |            |            |
| Contractual undiscounted payments due in:          |            |            |
| Not later than one year                            | 37.3       | 37.6       |
| Later than one year but not later than two years   | 37.0       | 35.8       |
| Later than two years but not later than five years | 102.9      | 101.2      |
| Later than five years                              | 307.7      | 340.4      |
|  | 484.9      | 515.0      |
| Less:  |            |            |
| Present value discount                             | (90.8)     | (101.5)    |
| Present value of minimum lease payments            | 394.1      | 413.5      |

#### m) Analysis of amounts included in the Corporation Comprehensive Income and Expenditure Statement

|  | Note | 2022<br>£m | 2021<br>£m |
|--|------|------------|------------|
| Year ended 31 March  |      |            |            |
| Amortisation of right-of-use assets  | 3    | 29.8       | 30.0       |
| Interest payable on right-of-use lease liabilities   |      | 11.0       | 11.6       |
| Expense relating to short-term leases (included in gross expenditure)  |      | -          | -          |
| Expense relating to leases of low-value assets that are not shown above as short-term leases (included in gross expenditure) |      | -          | -          |
| Income from sub-leasing right-of-use assets (included in gross income)   |      | -          | -          |

### 14. Right-of-use assets and related lease liabilities (continued)

#### n) Analysis of amounts included in the Corporation Statement of Cash Flows

The total cash outflow in the Corporation in respect of leases in 2021/22 was £37.3m (2020/21 £37.7m).

#### o) The Corporation's leasing activities and how these are accounted for

As a lessee, the Corporation leases various office buildings. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The accounting for these leases is described within the Accounting Policies, notes s) and ac).

#### p) Future cash flows to which the lessee is potentially exposed that are/are not reflected in the measurement of lease liabilities.

##### Variable lease payments

Most of the Corporation's office buildings have variable lease payments linked to a consumer price index. When there is a change in cash flows because of the change in consumer price index or change in floating rate, then the lease liability is remeasured to reflect those revised lease payments and a corresponding adjustment is made to the right-of-use asset.

##### Extension and termination options

Some of the Corporation's lease contracts have extension and termination options. These options and related payments are only included when the Corporation is reasonably certain that it will exercise these options. At the date of these financial statements, there are no facts and circumstances that create an economic incentive for the Corporation to extend or terminate the lease.

##### Leases not yet commenced to which the Corporation as a lessee is committed

As at 31 March 2022 the Corporation is not party to any lease arrangements to which the Corporation as a lessee is committed but for which it has not yet recognised any right-of-use asset or liability on the Balance Sheet (2021 none).

#### q) Peppercorn leases in the Group and Corporation

TfL has a number of leases over property and other transport infrastructure under which it pays £nil or peppercorn rents. It has undertaken an exercise to assess the fair value of the assets leased under these arrangements and has concluded that they have no material value. No amounts have therefore been recorded in these financial statements in respect of these leases.



# Notes to the Financial Statements

## 15. Investment properties

|  | Note | Group<br>£m    | Corporation<br>£m |
|--|------|----------------|-------------------|
| <b>Valuation</b>                             |      |                |                   |
| At 1 April 2020                              |      | 1,430.5        | 14.1              |
| Additions                                    |      | 22.7           | 17.7              |
| Transfers to subsidiary undertakings         |      | -              | (1.6)             |
| Transfers from assets held for sale          | 22   | 19.7           | 1.0               |
| Transfers from property, plant and equipment | 13   | 20.9           | -                 |
| Disposals                                    |      | (22.3)         | (17.7)            |
| Fair value adjustments                       | 8    | (12.8)         | (1.9)             |
| <b>At 31 March 2021</b>                      |      | <b>1,458.7</b> | <b>11.6</b>       |
| Additions                                    |      | 23.6           | 4.0               |
| Transfers to subsidiary undertakings         |      | -              | -                 |
| Transfers to assets held for sale            | 22   | (6.8)          | (0.7)             |
| Net transfers from assets held for sale      | 22   | 16.0           | 27.3              |
| Transfers from property, plant and equipment | 13   | 114.9          | 34.4              |
| Disposals                                    |      | (18.1)         | (9.5)             |
| Fair value adjustments                       |      | 125.0          | 30.0              |
| <b>At 31 March 2022</b>                      |      | <b>1,713.3</b> | <b>97.1</b>       |

The fair value of the Group's investment properties at 31 March 2022 has been arrived at on the basis of valuations at that date by CBRE, a real estate advisory business not connected with the Group, and by chartered surveyors working for TfL. In determining the fair value, the capitalisation of net income method and the discounting of future cash flows to their present value has been used. This is based upon various assumptions including the anticipated future rental income, maintenance costs and the appropriate discount rate; making reference to market evidence of transaction prices for similar properties. A deduction is made to reflect purchaser's acquisition costs. Values are therefore calculated under level 3 of the fair value hierarchy. 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 (2020/21 none).

Properties are valued annually in accordance with the Red Book, RICS Valuation – Global Standards published by the Royal Institution of Chartered Surveyors.

### 15. Investment properties (continued)

In order to create a consolidated commercial property portfolio, assets previously held at a depreciated historical cost value within property, plant and equipment, have been identified and transferred into a designated investment portfolio alongside a range of existing investment properties. In addition, the creation of new lease structures allowed the recognition, for the first time, of newly separable investment property assets which have been recorded at fair value at the date of creation of the lease structure. These assets have been combined into a vehicle to deliver homes under the Mayor's Transport Strategy, and a growing sustainable income stream, as well as to facilitate the ability to generate both debt and equity to fund capital requirements. In the year to 31 March 2022, a total net revaluation gain of £130.8m (including movements on investment properties held for sale) was recognised for the Group (2020/21 a net revaluation loss of £10.7m). Of this, a gain of £37.4m (2020/21 £72.6m) in relation to the initial valuation of newly created assets was recognised within other comprehensive income. The remaining £93.4m net gain (2020/21 £83.3m net loss) relating to movements in the valuation of assets already held at valuation has been reflected within financing income/expenditure.

Rental income earned in relation to investment properties is disclosed in note 1. Operating expenditure for the year in respect of investment properties totalled £39.8m for the Group (2020/21 £55.7m).

Information about the impact of changes in unobservable inputs (level 3) on the fair value of the Group's investment portfolio is set out in the table below.

All other factors being equal:

- A higher equivalent yield or discount rate would lead to a decrease in the valuation of an asset
- An increase in the current or estimated future rental stream would have the effect of increasing the capital value

However, there are interrelationships between the unobservable inputs which are partially determined by market conditions, which would impact on these changes.

## Notes to the Financial Statements

### 15. Investment properties (continued)

Information about fair value measurements for the TfL Group using unobservable inputs (level 3) for the year ended 31 March 2022

|                        |       | Estimated value  | % change      | Estimated value  | % change      | Estimated value | % change      | Estimated value  | % change      | Estimated value  | % change      |
|------------------------|-------|------------------|---------------|------------------|---------------|-----------------|---------------|------------------|---------------|------------------|---------------|
|                        |       | £m from baseline | from baseline | £m from baseline | from baseline | £m              | from baseline | £m from baseline | from baseline | £m from baseline | from baseline |
|                        |       | Yield shift      | Yield shift   | Yield shift      | Yield shift   | Yield shift     | Yield shift   | Yield shift      | Yield shift   | Yield shift      | Yield shift   |
|                        |       | (0.5)%           | (0.5)%        | (0.25)%          | (0.25)%       | 0.0%            | 0.0%          | 0.25%            | 0.25%         | 0.5%             | 0.5%          |
| Estimated rental value | (10)% | 1,774.0          | 3.55%         | 1,678.3          | (2.04)%       | 1,593.3         | (7.00)%       | 1,563.3          | (8.75)%       | 1,473.4          | (14.00)%      |
|                        | (5)%  | 1,842.5          | 7.55%         | 1,742.3          | 1.70%         | 1,653.4         | (3.49)%       | 1,622.2          | (5.31)%       | 1,528.3          | (10.79)%      |
|                        | 0%    | 1,910.6          | 11.52%        | 1,805.7          | 5.40%         | 1,713.2         | 0.00%         | 1,681.3          | (1.86)%       | 1,583.2          | (7.59)%       |
|                        | 5%    | 1,978.6          | 15.49%        | 1,870.0          | 9.15%         | 1,773.8         | 3.54%         | 1,740.1          | 1.57%         | 1,637.8          | (4.40)%       |
|                        | 10%   | 2,046.8          | 19.47%        | 1,933.7          | 12.87%        | 1,834.0         | 7.05%         | 1,799.2          | 5.02%         | 1,693.0          | (1.18)%       |

The table above shows the sensitivity of the valuation of the investment property portfolio to a 5 or 10 per cent increase/(decrease) in estimated rental values, combined with a 0.5 or 0.25 per cent increase/(decrease) in yield from the baseline assumptions used to calculate the values as recorded in these accounts.

## Notes to the Financial Statements

### 16. Investments in subsidiaries

|                     | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|---------------------|---------------------------|---------------------------|
| Cost                |                           |                           |
| At 1 April          | 12,222.5                  | 11,562.5                  |
| Investments in year | 560.0                     | 660.0                     |
| At 31 March         | 12,782.5                  | 12,222.5                  |

During the year, the Corporation increased its investment in the ordinary share capital of Transport Trading Limited (TTL) by £560m (2020/21 £660.0m). TTL subsequently increased its investment in the ordinary share capital of Crossrail Limited by £560m.

The Group holds 100 per cent of the share capital of all subsidiaries. All companies listed in the table below, 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 London Transport Museum Limited. London Transport Insurance (Guernsey) Limited is registered in Guernsey.

## Notes to the Financial Statements

### 16. Investments in subsidiaries (continued)

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                       | Dormant company  |
| LUL Nominee SSL Limited                       | Dormant company  |
| 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 light rail                                  |
| Transport for London Finance Limited          | Manages financial risk of the Group                                |
| Transport Trading Limited                     | Holding company  |
| TTL Blackhorse Road Properties Limited        | Holding company  |
| TTL Build to Rent Limited                     | Holding company  |
| TTL Earls Court Properties Limited            | Holding company  |
| TTL FCHB Properties Limited                   | Dormant company  |
| TTL Kidbrooke Properties Limited              | Holding company  |
| TTL Landmark Court Properties Limited         | Holding company  |
| TTL Northwood Properties Limited              | Dormant company  |
| TTL Properties Limited                        | Property investment and development                                |
| TTL Southwark Properties Limited              | Property investment  |
| TTL South Kensington Properties Limited       | Property investment  |
| TTL Wembley Park Properties Limited           | Dormant company  |
| 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  |

# Notes to the Financial Statements

## 17. Investment in joint ventures

### Connected Living London (BTR) Limited

In 2019/20, the Group via its subsidiary, TTL Build to Rent Limited, acquired a 49 per cent interest in a joint arrangement called Connected Living London (BTR) Limited (CLL), which was set up as a partnership together with Grainger Plc, to fund the development of a major build to rent portfolio across London. The registered office address of CLL is Citygate, St James Boulevard, Newcastle Upon Tyne, Tyne & Wear, United Kingdom, NE1 4JE.

As the Group has joint control over the net assets and operations of its investment through equal representation on the board and equal voting rights, it has equity accounted for its investment as a joint venture in these consolidated financial statements. The financial year end of CLL is 30 September.

During 2021/22 the Group invested a further £2.8m in the equity of CLL (2020/21 £1.6m). Summarised financial information in respect of the Group's investment is set out below. Amounts presented are taken from unaudited management accounts made up to 31 March.

#### Balance Sheet of Connected Living London (BTR) Limited at the 100 per cent level

|  | Group<br>2022<br>£m | Group<br>2021<br>£m |
|--|---------------------|---------------------|
| <b>At 31 March</b>                     |                     |                     |
| <b>Long-term assets</b>                |                     |                     |
| Investment property under construction | 17.9                | 15.5                |
|  | 17.9                | 15.5                |
| <b>Current assets</b>                  |                     |                     |
| Cash                                   | 4.5                 | 3.2                 |
| Other short-term assets                | -                   | 0.2                 |
|  | 4.5                 | 3.4                 |
| <b>Current liabilities</b>             |                     |                     |
| Other short-term liabilities           | (2.9)               | (1.8)               |
|  | (2.9)               | (1.8)               |
| <b>Long-term liabilities</b>           |                     |                     |
| Borrowings                             | -                   | -                   |
| Other long-term liabilities            | -                   | -                   |
|  | -                   | -                   |

#### Reconciliation of net assets to amounts included in the consolidated Group accounts

|   | Group<br>2022<br>£m | Group<br>2021<br>£m |
|---|---------------------|---------------------|
| <b>At 31 March</b>                                    |                     |                     |
| Net assets at 100%                                    | 19.5                | 17.1                |
| Percentage held by the TfL Group                      | 49%                 | 49%                 |
| Carrying amount of the Group's equity interest in CLL | 9.6                 | 8.4                 |

## Notes to the Financial Statements

### 17. Investment in joint ventures (continued)

#### Group share of comprehensive income and expenditure of CLL

|   | Group<br>2022<br>£m | Group<br>2021<br>£m |
|---|---------------------|---------------------|
| <b>Year ended 31 March</b>  |                     |                     |
| Group share of loss from continuing operations                                | (1.7)               | (0.4)               |
| Group share of other comprehensive income                                     | -                   | -                   |
| <b>Total Group share of comprehensive income and expenditure for the year</b> | <b>(1.7)</b>        | <b>(0.4)</b>        |

The share of loss from continuing operations reflects administrative expenditure relating to the operations of the company.

#### b) Kidbrooke Partnership LLP

The Group, through its subsidiary, TTL Kidbrooke Properties Limited, holds a 49 per cent holding in the members' interest of Kidbrooke Partnership LLP (KP LLP), a property development partnership. Through a combination of its voting rights, Board representation and other rights embedded in the relevant management agreements, the Group is assessed as having joint control. The investment has therefore been accounted for as a joint venture using the equity method in these financial statements.

KP LLP has a 299 year lease over the land lying to the South East of Kidbrooke Park Road and is developing the site as a mixed use development incorporating affordable housing. The financial year end of KP LLP is 31 March.

During 2021/22 the Group had no additional investment in the equity of KP LLP (2020/21 £3.6m). Summarised financial information in respect of the Group's investment in KP LLP is set out below. Amounts presented are taken from unaudited management accounts made up to 28 February.

#### Balance Sheet of Kidbrooke Partnership LLP at the 100 per cent level

|                              | Group<br>2022<br>£m | Group<br>2021<br>£m |
|------------------------------|---------------------|---------------------|
| <b>At 31 March</b>           |                     |                     |
| <b>Current assets</b>        |                     |                     |
| Cash                         | 8.9                 | 2.3                 |
| Other short-term assets      | 31.0                | 36.6                |
|                              | <b>39.9</b>         | <b>38.9</b>         |
| <b>Current liabilities</b>   |                     |                     |
| Other short-term liabilities | (2.5)               | (1.3)               |
|                              | <b>(2.5)</b>        | <b>(1.3)</b>        |

## Notes to the Financial Statements

### 17. Investment in joint ventures (continued)

#### Reconciliation of net assets to amounts included in the consolidated Group accounts

|  | Group<br>2022<br>£m | Group<br>2021<br>£m |
|--|---------------------|---------------------|
| <b>At 31 March</b>                                       |                     |                     |
| Net assets at 100%                                       | 37.4                | 37.6                |
| Percentage held by the TfL Group                         | 49%                 | 49%                 |
| Carrying amount of the Group's equity interest in KP LLP | 18.3                | 18.4                |

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## Notes to the Financial Statements

### 18. Investment in associates (continued)

#### Group share of comprehensive income and expenditure of Kidbrooke Partnership LLP

| Year ended 31 March   | Group<br>2022<br>£m | Group<br>2021<br>£m |
|---|---------------------|---------------------|
| Group share of loss from continuing operations                                | (0.1)               | -                   |
| Group share of other comprehensive income                                     | -                   | -                   |
| <b>Total Group share of comprehensive income and expenditure for the year</b> | <b>(0.1)</b>        | <b>-</b>            |

#### c) Blackhorse Road Properties LLP

In 2019/20 the Group acquired a 49 per cent holding in the members' interest of Blackhorse Road Properties LLP (BRP LLP), a newly created property development partnership, for a cash consideration of £11.3m. The investment was purchased through a newly incorporated subsidiary of the Group, TTL Blackhorse Road Properties Limited. Through a combination of its voting rights, Board representation and other rights embedded in the relevant management agreements, the Group is assessed as having joint control. The investment has therefore been accounted for as a joint venture using the equity method.

During 2019/20, the Group granted a 999 year lease over land at Blackhorse Road to BRP LLP for a consideration of £15.9m. The financial year end of BRP LLP is 30 June.

Summarised financial information in respect of the Group's investment in BRP LLP is set out below. Amounts presented are taken from unaudited management accounts made up to 28 February.

## Notes to the Financial Statements

### 17. Investment in joint ventures (continued)

#### Balance sheet of BRP LLP at the 100 per cent level

|                              | Group<br>2022<br>£m | Group<br>2021<br>£m |
|------------------------------|---------------------|---------------------|
| At 31 March                  |                     |                     |
| <b>Current assets</b>        |                     |                     |
| Cash                         | 21.3                | 9.4                 |
| Other short-term assets      | 21.5                | 28.8                |
|                              | 42.8                | 38.2                |
| <b>Current liabilities</b>   |                     |                     |
| Other short-term liabilities | (8.2)               | (8.7)               |
|                              | (8.2)               | (8.7)               |

#### Reconciliation of net assets to amounts included in the consolidated Group accounts

|   | Group<br>2022<br>£m | Group<br>2021<br>£m |
|---|---------------------|---------------------|
| At 31 March   |                     |                     |
| Net assets at 100%  | 34.6                | 29.5                |
| Percentage held by the TfL Group                          | 49%                 | 49%                 |
| Carrying amount of the Group's equity interest in BRP LLP | 17.0                | 14.5                |

#### Group share of comprehensive income and expenditure of BRP LLP

|   | Group<br>2022<br>£m | Group<br>2021<br>£m |
|---|---------------------|---------------------|
| Year ended 31 March   |                     |                     |
| Group share of profit from continuing operations                              | 7.3                 | 1.1                 |
| Group share of other comprehensive income                                     | -                   | -                   |
| <b>Total Group share of comprehensive income and expenditure for the year</b> | <b>7.3</b>          | <b>1.1</b>          |

#### d) Landmark Court Partnership Limited

In 2021/22 the Group acquired a 49 per cent holding in the members' interest of Landmark Court Partnership Limited (LCP Limited), a newly created property development partnership, for a cash consideration of £1. The investment was purchased through a newly incorporated subsidiary of the Group, TTL Landmark Court Properties Limited. Through a combination of its voting rights, Board representation and other rights embedded in the relevant management agreements, the Group is assessed as having joint control. The investment has therefore been accounted for as a joint venture using the equity method.

During 2021/22, the Group granted a 299 year lease over land at Liberty, Southwark site, at 15-33 Southwark Street to LCP Limited for a consideration of £41.8m. The financial year end of LCP Limited is 31 March.

Summarised financial information in respect of the Group's investment in LCP Limited is set out below. Amounts presented are taken from unaudited management accounts made up to 31 March.

## Notes to the Financial Statements

### 17. Investment in joint ventures (continued)

#### Balance sheet of LMCP Limited at the 100 per cent level

|                              | Group<br>2022<br>£m | Group<br>2021<br>£m |
|------------------------------|---------------------|---------------------|
| <b>At 31 March</b>           |                     |                     |
| <b>Current assets</b>        |                     |                     |
| Cash                         | 1.3                 | -                   |
| Other short-term assets      | 46.5                | -                   |
|                              | 47.8                | -                   |
| <b>Current liabilities</b>   |                     |                     |
| Other short-term liabilities | (38.2)              | -                   |
|                              | (38.2)              | -                   |

#### Reconciliation of net assets to amounts included in the consolidated Group accounts

|   | Group<br>2022<br>£m | Group<br>2021<br>£m |
|---|---------------------|---------------------|
| <b>At 31 March</b>  |                     |                     |
| Net assets at 100%  | 9.6                 | -                   |
| Percentage held by the TfL Group                                      | 49%                 | -                   |
| Net assets at 49%   | 4.7                 | -                   |
| Adjustment for distribution of land receipt*                          | (2.3)               | -                   |
| <b>Carrying amount of the Group's equity interest in LMCP Limited</b> | <b>2.4</b>          | <b>-</b>            |

\* Available profits in relation to the land receipt are distributed at 25% to TTL Landmark Court Properties Limited

#### Group share of comprehensive income and expenditure of LMCP Limited

|  | Group<br>2022<br>£m | Group<br>2021<br>£m |
|--|---------------------|---------------------|
| <b>Year ended 31 March</b>   |                     |                     |
| Group share of profit from continuing operations adjusted for distribution of land receipt | 2.4                 | -                   |
| Group share of other comprehensive income  | -                   | -                   |
| <b>Total Group share of comprehensive income and expenditure for the year</b>              | <b>2.4</b>          | <b>-</b>            |

# Notes to the Financial Statements

## 18. 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.

The Group has invested share capital and non-interest bearing loans 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. As at 31 March 2022 the Group had invested £44.4m (2021 £44.4m) in share capital and a further £423m (2021 £416.2m) in loan notes.

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 have been used. There were no material movements in net income/expenditure or in the net assets of ECP between 31 December 2021 and 31 March 2022.

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

|                       | Group<br>2020<br>£m | Group<br>2019<br>£m |
|-----------------------|---------------------|---------------------|
| <b>At 31 December</b> |                     |                     |
| Current assets        | 8.1                 | 6.9                 |
| Long-term assets      | 596.0               | 516.2               |
| Current liabilities   | (1.7)               | (1.8)               |
| Long-term liabilities | (74.7)              | (73.4)              |

Included within current assets above at 31 December 2021 is £6.4m of cash (2020 £5.7m). Long-term liabilities represent third-party borrowings.

