MAYOR OF LONDON

TRANSPORT FOR LONDON
EVERY JOURNEY MATTERS

Supplementary Agenda

Meeting: Audit and Assurance Committee

Date: Wednesday 20 September 2023

Time: 10:00am

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

In accordance with section 100(B)(4) of the Local Government Act 1972, the Chair has agreed to accept the following as items of urgent business on the grounds that the information was not available at the time the main agenda was published.

Copies of the papers and any attachments are available on tfl.gov.uk How We Are Governed.

This meeting will be open to the public, except for where exempt information is being discussed as noted on the agenda. There is access for disabled people and induction loops are available. A guide for the press and public on attending and reporting meetings of local government bodies, including the use of film, photography, social media and other means is available on www.london.gov.uk/sites/default/files/Openness-in-Meetings.pdf.

Further Information

If you have questions, would like further information about the meeting or require special facilities please contact: Sue Riley, Secretariat Officer; sueriley@tfl.gov.uk .

For media enquiries please contact the TfL Press Office; telephone: 0845 604 4141; email: PressOffice@tfl.gov.uk

Howard Carter, General Counsel
Monday 19 September 2023

Supplementary Agenda
Audit and Assurance Committee
Wednesday 20 September 2023

5 TfL Annual Report and Statement of Accounts Year Ended 31 March 2023 (Pages 1 - 268)

Chief Finance Officer

The Committee is asked to note the paper and

(a) approve the 2022/23 Statement of Accounts, subject to any comments Members might have, and agree that the Statutory Chief Finance Officer will make any further adjustments arising from the work prior to the auditors Ernst & Young LLP, signing their opinion, or from any comments made by the Board of any subsidiary company. Should any changes be required to the Statement of Accounts, which in the opinion of the Statutory Chief Finance Officer are material, he will seek approval of the Audit and Assurance Committee for these changes;

(b) note that the TfL Board has authorised the Chief Customer and Strategy Officer to make any further design or editorial changes to the Annual Report as may be required; and

(c) note that the Chair of the Audit and Assurance Committee will sign and date the Statement of Accounts in due course.

External Audit Items

6 EY Annual Audit Letter (Pages 269 - 320)

Chief Finance Officer

The Committee is asked to note the paper and the supplementary information on Part 2 of the agenda.

18 EY Annual Audit Letter (Pages 321 - 324)

Exempt supplementary information relating to the item on Part 1.

Audit and Assurance Committee

Date: **20 September 2023**

Item: **TfL Annual Report and Statement of Accounts for the Year Ended 31 March 2023**

This paper will be considered in public

1 Summary

1.1 This paper presents the Annual Report and draft TfL Group Statement of Accounts for the year ended 31 March 2023 and requests the Committee's approval of the Statement of Accounts for the year ended 31 March 2023 and their publication.

1.2 On 25 July 2023, the Board approved the Annual Report. The Board also considered the draft Statement of Accounts, recognising that a decision on the approval could not be made until the resolution of several outstanding matters and delegated their approval to the Committee.

1.3 Given the significant work required, and the short timescales involved, the Independent Auditor's (Ernst and Young LLP, EY) Report remains in draft at the time of publishing this paper. A verbal update will be given to the Committee should there be any changes to the draft Independent Auditor's Report from EY that is presented and the final copy will be submitted to the next meeting of the Committee.

2 Recommendations

2.1 The Committee is asked to note the paper and:

(a) approve the 2022/23 Statement of Accounts, subject to any comments Members may have, and authorise the statutory Chief Finance Officer to make any adjustments arising from the findings of the auditors, Ernst & Young LLP, prior to signing their opinion. Should any changes be required to the Statement of Accounts which, in the opinion of the statutory Chief Finance Officer. are material, they will seek approval of the Committee for these changes;

(b) note that the Chair of the Committee will sign and date the Statement of Accounts in due course; and

(c) note that the level of Minimum Revenue Provision has been made in the Statement of Accounts in accordance with the policy approved by the Board.

3 Background

3.1 TfL is required under section 161 of the Greater London Authority Act 1999 (the GLA Act) to produce a report on its achievements and the performance of its functions during the year. Approval of the Annual Report is a matter reserved to the Board under TfL's Standing Orders. The Annual Report includes the information that is required under the GLA Act.

3.2 TfL is also required, under the Accounts and Audit Regulations 2015 (the Regulations) to prepare a Statement of Accounts each year. The Statement of Accounts has been prepared in accordance with the provisions of the Regulations and the Local Audit and Accountability Act 2014. 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).

3.3 The 2022/23 TfL Annual Report is combined with the TfL's Statement of Accounts for the year ended 31 March 2023. While it is not a legal requirement to combine these documents, it is regarded as good practice and will assist key audiences in understanding TfL's financial and operational performance over the year. The structure of the report has been designed for the web and it will be available on TfL's website, electronically and in other formats on request.

3.4 The draft Statement of Accounts (unaudited) was certified by the statutory Chief Finance Officer and published on the tfl.gov.uk website on 1 June 2023 as part of the papers for the Committee's meeting on 5 June 2023, with the Annual Governance Statement. Appropriate notices were placed on TfL's website, and media briefings were offered. The period for exercise of public rights was commenced on 2 June 2023 and concluded on 13 July 2023.

3.5 On 5 June 2023, the Committee considered the draft Statement of Accounts for the year ended 31 March 2023. Comments made by the Committee have been addressed in the documents.

3.6 On 25 July 2023, the Board approved the Annual Report and authorised the Chief Customer and Strategy Officer to make any further design or editorial changes as may be required.

3.7 At the time of the Board meeting on 25 July 2023, several matters were outstanding with the Statement of Accounts. The Board considered the draft Statement of Accounts but did not approve it, with approval authority being delegated to the Committee instead.

3.8 The Regulations require that the Statement of Accounts is approved by a resolution of a committee or by members meeting as a whole. Approval of the Statement of Accounts is a matter ordinarily reserved to the Board under TfL's Standing Orders, paragraph 99(c). On 25 July 2023, the Board delegated approval of the Statement of Accounts to the Committee. To facilitate this, Standing Order 108 was disapplied as part of the Board delegation.

4 Changes Since the Committee Meeting on 5 June 2023

4.1 The financial results for 2022/23 and the notable elements of the Statement of Accounts were outlined in the paper to the Committee on 5 June 2023. However, since this date, there have been a number of changes to the draft Statement of Accounts. These are outlined below.

Confirmation of Funding for 2023/24 and Revenue Top-Up for 2022/23

4.2 The financial statements have been prepared on a going concern basis as the Board remains confident that TfL will continue in operational existence from the date of signing these financial statements at least until 31 March 2025 and will meet its liabilities as they fall due for payment.

4.3 The disclosures have been updated to reflect the confirmation of funding for 2023/24. The Department for Transport (DfT) was not in a position to provide a specific inflation uplift. However, there was partial mitigation through an increase to the revenue top-up mechanism. This included a recalculation of the DfT revenue top-up funding relating to 2022/23, which resulted in an uplift to the revenue grant of £23m. This has been reflected in the latest version of the accounts.

4.4 The implications of the remaining shortfall in inflation funding are still being worked through and will be reported to a future meeting of the Finance Committee. However, the scale of the funding shortfall does not represent a risk to TfL's going concern status.

4.5 In TfL's 2021/22 Statement of Accounts, a material uncertainty was disclosed as to the level of longer-term funding support that would be agreed, and what this meant for the shape of TfL's planned future activities. The uncertainty at that point in time cast significant doubt over TfL's ability both to continue operating the level of services currently provided and to continue with all projects included in the capital investment plan.

4.6 For the year ended 31 March 2023, management has revisited the relevant risk factors and concluded that there is no longer material uncertainty on the basis that:

(a) over the past 11 months there has been no reductions in funding by DfT under the August 2022 settlement and TfL have delivered against the funding conditions. As such the risk of dispute is reduced; and

(b) TfL stretched its business plan savings target to £600m to 25/26, delivering an additional £27m in 2022/23 compared to its target of £65m and is making good progress towards its £204m target in 2023/24. Therefore, while a risk of delivering the full savings target remains, it has reduced.

4.7 The current Government funding settlement expires on 31 March 2024 and there is no certainty on future capital funding support from Government. However, the Government has consistently recognised that TfL cannot solely finance investment in major capital projects and renewals (i.e. rolling stock and signalling) from its own operating incomes. TfL is currently in discussions with Government over the quantum of capital funding provided in 2024/25 to contribute towards rolling stock and signalling programmes.

Sandilands and ULEZ Judgments

4.8 At the time the Statement of Accounts was presented to the Board on 25 July 2023, the sentencing of TfL in relation to the 2016 Sandilands tram derailment was ongoing, as was the judicial review by five Borough Claimants of the decision to expand the Ultra Low Emission Zone (ULEZ).

4.9 On 27 July 2023, TfL was sentenced and fined £10m in relation to the Sandilands tram derailment. TfL also was required to pay £234,404 towards the prosecuting authority's legal costs. The amounts have been reflected as a provision in the accounts as at 31 March 2023.

4.10 There was no change to the accounts resulting from the judicial review regarding the decision to expand ULEZ, in which TfL was successful.

Public objection – Red Route Bay Enforcement

4.11 On 11 July 2023, during the public inspection period for the Statement of Accounts, a local elector submitted an objection to EY, our external auditors. This was in relation to the legality of remote enforcement of red route parking bay contraventions using CCTV.

4.12 On 17 July 2023, the Chief Adjudicator of the London Tribunals refused TfL's application to review a decision by a panel of Parking Adjudicators that red route bay contraventions cannot be enforced remotely using CCTV.

4.13 TfL has been given permission to judicially review this determination at the High Court. The hearing is expected to take place after the signing of these financial statements.

4.14 A contingent liability relating to this matter has been disclosed in Note 31 of the accounts. The potential undiscounted amount of the total payments the Group could be required to make is between £40m to £50m for penalty charge notices (PCNs) issued and paid since the Civil Enforcement of Parking Contraventions (England) General (Amendment) Regulations 2020. Uncertainties exists with determining the number of PCNs that would form part of any ruling and the proportion of those that would be repaid or reclaimed.

Other Provisions

4.15 Additional contractual and compensation provisions of £59m have been raised relating to a separate matter, the details of which are commercially sensitive.

Minimum Revenue Provision

4.16 As part of their audit work, EY undertook a detailed review of TfL's Minimum Revenue Provision (MRP) policy since 2005/06 under the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (the Capital

Finance Regulations) and the applicable Statutory Guidance on Minimum Revenue Provision issued by the Secretary of State under section 21(1A) of the Local Government Act 2003 (the Guidance).

Context

4.17 MRP is the requirement for a local authority to make a charge against its General Fund to set aside a provision for the repayment of borrowing and credit arrangements (including leases). Under the Capital Finance Regulations, the local authority must determine the amount of MRP which it considers to be prudent, having regard to the guidance in force at that time.

4.18 The Guidance requires that before the start of each financial year a local authority should prepare a statement of its policy on making MRP in respect of that financial year and submit it to full Council for approval. The statement should describe how it is proposed to discharge the duty to make prudent MRP during that year. For local authorities without a full Council, the statement should be presented for approval at the closest equivalent level, therefore, for TfL, the MRP policy is approved by the Board.

4.19 The Guidance has changed several times since it was first issued. In 2008, the Guidance was amended to allow authorities flexibility in determining their MRP charge required so long as they ‘have regard to’ the Guidance. In 2007/08 TfL’s policy was changed so that no MRP was to be provided given the TfL’s requirement to have a balanced business plan that included repayments of debt. This was considered prudent by management and approved by the Board. At the time, legal advice was obtained by TfL to confirm that this approach was lawful under the Capital Finance Regulations and the 2008 version of the Guidance.

4.20 In March 2016, the Board approved a change to the policy to start providing MRP using one of the recommended options in the Guidance (Option 3 – Asset Life Method). The policy has remained unchanged since that point, although the MRP policy is reviewed and re-approved each year by the Board.

Prospective application

4.21 The Asset Life Method requires local authorities to charge MRP as a proxy for depreciation, which is an accounting estimate. Therefore, when changing the MRP approach, the Guidance states that local authorities should follow proper accounting practices when changing an accounting estimate, which means that changes should be applied prospectively.

4.22 For example, in depreciation accounting, when an entity reassesses the life of an asset, it does not recalculate the depreciation it has charged from acquisition of the asset. Instead, depreciation must be recalculated over the revised asset life using the current net book value of the asset as the new starting point.

4.23 Therefore, when the change was made to MRP policy in 2016, the change was applied prospectively to historic borrowings. To compensate for this, the recognition of MRP was accelerated for historic borrowings to reflect the shorter remaining asset lives that the borrowing was used to finance.

Application to subsidiaries

4.24 The MRP policy first approved by the Board in March 2016 is to not provide MRP on borrowing passed down to TfL subsidiaries. The rationale for this is the Corporation already funds the depreciation of assets in the subsidiaries through revenue grants given each year. This revenue grant is charged against the General Fund of the Corporation.

4.25 As MRP is designed to act as a proxy for depreciation, also charging MRP on borrowings passed to subsidiaries would effectively mean the Corporation's General Fund was being charged twice.

4.26 The majority of loans to TfL's subsidiaries have been used to fund infrastructure for Crossrail and upgrades to the London Underground. These services are now generating an operating surplus, which will fund these debt repayments in future. The forecast is for these operating surpluses to grow over time as demand continues to recover from the pandemic and operating savings continue to be delivered.

Prior period error

4.27 During the audit of TfL's historical MRP calculations a prior period error was discovered in relation to the A13 Road Private Finance Initiative (PFI) contract. The assets became available for use in 2006/07. However, the related MRP charge only commenced in 2019/20 when MRP commenced for all leases (including PFIs) on the adoption of IFRS 16.

4.28 The annual charge for the A13 PFI was calculated as the annual level of depreciation. However, this did not reflect that the asset had already been in use since 2006/07, therefore the remaining useful asset life had already been reduced. Therefore, a prior period error adjustment of £47.1m has been recorded in the Statement of Accounts to correct for this. This results in a decrease of usable reserves and a corresponding increase in unusable reserves and ensures that the MRP in relation to the PFI is aligned with the remaining service potential of the assets.

Consideration of prudence

4.29 The Capital Finance Regulations require authorities to determine an amount of MRP which they consider to be prudent.