#### Reconciliation of net assets to amounts included in the consolidated Group accounts

|   | Group<br>2022<br>£m | Group<br>2021<br>£m |
|---|---------------------|---------------------|
| Net assets at 100% at 31 December   | 527.7               | 447.9               |
| Percentage held by the TfL Group  | 37%                 | 37%                 |
| TfL Group share of net assets at 31 December  | 195.3               | 165.7               |
| Investment in equity loan notes between 31 December and 31 March                              | 2.2                 | 1.2                 |
| Carrying amount of the Group's equity interest in Earls Court Partnership Limited at 31 March | 197.5               | 166.9               |

## Notes to the Financial Statements

### 18. Investment in associated undertakings (continued)

#### Group share of comprehensive income and expenditure of Earls Court Partnership Limited

| Year ended 31 March   | Group<br>2022<br>£m | Group<br>2021<br>£m |
|---|---------------------|---------------------|
| Group share of loss from continuing operations                                | 24.0                | (3.5)               |
| Group share of other comprehensive income                                     | -                   | -                   |
| <b>Total Group share of comprehensive income and expenditure for the year</b> | <b>24.0</b>         | <b>(3.5)</b>        |

The share of profit from continuing operations primarily reflects fair value gains recognised in respect of the revaluation of the Earl's Court development site.

# Notes to the Financial Statements

## 19. 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.

|   | 2022<br>£m | 2021<br>£m |
|---|------------|------------|
| As at 31 March                                    |            |            |
| Principal outstanding                             |            |            |
| Short-term  | 13.8       | 15.4       |
| Long-term   | 23.2       | 28.6       |
|   | 37.0       | 44.0       |
|   |            |            |
|   | 2022<br>£m | 2021<br>£m |
| Principal outstanding                             |            |            |
| At 1 April  | 44.0       | 52.7       |
| Additions   | 8.7        | 7.0        |
| Interest  | (1.9)      | 2.6        |
| Repayments  | (13.8)     | (18.3)     |
|   | 37.0       | 44.0       |
|   |            |            |
|   | 2022<br>£m | 2021<br>£m |
| At 31 March                                       |            |            |
| Minimum cash receipts in:                         |            |            |
| Not later than one year                           | 14.7       | 17.2       |
| Later than one year but not later than five years | 23.7       | 29.7       |
|   | 38.4       | 46.9       |
| Less unearned finance income                      | (1.4)      | (2.9)      |
|   | 37.0       | 44.0       |

# Notes to the Financial Statements

## 20. Inventories

|                               | Group<br>2022<br>£m | Group<br>2021<br>£m |
|-------------------------------|---------------------|---------------------|
| <b>As at 31 March</b>         |                     |                     |
| Raw materials and consumables | 57.3                | 50.7                |
| Goods held for resale         | 0.8                 | 0.8                 |
|                               | <b>58.1</b>         | <b>51.5</b>         |

There is no material difference between the balance sheet value of Group inventories and their net realisable value. The Corporation had no inventories as 31 March 2022 or 31 March 2021.

The movement on inventories was as follows:

|                                       | Group<br>£m |
|---------------------------------------|-------------|
| Balance at 1 April 2020               | 58.9        |
| Purchases in the year                 | 50.4        |
| Recognised as an expense in the year: |             |
| Consumed/sold in the year             | (54.9)      |
| Net write offs in the year            | (2.8)       |
| <b>Balance at 31 March 2021</b>       | <b>51.5</b> |
| Purchases in the year                 | <b>78.0</b> |
| Recognised as an expense in the year: |             |
| Consumed in the year                  | (70.1)      |
| Goods sold in the year                | (1.2)       |
| Net write offs in the year            | (0.1)       |
| <b>Balance at 31 March 2022</b>       | <b>58.1</b> |

# Notes to the Financial Statements

## 21. Debtors

| At 31 March                        | Group<br>2022<br>£m | Group<br>2021<br>£m |
|------------------------------------|---------------------|---------------------|
| <b>Short-term</b>                  |                     |                     |
| Trade debtors                      | 133.7               | 140.3               |
| Capital debtors                    | 55.3                | 5.5                 |
| Other debtors                      | 28.0                | 76.7                |
| Other tax and social security      | 62.4                | 58.8                |
| Grant debtors                      | 48.2                | 68.5                |
| Interest debtors                   | 2.6                 | 1.2                 |
| Contract assets: accrued income    | 40.6                | 35.7                |
| Prepayments for goods and services | 152.9               | 106.4               |
|                                    | 523.7               | 493.1               |
| <b>Long-term</b>                   |                     |                     |
| Other debtors                      | 45.1                | 17.4                |
| Prepayments for goods and services | 27.1                | 34.8                |
|                                    | 72.2                | 52.2                |

Trade debtors are non-interest bearing and are generally paid within 28 days.

As at 31 March 2021, £607.8m (2021 £488.4m) was recognised as a provision for expected credit losses on trade and other debtors (see note 34).

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.



# Notes to the Financial Statements

## 21. Debtors (continued)

| At 31 March                           | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|---------------------------------------|---------------------------|---------------------------|
| <b>Short-term</b>                     |                           |                           |
| Trade debtors                         | 51.5                      | 30.4                      |
| Amounts due from subsidiary companies | 128.7                     | 297.8                     |
| Capital debtors                       | 0.5                       | 0.6                       |
| Other debtors                         | 7.3                       | 48.9                      |
| Other tax and social security         | 10.8                      | 7.6                       |
| Grant debtors                         | 30.4                      | 17.4                      |
| Interest debtors                      | 0.2                       | -                         |
| Contract assets: accrued income       | 11.5                      | 13.0                      |
| Prepayments for goods and services    | 22.0                      | 24.2                      |
|                                       | 262.9                     | 439.9                     |
| <b>Long-term</b>                      |                           |                           |
| Loans made to subsidiary companies    | 12,325.9                  | 12,251.9                  |
| Other debtors                         | 26.4                      | -                         |
| Prepayments for goods and services    | 8.6                       | 7.6                       |
|                                       | 12,360.9                  | 12,259.5                  |

Trade debtors are non-interest bearing and are generally paid within 28 days. In 2021, £580.2m (2021 £457.9m) was recognised as a provision for expected credit losses on trade debtors (see note 34).

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 are interest-bearing loans, primarily representing the pass-down of external third-party borrowings to the subsidiaries that hold the assets which have been funded by that borrowing. These loans 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 2022 was 3.2 per cent (2021 3.3 per cent).

# Notes to the Financial Statements

## 22. Assets held for sale

|   | Note | Group<br>£m  | Corporation<br>£m |
|---|------|--------------|-------------------|
| Balance at 1 April 2020   |      | 113.4        | 19.1              |
| <b>Net assets transferred from held for sale to investment property</b> |      |              |                   |
| Investment properties   | 15   | (19.7)       | (1.0)             |
| <b>Revaluation gains/(losses)</b>                                       |      |              |                   |
| Investment properties   |      | 2.1          | (0.4)             |
| <b>Disposals</b>  |      |              |                   |
| Investment properties   |      | (0.3)        | (0.2)             |
| <b>Balance at 31 March 2021</b>   |      | <b>95.5</b>  | <b>17.5</b>       |
| <b>Assets newly classified as held for sale</b>                         |      |              |                   |
| Property, plant and equipment   | 13   | 83.4         | -                 |
| Investment properties   | 15   | 6.8          | 0.7               |
| <b>Net assets transferred from held for sale to investment property</b> |      |              |                   |
| Investment properties   | 15   | (16.0)       | (27.3)            |
| <b>Revaluation gains/(losses)</b>                                       |      |              |                   |
| Investment properties   |      | 17.4         | 21.3              |
| <b>Disposals</b>  |      |              |                   |
| Investment properties   |      | (26.2)       | (0.1)             |
| <b>Balance at 31 March 2022</b>   |      | <b>160.9</b> | <b>12.1</b>       |

As at 31 March 2022, 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.

## Notes to the Financial Statements

### 23. Other investments

|                                    | Group<br>2022<br>£m | Group<br>2021<br>£m |
|------------------------------------|---------------------|---------------------|
| At 31 March                        |                     |                     |
| Short-term                         |                     |                     |
| Investments held at amortised cost | 19.0                | 19.0                |

|                                    | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|------------------------------------|---------------------------|---------------------------|
| At 31 March                        |                           |                           |
| Short-term                         |                           |                           |
| Investments held at amortised cost | -                         | -                         |

Short-term investments comprise fixed deposits, UK treasury bills and other tradeable instruments with a maturity of greater than three but less than 12 months.

### 24. Cash and cash equivalents

|  | Group<br>2022<br>£m | Group<br>2021<br>£m |
|--|---------------------|---------------------|
| At 31 March  |                     |                     |
| Cash at bank   | 201.6               | 126.5               |
| Short-term investments with a maturity of less than three months | 1,177.6             | 1,575.8             |
| Cash in hand and in transit                                      | 11.0                | 7.9                 |
|  | 1,390.2             | 1,710.2             |

|  | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|--|---------------------------|---------------------------|
| At 31 March  |                           |                           |
| Cash at bank   | 54.2                      | 52.6                      |
| Short-term investments with a maturity of less than three months | 1,177.6                   | 1,575.8                   |
|  | 1,231.8                   | 1,628.4                   |

Short-term investments comprise fixed deposits, UK treasury bills, repo and other tradeable instruments. These are classified as cash and cash equivalents as they have a maturity of less than three months.

# Notes to the Financial Statements

## 25. Creditors

a) Group creditors at 31 March comprised:

|  | Group<br>2022<br>£m | Group<br>2021<br>£m |
|--|---------------------|---------------------|
| <b>Short-term</b>  |                     |                     |
| Trade creditors  | 208.6               | 164.7               |
| Accrued interest   | 111.2               | 111.7               |
| Capital works  | 555.6               | 656.3               |
| Retentions on capital contracts  | 5.6                 | 9.4                 |
| Capital grants received in advance   | 40.1                | 32.2                |
| Wages and salaries   | 122.3               | 136.9               |
| Other taxation and social security creditors   | 47.5                | 49.3                |
| Contract liabilities: receipts in advance for Travelcards, bus passes and Oyster cards | 120.9               | 217.7               |
| Contract liabilities representing other deferred income                                | 59.1                | 48.3                |
| Accruals and other payables  | 576.0               | 651.4               |
|  | <b>1,846.9</b>      | <b>2,077.9</b>      |
| <b>Long-term</b>   |                     |                     |
| Capital grants received in advance   | 10.5                | 11.1                |
| Retentions on capital contracts  | (0.1)               | 3.9                 |
| Contract liabilities representing other deferred income                                | 29.1                | 29.7                |
| Accruals and other payables  | 42.8                | 12.0                |
|  | <b>82.3</b>         | <b>56.7</b>         |

# Notes to the Financial Statements

## 25. Creditors (continued)

The level of outstanding long-term liabilities as at 31 March 2022 are broadly consistent with the prior year.

The performance obligations related to deferred income balances recorded as at 31 March 2022, which are 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 £21.5m (2021 £21.6m), of which £nil, (2021 £nil) relates to obligations that are due to be satisfied within one to two years, £8.2m (2021 £13.1m) relates to obligations that are to be satisfied within two to three years, and £6.9m (2021 £4.7m) within five years and £6.4m (2021 £3.8) over five years
- ii. Maintenance income of £7.5m (2021 £6.4m) expected to be released over 30 years
- iii. Other miscellaneous contracts, together totalling £0.1m (2021 £1.6m)

Set out below is the amount of revenue recognised by the Group during the year from:

| Year ended 31 March                                 | Group<br>2022<br>£m | Group<br>2021<br>£m |
|---|---------------------|---------------------|
| Amounts included in contract liabilities at 1 April | 163.0               | 213.0               |
| Performance obligations satisfied in previous years | -                   | -                   |

# Notes to the Financial Statements

## 25. Creditors (continued)

b) Corporation creditors at 31 March comprised:

| At 31 March   | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|---|---------------------------|---------------------------|
| <b>Short-term</b>                                       |                           |                           |
| Trade creditors   | 56.0                      | 44.6                      |
| Accrued interest  | 111.1                     | 109.3                     |
| Capital works   | 91.3                      | 127.9                     |
| Retentions on capital contracts                         | -                         | 1.8                       |
| Capital grants received in advance                      | 30.1                      | 14.2                      |
| Amounts due to subsidiary companies                     | 46.3                      | 278.0                     |
| Wages and salaries                                      | 20.5                      | 37.2                      |
| Other taxation and social security creditors            | 0.7                       | 2.8                       |
| Contract liabilities representing other deferred income | 23.7                      | 16.0                      |
| Accruals and other payables                             | 178.4                     | 275.2                     |
|   | 558.1                     | 907.0                     |
| <b>Long-term</b>  |                           |                           |
| Capital grants received in advance                      | 7.7                       | 8.3                       |
| Retentions on capital contracts                         | (0.1)                     | -                         |
| Contract liabilities representing other deferred income | 16.7                      | 16.3                      |
| Accruals and other payables                             | 30.1                      | -                         |
|   | 54.4                      | 24.6                      |

Total long-term contract liabilities balances in the Corporation are broadly consistent with the prior year.

At 31 March 2022, the significant balance of remaining performance obligations in relation to contract liabilities expected to be recognised in more than one year represents deferred license revenue totalling £9.2m (2021 £9.8m), of which £8.9m is expected to be satisfied within five years (2021 £9.8m) and £0.3m (2021 £nil) over five years. Maintenance income of £7.5m (2021 £6.4m) is expected to be released over 30 years. Balances relating to other miscellaneous contracts totalled £nil (2021 £0.1m).

Set out below is the amount of revenue recognised during the year from:

| Year ended 31 March                                 | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|---|---------------------------|---------------------------|
| Amounts included in contract liabilities at 1 April | 11.9                      | 14.9                      |
| Performance obligations satisfied in previous years | -                         | -                         |

# Notes to the Financial Statements

## 26. Borrowings and overdrafts

|             | Group<br>2022<br>£m | Group<br>2021<br>£m |
|-------------|---------------------|---------------------|
| At 31 March |                     |                     |
| Short-term  |                     |                     |
| Borrowings  | 1,423.0             | 1,198.1             |
| Long-term   |                     |                     |
| Borrowings  | 11,543.3            | 11,769.7            |

|             | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|-------------|---------------------------|---------------------------|
| At 31 March |                           |                           |
| Short-term  |                           |                           |
| Borrowings  | 1,423.0                   | 1,198.1                   |
| Long-term   |                           |                           |
| Borrowings  | 11,547.3                  | 11,774.1                  |

Further information about the maturity and interest rate profiles of the Group and Corporation's borrowings is provided in note 34 (Funding and financial risk management).

We have direct access to the UK Debt Management Office (DMO) via the Public Works Loan Board (PWLB) and a £2bn Commercial Paper programme in place, with both sources utilised throughout the financial year to manage liquidity requirements. Additionally, we have a £750m loan facility, with the DfT, ringfenced for the purposes of the Crossrail project and the final instalment of £74m was drawn during the year.

## Notes to the Financial Statements

### 26. Borrowings and overdrafts (continued)

#### Changes in liabilities arising from financing activities

|  | Group<br>2022<br>£m | Group<br>2021<br>£m |
|--|---------------------|---------------------|
| Balance at 1 April   |                     |                     |
| Short-term   | 1,543.5             | 1,272.1             |
| Long-term  | 14,179.3            | 13,095.4            |
|  | 15,722.8            | 14,367.5            |
| Right-of-use lease liabilities recognised on the implementation of IFRS 16 | -                   | -                   |
| Borrowings drawn down  | 801.9               | 1,541.0             |
| Net (repayment of)/additions to other financing liabilities                | (6.2)               | (1.7)               |
| Repayment of borrowings  | (803.7)             | (263.6)             |
| Repayment of PFI liabilities   | (10.0)              | (13.9)              |
| Repayment of right-of-use lease liabilities                                | (314.8)             | (295.4)             |
| Non-cash increase in right-of-use lease liabilities                        | 242.0               | 387.5               |
| Other movements *  | 0.3                 | 1.4                 |
| At 31 March  | 15,632.3            | 15,722.8            |
| Short-term   | 1,774.1             | 1,543.5             |
| Long-term  | 13,858.2            | 14,179.3            |
|  | 15,632.3            | 15,722.8            |

\* Other movements are non-cash and relate to the unwind of discounts and fees.



## Notes to the Financial Statements

### 26. Borrowings and overdrafts (continued)

#### Changes in liabilities arising from financing activities

|   | Corporation 2022<br>£m | Corporation 2021<br>£m |
|---|------------------------|------------------------|
| Balance at 1 April                                  |                        |                        |
| Short-term  | 1,234.4                | 971.2                  |
| Long-term   | 12,262.5               | 11,282.3               |
|   | 13,496.9               | 12,253.5               |
| Borrowings drawn down                               | 74.0                   | 1,541.0                |
| Repayment of borrowings                             | (75.9)                 | (263.6)                |
| Repayment of PFI lease liabilities                  | (9.6)                  | (9.0)                  |
| Repayment of right-of-use lease liabilities         | (26.4)                 | (26.0)                 |
| Non-cash increase in right-of-use-lease liabilities | 7.0                    | 0.2                    |
| Other movements *                                   | -                      | 0.8                    |
| At 31 March   | 13,466.0               | 13,496.9               |
| Short-term  | 1,460.6                | 1,234.4                |
| Long-term   | 12,005.4               | 12,262.5               |
|   | 13,466.0               | 13,496.9               |

\* Other movements are non-cash and relate to the unwind of discounts and fees.

# Notes to the Financial Statements

## 27. 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 IPSAS 32 Service Concession Arrangements – Grantor (IPSAS 32).

The Group therefore recognises PFI assets as items of plant, property and equipment together with a liability to pay for them (see note 13 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   | <p>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.</p> <p>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.</p> |

## Notes to the Financial Statements

### 27. Private finance initiative contracts (continued)

| Contract   | Contract dates | Description   |
|--|----------------|---|
| London Underground Limited (LU)                  |                |   |
| British Transport Police<br>(London Underground) | 1999 to 2022   | <p>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.</p> <p>The contract requires LU to make a base annual unitary payment which is adjusted for indexation and performance as specified in the contract.</p> <p>The contract expired in March 2022.</p> |

## Notes to the Financial Statements

### 27. Private finance initiative contracts (continued)

#### PFI finance lease liabilities

|             | Group<br>2022<br>£m | Group<br>2021<br>£m | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|-------------|---------------------|---------------------|---------------------------|---------------------------|
| At 1 April  | 111.6               | 125.5               | 111.2                     | 120.2                     |
| Payments    | (14.9)              | (19.4)              | (14.4)                    | (14.2)                    |
| Interest    | 4.9                 | 5.5                 | 4.8                       | 5.2                       |
| At 31 March | 101.6               | 111.6               | 101.6                     | 111.2                     |

#### 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<br>interest<br>£m | Repayment of<br>capital<br>£m | Payments for<br>service charges<br>£m | Total amount<br>payable under<br>non-<br>cancellable PFI<br>arrangements<br>£m |
|------------------------|-------------------------------|-------------------------------|---------------------------------------|--|
| At 31 March 2022       |                               |                               |                                       |  |
| Less than 1 year       | 4.4                           | 10.6                          | 34.3                                  | 49.3   |
| Between 1 and 5 years  | 11.9                          | 64.7                          | 127.6                                 | 204.2  |
| Between 6 and 10 years | 1.9                           | 26.3                          | 76.0                                  | 104.2  |
|                        | 18.2                          | 101.6                         | 237.9                                 | 357.7  |
| At 31 March 2021       |                               |                               |                                       |  |
| Less than 1 year       | 4.8                           | 9.9                           | 29.3                                  | 44.0   |
| Between 1 and 5 years  | 14.4                          | 55.9                          | 128.2                                 | 198.5  |
| Between 6 and 10 years | 3.9                           | 45.8                          | 110.3                                 | 160.0  |
|                        | 23.1                          | 111.6                         | 267.8                                 | 402.5  |

## Notes to the Financial Statements

### 27. 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<br>£m | Repayment of capital<br>£m | Payments for service charges<br>£m | Total amount payable under non-cancellable PFI arrangements<br>£m |
|-------------------------|----------------------------|----------------------------|------------------------------------|---|
| <b>At 31 March 2022</b> |                            |                            |                                    |   |
| Less than 1 year        | 4.4                        | 10.6                       | 34.3                               | 49.3  |
| Between 1 and 5 years   | 11.9                       | 64.7                       | 127.6                              | 204.2   |
| Between 6 and 10 years  | 1.9                        | 26.3                       | 76.0                               | 104.2   |
|                         | 18.2                       | 101.6                      | 237.9                              | 357.7   |
| <b>At 31 March 2021</b> |                            |                            |                                    |   |
| Less than 1 year        | 4.8                        | 9.6                        | 25.1                               | 39.5  |
| Between 1 and 5 years   | 14.4                       | 55.8                       | 127.5                              | 197.7   |
| Between 6 and 10 years  | 3.9                        | 45.8                       | 110.3                              | 160.0   |
|                         | 23.1                       | 111.2                      | 262.9                              | 397.2   |

## Notes to the Financial Statements

### 28. Other financing liabilities

Group other financing liabilities at 31 March comprised:

|                           | Group<br>2022<br>£m | Group<br>2021<br>£m |
|---------------------------|---------------------|---------------------|
| <b>Short-term</b>         |                     |                     |
| Deferred capital payments | 6.4                 | 6.2                 |
| <b>Long-term</b>          |                     |                     |
| Deferred capital payments | 121.7               | 128.1               |

Other financing liabilities comprise deferred capital payments in respect of the acquisition of property, plant and equipment. Gross payments with a nominal value of £151.7m (2021 £162.1m) fall due over the period to March 2033. These have been discounted back at an effective rate of interest of 3.2 per cent (2021 3.2 per cent) to the present value recorded in the table above.