4.30 The cumulative MRP reserve of £324.6m as at 31 March 2023 is considered to be prudent because it has been:

(a) calculated in-line with one of the recommended options set out in the Guidance;

(b) matched to the service potential of the assets that the borrowings have been used to fund (including PFI and lease borrowing); and

(c) matched to the weighted average lifetime of TfL's debt. (At the current rate of provision, the Corporation will have achieved 100 per cent coverage of its borrowings by 2040/41, which is 19 years' time. The weighted average maturity of TfL debt is 19 years).

Future considerations

4.31 The Capital Finance Regulations require local authorities to prepare a statement of policy on MRP each financial year, but they are not prescriptive on the content or level of detail required.

4.32 TfL has a policy which is reviewed and approved by the Board on an annual basis, therefore is compliant with the Capital Finance Regulations. However, given the complexity of this area and the uniqueness of TfL as a local authority, there is the potential that the policy could be strengthened.

4.33 Therefore, a more in-depth review of the MRP policy, potentially involving external specialist support, will be completed ahead of presenting the policy for 2024/25 to the Board in March 2024.

Other Changes and Audit Matters

4.34 The draft Independent Auditor's report was not incorporated into the draft that was provided to the meeting of the Committee on 5 June 2023 as the auditors had not completed their audit work at that time.

4.35 Throughout the remainder of the Statement of Accounts there were various updates to disclosures as part of the EY audit and immaterial changes for consistency, disclosure amendments and formatting to enhance compliance with the Code.

Reconciliation from draft Statement of Accounts presented to the Committee on 5 June 2023	£'m
Group surplus on provision of services after tax	108.6
Increase in provisions estimates	(59.2)
DfT Revenue top-up adjustment	23.0
Sandilands provision adjustment	(2.2)
Adjustments to share of loss from investment in associate	(2.1)
Deferred tax adjustment on investment properties	6.1
Other minor adjustments	(0.4)
Adjusted group surplus on provision of services after tax	**73.8**

5 Subsidiary Companies Audit Exemption

5.1 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.

5.2 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 (TTL), will offer the guarantee to a majority of its subsidiaries.

5.3 For the year ended 31 March 2023, the majority of TTL's subsidiaries claimed exemption from audit, save that, in line with the financial separation of TfL's property arm, the guarantee from TTL to TTL Properties Limited (now Places for London Limited) and its subsidiaries was withdrawn. Places for London Limited provides a section 479A guarantee in respect of the majority of its subsidiaries.

List of appendices to this report:

Appendix 1: Annual Report and Draft Statement of Accounts 2022/23

List of Background Papers:

Audit Exemption for Subsidiary Companies – Finance and Policy Committee paper June 2014.

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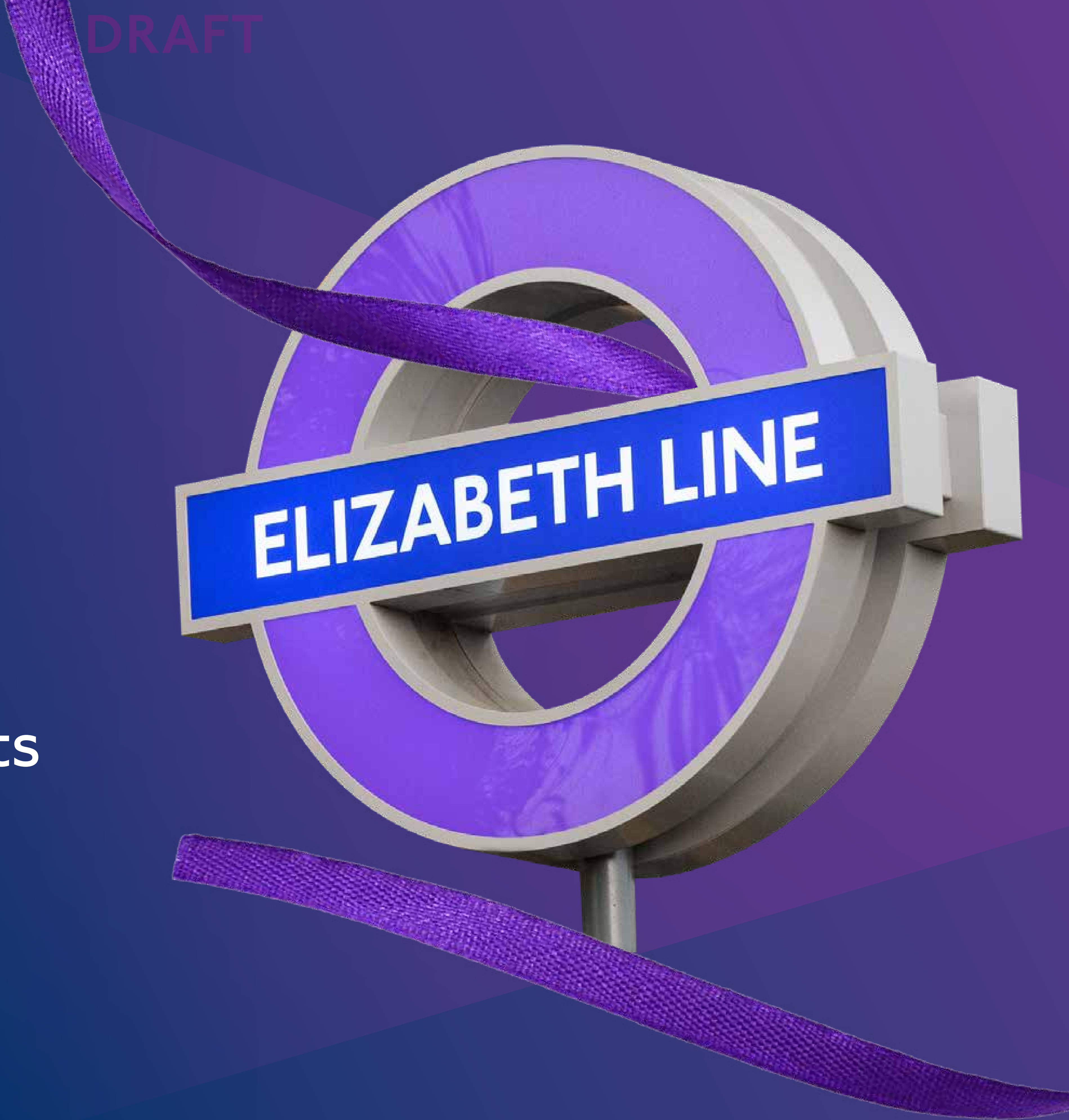
Appendix I



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Annual Report and Statement of Accounts

2022/23 – XX September 2023

MAYOR OF LONDON

TRANSPORT FOR LONDON
EVERY JOURNEY MATTERS

Contents

Launching the Elizabeth line
The story behind London’s transformational new railway. Find out more and go behind the scenes on page 17

Mayor’s foreword

With the effects of the pandemic shifting further behind us, the capital is continuing to make great strides toward recovery

Transport remains a cornerstone of my vision for a fairer, greener London for everyone. Transport doesn’t only shape our daily lives and determine how we get around, it can create new opportunities for Londoners and shape the character of our city. As Mayor, I am continuing to work to deliver the affordable, reliable and safe services Londoners deserve and to unlock the power of transport in order to improve people’s lives.

The hard work and dedication of London’s transport workers is fundamental to achieving these goals, and I want to thank them once again for what they do to keep London moving.