# Notes to the Financial Statements

## 29. Provisions

### a) Group provisions

|                               | At 1 April<br>2021<br>£m | Payments<br>in the year<br>£m | Charge<br>for the year<br>£m | Releases<br>in the year<br>£m | At 31 March<br>2022<br>£m |
|-------------------------------|--------------------------|-------------------------------|------------------------------|-------------------------------|---------------------------|
| Compensation and contractual  | 71.9                     | (7.2)                         | 15.0                         | (9.3)                         | 70.4                      |
| Capital investment activities | 66.5                     | (8.0)                         | -                            | -                             | 58.5                      |
| Environmental harm            | 1.4                      | -                             | 5.3                          | 1.1                           | 7.8                       |
| Severance and other           | 30.2                     | (13.5)                        | 33.4                         | (0.9)                         | 49.2                      |
|                               | 170.0                    | (28.7)                        | 53.7                         | (9.1)                         | 185.9                     |

| At 31 March | 2022<br>£m | 2021<br>£m |
|-------------|------------|------------|
| Due         |            |            |
| Short-term  | 99.3       | 109.1      |
| Long-term   | 86.6       | 60.9       |
|             | 185.9      | 170.0      |

### b) Corporation provisions

|                               | At 1 April 2021<br>£m | Payments<br>in the year<br>£m | Charge<br>for the year<br>£m | Releases<br>in the year<br>£m | At 31 March<br>2022<br>£m |
|-------------------------------|-----------------------|-------------------------------|------------------------------|-------------------------------|---------------------------|
| Compensation and contractual  | 18.2                  | (2.8)                         | 1.4                          | (0.4)                         | 16.4                      |
| Capital investment activities | 66.7                  | (8.0)                         | -                            | -                             | 58.7                      |
| Severance and other           | 9.6                   | (6.2)                         | 22.3                         | (6.5)                         | 19.2                      |
|                               | 94.5                  | (17.0)                        | 23.7                         | (6.9)                         | 94.3                      |

| At 31 March | 2022<br>£m | 2021<br>£m |
|-------------|------------|------------|
| Due         |            |            |
| Short-term  | 53.3       | 64.9       |
| Long-term   | 41.0       | 29.6       |
|             | 94.3       | 94.5       |

# Notes to the Financial Statements

## 29. 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. 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.



## Notes to the Financial Statements

### 30. Derivative financial instruments

#### Group derivatives in cash flow hedge relationships

| At 31 March                        | Fair value<br>2022<br>£m | Notional<br>amount<br>2022<br>£m | Fair value<br>2021<br>£m | Notional<br>amount<br>2021<br>£m |
|------------------------------------|--------------------------|----------------------------------|--------------------------|----------------------------------|
| <b>Long-term assets</b>            |                          |                                  |                          |                                  |
| Interest rate swaps                | 13.0                     | 215.6                            | -                        | -                                |
| Foreign currency forward contracts | 0.2                      | 5.8                              | 0.2                      | 19.7                             |
|                                    | 13.2                     | 221.4                            | 0.2                      | 19.7                             |
| <b>Current assets</b>              |                          |                                  |                          |                                  |
| Foreign currency forward contracts | 1.4                      | 23.8                             | 6.5                      | 229.1                            |
|                                    | 1.4                      | 23.8                             | 6.5                      | 229.1                            |
| <b>Current liabilities</b>         |                          |                                  |                          |                                  |
| Interest rate swaps                | -                        | -                                | (1.2)                    | 75.0                             |
| Foreign currency forward contracts | (6.5)                    | 296.2                            | (10.8)                   | 165.7                            |
|                                    | (6.5)                    | 296.2                            | (12.0)                   | 240.7                            |
| <b>Long-term liabilities</b>       |                          |                                  |                          |                                  |
| Interest rate swaps                | -                        | -                                | (29.6)                   | 336.9                            |
| Foreign currency forward contracts | (14.2)                   | 203.4                            | (17.7)                   | 271.5                            |
|                                    | (14.2)                   | 203.4                            | (47.3)                   | 608.4                            |

The Corporation has not entered into any derivative financial instrument contracts. Further detail on the Group's derivative instruments is set out in note 34.

### 31. 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

## 32. Guarantees

Section 160 of the GLA Act 1999 sets out the conditions under which the Corporation may give certain guarantees, indemnities or similar arrangements. Under section 161 of the GLA Act 1999 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 Limited.

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<br>debt drawn by<br>counterparty at<br>start of contract<br>£m |
|--|--|
| Agreement with 345 Rail Leasing Limited  | 1,050  |
| Agreements with QW Rail Leasing Ltd      | 380  |
| Agreement with London Rail Leasing Ltd   | 350  |
| Agreement with Lloyds Bank PLC           | 109  |
| Agreement with Pittville Leasing Ltd     | 51   |
| Agreement with Lombard North Central Plc | 7  |

In addition, TfL also guarantees the payments of certain of its subsidiaries under a number of other service and construction contracts. 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 future Mayoral CIL payments that Berkeley 55 Limited may be charged in relation to the fit out of the Crossrail station at Woolwich.

## Notes to the Financial Statements

### 32. Guarantees (continued)

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 2022 is £6.1m (2021 £52.6m).

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 2022 the fair value of all financial guarantees granted has been recorded as £nil (2021 £nil).

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## Notes to the Financial Statements

### 33. Financial commitments

#### Operating leases - The Group and Corporation as lessor

The Group and Corporation lease out commercial, retail and office property, and land that they hold as a result of their infrastructure holdings.

At the Balance Sheet date, the Group and Corporation had contracted with customers for the following future minimum lease payments:

|                            | Group<br>£m  | Corporation<br>£m |
|----------------------------|--------------|-------------------|
| <b>Land and buildings</b>  |              |                   |
| <b>At 31 March 2022</b>    |              |                   |
| Within one year            | 59.3         | 1.0               |
| Between one and two years  | 52.6         | 1.0               |
| Between two and five years | 109.7        | 2.1               |
| Later than five years      | 624.2        | 11.1              |
|                            | <b>845.8</b> | <b>15.2</b>       |
| <b>At 31 March 2021</b>    |              |                   |
| Within one year            | 57.3         | 0.7               |
| Between one and two years  | 52.1         | 0.7               |
| Between two and five years | 111.4        | 1.7               |
| Later than five years      | 617.8        | 4.9               |
|                            | <b>838.6</b> | <b>8.0</b>        |

# 34. Funding and financial risk management

### Introduction

TfL is a statutory corporation established under the GLA Act 1999. TfL is funded by revenues, grant and prudential borrowing. The Group's debt is issued by the statutory corporation, Transport for London, in the form of loans from the PWLB, the EIB and EDC, 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. The Treasury Management Strategy for 2021/22 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 (2018 Edition) issued by the Ministry for Housing, Communities and local Government (the Investment Guidance). The strategy was approved by the TfL Finance Committee (a sub-committee of the TfL Board) prior to the commencement of the financial year.

The Group's principal financial instruments comprise borrowings, investments, derivatives, lease liabilities and receivables, PFI liabilities and 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. 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.

## Notes to the Financial Statements

### 34. Funding and financial risk management (continued)

#### 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, approves 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

### 34. 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 21.

A significant portion of the financial assets arising in the Corporation are with other Group companies. Per note 32, 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.

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 2022 was determined as follows for both trade receivables and contract assets:

#### Age of trade and other debtors: Group

|  | Not overdue<br>£m | Overdue by<br>less than 3<br>months<br>£m | Overdue by<br>between<br>3 and 6<br>months<br>£m | Overdue by<br>between<br>6 months and<br>1 year<br>£m | Overdue by<br>more than 1<br>year<br>£m | Total<br>£m |
|--|-------------------|---|--|---|---|-------------|
| <b>At 31 March 2022</b>                          |                   |   |  |   |   |             |
| Expected credit loss rate                        | 0.1%              | 64.1%                                     | 90.0%  | 97.6%   | 99.1%                                   | 59.4%       |
| Estimated total gross carrying amount at default | 364.5             | 105.5                                     | 83.0   | 107.0   | 363.7                                   | 1,023.7     |
| Expected credit loss allowance                   | (0.5)             | (67.6)                                    | (74.7)   | (104.4)   | (360.6)                                 | (607.8)     |
| <b>At 31 March 2021</b>                          |                   |   |  |   |   |             |
| Expected credit loss rate                        | 0.7%              | 36.1%                                     | 87.8%  | 94.4%   | 99.0%                                   | 54.7%       |
| Estimated total gross carrying amount at default | 340.6             | 82.3                                      | 43.3   | 84.4  | 341.9                                   | 892.5       |
| Expected credit loss allowance                   | (2.5)             | (29.7)                                    | (38.0)   | (79.7)  | (338.5)                                 | (488.4)     |

## Notes to the Financial Statements

### 34. Funding and financial risk management (continued)

#### Age of trade and other debtors: Corporation

|  | Not overdue<br>£m | Overdue by<br>less than 3<br>months<br>£m | Overdue by<br>between<br>3 and 6<br>months<br>£m | Overdue by<br>between<br>6 months and<br>1 year<br>£m | Overdue by<br>more than 1<br>year<br>£m | Total<br>£m |
|--|-------------------|---|--|---|---|-------------|
| <b>At 31 March 2022</b>                          |                   |   |  |   |   |             |
| Expected credit loss rate                        | -                 | 64.1%                                     | 91.0%  | 98.1%   | 99.3%                                   | 4.4%        |
| Estimated total gross carrying amount at default | 12,549.2          | 90.3                                      | 79.2   | 100.1   | 354.6                                   | 13,173.4    |
| Expected credit loss allowance                   | -                 | (57.9)                                    | (72.1)   | (98.2)  | (352.0)                                 | (580.2)     |
| <b>At 31 March 2021</b>                          |                   |   |  |   |   |             |
| Expected credit loss rate                        | -                 | 58.9%                                     | 87.9%  | 98.0%   | 99.4%                                   | 3.5%        |
| Estimated total gross carrying amount at default | 12,645.0          | 35.8                                      | 36.5   | 73.5  | 334.7                                   | 13,125.5    |
| Expected credit loss allowance                   | -                 | (21.1)                                    | (32.1)   | (72.0)  | (332.7)                                 | (457.9)     |

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. TfL has a statutory duty to maximise recovery of charges and fees, including road user charges.

#### (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.

Throughout 2021/22 investments were made within limits approved by the Finance Committee. 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 2022, the fair value of the collateral held amounted to £100m (2021 £200m).

The centrally managed cash reserves at 31 March 2022 totalled £1,177.7m (2021 £1,575.8m).



## Notes to the Financial Statements

### 34. Funding and financial risk management (continued)

As at 31 March, principal funds managed centrally on behalf of the Group and placed on deposit by the Corporation were as follows:

|                                     | Amount<br>£m   | Minimum Credit Rating<br>(S&P/<br>Moody's/<br>Fitch) | Weighted<br>average days<br>to maturity |
|-------------------------------------|----------------|--|---|
| <b>At 31 March 2022</b>             |                |  |   |
| UK Debt Management Office           | 286.1          | P-1/A-1+/F1+   | 41                                      |
| Other Government Agencies           | 179.1          | P-1/A-1+/F1+   | 52                                      |
| Money Market Funds                  | 267.5          | AAA/AAA/AAA  | 1                                       |
| Banks (including Gilt backed repos) | 402.8          | P-1/A-1/F1   | 33                                      |
| Corporates                          | 42.2           | P-1/A-1+/F1  | 48                                      |
| <b>Total</b>                        | <b>1,177.7</b> |  | <b>31</b>                               |
| <b>At 31 March 2021</b>             |                |  |   |
| UK Debt Management Office           | 388.0          | P-1/A-/1+  | 45                                      |
| Other Government Agencies           | 201.2          | P-1/A-1+/F1+   | 43                                      |
| Money Market Funds                  | 374.7          | AAA/AAA/AAA  | 1                                       |
| Banks (including Gilt backed repos) | 526.7          | P-1/A-1+/F1+   | 33                                      |
| Corporates                          | 85.2           | P-1/A-1/F1   | 8                                       |
| <b>Total</b>                        | <b>1,575.8</b> |  | <b>29</b>                               |

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 at 31 March 2022 and as at 31 March 2021 was immaterial.

## Notes to the Financial Statements

### 34. 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 was approved by the TfL Finance Committee. 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 32, which are deemed necessary for the fulfilment of its policies. 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 2022, the fair value of the Corporation's financial guarantees has been assessed as £nil (2021 £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.

### 34. Funding and financial risk management (continued)

For the years ended 31 March 2022 and 2021 all derivatives in designated hedge relationships were assessed as highly effective and no ineffectiveness was recognised. Accordingly, the full movement in the fair value of those derivatives was taken to reserves.

#### (i) Foreign exchange risk

During 2021/22, TfL held certain short-term investments denominated in Euros. These foreign currency denominated investments were swapped back to GBP 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 2022, the Group held foreign exchange contracts to hedge €283.3m future Euro receipts in relation to its Euro investments (2021 €215.0m). Throughout the year, the hedging strategy provided an effective offset of fair value movements due to holding foreign currency investments. The unrealised exchange net gain was £0.3m as at 31 March 2022 (2021 a net gain of £0.1m). These derivative instruments mature in the period to June 2022.

For 2021/22, 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. For exposures not meeting these criteria, the exchange risk was passed on to the vendor. These exchange rate exposures were managed through the use of forward foreign exchange contracts 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.

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.

#### Effects of hedge accounting - Foreign currency hedges in relation to capital expenditure

At 31 March 2022, the Group held forward foreign exchange derivative contracts in Euros, Canadian Dollars, Swiss Francs, Swedish Krona and Chinese Yuan Renminbi. These forward contracts hedge planned foreign currency capital expenditure payments with a nominal value of £278.6m (2021 £371.5m). At 31 March 2022, these contracts had a combined net fair value of £(17.0)m (2021 £(25.7)m). The fair value of forward contracts was recognised in equity at 31 March 2022, with the exception of Swiss Franc contracts with a fair value of £nil for which hedge accounting was discontinued as future hedged payments in that currency were no longer considered probable. The fair value loss is recognised in the income statement. For all other currencies, once hedged purchases occur, the subsequent realised gain or loss will be transferred to fixed asset additions as a basis adjustment.

## Notes to the Financial Statements

### 34. Funding and financial risk management (continued)

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 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 March 2027. 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 at 31 March

|   | 2022<br>Net<br>nominal<br>value<br>£m | 2022<br>Fair<br>value<br>£m | 2022<br>Fair value<br>after a 10%<br>increase in<br>GBP<br>against<br>other<br>currency<br>£m | 2022<br>Fair value<br>after a 10%<br>decrease in<br>GBP<br>against<br>other<br>currency<br>£m | 2021<br>Net nominal<br>value<br>£m | 2021<br>Fair value<br>£m | 2021<br>Fair value<br>after a 10%<br>increase in<br>GBP against<br>other<br>currency<br>£m | 2021<br>Fair value<br>after a 10%<br>decrease in<br>GBP against<br>other<br>currency<br>£m |
|---|---------------------------------------|-----------------------------|---|---|------------------------------------|--------------------------|--|--|
| <b>Impact on Comprehensive Income and Expenditure</b> |                                       |                             |   |   |                                    |                          |  |  |
| <b>Net sell</b>                                       |                                       |                             |   |   |                                    |                          |  |  |
| Euros   | (238.9)                               | (2.0)                       | 19.8  | (28.5)  | (183.2)                            | 3.9                      | 20.6   | (16.4)   |
| <b>Net buy</b>  |                                       |                             |   |   |                                    |                          |  |  |
| Swiss Francs  | -                                     | -                           | -   | -   | 2.5                                | (0.3)                    | (0.5)  | (0.1)  |
|   | n/a                                   | (2.0)                       | 19.8  | (28.5)  | n/a                                | 3.6                      | 20.1   | (16.5)   |
| <b>Impact on Hedging Reserves</b>                     |                                       |                             |   |   |                                    |                          |  |  |
| <b>Net buy</b>  |                                       |                             |   |   |                                    |                          |  |  |
| Euros   | 248.4                                 | (16.4)                      | (38.9)  | 11.0  | 302.5                              | (24.7)                   | (52.5)   | 9.3  |
| Canadian dollars                                      | 0.8                                   | -                           | (0.1)   | 0.1   | 36.4                               | 1.2                      | (2.1)  | 5.2  |
| Swiss Francs  | -                                     | -                           | -   | -   | -                                  | -                        | -  | -  |
| Swedish Krona   | 22.0                                  | (1.3)                       | (3.2)   | 1.1   | 23.3                               | (1.8)                    | (3.9)  | 0.8  |
| Chinese Yuan Renminbi                                 | 7.4                                   | 0.6                         | (0.1)   | 1.4   | 6.8                                | (0.1)                    | (0.7)  | 0.6  |
|   | n/a                                   | (17.1)                      | (42.3)  | 13.6  | n/a                                | (25.4)                   | (59.2)   | 15.9   |
| <b>Total liability</b>                                | n/a                                   | (19.1)                      | (22.5)  | (14.9)  | n/a                                | (21.8)                   | (39.1)   | (0.6)  |

### 34. Funding and financial risk management (continued)

#### (ii) Interest rate risk

The Group is mainly exposed to interest rate risk on its planned future borrowings. As TfL is required by legislation to produce a balanced Budget and also produces a balanced Business Plan, 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.

In addition to raising borrowings at fixed rates, to achieve certainty over the cost of planned borrowings, TfL, through its wholly owned subsidiary, Transport for London Finance Limited, can employ derivatives to fix the floating interest rates risk of highly probable and existing borrowings. Transport for London Finance Limited also holds interest rate swaps to fix the floating interest rate risk within committed lease payments for rolling stock. The critical terms of these derivative instruments are closely aligned to the payment schedules and hedge accounting is applied.

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.

#### Effects of IBOR reform

Following the financial crisis, the reform and replacement of benchmark interest rates such as interbank offered rates ('IBORs') became a priority for global regulators. LIBOR ceased to be published for GBP immediately after 31 December 2021. Sterling Overnight Index Average (SONIA) was selected as the preferred sterling risk-free rate by the Bank of England's Working Group on Sterling Risk Free Reference Rates.

The Group's most significant risk exposure affected by these changes relate to its LIBOR linked floating rate lease payments and the interest rate derivatives that hedged this variability. During the year, TfL restructured the lease contracts to reference SONIA and their associated derivatives.

The notional amount of interest rate swaps designated as hedges is disclosed below.

#### Effects of hedge accounting - Interest rate swaps

As at 31 March 2022, the Group, through its wholly owned subsidiary, Transport for London Finance Limited, held two float to fixed interest rate swaps at a total notional value of £215.6m (2021 eight interest rate swaps at a total notional value of £411.9m).

## Notes to the Financial Statements

### 34. Funding and financial risk management (continued)

During the year, three interest rate swaps referencing GBP LIBOR that had been hedging the interest rate risk on short term rolling Commercial Paper were terminated, and hedge accounting on these discontinued. Three interest rate swaps hedging interest rate risk on lease payments were terminated and replaced by two new swaps at current market rates referencing SONIA. These new swaps were designated in hedge relationships with the restructured lease payments that also reference SONIA.

For the hedges that related to Commercial Paper the termination settlement (£5m loss) was recorded in net financing costs within Comprehensive Income and Expenditure Statement. For the hedges that related to lease payments the termination settlement (£15m loss) was recognised in equity and will be transferred to net financing costs within Comprehensive Income and Expenditure Statement as the hedged payment occur.

The net fair value of outstanding contracts at 31 March 2022 was an asset of £13.0m (2021 liability of £30.8m). The fair value is recognised in equity at 31 March 2022 and will be transferred to net financing costs within the Comprehensive Income and Expenditure Statement as the hedged lease 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 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 2037. 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 on net income figures in respect of these items.

##### (b) Fair value sensitivity analysis for derivative instruments

As at 31 March 2022, the Group holds interest rate derivative contracts with a combined notional value of £215.6m (2021 £411.9m) 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 £30.6m/£(7)m (2021 £29.6m/£(24.9)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.

## Notes to the Financial Statements

### 34. Funding and financial risk management (continued)

#### Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Maintaining sufficient cash reserves and having access to a diverse range of flexible funding sources ensures the Group has sufficient liquidity to meet its liabilities, in both normal and stressed conditions.

Liquidity risk is primarily managed by maintaining a minimum level of cash reserves of at least 60 days' worth of forecast annual operating expenditure, equivalent to approximately £1.2bn.

The Corporation has access to several external sources of financing, which are sufficient to meet anticipated funding requirements, within the affordable borrowing limit set by the Mayor. Providing market conditions permit access, the Corporation can raise debt on the capital markets through its established £5bn Medium Term Note programme and £2bn Commercial Paper programme. Alternatively, and in addition, TfL has direct access to reliable funding from the Public Works Loan Board and has an arranged, uncommitted, £0.2bn overdraft facility. Funding facilities are not subject to financial covenants. TfL can also secure financing from financial institutions.

Debt maturities are diversified over short-, medium- and long-term horizons that broadly equate to the lives of the assets that were funded by this source. This ensures refinancing risk is minimised. The contractual maturities of the Group and Corporation's borrowing and other financial liabilities are listed later in this note.

In response to the funding pressures faced over the course of 2020/21 and 2021/22, TfL secured a number of Extraordinary Funding and Financing Agreements from the Secretary of State, as set out in the Viability Statement section of the Narrative report, which give it secure access to funding in the form of a mixture of Government grant and borrowing from the Public Works Loan Board until 24 June 2022. These agreements contain an acknowledgement from the Secretary of State for Transport that further financial support from the Government is likely to be needed until 1 April 2023, with longer term external funding being required to support TfL's capital investment programme.

On 9 May 2022, Moody's credit rating agency downgraded TfL's long-term credit rating from A3 to Baa1 stable citing economic factors hindering recovery of passenger growth.

Due to the active liquidity management and mitigations outlined, there is no significant risk that TfL will be unable to fund its planned financial commitments.