During the pandemic, we sadly lost 107 public transport workers to COVID-19. We will never forget the sacrifices our colleagues made during such a tough time for London and it’s right that we now have a permanent memorial in Aldgate.

I also want to thank Andy Byford, who stepped down as Transport Commissioner last year. He led TfL through an exceptionally difficult time with great skill and dedication. After some tough negotiations, we were able to reach a funding agreement with the Government for TfL, which was only needed following the impact of the coronavirus pandemic on TfL’s finances. The deal was far from perfect, but we have managed to avoid making big cuts to the transport services Londoners rely upon.

Despite these huge challenges, I’m proud that we have continued to make great improvements to London’s transport network. Last summer, the Night Tube and Night Overground service was fully restored and the Elizabeth line opened to great fanfare. We also delivered upgrades to Bank station and opened the new Barking Riverside London Overground station, providing high-quality transport links for residents, as well as seeing record numbers of journeys through the Northern line’s two newest underground stations – Nine Elms and Battersea Power Station.

As part of my vision for London, I remain committed to tackling air pollution and protecting the health of Londoners. Transport policy is crucial in order to achieve these objectives and I announced last year that we will be expanding the Ultra Low Emission Zone (ULEZ) on the 29 August 2023. This will help ensure that five million more Londoners will be able to breathe cleaner air.

The vast majority of drivers in outer London already have compliant vehicles and so will not have to pay. To support those with older, more polluting vehicles, we launched the largest ever scrappage scheme. This is aimed at helping low-income Londoners, disabled Londoners, charities and micro businesses. We have had excellent take up of the scheme so far and are listening carefully to Londoners’ feedback.

We want more and more Londoners, particularly in outer London, to have more options to use public transport instead of their vehicles. That’s why we are implementing bold plans to improve transport links in outer London. This includes the outer London Superloop bus network, which we announced earlier this year. This will provide express bus routes circling the entire capital, connecting outer London town centres, railway stations, hospitals and transport hubs.

We also continue to work to make London a city where walking and cycling are more often the most appealing and practical choices for many more journeys. It’s great to see we are making progress on this front. We have expanded the cycle hire partnership with Santander by adding 500 electric cycles to the fleet and overall cycling levels are growing and exceeding pre-pandemic levels – in 2022 cycling levels were 13 per cent higher than in 2019.

We know a barrier to getting more people cycling is road safety. We remain committed to eliminating deaths and serious injuries on our roads by 2041 and TfL’s trailblazing Direct Vision Standard introduced to reduce driver blind spots on lorries is continuing to have a positive impact.

Lastly, I am delighted to be working with Andy Lord as the interim Commissioner as he helps to steer the organisation forward following the pandemic. We both continue to work flat out to maintain the world-class network Londoners deserve – something that is so crucial to building a greener, fairer and more prosperous London for everyone.

SIGNATURE

Sadiq Khan
Mayor of London

Commissioner's foreword

London's transport system continues to grow with 85 per cent of customers now travelling again following the pandemic

This has been an incredibly important year for TfL, as we have continued to support London's recovery from the pandemic, worked to achieve the financial sustainability of our operations, and delivered huge transport improvements that bring significant benefits to London and the country as a whole.

Since becoming Commissioner, my focus has been on attracting customers to public transport, rebuilding our finances, advancing our work to decarbonise and improve London's environment, and ensuring our organisation celebrates and provides for the diversity of our staff and customers.

Passenger demand continues to grow, with the network seeing around 85 per cent of pre-pandemic demand, out-performing public transport in the rest of the UK. Continuing this trend is vital to our work of helping create a greener, more sustainable city for everyone.

Safety remains our number one priority and we continue to work tirelessly to improve safety across the network for both colleagues and customers.

Central to our work has been the delivery of the transformational Elizabeth line, which has already become one of the country's most popular, busiest and reliable railways. We were honoured to welcome Her Majesty Queen Elizabeth II to open the line, and we have worked since to improve connectivity and provide even easier journeys for passengers. The Elizabeth line is a brilliant example of what can be achieved when the Government and London's authorities and businesses work together to invest in transport infrastructure.

Other notable achievements include the completion of the Bank station upgrade, completing the signal automation of the Hammersmith & City line, the London Overground extension to Barking Riverside and the start of tunnelling on the new public transport-focused river crossing at Silvertown, due for completion in 2025.

Securing a longer-term funding agreement with the Government last August has enabled us to get on with the business of delivering for London. Our annual budget for 2023/24 shows that we can now fully cover operational costs while investing in our network across London. We are now in discussion with the Government to secure the critical capital investment needed in 2024/25 – ensuring the delivery of the committed contracts for rolling stock and signalling on the Piccadilly line and the DLR.

The decarbonisation agenda, improving air quality, and new investment in green infrastructure remain of paramount importance. Last year, we supported the Mayor in consulting on his plans to expand the Ultra Low Emission Zone this summer. Plans to deliver some five million more kilometres for buses in outer London will help strengthen alternatives to car use, particularly as we begin to deliver the new Superloop service. We have continued to invest in active travel, with 14.6 kilometres of new or upgraded high-quality cycle lanes and infrastructure added this year.

In May we were pleased to resume the Jubilee line Night Tube service, just in time for the Queen's Platinum Jubilee celebrations. The line, which has Tube stations located near Buckingham Palace, Green Park and the Mall, was integral in helping customers and tourists visiting London and served more than 16,000 visitors during the celebratory weekend. Moving customers around the capital for such occasions showcases how we are a key player during such events.

We also played a vital role in supporting the events to mark the death of Queen Elizabeth II. Staff from every corner of the organisation worked tirelessly to ensure that the transport arrangements were a success and that the millions of people coming to London to pay their respects could do so safely and smoothly.

This spring, we opened a permanent memorial at Braham Street in Aldgate to remember all transport workers in London who tragically lost their lives to COVID-19. We owe them our gratitude for the critical role they played in the city's fight against the pandemic. This memorial will ensure that we never forget them.

More recently, we were delighted to welcome millions again for the Coronation of their Majesties King Charles III and Queen Camilla, and we look forward to a period in which – after an incredibly difficult few years – we move London forward to a brighter future. I would like to thank all our colleagues and partners for their hard work throughout the year.

SIGNATURE

Andy Lord
Interim Transport Commissioner

About this report

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

Our mission is to be the strong, green heartbeat for London. To achieve this, we have developed three key values that underpin our organisation and will ensure that Every Journey Matters.

Caring

This means that we care about our colleagues, our customers and our work.

Open

This means that we are open to each other, and we are open to new ideas and ways of working.

Adaptable

We will adapt to the diverse needs of the organisation and we are willing to innovate.

Our Annual Report details our achievements and updates from the last financial year, which runs from 1 April 2022 to 31 March 2023. 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.

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.

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.

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.

Our year at a glance

From launching the Elizabeth line to introducing new e-bikes to our cycle hire fleet, we have achieved many notable milestones this year

April 2022
We mark the fifth anniversary of our 'Please offer me a seat' badges as part of Priority Seating Week

May 2022
Her Majesty Queen Elizabeth II helps launch the Elizabeth line, which has transformed journeys across London

June 2022
Data shows our Direct Vision Standard is improving road safety in the first year of its enforcement

July 2022
A new step-free station opens at Barking Riverside, improving transport links in the area

August 2022
We partner with London's biggest attractions to offer discounted entry when using our services

September 2022
A new timetable launches on the DLR, providing quicker and easier journeys across east London.