## Notes to the Financial Statements

### 34. Funding and financial risk management (continued)

#### Maturity profile of derivatives

The Group's foreign currency derivatives have the following maturities:

| At 31 March                               | 2022<br>Average<br>exchange<br>rate | 2022<br>Fair value<br>£m | 2022<br>Notional<br>amount<br>£m | 2021<br>Average<br>exchange<br>rate | 2021<br>Fair value<br>£m | 2021<br>Notional<br>amount<br>£m |
|---|-------------------------------------|--------------------------|----------------------------------|-------------------------------------|--------------------------|----------------------------------|
| <b>Foreign currency forward contracts</b> |                                     |                          |                                  |                                     |                          |                                  |
| <b>Buy Euro</b>                           |                                     |                          |                                  |                                     |                          |                                  |
| Less than one year                        | 0.874                               | (3.2)                    | 68.5                             | 0.874                               | (8.3)                    | 79.2                             |
| Between one and two years                 | 0.889                               | (2.8)                    | 42.6                             | 0.885                               | (3.3)                    | 43.3                             |
| Between two and five years                | 0.921                               | (10.4)                   | 137.3                            | 0.916                               | (13.0)                   | 173.8                            |
| After five years                          | -                                   | -                        | -                                | 0.914                               | (0.1)                    | 6.2                              |
| <b>Sell Euro</b>                          |                                     |                          |                                  |                                     |                          |                                  |
| Less than one year                        | 0.840                               | (2.0)                    | (238.9)                          | 0.870                               | 3.9                      | (183.2)                          |
| <b>Total Euro</b>                         | <b>0.894</b>                        | <b>(18.4)</b>            | <b>9.5</b>                       | <b>0.892</b>                        | <b>(20.8)</b>            | <b>119.3</b>                     |
| <b>Buy Canadian Dollars</b>               |                                     |                          |                                  |                                     |                          |                                  |
| Less than one year                        | 0.591                               | -                        | 0.8                              | 0.560                               | 1.2                      | 36.1                             |
| Between one and two years                 | -                                   | -                        | -                                | 0.590                               | -                        | 0.3                              |
| Between two and five years                | -                                   | -                        | -                                | -                                   | -                        | -                                |
| <b>Total Canadian Dollars</b>             | <b>0.561</b>                        | <b>-</b>                 | <b>0.8</b>                       | <b>0.561</b>                        | <b>1.2</b>               | <b>36.4</b>                      |



## Notes to the Financial Statements

### 34. Funding and financial risk management (continued)

#### Maturity profile of derivatives (continued)

The Group's foreign currency derivatives have the following maturities:

| At 31 March                               | 2022<br>Average<br>exchange<br>rate | 2022<br>Fair value<br>£m | 2022<br>Notional<br>amount<br>£m | 2021<br>Average<br>exchange<br>rate | 2021<br>Fair value<br>£m | 2021<br>Notional<br>amount<br>£m |
|---|-------------------------------------|--------------------------|----------------------------------|-------------------------------------|--------------------------|----------------------------------|
| <b>Foreign currency forward contracts</b> |                                     |                          |                                  |                                     |                          |                                  |
| <b>Buy Swiss Francs</b>                   |                                     |                          |                                  |                                     |                          |                                  |
| Less than one year                        | -                                   | -                        | -                                | 0.868                               | (0.2)                    | 2.1                              |
| Between one and two years                 | -                                   | -                        | -                                | 0.889                               | (0.1)                    | 0.2                              |
| Between two and five years                | -                                   | -                        | -                                | 0.905                               | -                        | 0.2                              |
| <b>Total Swiss Francs</b>                 | -                                   | -                        | -                                | 0.880                               | (0.3)                    | 2.5                              |
| <b>Buy Swedish Krona</b>                  |                                     |                          |                                  |                                     |                          |                                  |
| Less than one year                        | 0.085                               | (0.5)                    | 4.8                              | 0.086                               | (0.9)                    | 2.4                              |
| Between one and two years                 | 0.085                               | (0.4)                    | 6.2                              | 0.087                               | (0.4)                    | 3.7                              |
| Between two and five years                | 0.086                               | (0.4)                    | 11.0                             | 0.086                               | (0.5)                    | 15.0                             |
| After five years                          | -                                   | -                        | -                                | 0.086                               | -                        | 2.2                              |
| <b>Total Swedish Krona</b>                | 0.085                               | (1.3)                    | 22.0                             | 0.086                               | (1.8)                    | 23.3                             |
| <b>Buy Chinese Yuan Renminbi</b>          |                                     |                          |                                  |                                     |                          |                                  |
| Less than one year                        | 0.110                               | 0.6                      | 6.9                              | 0.103                               | -                        | -                                |
| Between one and two years                 | 0.107                               | -                        | 0.5                              | 0.110                               | (0.1)                    | 6.3                              |
| Between two and five years                | -                                   | -                        | -                                | 0.107                               | -                        | 0.5                              |
| <b>Sell Chinese Yuan Renminbi</b>         |                                     |                          |                                  |                                     |                          |                                  |
| Less than one year                        | -                                   | -                        | -                                | -                                   | -                        | -                                |
| Between one and two years                 | -                                   | -                        | -                                | -                                   | -                        | -                                |
| <b>Total Chinese Yuan Renminbi</b>        | 0.109                               | 0.6                      | 7.4                              | 0.106                               | (0.1)                    | 6.8                              |
| <b>Grand total</b>                        | n/a                                 | (19.1)                   | 39.7                             | n/a                                 | (21.8)                   | 188.3                            |

## Notes to the Financial Statements

### 34. Funding and financial risk management (continued)

#### Maturity profile of derivatives (continued)

The Group's interest rate derivatives have the following maturities:

| At 31 March                 | 2022<br>Average<br>contracted<br>fixed interest<br>rate (%) | 2022<br>Fair value<br>£m | 2022<br>Notional<br>amount<br>£m | 2021<br>Average<br>contracted<br>fixed interest<br>rate (%) | 2021<br>Fair value<br>£m | 2021<br>Notional<br>amount<br>£m |
|-----------------------------|---|--------------------------|----------------------------------|---|--------------------------|----------------------------------|
| <b>Interest rate hedges</b> |   |                          |                                  |   |                          |                                  |
| Less than one year          | -   | -                        | -                                | 3.837   | (1.2)                    | 75.0                             |
| Between one and two years   | -   | -                        | -                                | 4.284   | (6.4)                    | 100.0                            |
| Between two and five years  | -   | -                        | -                                | 4.489   | (2.3)                    | 25.0                             |
| After five years            | 1.037   | 13.0                     | 215.6                            | 2.285   | (20.9)                   | 211.9                            |
| <b>Total</b>                | <b>1.037</b>  | <b>13.0</b>              | <b>215.6</b>                     | <b>3.187</b>  | <b>(30.8)</b>            | <b>411.9</b>                     |

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.

During the financial year 2021/22, as a result of the replacement of LIBOR with SONIA, all interest rate swaps referencing GBP LIBOR were terminated. The derivatives that hedged variable financing costs within certain lease contracts were replaced with two interest rate swaps.

## Notes to the Financial Statements

### 34. Funding and financial risk management (continued)

#### Maturity profile of derivatives (continued)

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<br>year<br>£m | Between one<br>and two<br>years<br>£m | Between two<br>and five<br>years<br>£m | More than<br>five years<br>£m | Total<br>£m |
|--|-----------------------------|---------------------------------------|--|-------------------------------|-------------|
| <b>Group - at 31 March 2022</b>            |                             |                                       |  |                               |             |
| <b>Derivatives settled gross</b>           |                             |                                       |  |                               |             |
| <b>Foreign exchange forward contracts:</b> |                             |                                       |  |                               |             |
| Amounts receivable                         | 342.9                       | 67.1                                  | 148.4                                  | -                             | 558.4       |
| Amounts payable                            | (348.2)                     | (71.8)                                | (166.0)                                | -                             | (586.0)     |
| <b>Derivatives settled net</b>             |                             |                                       |  |                               |             |
| Interest rate swaps                        | 0.5                         | 3.0                                   | 4.2                                    | 5.1                           | 12.8        |
|  | (4.8)                       | (1.7)                                 | (13.4)                                 | 5.1                           | (14.8)      |
| <b>Group - at 31 March 2021</b>            |                             |                                       |  |                               |             |
| <b>Derivatives settled gross</b>           |                             |                                       |  |                               |             |
| <b>Foreign exchange forward contracts:</b> |                             |                                       |  |                               |             |
| Amounts receivable                         | 453.3                       | 76.7                                  | 206.5                                  | 8.4                           | 744.9       |
| Amounts payable                            | (457.8)                     | (81.1)                                | (226.5)                                | (8.9)                         | (774.3)     |
| <b>Derivatives settled net</b>             |                             |                                       |  |                               |             |
| Interest rate swaps                        | (11.8)                      | (9.2)                                 | (13.3)                                 | (3.5)                         | (37.8)      |
|  | (16.3)                      | (13.6)                                | (33.3)                                 | (4.0)                         | (67.2)      |

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 2022, the fair value of the interest rate derivatives was a net asset of £13m (2021 £30.8m). The fair value of forward exchange derivatives was a net liability of £19.1m (2021 £21.8m).

## Notes to the Financial Statements

### 34. Funding and financial risk management (continued)

#### 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<br>year<br>£m | Between one<br>and two<br>years<br>£m | Between two<br>and five<br>years<br>£m | More than<br>five years<br>£m | Total<br>£m     |
|--|-----------------------------|---------------------------------------|--|-------------------------------|-----------------|
| <b>Group - as at 31 March 2022</b>       |                             |                                       |  |                               |                 |
| Trade and other creditors                | 1,626.8                     | 42.7                                  | -                                      | -                             | 1,669.5         |
| Borrowings - principal                   | 1,425.1                     | 163.9                                 | 1,280.2                                | 10,124.5                      | 12,993.7        |
| Borrowings - interest                    | 402.6                       | 314.1                                 | 1,196.2                                | 5,365.0                       | 7,277.9         |
| Right-of-use lease liabilities           | 365.5                       | 328.4                                 | 580.3                                  | 1,799.6                       | 3,073.8         |
| PFI liabilities                          | 15.0                        | 18.3                                  | 58.3                                   | 28.2                          | 119.8           |
| Other financing liabilities              | 10.4                        | 20.9                                  | 40.1                                   | 80.3                          | 151.7           |
|  | <b>3,845.4</b>              | <b>888.3</b>                          | <b>3,155.1</b>                         | <b>17,397.6</b>               | <b>25,286.4</b> |
| <b>Group - as at 31 March 2021</b>       |                             |                                       |  |                               |                 |
| Trade and other creditors                | 1,779.7                     | 15.9                                  | -                                      | -                             | 1,795.6         |
| Borrowings - principal                   | 1,173.4                     | 694.1                                 | 1,170.3                                | 9,957.7                       | 12,995.5        |
| Borrowings - interest                    | 336.3                       | 404.1                                 | 1,136.7                                | 5,610.2                       | 7,487.3         |
| Right-of-use lease liabilities           | 361.8                       | 334.4                                 | 596.6                                  | 1,875.8                       | 3,168.6         |
| PFI liabilities                          | 14.7                        | 15.0                                  | 55.3                                   | 49.7                          | 134.7           |
| Other financing liabilities              | 10.4                        | 10.4                                  | 47.7                                   | 93.6                          | 162.1           |
|  | <b>3,676.3</b>              | <b>1,473.9</b>                        | <b>3,006.6</b>                         | <b>17,587.0</b>               | <b>25,743.8</b> |
| <b>Corporation - as at 31 March 2022</b> |                             |                                       |  |                               |                 |
| Trade and other creditors                | 504.3                       | 30.0                                  | -                                      | -                             | 534.3           |
| Borrowings - principal                   | 1,425.1                     | 163.9                                 | 1,280.2                                | 10,124.5                      | 12,993.7        |
| Borrowings - interest                    | 402.6                       | 314.1                                 | 1,196.2                                | 5,365.0                       | 7,277.9         |
| Right-of-use lease liabilities           | 37.3                        | 37.0                                  | 102.9                                  | 307.7                         | 484.9           |
| PFI lease liabilities                    | 15.0                        | 18.3                                  | 58.3                                   | 28.2                          | 119.8           |
|  | <b>2,384.3</b>              | <b>563.3</b>                          | <b>2,637.6</b>                         | <b>15,825.4</b>               | <b>21,410.6</b> |
| <b>Corporation - as at 31 March 2021</b> |                             |                                       |  |                               |                 |
| Trade and other creditors                | 876.8                       | -                                     | -                                      | -                             | 876.8           |
| Borrowings - principal                   | 1,173.4                     | 694.1                                 | 1,170.3                                | 9,957.7                       | 12,995.5        |
| Borrowings - interest                    | 336.3                       | 404.1                                 | 1,136.7                                | 5,610.2                       | 7,487.3         |
| Right-of-use lease liabilities           | 37.6                        | 35.8                                  | 101.2                                  | 340.4                         | 515.0           |
| PFI lease liabilities                    | 14.4                        | 15.0                                  | 55.2                                   | 49.7                          | 134.3           |
|  | <b>2,438.5</b>              | <b>1,149.0</b>                        | <b>2,463.4</b>                         | <b>15,958.0</b>               | <b>22,008.9</b> |

## Notes to the Financial Statements

### 34. 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
- Right-of-use lease liabilities – approximates to the carrying amount
- PFI liabilities – approximates to the carrying amount
- Other financing liabilities – approximates to the carrying amount

## Notes to the Financial Statements

### 34. Funding and financial risk management (continued)

#### Fair values (continued)

The fair values of the Group's financial assets and liabilities together with the carrying amounts recorded in the Balance Sheet are illustrated below:

| At 31 March                        | 2022<br>Carrying<br>value<br>£m | 2022<br>Fair value<br>£m | 2021<br>Carrying value<br>£m | 2021<br>Fair value<br>£m |
|------------------------------------|---------------------------------|--------------------------|------------------------------|--------------------------|
| Cash and cash equivalents          | 1,390.2                         | 1,390.2                  | 1,710.2                      | 1,710.2                  |
| Short-term investments             | 19.0                            | 19.0                     | 19.0                         | 19.0                     |
| Trade and other debtors            | 415.9                           | 415.9                    | 404.1                        | 404.1                    |
| Finance lease receivables          | 37.0                            | 37.0                     | 44.0                         | 44.0                     |
| Derivative financial instruments   | 14.6                            | 14.6                     | 6.7                          | 6.7                      |
| <b>Total financial assets</b>      | <b>1,876.7</b>                  | <b>1,876.7</b>           | <b>2,184.0</b>               | <b>2,184.0</b>           |
| Trade and other creditors          | (1,669.5)                       | (1,669.5)                | (1,795.6)                    | (1,795.6)                |
| Borrowings                         | (12,966.3)                      | (16,558.0)               | (12,967.8)                   | (19,742.4)               |
| Right-of-use lease liabilities     | (2,436.3)                       | (2,436.3)                | (2,509.1)                    | (2,509.1)                |
| PFI liabilities                    | (101.6)                         | (101.6)                  | (111.6)                      | (111.6)                  |
| Other financing liabilities        | (128.1)                         | (128.1)                  | (134.3)                      | (134.3)                  |
| Derivative financial instruments   | (20.7)                          | (20.7)                   | (59.3)                       | (59.3)                   |
| <b>Total financial liabilities</b> | <b>(17,322.5)</b>               | <b>(20,914.2)</b>        | <b>(17,577.7)</b>            | <b>(24,352.3)</b>        |
| <b>Net financial liabilities</b>   | <b>(15,445.8)</b>               | <b>(19,037.5)</b>        | <b>(15,393.7)</b>            | <b>(22,168.3)</b>        |

## Notes to the Financial Statements

### 34. 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                        | 2022<br>Carrying<br>value<br>£m | 2022<br>Fair value<br>£m | 2021<br>Carrying value<br>£m | 2021<br>Fair value<br>£m |
|------------------------------------|---------------------------------|--------------------------|------------------------------|--------------------------|
| Cash and cash equivalents          | 1,231.8                         | 1,231.8                  | 1,628.4                      | 1,628.4                  |
| Trade and other debtors            | 12,593.2                        | 12,593.2                 | 12,667.6                     | 12,667.6                 |
| <b>Total financial assets</b>      | <b>13,825.0</b>                 | <b>13,825.0</b>          | <b>14,296.0</b>              | <b>14,296.0</b>          |
| Trade and other creditors          | (534.3)                         | (534.3)                  | (876.8)                      | (876.8)                  |
| Borrowings                         | (12,970.3)                      | (16,558.0)               | (12,972.2)                   | (19,742.4)               |
| Right-of-use lease liabilities     | (394.1)                         | (394.1)                  | (413.5)                      | (413.5)                  |
| PFI liabilities                    | (101.6)                         | (101.6)                  | (111.2)                      | (111.2)                  |
| <b>Total financial liabilities</b> | <b>(14,000.3)</b>               | <b>(17,588.0)</b>        | <b>(14,373.7)</b>            | <b>(21,143.9)</b>        |
| <b>Net financial liabilities</b>   | <b>(175.3)</b>                  | <b>(3,763.0)</b>         | <b>(77.7)</b>                | <b>(6,847.9)</b>         |

# Notes to the Financial Statements

## 35. 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 London Pension Fund Authority 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<br>2022<br>£m | Group<br>2021<br>£m | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|---|----------|---------------------|---------------------|---------------------------|---------------------------|
| TfL Pension Fund  |          | 645.6               | 443.7               | 379.0                     | 176.9                     |
| Local Government Pension Fund                             |          | 11.4                | 1.3                 | 11.4                      | 1.3                       |
| Crossrail Section of the Railways Pension Scheme          |          | 3.7                 | 3.0                 | -                         | -                         |
| Unfunded schemes provision                                |          | 0.6                 | 3.7                 | 0.6                       | 2.6                       |
| <b>Total for schemes accounted for as defined benefit</b> |          | <b>661.3</b>        | <b>451.7</b>        | <b>391.0</b>              | <b>180.8</b>              |
| Principal Civil Service Pension Scheme                    |          | 0.6                 | 0.6                 | 0.6                       | 0.6                       |
| Other schemes   |          | 5.1                 | 6.7                 | 1.7                       | 1.1                       |
| Less: pension costs capitalised                           |          | (3.7)               | (3.0)               | -                         | -                         |
| <b>Amounts included in net cost of services</b>           |          | <b>663.3</b>        | <b>456.0</b>        | <b>393.3</b>              | <b>182.5</b>              |
| Less: scheme expenses                                     |          | (14.1)              | (13.6)              | (13.7)                    | (13.3)                    |
| Add: current service costs capitalised                    |          | 3.3                 | -                   | -                         | -                         |
| <b>Amount included in staff costs</b>                     | <b>3</b> | <b>652.5</b>        | <b>442.4</b>        | <b>379.6</b>              | <b>169.2</b>              |



# Notes to the Financial Statements

## 35. 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 2021 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 Fund held a surplus of £179m as at 31 March 2021. Assets totalled £13,085m and the defined benefit obligation totalled £12,906m. A revised Schedule of Contributions was agreed between the Trustee and the employers following the formal funding valuation. This set out a future service contribution rate of 27.3 per cent for the employers and five per cent for members.

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 2022. 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 2021. 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 2021 projections with a long-term improvement rate of 1.25 per cent per annum. No weighting has been given to 2020 or 2021 mortality experience, given the exceptional impact of the coronavirus pandemic on these years.

The discounted scheme liabilities have an average duration of 20 years.

# Notes to the Financial Statements

## 35. Pensions (continued)

### London Pension Fund Authority Pension Fund (Local Government Pension Fund)

The London Pension Fund Authority Pension Fund is a funded multi-employer defined benefit scheme, administered by the London Pension 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 15.6 per cent for 2021/22 (2020/21 15.6 per cent) of pensionable pay, plus a lump sum deficit reduction payment of £0.9m (2020/21 £0.8m). The Corporation's share of the underlying assets and defined benefit obligation resulted in an IAS 19 deficit as at 31 March 2022 of £54.4m (2021 £60.4m). The discounted scheme liabilities have an average duration of 21 years.

The last full actuarial valuation available was carried out at 31 March 2019. The report showed a funding surplus of £481m at that date. The annual report and financial statements for the whole scheme can be found on the London Pension Fund Authority's website ([www.lpfa.org.uk](http://www.lpfa.org.uk)). A separate valuation as at 31 March 2022 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)

Crossrail Limited (CRL) participates in the Crossrail Section of the Railways Pension Scheme which is accounted for in these financial statements as a defined benefit pension scheme under IAS 19.

The latest available full actuarial valuation of the Scheme was carried out at 31 December 2019. The report showed a funding surplus of £5.9m. This was translated into a 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 2022 by actuaries at the XPS Pensions Group. Assumptions underlying this valuation have been updated from the full actuarial valuation of the scheme carried out at 31 December 2019. The Group's share of the underlying assets and defined benefit obligation resulted in an IAS 19 deficit, as at 31 March 2022, of £42.7m (2021 £56.8m). The discounted Crossrail Section liabilities have a duration of approximately 23 years.

The defined benefit obligation for the Crossrail Section has been calculated using the mortality assumptions adopted for the funding valuation as at 31 December 2019. 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 2021 projections with a long-term improvement rate of 1.25 per cent per annum. No weighting has been given to 2020 or 2021 mortality experience.

# Notes to the Financial Statements

## 35. Pensions (continued)

### 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 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 2022 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 2022 was £107.4m (2021 £113.8m) and is fully provided for in these financial statements.

# Notes to the Financial Statements

## 35. Pensions (continued)

### 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<br>valuation at<br>31 March<br>2022<br>% | IAS 19<br>valuation at<br>31 March<br>2021<br>% |
|---|---|---|
| RPI Inflation   | 3.50  | 3.15-3.20                                       |
| CPI Inflation   | 3.00-3.25                                       | 2.65-2.85                                       |
| Rate of increase in salaries                                  | 3.25-4.25                                       | 3.15-3.85                                       |
| Rate of increase in pensions in payment and deferred pensions | 3.00-3.43                                       | 2.20-3.15                                       |
| Discount rate   | 2.60  | 1.95-2.00                                       |

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 £348.6m/(increase by £358.7m)
- If the expected salary growth were increased/(decreased) by 0.1 per cent, the defined benefit obligation would increase by £98.7m/(decrease by £96.8m)
- If life expectancy were increased/(decreased) by one year, the defined benefit obligation would increase by £720.4m/(decrease by £727.1m)
- If the inflation rate were 0.1 per cent higher/(lower), the defined benefit obligation would increase by £348.9/(decrease by £256.6m)

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

## 35. Pensions (continued)

### c) Accounting for defined benefit schemes

The total assets in the schemes were:

|                                   | Value<br>2022<br>£m | Value<br>2021<br>£m |
|-----------------------------------|---------------------|---------------------|
| <b>At 31 March</b>                |                     |                     |
| Equities and alternatives         | 11,041.6            | 10,142.4            |
| Bonds                             | 3,213.8             | 2,619.0             |
| Cash and other                    | 188.1               | 299.6               |
| <b>Total fair value of assets</b> | <b>14,443.5</b>     | <b>13,061.0</b>     |

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:

|                       | 2022<br>%  | 2021<br>%  |
|-----------------------|------------|------------|
| <b>At 31 March</b>    |            |            |
| Equities              | 77         | 78         |
| Bonds                 | 22         | 20         |
| Cash and other assets | 1          | 2          |
|                       | <b>100</b> | <b>100</b> |

The unfunded pension schemes have no assets to cover their defined benefit obligation.