October 2022
Rapid, wireless bus charging technology is introduced as part of our journey to zero-emission carbon

November 2022
More digital walking routes are launched as part of our latest plans to boost leisure walking

December 2022
We announce plans for all private hire vehicles licensed in 2023 to be zero-emission capable

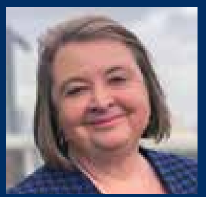
January 2023
The Tube, which was the world's first underground railway, celebrates its 160-year anniversary

February 2023
Mayor Sadiq Khan visits Bank Tube station as our £700m upgrade is completed

March 2023
We launch plans for the Superloop, offering four million kilometres of express bus services in outer London

Financial review

'We are transforming our finances through consistent service delivery for our customers, strong cost control and careful cash management. With a longer-term commitment from the Government for major capital investments, we would be able to deliver even more for London and for the UK'



Rachel McLean
Chief Finance Officer

Chief Finance Officer foreword

We have continued to focus on our recovery as we support London and the UK's economic growth

This was a pivotal year in the history of our finances, as we continued to build our recovery and look forward into 2023/24 when we expect to achieve an operating surplus without Government base funding support. This is the first time we will make a surplus, and any surplus that we make is always reinvested into our services.

This remarkable turnaround, from the lowest point in 2020 when passenger journeys fell to just 12 per cent of pre-pandemic demand, reflects sustained hard work at every level of the organisation. I would like to pay tribute to all my colleagues, and to our partners and suppliers, for their substantial contribution to this outcome.

As with all public transport authorities, we will continue to need Government support for major capital investment, as noted by the (then) Secretary of State for Transport in our most recent funding agreement.

This report sets out our progress in 2022/23, in which we have focused on London's recovery and rebuilding our ridership. In 2022/23, passenger demand increased from 68 per cent of pre-pandemic levels to around 85 per cent, and passenger income grew by 34 per cent from £3.2bn to £4.2bn.

We also increased our other sources of income. Compared to the budget for 2020/21, set just before the pandemic, we have grown our total income in 2022/23, excluding Extraordinary Revenue Grant, by 11 per cent, while reducing passenger income as a percentage of total operating income from 72 per cent to 54 per cent. In June 2022, we launched our commercial property company, Places for London Limited (Places) formerly TTL Properties Limited, which will deliver a dividend that we will invest back into London's transport network.

We continue to reduce like-for-like costs from £5.2bn in 2021/22 to £4.9bn in 2022/23 at constant prices. In 2022/23, the seventh year of our efficiencies programme, we made recurring savings of £92m. We plan to extend this programme by an additional year and stretch the target to £600m from 2022/23 to 2025/26. This takes the total recurring saving to £1.7bn since 2016, of which £1.2bn has been delivered to 2022/23.

A further sign of our progress is that over the last year we have reduced our debt, including leases, from £15.5bn to £15.3bn. Our budget for next year includes an assumption of a return to new net borrowing to support our investment programme. We continue to maintain cash reserves so we can make payments and protect against shocks. Cash balances have averaged just under £1.2bn throughout 2022/23, in line with Government conditions and our own assessment of need.

This sustained effort means our Extraordinary Revenue Grant has reduced from £1.7bn in 2021/22 to under £1bn in 2022/23. In 2023/24, base Government funding of £500 to 700m will be used solely for capital investment.

We will continue to play our part in the national recovery, supporting London's economy and society, providing confidence to our national and international supply chain, and reducing our reliance on central Government – exactly as we committed to do in our funding agreement.

With confirmation of a commitment to longer-term capital investment from Government, we can continue to deliver the modern public transport network that London needs.

SIGNATURE

Rachel McLean
Chief Finance Officer

Our scorecard

We assess our progress against a range of agreed measures

The TfL scorecard is our primary tool for tracking progress against our strategic objectives and is structured around our vision and values. It provides a clear line of sight between the Mayor's Transport Strategy, our Business Plan and our Budget, and helps drive our in-year performance. The metrics are designed to be stretching and realistic. In 2022/23, we achieved 62.1 per cent against the scorecard target. The results reflect some notable achievements in a challenging economic and funding environment, and they highlighted areas to focus on next year.

Our funding from Government was only secured in late August 2022 and runs to 31 March 2024. Before that, we were reliant on short-term agreements. This longer-term agreement, albeit with conditions attached, meant we could start planning further ahead, and working with our supply chain to achieve our objectives.

Measure	Results	Target	Floor target
Green			
Carbon dioxide emissions from our operations and buildings (ktonnes CO_2e)	814	845	900
Colleague			
Total engagement	59.0%	62.0%	60.0%
Inclusion index	50.0%	52.0%	50.0%
Wellbeing index	56.0%	58.0%	56.0%
Diversity declaration rates	60.3%	56.0%	56.0%
Workforce – all injuries	1,550.0	1,348.0	1,987.0
Finance			
Cash balances*	£1,237m	£1,200m+/-£100m	£1,200m+/-£100m
Operating expenditure against budget*	(£7,055m)	(£7,109m)	(£7,109m)
Capital expenditure against budget (excluding TTLP)*	(£1,707m)	(£1,748m)	(£1,704m)
Customer			
Percentage of Londoners who agree we care about our customers	53.0%	57.0%	54.0%
Public transport passenger journeys (millions)*	3,252.5	3,248.0	3,227.0
People killed or seriously injured on our roads (per million surface journey stages)*	0.31	0.33	0.35
Customer injuries (per million passenger journeys)	2.48	2.58	2.72
Foundation			
Investment programme milestone delivery	77.8%	90.0%	75.0%
Elizabeth line: Open the central section for revenue service	May 2022	June 2022	June 2022
Barking Riverside Extension: Service operational	July 2022	July 2022	August 2022
Percentage of London Underground service operated	90.1%	90.0%	89.0%
Bus journey time (minutes)	33.98	33.50	34.00

Key

- Achieved
- Partially achieved
- Not achieved

* Scorecard targets updated at 7 December 2022 Board to align to new Business Plan

Our performance is measured against a range of key indicators

We achieved our green objective to reduce carbon dioxide emissions from our operations and buildings.

On safety, we achieved our customer and roads targets. However, the result for workforce injuries, while an improvement from last year, shows more needs to be done. We are working towards the Mayor's Vision Zero goal and these metrics are an important measure of progress against that.

Customer care, which is measured through surveys of all Londoners on their perception of TfL, also fell below target, showing the reputational impact of strikes in the wider rail sector, fares increases, and increased crowding on services as passengers return to the network.

Greater funding certainty and increased flexibility on pay has meant many of our people have received their first pay increase since before the coronavirus pandemic. However, under the terms of the funding agreement with government, pay has been capped at average public sector levels; coupled with funding constraints, this has meant our people have seen real terms pay reductions in 2022/23. Along with a buoyant external job market, this led to an increase in staff turnover, and will have impacted our success in achieving some of the people metrics.