# Notes to the Financial Statements

## 35. Pensions (continued)

### Total pension deficit at 31 March

| Group   | 2022<br>£m       | 2021<br>£m       |
|---|------------------|------------------|
| Fair value of scheme assets                                   | 14,443.5         | 13,061.0         |
| Actuarial valuation of defined benefit obligation             | (17,645.0)       | (18,664.1)       |
| <b>Deficit recognised as a liability in the Balance Sheet</b> | <b>(3,201.5)</b> | <b>(5,603.1)</b> |

| Group   | 2022<br>£m       | 2021<br>£m       |
|---|------------------|------------------|
| TfL Pension Fund  | (2,997.0)        | (5,372.1)        |
| Local Government Pension Fund                                 | (54.4)           | (60.4)           |
| Crossrail Section of the Railways Pension Scheme              | (42.7)           | (56.8)           |
| Unfunded schemes provision                                    | (107.4)          | (113.8)          |
| <b>Deficit recognised as a liability in the Balance Sheet</b> | <b>(3,201.5)</b> | <b>(5,603.1)</b> |

| Corporation   | 2022<br>£m       | 2021<br>£m       |
|---|------------------|------------------|
| Fair value of scheme assets                                   | 14,348.1         | 12,973.9         |
| Actuarial valuation of defined benefit obligation             | (17,506.9)       | (18,520.2)       |
| <b>Deficit recognised as a liability in the Balance Sheet</b> | <b>(3,158.8)</b> | <b>(5,546.3)</b> |

| Corporation   | 2022<br>£m       | 2021<br>£m       |
|---|------------------|------------------|
| TfL Pension Fund  | (2,997.0)        | (5,372.1)        |
| Local Government Pension Fund                                 | (54.4)           | (60.4)           |
| Unfunded schemes provision                                    | (107.4)          | (113.8)          |
| <b>Deficit recognised as a liability in the Balance Sheet</b> | <b>(3,158.8)</b> | <b>(5,546.3)</b> |

# Notes to the Financial Statements

## 35. Pensions (continued)

Analysis of amounts included in the Comprehensive Income and Expenditure Statement

### Analysis of amounts charged to net cost of services

|  | Group<br>2022<br>£m | Group<br>2021<br>£m | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|--|---------------------|---------------------|---------------------------|---------------------------|
| Year ended 31 March                          |                     |                     |                           |                           |
| Current service cost                         | 637.7               | 434.9               | 634.4                     | 432.2                     |
| Less contributions paid by subsidiaries      | -                   | -                   | (266.6)                   | (267.9)                   |
| Past service cost                            | 0.1                 | 3.2                 | 0.1                       | 3.2                       |
| Settlements                                  | 9.4                 | -                   | 9.4                       | -                         |
| Total included in staff costs                | 647.2               | 438.1               | 377.3                     | 167.5                     |
| Scheme expenses                              | 14.1                | 13.6                | 13.7                      | 13.3                      |
| Total amount charged to net cost of services | 661.3               | 451.7               | 391.0                     | 180.8                     |

### Amounts charged to financing and investment expenditure

|   | Group<br>2022<br>£m | Group<br>2021<br>£m | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|---|---------------------|---------------------|---------------------------|---------------------------|
| Year ended 31 March                                       |                     |                     |                           |                           |
| Net interest expense on scheme defined benefit obligation | 105.9               | 90.1                | 104.8                     | 89.7                      |

### Amount recognised in other comprehensive income and expenditure

|   | Group<br>2022<br>£m | Group<br>2021<br>£m | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|---|---------------------|---------------------|---------------------------|---------------------------|
| Year ended 31 March                             |                     |                     |                           |                           |
| Net remeasurement losses recognised in the year | (2,790.9)           | 1,361.0             | (2,773.2)                 | 1,324.5                   |

### Analysis of scheme defined benefit obligation into amounts arising from schemes that are wholly or partly funded and wholly unfunded

|   | Group<br>2022<br>£m | Group<br>2021<br>£m | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|---|---------------------|---------------------|---------------------------|---------------------------|
| At 31 March                             |                     |                     |                           |                           |
| Wholly unfunded schemes                 | 107.4               | 113.8               | 107.4                     | 113.8                     |
| Wholly or partly funded schemes         | 17,537.6            | 18,550.3            | 17,399.5                  | 18,406.4                  |
| Total scheme defined benefit obligation | 17,645.0            | 18,664.1            | 17,506.9                  | 18,520.2                  |

# Notes to the Financial Statements

## 35. Pensions (continued)

### Reconciliation of defined benefit obligation

|   | Group<br>2022<br>£m | Group<br>2021<br>£m | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|---|---------------------|---------------------|---------------------------|---------------------------|
| Actuarial value of defined benefit obligation at 1 April  | 18,664.1            | 14,740.4            | 18,520.2                  | 14,645.6                  |
| Current service cost                                      | 637.7               | 434.9               | 634.4                     | 432.2                     |
| Interest cost   | 361.3               | 335.2               | 358.5                     | 333.0                     |
| Employee contributions                                    | 55.9                | 55.7                | 55.6                      | 55.4                      |
| Remeasurement losses/(gains) on scheme liabilities:       |                     |                     |                           |                           |
| Net remeasurement - financial                             | (1,566.5)           | 3,435.0             | (1,556.0)                 | 3,391.3                   |
| Net remeasurement - experience                            | 104.0               | 85.9                | 104.0                     | 85.5                      |
| Net remeasurement - demographic                           | (206.4)             | (22.1)              | (206.2)                   | (23.7)                    |
| Actual benefit payments                                   | (431.0)             | (404.1)             | (429.5)                   | (402.3)                   |
| Liabilities assumed on settlements                        | 25.8                | -                   | 25.8                      | -                         |
| Past service cost   | 0.1                 | 3.2                 | 0.1                       | 3.2                       |
| Actuarial value of defined benefit obligation at 31 March | 17,645.0            | 18,664.1            | 17,506.9                  | 18,520.2                  |

### Reconciliation of fair value of the scheme assets

|  | Group<br>2022<br>£m | Group<br>2021<br>£m | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|--|---------------------|---------------------|---------------------------|---------------------------|
| Fair value of assets at 1 April            | 13,061.0            | 10,639.8            | 12,973.9                  | 10,563.3                  |
| Expected return on assets net of expenses  | 255.4               | 245.1               | 253.7                     | 243.3                     |
| Scheme expenses                            | (14.1)              | (13.6)              | (13.7)                    | (13.3)                    |
| Return on assets excluding interest income | 1,122.0             | 2,137.8             | 1,115.0                   | 2,128.6                   |
| Actual employer contributions              | 372.6               | 394.8               | 104.7                     | 125.5                     |
| Contributions paid by subsidiaries         | -                   | -                   | 266.6                     | 267.9                     |
| Employee contributions                     | 55.9                | 55.7                | 55.6                      | 55.4                      |
| Settlement prices received                 | 16.4                | -                   | 16.4                      | -                         |
| Actual benefits paid                       | (425.7)             | (398.6)             | (424.1)                   | (396.8)                   |
| Fair value of assets at 31 March           | 14,443.5            | 13,061.0            | 14,348.1                  | 12,973.9                  |



# Notes to the Financial Statements

## 35. 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 £1,377.4m (2020/21 a gain of £2,382.9m).

Total contributions of £313.8m are expected to be made to the schemes in the year ending 31 March 2023.

### 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 2016. Details can be found in the Civil Service Superannuation Resource Accounts ([www.civilservicepensionscheme.org.uk/](http://www.civilservicepensionscheme.org.uk/)).

During 2021/22 employers' contributions represented an average of 27.3 per cent of pensionable pay (2020/21 27.3 per cent). 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 Scheme) 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.

Every three years the Scheme Actuary of the DLR Scheme carries out a valuation to assess the funding position and to determine the future levels of contributions. The most recent available valuation was effective 1 April 2018. The schedule of contributions agreed following the 1 April 2018 valuation is dated 28 June 2019. The 1 April 2021 valuation is currently in progress.

Keolis Amey Docklands Limited (KAD) was awarded the franchise to operate the DLR from 7 December 2014 and is a Participating Employer in the DLR Scheme. The contributions payable by KAD to the DLR Scheme are set out in the franchise agreement between DLR and KAD dated 17 July 2014. These are to pay 35.7 per cent per annum of Pensionable Salaries into the Scheme, the PPF levy and additional contributions if actual pensionable salary increases exceed RPI + 1.5 per cent per annum.

# Notes to the Financial Statements

## 35. Pensions (continued)

DLR, as the Principal Employer of the DLR Scheme, is responsible for meeting any further costs towards the cost of accruing benefits and removing the deficit, over and above the contributions payable by KAD, if necessary. Following the completion of the 2018 valuation, it was agreed that DLR would pay 22.6 per cent per annum of Pensionable Salaries towards future benefit accrual from 1 April 2018, plus additional contributions towards the deficit of £0.8m per annum, with the first instalment paid on or before 31 July 2019 and the remaining instalments due on or before each 10 April from 2020 to 2024 inclusive. In addition, it was agreed that DLR would pay additional contributions if actual Pensionable Salary growth exceeds RPI inflation + 0.5 per cent per annum (up to RPI inflation + 1.5 per cent per annum).

Over the year beginning 1 April 2022 the contributions payable to the DLR Scheme are expected to be around £5.2m from KAD and £4.1m from DLR, based on the schedule of contributions currently in force. This makes no allowance for additional contributions that may arise if Pensionable Salary growth exceeds RPI inflation + 0.5 per cent per annum or any changes as a result of a new schedule of contributions following completion of the 2021 valuation.

A valuation of the DLR Scheme has been prepared for accounting purposes on an IAS 19 basis as at 31 March 2022. This gave a valuation for the net obligation as at 31 March 2022 of £3.9m. The assumptions used by the actuary are best estimates chosen from a range of possible actuarial assumptions, while the present value of the DLR Scheme's defined benefit obligation is based on future cash flow projections. Neither the assumptions nor the cash flow projections may necessarily be borne out in practice.

The discounted DLR Scheme liabilities have a duration of approximately 20 years.

The scheme's funding arrangements outlined above 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 £4.1m were paid by DLR in 2021/22, with an additional £5.2m being paid by KAD (2020/21 £4.3m paid by DLR and £5.6m by KAD). These costs are not reflected within staff costs for the TfL Group but are instead reflected elsewhere within the operating expenditure of the Group, as the costs relate to the staff costs of DLR's concessionaire.

### Defined contribution schemes

The Group contributes to a number of defined contribution schemes, with total contributions, including contributions to the PCSPS and Alpha schemes as outlined in the paragraphs above, amounting to £5.7m (2020/21 £7.3m).

# Notes to the Financial Statements

## 36. Cash flow notes

### a) Adjustments to net deficit for non-cash movements

|   | Group<br>2022<br>£m | Group<br>2021<br>£m | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|---|---------------------|---------------------|---------------------------|---------------------------|
| Depreciation, amortisation and impairment of property, plant and equipment, intangibles and right-of-use assets   | 1,410.0             | 1,350.8             | 219.2                     | 183.4                     |
| Reversal of loss on disposal of property, plant and equipment and intangibles                                     | 36.2                | 63.4                | 2.7                       | 20.4                      |
| Reversal of net gain on sale of investment properties   | (105.2)             | (35.8)              | (85.0)                    | (30.9)                    |
| Reversal of movements in the value of investment properties   | (93.4)              | 83.3                | (51.3)                    | 2.3                       |
| Reversal of other financing income  | (4.0)               | (13.6)              | (404.9)                   | (405.8)                   |
| Interest and other investment income received   | 2.6                 | 14.1                | 404.7                     | 407.7                     |
| Reversal of other financing expense   | 501.8               | 515.3               | 547.0                     | 532.6                     |
| Interest paid   | (386.2)             | (412.7)             | (440.4)                   | (441.3)                   |
| Reversal of share of net losses from joint ventures and associated undertakings                                   | (31.9)              | 2.8                 | -                         | -                         |
| Reversal of defined benefit pension service costs   | 661.3               | 451.7               | 391.0                     | 180.8                     |
| Net cash payments for employers' contributions to defined benefit pension funds and direct payments to pensioners | (377.9)             | (400.3)             | (110.1)                   | (131.0)                   |
| Reversal of tax (credit)/charge   | 86.2                | (10.5)              | -                         | -                         |
| Tax received/(paid)   | -                   | 1.6                 | -                         | -                         |
| <b>Adjustments to net deficit/surplus for non-cash movements before movements in working capital</b>              | <b>1,699.5</b>      | <b>1,610.1</b>      | <b>472.9</b>              | <b>318.2</b>              |
| (Decrease)/increase in creditors  | (103.7)             | (51.1)              | (297.7)                   | 149.7                     |
| (Increase)/decrease in debtors  | (19.7)              | (2.5)               | 162.7                     | 99.5                      |
| Decrease in inventories   | (6.6)               | 7.4                 | -                         | -                         |
| (Decrease)/increase in provisions   | 23.9                | (70.2)              | 7.8                       | (42.9)                    |
| <b>Adjustments to net deficit/surplus for total non-cash movements</b>  | <b>1,593.4</b>      | <b>1,493.7</b>      | <b>345.7</b>              | <b>524.5</b>              |

### b) Adjustments to net deficit for investing or financing items

|   |                  |                |                |                |
|---|------------------|----------------|----------------|----------------|
| Reversal of capital grants receivable   | (2,014.3)        | (933.5)        | (1,954.6)      | (856.2)        |
| Reversal of capital grants payable to subsidiaries  | -                | -              | 1,216.0        | 69.9           |
| <b>Adjustments for items included in the net deficit that are investing or financing activities</b> | <b>(2,014.3)</b> | <b>(933.5)</b> | <b>(738.6)</b> | <b>(786.3)</b> |

## Notes to the Financial Statements

### 36. Cash flow notes (continued)

#### c) Investing activities

| Year ended 31 March   | Group<br>2022<br>£m | Group<br>2021<br>£m | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|---|---------------------|---------------------|---------------------------|---------------------------|
| Capital grants received   | 2,041.9             | 997.3               | 1,956.9                   | 912.0                     |
| Capital grants paid to subsidiaries   | -                   | -                   | (1,216.0)                 | (69.9)                    |
| Purchase of property, plant and equipment and investment property             | (2,240.9)           | (2,084.6)           | (303.2)                   | (262.3)                   |
| Purchase of intangible assets   | (14.2)              | (39.7)              | (8.6)                     | (31.4)                    |
| Proceeds from the sale of property, plant and equipment and intangible assets | 0.1                 | 0.3                 | 10.1                      | -                         |
| Net sales/(purchases) of other investments                                    | (9.6)               | 596.6               | -                         | 623.5                     |
| Issue of loans to subsidiaries  | -                   | -                   | (89.9)                    | (1,458.1)                 |
| Repayments of loans to subsidiaries   | -                   | -                   | 15.9                      | 312.4                     |
| Finance leases granted in year  | (6.8)               | (9.6)               | -                         | -                         |
| Finance leases repaid in year   | 13.8                | 18.3                | -                         | -                         |
| Proceeds from sale of investment property                                     | 149.5               | 58.4                | 94.6                      | 50.4                      |
| Investment in equity of associates and joint ventures                         | (4.7)               | (9.2)               | -                         | -                         |
| Investment in share capital of subsidiaries                                   | -                   | -                   | (560.0)                   | (660.0)                   |
| <b>Net cash flows from investing activities</b>                               | <b>(70.9)</b>       | <b>(472.2)</b>      | <b>(100.2)</b>            | <b>(583.4)</b>            |

#### d) Financing activities

| Year ended 31 March   | Group<br>2022<br>£m | Group<br>2021<br>£m | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|---|---------------------|---------------------|---------------------------|---------------------------|
| Cash payments for reduction of the outstanding liabilities relating to lease and PFI arrangements | (324.8)             | (309.3)             | (36.0)                    | (35.0)                    |
| Cash payments for reduction of other financing liabilities  | (6.2)               | (1.7)               | -                         | -                         |
| Net proceeds from new borrowing   | 801.9               | 1,541.0             | 74.0                      | 1,541.0                   |
| Repayments of borrowings  | (803.4)             | (263.6)             | (75.9)                    | (262.9)                   |
| <b>Net cash flows from financing activities</b>   | <b>(332.5)</b>      | <b>966.4</b>        | <b>(37.9)</b>             | <b>1,243.1</b>            |

## Notes to the Financial Statements

### 37. Unusable reserves

| At 31 March                               | 2022<br>£m         | 2021<br>£m         |
|---|--------------------|--------------------|
| <b>Group</b>                              |                    |                    |
| Capital Adjustment Account                | 29,633.2           | 28,165.1           |
| Pension Reserve                           | (3,158.8)          | (5,546.3)          |
| Accumulated Absences Reserve              | (14.6)             | (16.2)             |
| Retained Earnings Reserve in Subsidiaries | 1,483.6            | 1,737.3            |
| Revaluation Reserve                       | 241.1              | 339.5              |
| Hedging Reserve                           | (57.9)             | (105.0)            |
| Cost of Hedging Reserve                   | (3.0)              | (3.9)              |
| Financial Instruments Adjustment Account  | (124.0)            | (135.8)            |
| Merger reserve                            | 466.1              | 466.1              |
|   | <b>28,465.7</b>    | <b>24,900.8</b>    |
|   |                    |                    |
| <b>At 31 March</b>                        | <b>2022<br/>£m</b> | <b>2021<br/>£m</b> |
| <b>Corporation</b>                        |                    |                    |
| Capital Adjustment Account                | 16,740.2           | 16,023.5           |
| Pension Reserve                           | (3,158.8)          | (5,546.3)          |
| Accumulated Absences Reserve              | (14.6)             | (16.2)             |
| Revaluation Reserve                       | 26.5               | 29.9               |
| Financial Instruments Adjustment Account  | (124.0)            | (135.8)            |
|   | <b>13,469.3</b>    | <b>10,355.1</b>    |

## Notes to the Financial Statements

### 37. 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.

In the table below, the line item for 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 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.

## Notes to the Financial Statements

### 37. Unusable reserves (continued)

#### Capital Adjustment Account

|  | Note | Group<br>2022<br>£m | Group<br>2021<br>£m | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|--|------|---------------------|---------------------|---------------------------|---------------------------|
| Balance at 1 April   |      | 28,165.1            | 27,913.6            | 16,023.5                  | 15,356.1                  |
| Charges for depreciation and impairment of non-current assets  |      | (219.1)             | (183.4)             | (219.1)                   | (183.4)                   |
| Gain on disposal of investment properties  |      | 85.0                | 30.9                | 85.0                      | 30.9                      |
| Release of Revaluation Reserve relating to historical revaluation gains recognised in respect of properties disposed during the year   |      | 3.1                 | 0.2                 | 3.1                       | 0.2                       |
| Release of Revaluation Reserve relating to the difference between fair value depreciation and historical cost depreciation, and to historical revaluation gains recognised in respect of properties disposed during the year |      | 0.3                 | 0.4                 | 0.3                       | 0.4                       |
| Movements in the market value of investment properties recognised in the deficit/surplus on the provision of services after tax  |      | 50.5                | (2.3)               | 50.5                      | (2.3)                     |
| Movements in the market value of investment properties recognised directly in other comprehensive income   |      | 0.8                 | -                   | 0.8                       | -                         |
| Capital grants and contributions   | 10   | 2,014.3             | 933.5               | 738.6                     | 786.3                     |
| Minimum Revenue provision  |      | 60.2                | 55.7                | 60.2                      | 55.7                      |
| Loss on disposal of property, plant and equipment  |      | (2.7)               | (20.4)              | (2.7)                     | (20.4)                    |
| Adjustments between Group and Corporation financial statements   |      | (524.3)             | (563.1)             | -                         | -                         |
| <b>Balance at 31 March</b>   |      | <b>29,633.2</b>     | <b>28,165.1</b>     | <b>16,740.2</b>           | <b>16,023.5</b>           |

## Notes to the Financial Statements

### 37. Unusable reserves (continued)

#### 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 against 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<br>2022<br>£m | Group<br>2021<br>£m | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|---|---------------------|---------------------|---------------------------|---------------------------|
| Balance at 1 April  | (5,546.3)           | (4,082.3)           | (5,546.3)                 | (4,082.3)                 |
| Net remeasurement losses on pension assets and defined benefit obligations  | 2,773.2             | (1,324.5)           | 2,773.2                   | (1,324.5)                 |
| Reversal of charges relating to retirement benefits   | (762.4)             | (538.4)             | (495.8)                   | (270.5)                   |
| Employer's pension contributions, contributions from subsidiaries and direct payments to pensioners payable in the year | 376.7               | 398.9               | 110.1                     | 131.0                     |
| <b>Balance at 31 March</b>  | <b>(3,158.8)</b>    | <b>(5,546.3)</b>    | <b>(3,158.8)</b>          | <b>(5,546.3)</b>          |



## Notes to the Financial Statements

### 37. 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<br>2022<br>£m | Group<br>2021<br>£m | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|---|---------------------|---------------------|---------------------------|---------------------------|
| Balance at 1 April  | (16.2)              | (14.3)              | (16.2)                    | (14.3)                    |
| Settlement or cancellation of accrual made at the end of the preceding year | 16.2                | 14.3                | 16.2                      | 14.3                      |
| Amounts accrued at the end of the current year                              | (14.6)              | (16.2)              | (14.6)                    | (16.2)                    |
| Balance at 31 March   | (14.6)              | (16.2)              | (14.6)                    | (16.2)                    |

## Notes to the Financial Statements

### 37. Unusable reserves (continued)

#### 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<br>2022<br>£m | Group<br>2021<br>£m |
|--|---------------------|---------------------|
| Balance at 1 April   | 1,737.3             | 2,011.9             |
| Surplus/(deficit) on the provision of services after tax in subsidiaries   | 369.8               | (730.8)             |
| Surplus on valuation of newly created investment properties (net of tax)   | (6.5)               | 71.9                |
| Transfer of current year capital grants and contributions to the Capital Adjustment Account                                | (1,275.7)           | (147.2)             |
| Transfer of adjustments between Group and Corporation financial statements to the Capital Adjustment Account               | 524.3               | 563.1               |
| Remeasurement gains/(losses) on defined benefit pension plan assets and liabilities  | 17.7                | (36.5)              |
| Release of Revaluation Reserve relating to historical revaluation gains recognised in respect of properties disposed       | 114.3               | 2.3                 |
| Release of Revaluation Reserve relating to the difference between fair value depreciation and historical cost depreciation | 2.4                 | 2.6                 |
| <b>Balance at 31 March</b>   | <b>1,483.6</b>      | <b>1,737.3</b>      |

## Notes to the Financial Statements

### 37. Unusable reserves (continued)

#### 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<br>2022<br>£m | Group<br>2021<br>£m | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|--|------|---------------------|---------------------|---------------------------|---------------------------|
| Balance at 1 April   |      | 339.5               | 333.6               | 29.9                      | 27.7                      |
| Revaluation of assets  | 13   | 21.9                | 11.4                | 0.1                       | 2.8                       |
| Release of Revaluation Reserve relating to historical revaluation gains recognised in respect of properties disposed   |      | (117.5)             | (2.5)               | (3.1)                     | (0.2)                     |
| Release of Revaluation Reserve relating to the difference between fair value depreciation and historical cost depreciation, and to historical revaluation gains recognised in respect of properties disposed during the year |      | (2.8)               | (3.0)               | (0.3)                     | (0.4)                     |
| <b>Balance at 31 March</b>   |      | <b>241.1</b>        | <b>339.5</b>        | <b>26.6</b>               | <b>29.9</b>               |

#### 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<br>2022<br>£m | Group<br>2021<br>£m |
|--|---------------------|---------------------|
| Balance at 1 April   | (105.0)             | (119.4)             |
| Net change in fair value of cash flow interest rate hedges             | 43.8                | 20.3                |
| Net change in fair value of cash flow foreign exchange hedges          | 8.0                 | (15.2)              |
| Reclassification of interest rate fair value losses to profit and loss | 10.2                | 9.3                 |
| Discontinued hedging relationship                                      | (15.0)              | -                   |
| <b>Balance at 31 March</b>   | <b>(58.0)</b>       | <b>(105.0)</b>      |

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.