We achieved our financial targets, despite the difficult economic environment, including the highest inflation in 40 years, and funding uncertainty at the start of the year. We delivered additional operating expenditure savings on top of those set in our December 2022 Revised Budget and delivered our capital investment target. Our passenger income is protected to an extent through our funding agreement with Government, but the demand levels reflect the impact of industrial action taken by various train operating companies and our own services, and the 5.9 per cent fare increase announced by Government in March 2023, which we implemented in line with our funding agreement.

We delivered the opening of the Elizabeth line central section, but fell behind on delivering all our investment programme milestones.

We achieved our London Underground service operated target, with more services to meet growing demand. Bus journey time has been more challenging, coming in just under the floor target. This measure has been impacted by an industry-wide shortage of drivers.

A sustainable future

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

Significant progress has been made across our sustainability objectives in the last year, despite our current financial constraints, but more action is still required.

Society
We have made life-saving changes to London's road network by introducing 20mph speed limits on our roads in Camden, Islington, Hackney, Haringey and Tower Hamlets and completed Safer Junctions work at York Road Roundabout in Wandsworth. So far, we have completed work at 44 junctions across London as part of this programme. To make bus travel more inclusive and accessible, more than 300 buses now have new more prominent priority seating designs, with the entire New Routemaster fleet to have new moquette by the end of 2025.

Environment
We are transitioning our operations to zero-emission and supporting broader efforts to clean London's air by decarbonising our fleet, installing electric vehicle charging points and removing carbon from construction. As of March 2023, around 11 per cent of our bus fleet operated with zero-emission buses. Through our construction work at Old Street, we have significantly reduced carbon emissions by shifting from diesel to electric-powered equipment, saving 13.8 tonnes of carbon dioxide.

We are working to support London's goal of being a zero-waste city. For example, we have increased the number of dedicated recycling services to stations and depots.

All our business cases must now explicitly consider environmental impacts. Some schemes completed in the last year have already paved the way for good practice designing for future climate, providing local employment, and reducing whole-life carbon, including the Northern Line Extension and the Barking Riverside Extension.

We are working to reduce carbon emissions from our activities and ensure we are ready for the impacts of climate change. This past year, we relaunched our first Power Purchase Agreement tender – a vital step towards ensuring all our operations can be net-zero by 2030 – with a view to sign a contract in early 2024.

We secured funding to transition our tram depot at Therapia Lane to become our first low-carbon depot. We concluded initial feasibility studies to understand how we can remove carbon from the operation of our buildings. We are working to convert all lighting on our network to LEDs. We also published our first Adaptation Plan with short-, medium- and longer-term actions including embedding interventions such as Sustainable Drainage Systems to improve storm water management. We are also upskilling our colleagues to go further, through an accredited Carbon Literacy training completed by more than 700 colleagues in 2022/23, with a target for 3,000 more to complete the training in 2023/24.

Economy
Our 2022/23 Budget sets the trajectory to achieve financial sustainability from April 2023. Key to good financial decisions is ensuring we are engaging with our supply chain on sustainable practices.

In the first year of implementing the GLA Group Responsible Procurement Implementation Plan, we have made several decisions with impact, including developing a plan to reduce emissions associated with last-mile delivery for all new contracts and working to improve supply-chain transparency of the mining and manufacturing of minerals used in the provision of batteries for electric vehicles, with respect to socio-economic and environmental impacts.

Our financial disclosure on climate change

Environmental sustainability is integral to our business and the way we work, but we face huge challenges in a changing world

London's transport network is woven throughout the city. Together with our stakeholders, we must take a leading role in managing climate risks, which will enable us to provide a safer and more reliable transport network, as well as enabling us to make well-informed investment decisions and reduce our financial liability from climate disasters.

We are the largest user of electricity, and the second biggest landowner in London, therefore we are uniquely positioned to provide opportunities.

In 2017, the Taskforce on Climate-related Financial Disclosures (TCFD) released climate-related financial disclosure recommendations designed to help organisations assess and manage climate-related risks and opportunities. The disclosure recommendations are structured around four thematic areas, which provide a framework for us to understand and take action on our climate risks and opportunities. These areas represent core elements of how organisations operate: governance, strategy, risk management, and metrics and targets. Ultimately, widespread adoption of the recommendations is aimed at enabling financial risks and opportunities related to climate change, to become a core part of organisations' risk management and strategic planning processes.

Following last year's disclosure on physical risks, we are giving an update on our progress against all four themes, with a plan to provide more detailed disclosures as we develop our adoption of the TCFD recommendations and as we move forward in developing scenario analysis.

1/4

of London's greenhouse gas emissions come from transport

Our climate governance

Achievements in 2022/23

- Sustainability sub-group of the Executive Committee established, responsible for managing environmental risks and opportunities
- Executive Committee completed sustainability training
- More than 800 people completed carbon literacy training, including our senior leaders

Responsibility for managing climate risk sits with our Executive Committee, overseen by our Board. Environment management is embedded across the organisation, with all areas represented at our Executive Committee Sustainability Group. The Executive Committee Sustainability Group meet every six weeks and they oversee the strategic and operational direction on our behalf by ensuring we align between the vision, purpose, and corporate plans relating to climate risks and opportunities.

We delivered sustainability training to our Executive Committee in November 2022, enabling our directors to engage and lead on sustainability with confidence and this training will be made available to all senior leaders over the next 12 months. We are also rolling out our carbon literacy training across the organisation to increase awareness of the carbon impacts of everyday activities and give people the ability and motivation to reduce emissions. Our training course, accredited by the Carbon Literacy Project, encourages us to incorporate carbon into our decision making processes.

400

people are part of our Sustainability colleague network group

800

colleagues have completed our carbon literacy training

Our climate strategy

Achievements in 2022/23

- Published our 2023 Business Plan, which prioritises progress against key green enablers, such as decarbonising operations and green infrastructure
- Established our Green roadmap
- Published our Climate Change Adaptation Plan
- Updated the Board on our progress on our Corporate Environment Plan
- Launched procurement for our first renewable energy Power Purchasing Agreement (PPA) to achieve our goal of running a zero-carbon railway

Our strategy for the environment has been built to support the Mayor's London Environment Strategy. Our response to this is set out in our 2021 Corporate Environment Plan, which describes our environmental priorities and how we will manage key risks and opportunities. This includes a focus on how we will respond to the climate emergency by reducing carbon emissions, and how we will adapt to physical climate risks through adaptation.

The Corporate Environment Plan provides the foundation for developing environmental strategies and delivery plans. This is considered as part of the development of our Business Plan, which determines our strategic plan over the medium-term, the most recent version of which covers the period between 2023/24 and 2025/26. This includes a summary of where we will allocate resources across our various strategic priorities, including our plans for the environment, covering our operations, asset renewals portfolio and capital investment programme. Our 2023 Business Plan also included our first ever submission to the GLA Climate Budget process, providing a forecast of the carbon emissions resulting from our operations over the next seven years, and highlighted key risks and opportunities, and potential funding requirements over the longer-term.

The overall business strategy is supported and informed by a number of policies, technical strategies and analysis.

We are committed to being a responsible business and to understanding how climate change may impact our operations and property portfolio.

Types of risk

Transition risks

Policy and legal
Meeting enhanced compliance requirements relating to building efficiency standards. Embodied carbon, future planning requirements and building regulations for projects and carbon pricing.

Market
Greater demands from customers to meet higher sustainability standards.