## Notes to the Financial Statements

### 37. Unusable reserves (continued)

#### 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) during which the hedged forecast transaction affects profit or loss. The ineffective portion, if any, is recognised immediately through the Comprehensive Income and Expenditure Statement.

|   | Group<br>2022<br>£m | Group<br>2021<br>£m |
|---|---------------------|---------------------|
| Balance at 1 April  | (3.9)               | (4.4)               |
| Reclassification of cashflow foreign exchange hedge losses to the Balance Sheet | 0.9                 | 0.5                 |
| <b>Balance at 31 March</b>  | <b>(3.0)</b>        | <b>(3.9)</b>        |

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<br>2022<br>£m | Group<br>2021<br>£m | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|----------------------------|---------------------|---------------------|---------------------------|---------------------------|
| Balance at 1 April         | (135.8)             | (147.5)             | (135.8)                   | (147.5)                   |
| Release of premium         | 11.8                | 11.7                | 11.8                      | 11.7                      |
| <b>Balance at 31 March</b> | <b>(124.0)</b>      | <b>(135.8)</b>      | <b>(124.0)</b>            | <b>(135.8)</b>            |

## Notes to the Financial Statements

### 37. Unusable reserves (continued)

#### 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 (LUL), to TfL in 2003. It represents the share capital of LUL 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<br>2022<br>£m | Group<br>2021<br>£m | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|--|---------------------|---------------------|---------------------------|---------------------------|
| <b>Balance at 1 April and 31 March</b> | 466.1               | 466.1               | -                         | -                         |

### 38. 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

### 38. Adjustments between accounting basis and funding basis under regulations (continued)

#### Corporation

|   | Note | General Fund<br>£m | Capital Adjustment Account<br>£m | Pension Reserve<br>£m | Street Works Reserve<br>£m | Financial Instruments Adjustment Account<br>£m | Accumulated Absences Reserve<br>£m |
|---|------|--------------------|----------------------------------|-----------------------|----------------------------|--|------------------------------------|
| Year ended 31 March 2022  |      |                    |                                  |                       |                            |  |                                    |
| Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement   |      |                    |                                  |                       |                            |  |                                    |
| Charges for depreciation, amortisation and impairment of non-current assets   | 3    | 219.1              | (219.1)                          | -                     | -                          | -  | -                                  |
| Net gain on disposal of investment properties   | 8    | (85.0)             | 85.0                             | -                     | -                          | -  | -                                  |
| Movements in the market value of investment properties  | 8    | (50.5)             | 50.5                             | -                     | -                          | -  | -                                  |
| Capital grants and contributions  | 10   | (738.6)            | 738.6                            | -                     | -                          | -  | -                                  |
| Loss on disposal of non-current assets  | 7    | 2.7                | (2.7)                            | -                     | -                          | -  | -                                  |
| Reversal of items relating to retirement benefits   |      | 495.8              | -                                | (495.8)               | -                          | -  | -                                  |
| Transfers to/from Street Works Reserve  |      | (0.4)              | -                                | -                     | 0.4                        | -  | -                                  |
| Difference between the remuneration charged on an accruals basis and the remuneration chargeable in accordance with statutory requirements                                  |      | (1.6)              | -                                | -                     | -                          | -  | 1.6                                |
| 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  |      | (110.1)            | -                                | 110.1                 | -                          | -  | -                                  |
| Minimum Revenue provision   | 40   | (60.2)             | 60.2                             | -                     | -                          | -  | -                                  |
| Amortisation of premium on financing  |      | (11.8)             | -                                | -                     | -                          | 11.8   | -                                  |
|   |      | (340.6)            | 712.5                            | (385.7)               | 0.4                        | 11.8   | 1.6                                |

## Notes to the Financial Statements

### 38. Adjustments between accounting basis and funding basis under regulations (continued)

#### Corporation

| Year ended 31 March 2021   | Note | General fund<br>£m | Capital<br>Adjustment<br>Account<br>£m | Pension Reserve<br>£m | Street<br>Works Reserve<br>£m | Financial<br>Instruments<br>Adjustment<br>Account<br>£m | Accumulated<br>Absences<br>Reserve<br>£m |
|--|------|--------------------|--|-----------------------|-------------------------------|---|--|
| <b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>   |      |                    |  |                       |                               |   |  |
| Charges for depreciation, amortisation and impairment of non-current assets  | 3    | 183.4              | (183.4)                                | -                     | -                             | -   | -  |
| Net gain on disposal of investment properties  | 8    | (30.9)             | 30.9                                   | -                     | -                             | -   | -  |
| Movements in the market value of investment properties   | 8    | 2.3                | (2.3)                                  | -                     | -                             | -   | -  |
| Capital grants and contributions   | 10   | (786.3)            | 786.3                                  | -                     | -                             | -   | -  |
| Loss on disposal of non-current assets   | 7    | 20.4               | (20.4)                                 | -                     | -                             | -   | -  |
| Reversal of items relating to retirement benefits  |      | 270.5              | -                                      | (270.5)               | -                             | -   | -  |
| Transfers to/from Street Works Reserve   |      | (1.3)              | -                                      | -                     | 1.3                           | -   | -  |
| Difference between the remuneration charged on an accruals basis and the remuneration chargeable in accordance with statutory requirements   |      | 1.9                | -                                      | -                     | -                             | -   | (1.9)                                    |
| <b>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</b> |      |                    |  |                       |                               |   |  |
| Employer's pension contributions and direct payments to pensioners payable in the year   |      | (131.0)            | -                                      | 131.0                 | -                             | -   | -  |
| Minimum Revenue provision  | 40   | (55.7)             | 55.7                                   | -                     | -                             | -   | -  |
| Amortisation of premium on financing   |      | (11.7)             | -                                      | -                     | -                             | 11.7  | -  |
|  |      | (538.4)            | 666.8                                  | (139.5)               | 1.3                           | 11.7  | (1.9)                                    |

# Notes to the Financial Statements

## 39. Sources of finance

### Capital expenditure analysed by source of finance:

| Year ended 31 March   | Note | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|---|------|---------------------------|---------------------------|
| <b>Capital expenditure</b>  |      |                           |                           |
| Intangible asset additions  | 12   | 8.6                       | 31.4                      |
| Property, plant and equipment additions                           | 13   | 252.8                     | 251.0                     |
| Investment property   | 15   | 4.0                       | 17.7                      |
| Investments in year   | 16   | 560.0                     | 660.0                     |
| Loans made to subsidiaries in year for capital purposes           |      | 89.9                      | 1,458.1                   |
| Capital grants allocated to subsidiaries in year                  | 10   | 1,216.0                   | 69.9                      |
| <b>Total capital expenditure</b>                                  |      | <b>2,131.3</b>            | <b>2,488.1</b>            |
| <b>Sources of finance</b>   |      |                           |                           |
| Business Rates Retention used to fund capital                     | 10   | 1,350.2                   | 689.6                     |
| Community infrastructure levy and other third party contributions | 10   | 50.4                      | 120.6                     |
| Crossrail specific grant  | 10   | 554.0                     | 46.0                      |
| Prudential borrowing  |      | 74.0                      | 1,277.4                   |
| Repayment of loans from subsidiaries                              |      | 15.9                      | 312.4                     |
| Capital receipts  |      | 94.6                      | 48.8                      |
| Working capital   |      | (7.8)                     | (6.7)                     |
| <b>Total sources of finance</b>                                   |      | <b>2,131.3</b>            | <b>2,488.1</b>            |

### Capital Financing Requirement

The Capital Financing Requirement is the amount of cumulative capital expenditure to be financed by means other than grant or asset sales proceeds. As at 31 March 2022 this stood at £13,185.5 (2021 £13,402.1m) for the Corporation.



## Notes to the Financial Statements

### 40. 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 2021/22, 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 £60.2m (2020/21 £55.7m).

# Notes to the Financial Statements

## 41. 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<br>2022<br>£m | Corporation<br>2021<br>£m |
|--|------|---------------------------|---------------------------|
| <b>Financial assistance to subsidiaries</b>                            |      |                           |                           |
| Transport Trading Limited  |      | 25.4                      | 55.0                      |
| London Underground Limited   |      | 1,740.9                   | 2,780.2                   |
| London Bus Services Limited  |      | 1,031.6                   | 1,511.7                   |
| London River Services Limited  |      | 5.5                       | 7.2                       |
| Victoria Coach Station   |      | 3.0                       | 5.3                       |
| London Buses Limited   |      | 0.1                       | 2.8                       |
| London Transport Museum Limited  |      | 3.4                       | 4.4                       |
| Docklands Light Railway Limited  |      | 199.8                     | 71.8                      |
| Rail for London Limited  |      | 404.0                     | 241.1                     |
| Crossrail Limited  |      | 88.8                      | 722.6                     |
| Tramtrack Croydon Limited  |      | 40.4                      | 37.6                      |
| Rail for London (Infrastructure) Limited                               |      | 57.5                      | 52.6                      |
|  |      | <b>3,600.4</b>            | <b>5,492.3</b>            |
| <b>Financial assistance to London Boroughs and other third parties</b> |      |                           |                           |
| Year ended 31 March  | Note | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
| Local Implementation Plan  |      | 40.4                      | 43.0                      |
| Taxicard   |      | 8.2                       | 5.3                       |
| London Streetspace   |      | 11.5                      | 39.0                      |
| Cycling  |      | 8.0                       | 6.3                       |
| Bus priority   |      | 8.7                       | 5.5                       |
| Livable neighbourhoods   |      | -                         | 4.7                       |
| Other  |      | 5.1                       | 4.7                       |
|  | 3    | <b>81.9</b>               | <b>108.5</b>              |

# Notes to the Financial Statements

## 42. 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 Greater London Authority 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, and the Council Tax precept paid to TfL by the GLA are shown in note 10.

During 2021/22 TfL had the following other transactions with the GLA and functional bodies:

|   | Total income during the year<br>£m | Total expenditure during the year<br>£m | Outstanding balance at 31 March 2022<br>£m |
|---|------------------------------------|---|--|
| GLA   | 16.3                               | (3.0)                                   | 5.3  |
| Mayor's Office for Policing and Crime (MOPAC) | 0.5                                | (80.5)                                  | 0.1  |
| London Legacy Development Corporation (LLDC)  | 1.1                                | -                                       | 0.1  |
| London Fire Commissioner                      | 0.1                                | (0.1)                                   | -  |

# Notes to the Financial Statements

## 42. 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 transactions with the Corporation or its subsidiaries (2020/21 none). Details of the remuneration of the Commissioner and all employees earning a base salary of £150,000 or more 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 35.

### Central Government

During 2021/22 the DfT contributed grant funding to TfL totalling £1,717m (2020/21 £2,457m) under a series of Extraordinary Funding and Financing Agreements. These funding agreements also permitted TfL to borrow a total of £600m from the PWLB over the course of 2020/21 to fund its capital investment activities.

In addition to the funding set out in these agreements, in December 2018, the Mayor of London and the Government agreed a financial package to cover Crossrail overruns. The GLA was to 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 would also provide a £100m cash contribution, taking its initial total contribution to £1.4bn to be provided as a grant to TfL for the Crossrail project. A loan facility from the DfT was also directly granted from the DfT to TfL of up to £750m.

In August 2020, Crossrail Ltd announced that the opening of the Elizabeth line through central London was expected to be delayed until the first half of 2022 and that additional funding beyond the agreed funding envelope would be required. Under a further financing package agreed with the DfT in December 2020, the shortfall was to be covered by the GLA borrowing up to a further £825m from the DfT which was again to be given by GLA to TfL as a grant. The GLA will repay this loan from BRS and MCIL revenues.

In the year to 31 March 2022, the GLA paid grants totalling £554m to TfL in relation to the Crossrail project (2021 £46m) under the funding agreements outlined above. And as at 31 March 2022 the £750m of the Crossrail loan facility from the DfT had been drawn down (2021 £676m).

### 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 41.

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 London Overground and other 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

### 43. Trust Funds

The Corporation acts as the sole trustee for the TfL Healthcare Trust, a trust established 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<br>£m | Expenditure<br>£m | Assets<br>£m | Liabilities<br>£m |
|----------------------|--------------|-------------------|--------------|-------------------|
| At 31 March 2022     |              |                   |              |                   |
| TfL Healthcare Trust | 4.8          | (3.8)             | 5.1          | -                 |
| At 31 March 2021     |              |                   |              |                   |
| TfL Healthcare Trust | 2.5          | (2.6)             | 4.1          | -                 |

## Notes to the Financial Statements

### 44. Events after the Balance Sheet date

The impact of the coronavirus pandemic on the Group's operations is discussed in the Narrative Report and Financial Review.

Since 31 March 2021, TfL has continued to experience revenue shortfalls as a result of the pandemic, and the TfL Group remains reliant on extraordinary funding support from the Department for Transport (DfT) for the continued provision of services. Our funding agreements with the DfT, the latest of which was agreed on 25 February 2022.

The settlement, in line with earlier agreements, confirms the Government's intention to continue to support with the cost of operations beyond June, as we work our way to achieving financial sustainability by April 2023.

Management have considered the impact of the pandemic and the status of ongoing discussions with Government regarding TfL's longer term funding requirements on the values at which income, assets and liabilities have been recorded in these accounts. We do not consider that there has been any post-Balance Sheet event that would require a further adjustment being made to the carrying values at 31 March 2022 as reported in these financial statements. As at the date of signing of the accounts, TfL continues to provide a full level of service.

Throughout 2022/23 we will continue to work closely with the DfT and the Mayor of London to determine what further sources of funding will be made available to progress our capital investment programme. We will make decisions regarding the future of assets under construction at the Balance Sheet date as and when Government priorities in relation to future Transport investment, and the quantum of likely future funds, become clearer. We consider any possible future impairments of the carrying value of existing assets or assets under construction to be non-adjusting post Balance Sheet events for the purposes of these Financial Statements.

## Appendix 2 – Template for annual letter of support from TfL to its subsidiary companies

The Directors

<insert Company name & address>

<insert date>

Dear Sirs

<insert Company name>

The Board of Transport for London has agreed that, as a TfL Officer, I am authorised to agree and execute any documentation to be entered into by TfL in connection with the incorporation of the Company.

In line with the standard letter of financial support provided to TfL subsidiaries, and having considered the financial position of the Company, I confirm that, from the date of its acquisition as a subsidiary within the TfL Group and for as long as the Company remains a subsidiary within the TfL Group, Transport for London shall continue to provide the Company with sufficient financial means to enable it to pay all its debts as they fall due.

We will inform you as soon as reasonably practicable in the event that circumstances change in a manner such that it would or might no longer be open to us to continue to provide such financial support.

This commitment has been reaffirmed as at 31 March <insert year end>.

Yours faithfully

.....

Statutory Chief Finance Officer, Transport for London

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## Audit and Assurance Committee



**Date:** 6 June 2022

**Item:** Ernst & Young Report to Those Charged with Governance

---

**This paper will be considered in public**

### **1 Summary**

- 1.1 To report to the Audit and Assurance Committee the key risks addressed and the status of the audit work performed to date by Ernst & Young (EY) during the course of their audit of the Statement of Accounts for the Transport for London Group for the year ended 31 March 2022.

### **2 Recommendation**

- 2.1 **The Committee is asked to note the report.**

### **3 Background**

- 3.1 EY have, as required by International Auditing Standards, prepared a report for the benefit of those charged with governance. The report outlines the respective responsibilities of the auditor and TfL, and provides an overview of the status of the audit and accounting policy changes. The report also comments on judgemental areas within the accounts. EY's report is attached for the Audit and Assurance Committee's review.

#### **List of appendices to this report:**

Appendix 1 – EY's Report to Those Charged with Governance

#### **List of Background Papers:**

None

Contact: Patrick Doig, Statutory Chief Finance Officer  
Email: [PatrickDoig@TfL.gov.uk](mailto:PatrickDoig@TfL.gov.uk)

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# Transport for London Audit results report

Year ending 31 March 2022

Status as of 6 June 2022



Building a better  
working world

Private and Confidential

31 May 2022

Transport for London  
Palestra  
197 Blackfriars Road  
UK SW1H 0BD

Dear Members of the Audit and Assurance Committee,

2021/22 Audit results report

We are pleased to attach our audit results report, summarising the status of our audit for the forthcoming meeting of the Audit & Assurance Committee. We will update the Audit & Assurance Committee at its meeting scheduled for 06 June 2022 on further progress to that date and explain the remaining steps to the issue of our final opinion.

The audit is designed to express an opinion on the 2022 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on TfL Group accounting policies and judgments and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process.

The TfL Group and Corporation audits form part of our framework contract with Public Sector Audit Appointments Limited. We have undertaken our work in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's Code of Audit Practice, auditing standards and other professional requirements.

We are also the auditors of TfL's subsidiaries, Transport Trading Limited Group (TTL Group) and Crossrail Limited and TTL Properties Group. TfL's subsidiaries are subject to the accounting requirements of the Companies Act 2006. We have undertaken our work in accordance with the requirements of UK auditing standards.

This report is intended solely for the information and use of the Audit & Assurance Committee, Board of Directors and management. It is not intended to be and should not be used by anyone other than these specified parties.

Yours faithfully

Janet Dawson

Partner  
For and on behalf of Ernst & Young LLP

# Contents



Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/> ).The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The “Terms of Appointment and further guidance (updated April 2018)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit and Assurance Committee and management of Transport for London in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Assurance Committee and management of Transport for London those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Assurance Committee and management of Transport for London for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

# Executive Summary



# Executive Summary

## Financial statements opinion

In our Audit Plan presented on 01/12/21 we identified a number of key areas of focus for our audit of the financial report of the TfL Group. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised within the "Areas of Audit Focus" section of this report.

Where applicable we have identified those matters we consider to be key audit matters. Key audit matters are selected from the matters we communicate to you that in our opinion are of most significance to the current period audit and required significant attention in performing the audit. In accordance with ISA (UK) 701 key audit matters are included in our auditor's report.

Areas of focus identified during the course of the audit included the following:

- ▶ Management override of controls
- ▶ Revenue recognition with particular focus on fares revenue
- ▶ Inappropriate capitalisation or potential impairment of capital projects including capital accruals
- ▶ Complexity of accounting for TfL and TTL property portfolios
- ▶ Considerations of whether any assets in the course of construction or existing in use assets are impaired due to potential for reduced capital funding or changes to operational services.

At the time of writing this report, there remains uncertainty as to the ongoing funding available from Government in connection with the operational funding gap created by lower fares revenue and future capital funding. The current funding agreement expires on 24 June 2022. At the current time this would result in a similar opinion to the year ended 31 March 2021, being a material uncertainty surrounding the funding of the Group and therefore its ability to continue to operate the current level of services, including the planned capital programme post 24 June 2022. We understand that there is likely to be an updated agreement covering operational funding from 24 June 2022 and there may be an agreement on capital funding prior to the financial statement sign off. We will therefore update the position once any funding agreement is agreed for the period post 24 June and share our final conclusions, including our draft audit opinion with the Audit & Assurance Committee for review and discussion prior to Board sign off in July.



# Executive Summary

## Value for money considerations

In terms of the Code of Audit Practice (the 2020 Code) and associated Auditor Guidance Notes (AGN) we are required to report on significant weaknesses in a body's arrangements identified during the course of the audit.

### *Financial Sustainability*

During the execution of our interim audit fieldwork for the financial year ended 31 March 2022 we identified a significant weakness as defined by AGN03 with regards to the financial sustainability of TfL, given there is no long term funding arrangement currently in place. Without a longer-term funding agreement in place, TfL is making short term decisions based on the current funding arrangements. If longer-term funding arrangements were in place, management would be able to make more robust decisions, negotiate better long-term deals with suppliers or contractors and identify synergies and cost saving opportunities. This means that TfL is not obtaining the best value for money due to lack of clarity of long-term funding agreements going forward. As such we have formally communicated on the weakness identified to the Audit and Assurance Committee. Please refer to Appendix A for a copy of the letter.

### *Improving economy, efficiency and effectiveness*

During 2019/20 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. An action plan was put in place to address the weaknesses identified, however our assessment of implementation of procurement improvement programme still in progress. We will update the Audit & Assurance Committee on further progress once we conclude on the matter.



# Executive Summary

## Audit differences

During our audit work, we identified certain judgemental misstatements which remain unadjusted items and are recorded in our summary of audit differences. The overall impact is a credit of £3m to total comprehensive income, a debit of £98m to non current assets, a credit of £41m to non-current liabilities and a credit of £54m on brought forward reserves. We have yet to complete the audit and the review of the draft financial statements, and therefore further audit differences and disclosure adjustments may be identified. We will report those to the committee before the conclusion of our work.

There are no amounts that we identified that are individually or in aggregate material to the other comprehensive income reported in the year. The impact on non current assets and non current liabilities is above our planning materiality which is based on in-year expenditure. However the amounts are <1% of the total for non current assets and liabilities respectively.

## Whole of government accounts

We have not yet initiated our audit for Whole of Government (WGA) requirements. We will commence our work on the WGA following approval of the financial statements. Our audit work on WGA for 2020/21 is still outstanding due to HMT delays.

## Audit Certificate

The audit certificate is issued to demonstrate that the full requirements of the National Audit Office's 2015 Code of Audit Practice have been discharged for the relevant audit year. We expect to issue the audit certificate once the work on Whole of Government Accounts is complete.

## Independence

We reported separately on our independence to the Audit & Assurance Committee in the papers for this meeting.

## Status of the audit

Our audit work in respect of the group opinion is still in progress. The following key matters relating to the completion of our audit procedures were outstanding at the date of this report (these are the main outstanding and is not a comprehensive list all outstanding items):

- ▶ Annual Report and accounts - completion of the technical review of the financial statements, including taxation, disclosures review and tie out to underlying audit work for TfL and Crossrail;
- ▶ Impairment assessment – completion of TfL and Crossrail impairment assessment review;
- ▶ Pensions – EY review of actuarial reports, RSM's audit report of investment fund/asset values, XPS response from the individual members data request and testing of the data.
- ▶ Fares revenue – KPMG's ISAE3402 and Agreed Upon Procedures report over contactless ticketing and Oyster pay as you go has not yet been received;
- ▶ Valuation of investment property;
- ▶ Assessment of going concern and underlying funding arrangement;
- ▶ Completion of procurement improvement plan review;
- ▶ Climate Risk assessment
- ▶ Post balance sheet events up to the date of approval of the financial statements; and
- ▶ Receipt of signed letter of representation.

Until the above procedures are completed, we cannot reach our overall conclusion.



## 02 Areas of Audit Focus



# Areas of Audit Focus

## Significant risk and Key Audit Matter

Management override of controls, required by ISA (UK and Ireland) 240

### What is the risk?

Management is in a unique position to perpetrate fraud because of their ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every engagement under ISA (UK & Ireland) 240.

### What judgements are we focused on?

As part of our risk assessment we considered the current objectives of TfL and areas where there might be judgement with potential for bias to present a particular result, such as reduced operating expenditure.

We have assessed management's progress on implementation of action plans during the year in response to the weaknesses identified during FY19/20 audit.

In addition to this the we have assessed the business for impact of continued remote working and transition to hybrid working.

### What did we do?

For TfL, TTL group and subsidiaries, we have:

- ▶ Robustly challenged management's assumptions on capitalising expenditure as detailed on slide 13;
- ▶ Critically reviewed fares revenue as detailed on slide 10;
- ▶ Applied professional scepticism by questioning whether management's explanations are logical, reasonable and in line with relevant historic trends supported by sufficient appropriate evidence;
- ▶ Reviewed the business rationale for unusual transactions;
- ▶ Tested significant transactions that are outside the normal course of business or that appear unusual by agreeing to supporting documentation;
- ▶ Performed journal entries testing with specific focus on journals related to cost capitalised indicative of management override (posted by members of management, with blank or unusual descriptions, etc.) with specific focus on top side journals;
- ▶ Considered the effectiveness of management's controls designed to address the risk of fraud;
- ▶ Understood the oversight given by those charged with governance of management's processes over fraud;
- ▶ Tested procurement transactions pre and post action plan implementation to identify any material override of controls;
- ▶ From time to time we have matters escalated to us by members of the public. We investigated the matters reported and assessed the impact thereof on our audit risk and audit procedures performed. Any findings identified have been reported to the Audit and Assurance Committee.

### What are our conclusions?

With regards to the procedures performed, we have obtained sufficient audit evidence regarding any business rationale for unusual transactions, any assumptions for the capitalisation of expenditure, and for judgements and assumptions for significant estimates.

During FY19/20, weaknesses in procurement process controls were identified by management and internal audit. Management has made progress against the implementation of procurement improvement programme in prior financial year and current financial year. We have completed additional testing and did not identify any material fraud or error. However, the final assessment paper showing the clearance of the recommendations raised is still outstanding from the management and once received we will update our conclusion. Our recommendations for further enhancement of controls will be shared at a later stage in our Management Letter.

Our procedures did not identify any material misstatements in the financial statements. We have reported the impact on our value for money considerations later in this report.



## Areas of Audit Focus

# Significant risk and Key Audit Matter

Inappropriate Revenue recognition, required by ISA (UK & Ireland) 240

NOTE – as set out below, the risk is specific to the allocation of fares received based on time periods, services provided by other parties and refunds

### What is the risk?

TfL needs to have robust controls in place to forecast and accurately recognise and report revenue in its financial statements.

The significant risk only relates to the fares revenue stream. This is due to the complexity and judgements involved in the process to apportion the fares revenue recognised.

In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. We have not identified any specific risk areas in relation to expenditure.

### What judgements are we focused on?

Judgements and controls need to be effective to appropriately recognise revenue, these include:

- ▶ Fares revenue is recognised on a real time basis at the time of actual usage;
- ▶ Calculation and recording of the revenue and deferred revenue based on maturity of the product for fares revenue; and
- ▶ Collection of payments made from sales via various sales outlet.

### What did we do?

For Fares Revenue, we have:

- ▶ Gained an understanding of the revenue process for fares revenue
- ▶ Performed controls testing over the effectiveness of the cash collection process and sales made at various sales outlets
- ▶ Performed testing to ensure that the Receipts in Advance "RIA" and Journey Facility Ticketing "JFT" Debtor balance is correctly stated
- ▶ Tested the appropriateness of assumptions used by management on the oyster write-back policy adopted and the impact of COVID-19
- ▶ Recalculated the ageing for a sample of dormant oyster card balances to ensure accuracy
- ▶ Tested transactions separately where we are not able to place reliance on the controls in place or where procedures above are not be sufficient
- ▶ Tested the fares compensation arrangements with the TOCs resulting from the fares cap introduced in Jan 2015. We further reviewed all settlement differences identified during the year and related communications with TOCs. These were all immaterial both individually and in aggregate, therefore no issues were noted.
- ▶ Planned to review ISAE 3402 controls report and the agreed upon procedures report
- ▶ Assessed any changes to underlying assumptions used for the recognition of revenue such as TOC apportionment and Oyster Card releases. No inconsistencies noted in apportionment factors throughout FY21/22 and in comparison, to prior year. No significant variances were noted between the apportionment factors quarter on quarter for FY21/22 and year on year in comparison to FY20/21

### What are our conclusions?

Our planned procedures in relation to this risk are complete, except for KPMG's testing of controls over contactless ticketing and Oyster pay as you go, set out in their ISAE3402 report and agreed procedures report. This is currently outstanding and we are planning to rely on it.

Once the remaining information is received, we will be in a position to conclude on whether the basis used to recognise fares revenue and related disclosures in the financial statements are reasonable.

We have reviewed the underlying assumptions for Oyster writeback releases to revenue for any changes as travel recovers from the impact of COVID-19. Management has kept the assumptions on Oyster writeback unchanged for FY21/22. The prior year Covid adjustment of £17.5m has been released to the income statement in the current financial year. Management has based the decision on the fact that although travel has significantly improved in current year compared to prior year, the balances on dormant Oyster cards has been increasing as more people have moved to using CPAY contactless payment method as oppose to Oyster PAYG. We have further reviewed the release of the prior year's Covid-19 adjustment of £17.5m back to revenue and analysed the underlying assumptions used by management and concluded they are reasonable.



# Areas of Audit Focus

## Significant risk and Key Audit Matter

### Going concern, including TfL and Crossrail funding

#### What is the risk?

There is uncertainty with regards to the going concern assumption for Crossrail and TfL and carrying value of assets, should the funding requirements continue.

#### Financial statement impact

As reported in the prior year, the Covid-19 pandemic has had a significant impact on TfL's fares income and the availability of funding. In 2021/22, TfL's fares revenue has increased by 97% since the relaxation of Covid-19 restrictions, however the current circumstances continue to present ongoing financial challenges and uncertainty to TfL in predicting the future passenger revenue for the organisation. Therefore, a Fourth Funding and Financing Agreement was agreed by DfT which provides funding for the period 6 February 2022 to 24 June 2022.

As yet there has been no agreement for long-term capital support agreed, although we understand discussions continue between TfL and DfT.

#### What did we do?

For TfL, TTL groups and subsidiaries, we have:

- ▶ Discussed and reviewed the business plan prepared by the management;
- ▶ Determined an appropriate strategy to address those identified risks;
- ▶ Reviewed the group's revised budget submission Dec-21;
- ▶ Reviewed management's assessment of funding requirements and commitments;
- ▶ Assessed the impact of funding requirements on TfL projects that could result on the cancellation or delay of major projects;
- ▶ Evaluated management's judgements and assumptions used in determining the future benefits expected from the projects and ensuring they are appropriate and supportable;
- ▶ Assessed whether any additional obligations exist within the various contractual arrangements that have been omitted from the financial statements;
- ▶ Tested the nature of the expenditure incurred to determine if capitalisation is appropriate;
- ▶ Obtained an understanding of the group's plans for discontinuation of service and assessed related assets for impairment; and
- ▶ Performed additional procedures in response to the continued impact of COVID-19.

#### Value for money

During the execution of our audit fieldwork for the financial year ended 31 March 2022 we identified a significant weakness as defined by AGN03 with regards to the financial sustainability of TfL, given there is no long term funding arrangement currently in place.

As such we have formally communicated on the weakness identified to the Audit and Assurance Committee. Please refer to Appendix A for a copy of the letter.



## Areas of Audit Focus

# Significant risk and Key Audit Matter

### What is our conclusion

Although there has been a significant increase in the use of London's transport network since the relaxation of Covid-19 restrictions (e.g. fares revenue increased by 97% as compared to 2020/21), the Government recognised that the current circumstances continues to present ongoing financial challenges and uncertainty to TfL. The Government also recognises that TfL including Crossrail Limited, has existing near and long-term financial commitments and will need to enter new financial arrangements, that extend beyond the funding period. As a result of this, the Government through DfT agreed to issue the Fourth Funding and Financing Agreement which provides funding for the period 6 February 2023 to 24 June 2022.

As part of the Fourth Funding Package, TfL committed to deliver a plan by 31 March 2022 demonstrating the options that exist to achieve up to £400m of additional revenue or cost savings in 2022/23, This was in addition to delivering the previously agreed operating cost savings for the 2021/22 financial year. DfT acknowledged that TfL is facing further cost pressures in 2022/23 and therefore any proposals presented in this plan and the savings level of £400m will be considered and confirmed following a review of TfL's 2022/23 budget.

The Government also stated in the Fourth Funding Package, a willingness in the short and medium term to provide grant funding for renewals and enhancements and to work towards an agreement for long-term capital support with an expectation that this agreement will be reached by 31 March 2022. The Fourth Funding Package included a number of conditions, which includes the continuation and further development of initiatives commenced under previous funding agreements with DfT.

As at the Q4 of 2022, the Group had capital projects in the course of construction totalling £18.7bn (unaudited), of this £14.7bn relates to Crossrail. The remaining balance relates to a range of projects across the network at varying stages of completion.

As part of the Government review of the Group over the past 2 years, a review has been ongoing of the capital programme to identify which projects can and will be funded to completion, including whether projects can be safely paused, whether the costs of termination are more extensive than completing and whether the projects are to ensure the Group meets statutory obligations in respect of safety. It is also possible that during the current discussion with the DfT to agree long-term capital support, that some current services could be deemed as nonessential, which could then lead to an impairment of some assets related to those services. The capital programme includes upgrades and maintenance of current infrastructure and ongoing initiatives for TfL's key priorities in line of the Mayor's Transport Strategy and other Government policies.

At the time of writing this report, there remains uncertainty as to the ongoing funding available from Government in connection with operational funding gap created by lower fares revenue and future capital funding. The current funding agreement expires on 24 June 2022. At the current time this would result in a similar opinion to the year ended 31 March 2021, being a material uncertainty surrounding the funding of the Group and therefore its ability to continue to operate the current level of services, including the planned capital programme post 24 June 2022. We understand that there is likely to be an updated agreement covering operational funding from 24 June 2022 and there may be an agreement on capital funding prior to the financial statement sign off, we will therefore update the position once any funding agreement is agreed for the period post 24 June and share our final conclusions, including our draft audit opinion with the Audit & Assurance Committee for review and discussion prior to Board sign off in July 2022.



# Areas of Audit Focus

## Significant risk and Key Audit Matter

### Inappropriate capitalisation or potential impairment of capital projects including capital accruals

#### What is the risk?

TfL, TTL groups and subsidiaries undertake multiple capital projects at any one time, which vary in size, complexity and length of time to complete. In the 2021/22 financial year, TfL's capital expenditure is £1.6bn and of this amount £624m relates to Crossrail projects.

There is a risk of improper capitalisation of cost (through improper calculation of the accruals or improper split between capital and operating expenditure). In addition there is a risk of potential impairment of projects as a result of funding constraints.

#### What judgements are we focused on?

Judgements and controls need to be effective, to appropriately recognise the costs from these significant projects including:

- ▶ Appropriate split of costs between capital and operating expenditure;
- ▶ Assessment of the economic useful lives of the asset where costs are capitalised; and
- ▶ Whether to recognise impairments and write-offs for assets to reflect increased risks of projects being terminated or suspended.

#### What did we do?

For TfL, TTL groups and subsidiaries we have:

- ▶ Assessed a sample of capital projects (including Crossrail), based on quantitative and qualitative thresholds;
- ▶ Understood key controls and governance surrounding capital project accounting and management;
- ▶ Tested controls which focused on the effectiveness of the approval process for expenditure and for capitalisation;
- ▶ Met with management and project managers virtually during the year and virtually attended management's P13 accruals meetings;
- ▶ Critically evaluated management's judgements and assumptions used in determining the future benefits expected from the projects and ensured they are appropriate and supportable;
- ▶ Assessed pain/gain arrangements and related accounting treatment. We have validated for any pain and gain elements back to the respective contract (and acknowledgement with contractor as and when a pain/ gain event arises) and made sure that it was correctly reflected in the total value of the project. We are satisfied with the accounting treatment as it is supported by contractual terms.
- ▶ Assessed whether or not capitalisation of costs are appropriate in accordance with the contract and relevant accounting guidance (including COVID-19 related costs);
- ▶ Considered whether, at any stage, assets need to be impaired or written off to reflect any aborted or higher risk projects;
- ▶ Performed detailed testing on a sample of expenditure incurred and capital accruals to source and third party documentation;
- ▶ Assessed whether management has reasonably estimated the cost to complete the capital projects;
- ▶ Reviewed capital projects to assess progress and potential impairment, in particular, we have assessed the impact of Crossrail progress and funding on the ability of TfL to complete and fund other in-progress projects;
- ▶ Reviewed claims and contracts for existence of additional obligations or expenditure that is inappropriate to capitalise;
- ▶ Reviewed the accounting and tested COVID-19 payments on projects;
- ▶ Reviewed the impairment of projects not included in funding plans. As noted above, there is material uncertainty relating to future funding of capital projects; and
- ▶ Performed additional procedures in response to the continued impact of COVID-19 where appropriate.

#### What are our conclusions?

Procedures have been completed for TfL and TTL groups with no material issues, with the exception of understanding the availability for future funding for projects in-progress at the balance sheet date. We are satisfied that the capitalised costs in the year meet the criteria for capitalisation and are appropriate. We concur with the impairment of projects not included in funding plans in the pre-COVID-19 business plan.

We noted costs were incurred as a result of COVID-19. We are still to complete and conclude our review of COVID-19 costs expensed in the current year.

An initial review was performed to identify non-essential projects that no longer align to TfL's priorities. As a result, assets (Cost capitalised) for projects abandoned have been written off in the current year amount to £16.7m. Projects where assets could potentially be reused on a different project has been treated as an impairment loss in the current year. The impairment loss amounted to £51.4m.

We are currently awaiting management's assessment on the categorisation of all projects at the balance sheet date. Once received we will review and communicate our results from the procedures performed.

We also understand that a capital funding agreement may be reached with the Government prior to the final approval of the financial statements. Management will then need to re-assess the position of in progress projects to determine whether these are included in future capital funding to completion and to re-assess the risk of impairment. We still have procedures to complete to conclude on going concern as detailed on slide 11 and 12. We will therefore update the position once any funding agreement is agreed for capital and share our final conclusions, including our draft audit opinion with the Audit & Assurance Committee for review and discussion prior to Board sign off in July.



# Areas of Audit Focus

## Significant risk and Key Audit Matter

### Complexity of accounting for TfL and TTL property portfolios

#### What is the risk?

TfL and TTL groups have extensive property portfolios, with a total book value for property of £1.7bn as at 31 March 2022 (of which £160.1m was Assets Held for Sale). Included within the portfolios are office buildings and investment properties.

The unique and material nature of TfL and TTL group's property portfolios means that small changes in assumptions when valuing these assets can have a material impact on the financial statements.

TfL will need to comply with the Mayor's housing programme. The Mayor has committed to prioritising affordable home delivery on surplus or under utilised owned by the GLA Group, including TfL. This might have a negative impact on the valuation of TfL's property portfolio.

In the prior year, as part of the Group's commercialisation strategy, the Group consolidated properties available for non-operational use in a new subsidiary entity. This resulted in a change in use from 'owner-occupied' to newly separable investment property assets. This could result in inappropriate classification of assets and presentation of revaluation changes.

Further, with the continued impact of COVID-19 pandemic on the market conditions and growing uncertainty around valuation, the fair value assessment of property portfolio is also changing.

#### What judgements are we focused on?

Judgements and controls need to be effective, to appropriately recognise the carrying value of assets including:

- ▶ Identifying and relying on significant assumptions used by external valuers;
- ▶ Reviewing and understanding methodology used to assess the property valuation;
- ▶ Reviewing the observable market data for the properties portfolio selected for valuation by external valuers; and
- ▶ Appropriately classifying assets between operational and investment.

#### What did we do?

For TfL, TTL groups and subsidiaries, we have planned to:

- ▶ Discuss with management and review evidence to gain understanding of TfL and TTL group's property portfolios;
- ▶ Discuss and review valuation assumptions and methodology applied by external valuers along with the TfL property team;
- ▶ Perform substantive testing and corroborate explanations for property additions, disposals and accounting for lease contracts;
- ▶ Review the valuations report prepared by TfL's external valuers, agreeing the entries in the report back to the financial statements to confirm the accuracy of the entries;
- ▶ Assess the classification of TfL and TTL property portfolios, the valuation basis and any material increases or impairments that had occurred during 2021/22;
- ▶ Assess the work of TfL's property valuers. We have used our EY property valuation team as appropriate to assist in our review of whether TfL's key assumptions are within an acceptable range based on comparative market data for rental yields;
- ▶ Review the accounting treatment of valuation movements for non-core assets and ensured it is appropriately disclosed;
- ▶ Review infrastructure and office buildings, PFI accounting models and appropriateness of accounting and disclosures;
- ▶ Consider classification of assets between investment properties, property, plant and equipment and assets held for sales in accordance with IFRS;
- ▶ Review sites to ensure affordable housing density needs are appropriately built into site valuations; and
- ▶ Perform additional procedures in response to the continued impact of COVID-19.

#### What are our conclusions?

We are in the process of completing our procedures and have not yet concluded that property valuations were within an acceptable range.

We are still to receive the final valuation report from CBRE to enable us to conclude on whether the disclosure set out in the notes to the financial statements provides users with an appropriate explanation of this matter.





## Areas of Audit Focus

### Other areas of audit focus

#### Other areas of audit focus

#### Judgemental assumptions impacting TfL's pension deficit

At 31 March 2022, TfL's defined benefit pension schemes had a deficit of £3,201.5m (2021: £5,603m). The Group's balance sheet reflects the deficit on the TfL defined benefit pension scheme, TfL's share of the deficit on the Local Government Pension Scheme, the deficit on the Crossrail section of the Railways Pension Scheme and the liability for unfunded pensions obligations.

Audit of pension scheme assets requires particular care given the current market volatility. There is a risk of potential short to medium term impact of COVID-19 on the net pension liability.

The assumptions used to arrive at the value of the pension deficit are judgemental. The setting of these assumptions should be in accordance with IAS19(R) Employment Benefits.

Any update to the financial assumptions should be supported by management in the context of the business plans and general outlook. In particular, we expect short to medium term impacts of COVID-19 to be balanced against the long-term nature of the changes in financial assumptions.

IAS 19 reports have been received from the actuaries. The review is still in progress at the date of this report.