Reputational
Loss of reputation in market due to greenwashing or by slow response or inaction.

Technology
Additional capital, operational and maintenance costs incurred from lower emission technologies.

Physical risks

Acute
Increased severity of extreme weather events.

Chronic
Longer-term shifts in variability of weather patterns and precipitation. Rising mean temperatures and rising sea levels.

Physical climate change poses significant risk to us. Our transition to net zero poses significant risks, as well as opportunities.

In March 2023, we published our Climate Change Adaptation Plan, which outlines what we need to do by 2030 to manage our risks from physical climate hazards. Physical risk will increase the likelihood of safety issues for staff and customers, increase the likelihood of operational disruption including delays and cancellations, and have negative financial impacts in terms of recovery from events and reduced revenue. We manage these risks through robust resilience processes. We monitor weather and coordinate emergency plans, as well as organising for recovery after extreme weather events. Resilience will become more expensive as extreme weather events become more frequent, therefore it is important we embed our Adaptation Plan across the organisation.

For transition risks, we have a target to be net-zero carbon by 2030 in our transport operations. We are moving forward with our strategy to achieve this. By the end of March 2023, more than 50 per cent of our bus shelters were converted to LED, and we aim to convert all of our bus shelters by March 2024, saving more than 1,000 tonnes of carbon dioxide equivalent each year. As of 31 March 2023, around 11 per cent of our bus fleet operated with zero-emission buses, 970 zero-emission buses in total, helping us reduce our reliance on diesel, cut emissions and reduce carbon dioxide.

Decarbonising our buildings is integral to our net-zero strategy. In 2022, we conducted a baseline assessment of the carbon emissions associated with our buildings, using existing data, supplemented with 40 site visits. This year, we will conduct 20 feasibility studies to move forward with our buildings decarbonisation.

Extreme temperatures can damage tracks and equipment

The impacts of a heatwave

In July 2022, London experienced record temperatures of more than 40 degrees Celsius on two consecutive days, which highlighted the effects of extreme weather on our services and operations.

This extreme heat caused disruption on our network, with some services having to close and others being delayed. We had to put in speed restrictions across our Tube and rail services.

We also had to suspend work on our construction projects, while trackside fires and fires near our Tube services caused disruption and damage.

There was a major DC power failure at Dagenham East, and points, signalling and track circuits also failed. A number of customers and colleagues also fell ill from the heat.

£8.4m

lost revenue across our operations during the week of the heatwave

Our climate risks

Achievements in 2022/23

- Developed and agreed an adaptation enterprise risk on the environment

Climate risks are considered across our organisation, which is reflected at different levels in our risk hierarchy. We have developed our enterprise- and strategic level risks relating to the environment, including climate adaptation since the last Annual Report. Enterprise-level risks are reviewed each year by our Executive Committee and Safety, Sustainability and Human Resources Panel. Our strategic climate and environment risks are reviewed in detail each year, as well as an ongoing review by our sustainability sub-group.

We have a risk database that enables climate and environment risks to be tagged and monitored. Interdependencies between risks are also considered. For example, climate change could cause potentially significant disruption to our supply chain, which must be monitored and mitigated.

We have assessed the risks on assets and people under different climate scenarios. There is more work we must do to understand our climate risks in more detail. We need to continue to collect quantitative data, as well as understand our transition risks within the stated timeframes and under different scenarios.

Our climate metrics and targets

Achievements in 2022/23

- Green measures added to our Scorecard
- Scorecard measure developed for Sustainable Drainage Systems
- 970 zero-emission buses in operation
- 50 per cent of bus shelters converted to LED lighting
- 50 per cent of all lamp columns on our road network now fitted with LED lighting

Carbon emissions is a key metric on our scorecard, the tool by which we measure our performance, and will be reported on quarterly across the business in 2023-2024.

Our target set out in the Mayor's Climate Budget, is to be net-zero by 2030 for our operational emissions. This includes all energy and fuel that we purchase directly (Scope 1 and 2 emissions), along with emissions associated with the operation of branded services.

Our plan to achieve net zero is:

Buses	Our target is for all buses to be zero-emission by 2030, but this is subject to securing additional funding
Our support fleet	All cars and vans in our support fleet to be zero-emission by 2030.
Piccadilly line trains	Lighter, more energy efficient trains with regenerative braking.
Private wire	Directly receive a proportion of our electricity from zero-carbon, private, dedicated solar installations.
Our buildings	Decarbonising our buildings by removing fossil fuel heating and increasing energy efficiency.
Power Purchase Agreements	Net-zero carbon electricity supply by 2030 using Power Purchase Agreements

We have identified risks to achieving net-zero by 2030. These include changes to regulation, which could impact progress of PPA procurement. In addition, to achieve our net zero target by 2030, we will require additional funding. With additional funding, we could lock-in the pathway to making the bus fleet zero-emission by our target 2030, which in combination with existing and funded initiatives would save an additional 300,000 tonnes of carbon. This would require additional financial support, although this cost would be spread over the lifetime of the new vehicles, which extends beyond 2030. There is currently no certainty on Government funding for capital investment beyond March 2024. Our Business Plan makes an assumption on the level of funding that will be made available for trains and signalling replacement. If this funding is not confirmed, this will impact the ability to fund all of our capital investment, including green initiatives.

Our metrics and targets for physical climate risks are related to tree coverage and Sustainable Drainage Systems. Through the Mayor's Transport Strategy, we have a target to increase numbers on our roads by one per cent each year between 2016 and 2025. We increased the tree coverage on our network to 24,795, planting 453 trees in 2022/23. This is an increase of 21 trees above target. The Mayor's Transport Strategy includes a target to deliver an effective surface area of 50,000 square metres to first drain into Sustainable Drainage System features rather than conventional drains and sewers. We are committed to delivering 5,000 square metres a year along our road network as part of this target. These targets will help to protect London from flooding, and provide shade and shelter from extreme weather events.

Our next steps

We are continually improving our approach to TCFD by improving our understanding of climate risks and opportunities through more detailed data and research. In the next 12 months, we plan to:

Governance

- Ensure robust tracking of climate risks and opportunities
- Ensure all senior leaders complete Sustainability training
- Train more than 3,000 colleagues in carbon literacy
- Agree a value framework for capital investment for environmental schemes
- Start implementing an asset management decision support system

Strategy

- Continue our strategic research programme
- Progress the actions from our Adaptation Plan
- Continue to transition our bus fleet to net zero and deliver buildings decarbonisation projects
- Agree timescale and begin work on risks and opportunities for scenario analysis
- Explore potential funding requirements over the longer-term, by completing exercise looking at the next 25 to 50 years in relation to climate risks and opportunities
- Expand climate budget to include adaptation
- Publish Green Infrastructure and biodiversity plan
- Launch our transition plan for zero-emission support fleet vehicles

Risk

- Expand our enterprise risk register to cover strategic and tactical risks
- Incorporate physical climate risks into Active Risk Management system
- Identify and tag all risks across enterprise risk framework that link to climate

Metrics and targets

- Agree emissions reduction target for our scope 3 measures
- Deliver Sustainable Drainage Systems to enable 5,000 square metres of drainage
- Remove 845 ktonnes of carbon dioxide emissions from our operations and buildings

London's newest railway

Launching the Elizabeth line

In May 2022, we were delighted to launch the transformational Elizabeth line, providing a vital connection from Reading and Heathrow in the west through to Shenfield and Abbey Wood in the east.