#### Leases (IFRS 16)

IFRS 16 was adopted for the first time in the 31 March 2020 financial statements. It requires entities to recognise a right of use asset and corresponding lease liability in its Statement of Financial Position.

Further, there is a risk of potential impairments of the IFRS16 assets as a result of the impact of COVID-19.

When applying IFRS16 there are a number of judgements and estimates to be taken by management including:

- ▶ Determining the interest rate to be used in the calculation of lease liabilities - Management has continued utilising the same rate from the date of IFRS16 adoption for all deliveries of rolling stock in the 2021/22 financial year end accounts.
- ▶ Assessing the length of leases - in particular with respect to station and track access.
- ▶ Assessing the value of 'peppercorn' leases - the CIPFA Code requires the recognition of values related to peppercorn leases (this is not required under adopted IFRS).
- ▶ Calculating an estimate of costs relating to bus contracts - management uses the same allocation across the whole fleet of contracts, based on contracts in place. As the proportion for non-diesel vehicles increases the cost allocation may change.

Determining the interest rate to be used in the calculation of lease liabilities - management has utilised the same rate from the date of IFRS16 adoption for all deliveries of rolling stock in the year. Our view, as reported in the prior year, is that the rate should be determined at each delivery date for each batch of units, using management's rates to recalculate the accounting, gives rise to a cumulative judgemental difference of £50m (20/21: £37m) higher value for right of use asset and £41m (20/21: £32m) for the related lease liability in the 2021/22 accounts. We would expect the fluctuations to occur until all rolling stock has been received. The impact on the total right of use asset and lease liability is not in a material percentage and the impact on the Comprehensive Income and Expenditure for the year is also is not material.



# Areas of Audit Focus

## Other areas of audit focus - continued

### Other areas of audit focus

#### Significant accounting estimates – including complexity of provisions

Certain provisions (e.g. Compulsory purchase orders, litigation, claims and disputes) require complex estimates involving high levels of management judgement and uncertainty.

TfL, TTL and subsidiaries have complex capital contract and commercial arrangements. A large proportion of TfL's provisions come from its compensating and contractual (£70.4m) and capital investment activities (£58.5m).

In particular CPO provisions and contractual disputes are subject to significant estimation and include uncertainty around negotiations. We also note that there are some legal proceedings against TfL for which provisions have been recorded. Potential exposure including compensation for new claims assessed all immaterial both individually and in aggregate, therefore no issues were noted.

For TfL, TTL groups and subsidiaries we have:

- ▶ Ensured provision balances meet the recognition criteria under IAS37.
- ▶ Reviewed and critically evaluated management's judgement and estimates applied in the calculation of provisions in the financial statements.
- ▶ Performed a retrospective review to assess the accuracy of provisioning and any evidence of management bias.
- ▶ For completeness, performed unrecorded liabilities testing, minute review etc.

We have completed our audit procedures with no material issues. We are satisfied that the provisions made are within an acceptable range, based on the latest available information.

#### Other accounting estimates

There has been a provision recognised for senior management performance award of £10.7m and other performance award arrangement of £7.5m. On discussion with management the amount provided reflects staff performance in the year, however due to the current financial restraints the amount will not be paid until 23/24. Within the current funding agreement, clause 16, it states 'Any bonus pay awards will not be paid for through the extraordinary Government funding and TfL will demonstrate prudence in making any such payments. We do not expect TfL to authorise individual bonus pay awards.'

We have challenged management as to whether the provision for the performance award in the current year complies with the funding agreement and whether DfT is aware of these amounts provided. Management has confirmed that when considering this performance award the condition in the agreement (clause 16) has been taken into account and hence the delay in pay out of the amounts until 23/24 when it is expected that Government funding will have ceased. Management has also confirmed that the DfT is aware of this performance award, but noted that the DfT has not explicitly confirmed that they are satisfied that it does not contravene the funding agreement clause.

The value itself is not material in the context of planning materiality for the audit, however this is a sensitive matter and we recommend that management obtain explicit approval from the DfT that the payment of this award in future years, but relating to, and accounted for in a year in which Government funding was received.



# Areas of Audit Focus

## Other areas of audit focus

### Other areas of audit focus

### Climate related risks

In response to increasing concerns about the impacts of climate change on the economy and financial stability, the FRC is calling for organisations to be more transparent on how they are addressing climate risk. Whilst reporting, in itself, cannot limit the effect of climate change, transparency of how organisations are responding to this risk provides stakeholders with better information and may guide how they interact with an organisation: whether it is funders deciding whether to fund; employees deciding which organisations they would like to work for; customers deciding which services to use; or suppliers deciding which organisations to sell their products/services to.

As a result we will perform the following audit procedures:

- Obtain an understanding of the Group's climate risk assessment;
- Review the accuracy and completeness of the climate risk assessment;
- Review substantive evidence supporting climate-related disclosures made in the Annual Report; and
- Review climate-related narrative in the Annual Report; and
- Engage with our EY Specialists team to perform an independent review of the consistency of the Climate risk narrative disclosures with the financial statements and the relevance to the financial audit.

### Overview of Climate risks reporting through the TCFD Framework on TfL

Due to the nature of the services that TfL provides, a broad range of stakeholders are demanding transparency on climate risks. TfL operates to deliver the Mayor Transport Strategy (MTS) and plays a crucial role in delivering other Mayoral strategies and plans. Ensuring alignment with national and mayoral targets (such as carbon neutrality for London by 2030) will require significant financial investment.

The Task Force on Climate-related Financial Disclosures ('TCFD') Framework was established to promote consistent climate-related financial risk disclosures for use by companies, financial institutions, and investors. It is structured in four thematic areas – Governance, Strategy, Risk management, and Metrics and targets - with eleven voluntary recommendations of what to include in financial disclosures.

For TfL, reporting against the TCFD framework should be more than just about compliance with regulation. Climate risks pose a range of credible business risks that will have significant financial implications over the coming years. Building on work already done through its Adaptation Report, TfL should use the TCFD framework to better understand climate risk exposures and develop approaches to actively quantify their potential financial impacts. This will support the development of appropriate steps to mitigate the worst impacts of climate change and establish essential and sustainable financial planning.

TfL has already taken key steps towards improved climate risk disclosures, in line with the TCFD recommendations. TfL's Corporate Environment Plan (CEP) and sustainability reports have identified climate change as a key priority for TfL and have set out various ambitions and roadmaps on how to achieve them. TfL's voluntary reporting against the Adaptation Reporting Power has included assessing the assets against climate risks was published in February 2022. TfL has also done work integrating climate risks into overall risk management, and raising the profile of climate change internally, such as through the work of the SHE Corporate Environment and City Planning teams.

There are still, however, some important considerations and next steps that TfL will need to focus on to lay the foundation for good practice TCFD reporting. This is particularly important in the context of everchanging ambitions and requirements at national and mayoral level, as evidenced by the recent announcement by UK Chancellor Rishi Sunak, who announced the ambition for UK to become the first 'Net Zero Aligned Financial Centre' at COP26 in November 2021, making it mandatory for firms to publish clear, deliverable plans to align with net zero. The core strategy of TfL's business will be increasingly impacted by climate change. In order to support core strategic decisions TfL must develop a clear understanding of what the risks are and how they will impact the business financially.

The review of the climate-related narrative and review of substantive evidence supporting climate-related disclosures are in progress at the time of writing this report.



03

## Value for Money Risks





# Value for money

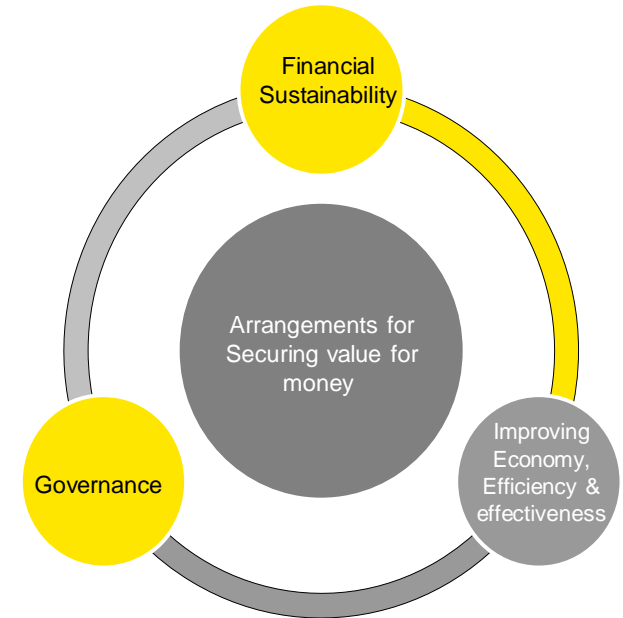
## Background

We are required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

For 2021/22, proper arrangements are defined by 2020 statutory guidance issued by the National Audit Office on 1 April 2020, as:

- ▶ Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;
- ▶ Governance: how the body ensures that it makes informed decisions and properly manages its risks; and
- ▶ Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.



## Exception reporting on TfL's VfM arrangements

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice, where risk is defined as:

*"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public".*

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

Based on the work we performed, we have concluded that there are arrangements in place to secure economy, efficiency and effectiveness, except in relation to two areas:

- ▶ The uncertainty with regards to a long-term funding agreement and impact thereof on planning and resource management to maintain service delivery; and
- ▶ An action plan was put in place to address the weaknesses identified, however our assessment of implementation of procurement improvement programme still in progress.

## Value for Money Risks

### Significant weaknesses in arrangements

Financial sustainability: How the body plans and manages its resources to ensure it can continue to deliver its services

### What did we do?

TfL is responsible for the critical day-to-day operation of London's transport system and also has a significant capital programme to create Crossrail and various other enhancements to the network, as well as to improve safety and commercialise its assets to generate additional non passenger/grant income in future years.

Without continuous, stable investment to operate and maintain TfL's existing network and ensure it keeps pace with societal expectations, its performance will decline. This will mean fewer people using public transport to travel around London and more people using cars, resulting in increased pollution and congestion. In turn this will have a negative impact on the attractiveness of the City and will negatively impact the local economy.

Without a longer-term funding agreement in place, TfL is making short term decisions based on the current funding arrangements. If longer-term funding arrangements were in place, management would be able to make more robust decisions, negotiate better long-term deals with suppliers or contractors and identify synergies and cost saving opportunities. This means that TfL is not obtaining the best value for money due to lack of clarity of long-term funding agreements going forward.

As such, we have identified a significant weakness with regards to how TfL plans and manages its resources to ensure it can continue service delivery.

### EY Recommendation:

Whilst agreeing long term funding packages is extremely challenging in the post pandemic world with many conflicting funding demands on government funding, without an agreed long-term plan TFL will continue to have to make suboptimal decisions and spend significant management time continually reprioritising. Therefore, it is fundamental to the ability of management to appropriately exercise their responsibilities and enable TfL to fulfil its strategic priorities and facilitate Government policies for London, that a longer-term funding plan is agreed. We recommend that management agree a long term plan as quickly as possible, even if that funding is less than might be desirable in order to allow that funding to achieve value for money. Clearly if compromising on funding, we also recommend that the consequences of the funding package are also made clear to enable prioritisation versus other competing demands.

In line with the Code of Audit Practice, we have reported significant weaknesses identified during the execution of our audit procedures. Please refer to Appendix A for a copy of the letter issued to the Audit and Assurance Committee.

## Value for Money Risks

### Significant weaknesses in arrangements

Improving economy, efficiency and effectiveness: How the body uses information about its costs and performance to improve the way it manages and delivers services

### What did we do?

During 2019/20 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. An action plan was put in place to address the weaknesses identified, however it was not effective for the full financial year 2020/21 due to the impact of COVID-19 resulting in the need to prioritise exceptional protocols during the pandemic, rather than business as usual changes from the existing action plan.

At the time of writing this report, our work in relation to procurement and review whether improvement programme were implemented are still in progress and we will update the Audit & Assurance Committee on further progress once we conclude on the matter.



# 04 Audit Differences





# Audit Differences

## Summary of unadjusted differences

In addition we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Audit & Assurance Committee and provided within the Letter of Representation:

| Uncorrected misstatements<br>2021<br>(£million)                         | Effect on the<br>current period: |  | Net assets<br>(Decrease)/Increase       |   |  |  | Impact on<br>reserves                       |
|---|----------------------------------|--|---|---|--|--|---|
|   |                                  | Total<br>comprehensive<br>income<br>Debit/(Credit) | Assets<br>current<br>Debit/<br>(Credit) | Assets non<br>current<br>Debit/<br>(Credit) | Liabilities<br>current<br>Debit/<br>(Credit) | Liabilities<br>non-current<br>Debit/<br>(Credit) | Impact on<br>brought<br>forward<br>reserves |
| Errors:   |                                  |  |   |   |  |  |   |
| Judgemental differences:  |                                  |  |   |   |  |  |   |
| • IFRS16 - rolling stock - rate used at each delivery date              |                                  | (5)  |   | 50  |  | (41)   | (5)   |
| Impact of difference arising in prior year:                             |                                  |  |   |   |  |  |   |
| • Difference in accounting for certain contract incentive payments*     |                                  | 2  |   | 47  |  |  | (49)  |
| Total effect of uncorrected misstatements (before tax)                  |                                  | (3)  |   | 97  |  | (41)   | (54)  |
| Less: tax effect at current year marginal rate                          |                                  | (0)  |   |   |  |  |   |
| Cumulative effect of uncorrected misstatements before turnaround effect |                                  | (3)  |   |   |  |  |   |
| Turnaround effect of prior year uncorrected misstatements               |                                  | 0  |   |   |  |  |   |
| Cumulative effect of uncorrected misstatements, after turnaround effect |                                  | (3)  |   |   |  |  |   |

There are no amounts that we identified that are individually or in aggregate material to the other comprehensive income reported in the year. The impact on non current assets is above our planning materiality which is based on in-year expenditure. However the amounts are < 1% of the total for non current assets.

- This difference was identified in the prior year audit and arises in the accounting for payments made between 2013 and 2018 on a specific contract - our view is that these should have been capitalised and depreciated over the asset life.

Please note, this is not the final list of all misstatements as our audit is ongoing.



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Appendices

# Interim VFM reporting to the Audit and Assurance Committee Meeting

# Required communications with the Audit & Assurance Committee

There are certain communications that we must provide to the Audit Committees of UK entities. We have detailed these here together with a reference of when and where they were covered:

|  Our Reporting to you |   |  |
|--|---|--|
| Required communications  |  What is reported?   |   When and where |
| Terms of engagement  | Confirmation by the audit & assurance committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.  | Discussed within PSAA terms of appointment for TfL and our engagement letter for the subsidiary entities   |
| Our responsibilities   | Reminder of our responsibilities as set out in the engagement letter.   | Discussed within Planning report presented to the Audit and Assurance Committee on 1 December 2021   |
| Planning and audit approach  | <p>Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.</p> <p>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.</p>  | Discussed within Planning report   |
| Significant findings from the audit  | <ul style="list-style-type: none"> <li>• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>• Significant difficulties, if any, encountered during the audit</li> <li>• Significant matters, if any, arising from the audit that were discussed with management</li> <li>• Written representations that we are seeking</li> <li>• Expected modifications to the audit report</li> <li>• Other matters if any, significant to the oversight of the financial reporting process</li> </ul> | Discussed within this report   |

# Appendix B



|                         |  | Our Reporting to you   |
|-------------------------|--|--|
| Required communications | What is reported?  | When and where   |
| Major Local Audits      | <p>For the audits of financial statements of major local audits our written communications to the Audit and Accounts Committee include:</p> <ul style="list-style-type: none"> <li>• A declaration of independence</li> <li>• The identity of each key audit partner</li> <li>• The use of non-member firms or external specialists and confirmation of their independence</li> <li>• The nature and frequency of communications</li> <li>• A description of the scope and timing of the audit</li> <li>• Which categories of the balance sheet have been tested substantively or controls based and explanations for significant changes to the prior year, including first year audits</li> <li>• Materiality</li> <li>• Any going concern issues identified</li> <li>• Any significant deficiencies in internal control identified and whether they have been resolved by management</li> <li>• Subject to compliance with regulations, any actual or suspected non-compliance with laws and regulations identified relevant to the Audit and Accounts Committee</li> <li>• Subject to compliance with regulations, any suspicions that irregularities, including fraud with regard to the financial statements, may occur or have occurred, and the implications thereof</li> <li>• The valuation methods used and any changes to these including first year audits</li> <li>• The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework</li> <li>• The completeness of documentation and explanations received</li> <li>• Any significant difficulties encountered in the course of the audit</li> <li>• Any significant matters discussed with management</li> <li>• Any other matters considered significant</li> </ul> | <p>We are concluding our work on this area and will update the Accounts &amp; Audit committee once this work is completed.</p> |
| Subsequent events       | <ul style="list-style-type: none"> <li>• Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.</li> </ul>   | <p>We are concluding our work on this area and will update the Accounts &amp; Audit committee once this work is completed.</p> |

# Appendix B

## Our Reporting to you

| Required communications | What is reported?   | When and where  |
|-------------------------|---|---|
| Going concern           | <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>• Whether the events or conditions constitute a material uncertainty related to going concern</li> <li>• Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>• The appropriateness of related disclosures in the financial statements</li> </ul>   | Discussed within this report  |
| Misstatements           | <ul style="list-style-type: none"> <li>• Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>• The effect of uncorrected misstatements related to prior periods</li> <li>• A request that any uncorrected misstatement be corrected</li> <li>• Material misstatements corrected by management</li> </ul>   | Discussed within this report. As we finalise our review of the financial statements, any disclosure misstatements may need be included on our Disclosure Summary of Audit Differences. We will update the Accounts & Audit committee once this work is completed. |
| Fraud                   | <ul style="list-style-type: none"> <li>• Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>• Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>• Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving:               <ol style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements.</li> </ol> </li> <li>• The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>• Any other matters related to fraud, relevant to Audit Committee responsibility.</li> </ul> | Discussed within this report  |
| Related parties         | <p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>• Non-disclosure by management</li> <li>• Inappropriate authorisation and approval of transactions</li> <li>• Disagreement over disclosures</li> <li>• Non-compliance with laws and regulations</li> <li>• Difficulty in identifying the party that ultimately controls the entity</li> </ul>  | We are concluding our work on this area and will update the Accounts & Audit committee once this work is completed.   |

# Appendix B

| Required communications |  What is reported?   |  When and where   |
|-------------------------|---|--|
| Independence            | <p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>• The principal threats</li> <li>• Safeguards adopted and their effectiveness</li> <li>• An overall assessment of threats and safeguards</li> <li>• Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019:</p> <ul style="list-style-type: none"> <li>• Relationships between EY, the company and senior management, its affiliates and its connected parties</li> <li>• Services provided by EY that may reasonably bear on the auditors' objectivity and independence</li> <li>• Related safeguards</li> <li>• Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees</li> <li>• A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit</li> <li>• Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy</li> <li>• Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard</li> <li>• The audit committee should also be provided an opportunity to discuss matters affecting auditor independence</li> </ul> | <p>These matters are included within this report and also included within the Planning Audit Report for the year ending 31 March 2022 and our separate independence report</p> |

# Appendix B

|                                       |   | Our Reporting to you  |
|---------------------------------------|---|---|
| Required communications               | What is reported?   | When and where  |
| External confirmations                | <ul style="list-style-type: none"> <li>Management's refusal for us to request confirmations</li> <li>Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>   | We are concluding our work on this area and will update the Accounts & Audit committee once this work is completed. |
| Consideration of laws and regulations | <ul style="list-style-type: none"> <li>Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of</li> </ul> | We are concluding our work on this area and will update the Accounts & Audit committee once this work is completed. |



# Appendix B




## Our Reporting to you

| Required communications  | What is reported?  | When and where  |
|--|--|---|
| Significant deficiencies in internal controls identified during the audit                      | <ul style="list-style-type: none"> <li>Significant deficiencies in internal controls identified during the audit.</li> </ul>   | Discussed within this report and within the Management Letter report  |
| Group Audits   | <ul style="list-style-type: none"> <li>An overview of the type of work to be performed on the financial information of the components</li> <li>An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components</li> <li>Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work</li> <li>Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted</li> <li>Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements.</li> </ul> | We are concluding our work on this area and will update the Accounts & Audit committee once this work is completed. |
| Written representations we are requesting from management and/or those charged with governance | <ul style="list-style-type: none"> <li>Written representations we are requesting from management and/or those charged with governance</li> </ul>   | We are concluding our work on this area and will update the Accounts & Audit committee once this work is completed. |
| Material inconsistencies and/or misstatements  | <ul style="list-style-type: none"> <li>Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>   | Discussed within this report  |
| Auditors report  | <ul style="list-style-type: none"> <li>Key audit matters that we will include in our auditor's report</li> <li>Any circumstances identified that affect the form and content of our auditor's report</li> </ul>  | We are concluding our work on this area and will update the Accounts & Audit committee once this work is completed. |

## Appendix C

# Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

| Item  | Actions to resolve   | Responsibility  |
|--|---|--|
| Annual Report and accounts   | Work on underlying statutory accounts, taxation and disclosures has commenced.  | EY and Management  |
| Impairment assessment  | Awaiting management assessment of impairment for TfL and Crossrail  | EY and Management  |
| Fares Revenue  | Awaiting KPMG's ISAE 3402 and Agreed Upon Procedures report over contactless ticketing and Oyster pay as you go   | EY and Management  |
| Investment Properties  | Awaiting final valuation report from CBRE and testing of valuations is ongoing  | EY and Management  |
| Value for Money  | Awaiting updated report on implementation of the Procurements and Supply Chain Improvement Programme (PSCIP)  | EY and Management  |
| Pensions – review of actuarial assumptions   | Actuarial reports have been received. EY pension team is working on the review of the assumptions used  | EY and Management  |
| Assessment of going concern and underlying funding arrangement                         | Awaiting management assessment on the funding required for the Crossrail Project. EY will assess the assumptions and the reasonableness of this assessment. | EY and Management  |
| Climate Risk assessment  | We are still to review the final disclosures  | EY and Management  |
| Post balance sheet events up to the date of approval of the financial statements       | Post balance sheet event review will be performed through to the signing of the Financial Statements  | EY and Management  |
| Signed letter of representation  | Draft representation letter will be shared with management separately   | EY and Management  |

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