Celebrating the launch

London turned purple in May 2022 when we officially opened the transformational Elizabeth line

There was a party atmosphere when the Elizabeth line officially opened on 24 May 2022. Her Majesty Queen Elizabeth II, who the line is named after, officially unveiled the line in one of her final public appearances. The celebrations started early as Londoners were keen to be among the first to ride on the line.

Major Elizabeth line milestones

- **2007** – Crossrail given the go-ahead by the Prime Minister
- **2012** – Tunnel boring machines start drilling the tunnels
- **2017** – TfL Rail launches between Shenfield and Liverpool Street
- **2018** – The first Elizabeth line roundels are installed at stations
- **2021** – Trial running begins to ensure a safe and reliable service
- **2022** – Her Majesty Queen Elizabeth II officially unveils the line at Paddington in May
- **2022** – Bond Street station, the final station to be completed, opens in October
- **2022** – Increased timetable and through running services launch in November

All aboard the Elizabeth line

London's newest line launched in May 2022, transforming journeys across London

Launching the line

In May 2022, the Elizabeth line was officially launched, with thousands of people eager to be among the first to ride on the new railway. The line, which supports faster journeys across London, and new jobs and economic growth throughout the country, is the most significant addition to our transport network for a generation.

As the Elizabeth line launched, we opened nine brand-new, fully accessible stations in central London, with services every five minutes from 06:30 until 23:00 on Monday to Saturday.

All services between Reading and Heathrow to Paddington, and between Shenfield to Liverpool Street, which were previously operated as TfL Rail, were rebranded to the Elizabeth line.

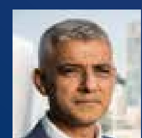
We also added Elizabeth line information to the TfL Go app and our Journey Planner, enabling customers to plan their journeys on the new line.

We have made changes to 14 bus routes to improve links to Elizabeth line stations in east and south-east London, where many customers will use buses to get to and from stations. This includes a new between Manor Park and Custom House stations.

In October 2022, we opened Bond Street station, the final station to open on the line, while in November 2022, through running services launched to give seamless travel for passengers across London.

The Elizabeth line provides new journey options and supports wider regeneration - creating jobs, business opportunities and a huge economic boost for the country.

'This brand new line is the most significant addition to our transport network in decades. It will add billions to our economy and is set to serve up to 200 million passengers each year. I'm sure passengers are enjoying the modern trains, beautiful step-free stations and the reduced journey times across the capital and the South East'



Sadiq Khan
Mayor of London

The Royal seal of approval

Her Majesty Queen Elizabeth II and The Earl of Wessex visited the Elizabeth line station at Paddington on 17 May 2022, ahead of the launch of the line, to mark the completion of the new railway.

During the Royal visit, the late Queen officially unveiled a plaque to celebrate the completion of the line named in her honour. The plaque is permanently mounted at Paddington station, celebrating Queen Elizabeth II's connection with the railway for generations to come.

The railway is named in honour of of Her Majesty Queen Elizabeth II

The Elizabeth line is proving popular with customers

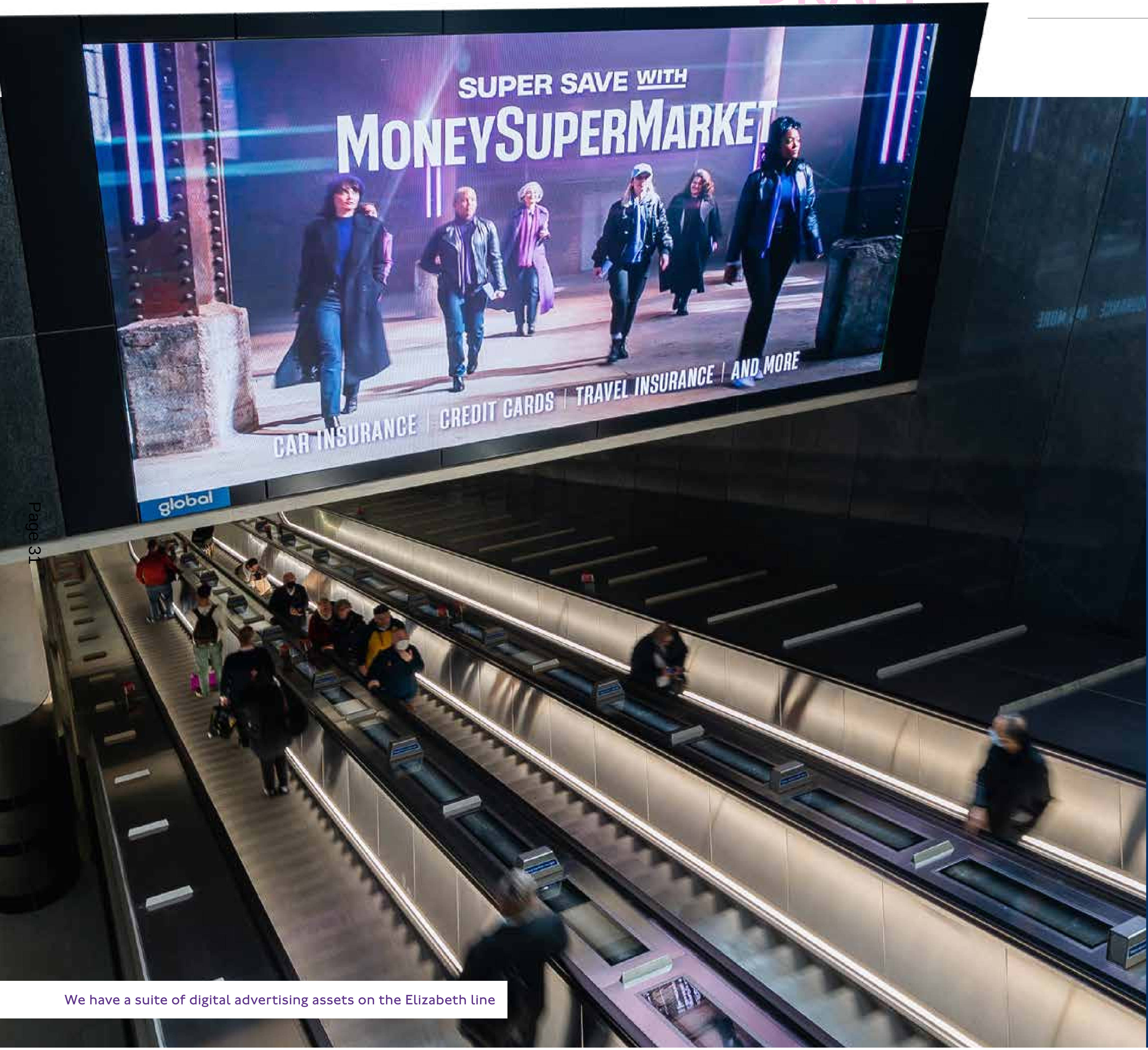
Milestone achieved on the Elizabeth line

London's newest railway saw more than one million journeys made on the new central section between Paddington and Abbey Wood within five days of its opening in May 2022.

In the west to Shenfield and Abbey Wood in the east, more than two million journeys have been made. As the line reached its one year anniversary in May 2023, around 600,000 passenger journeys are now being made each weekday following connections across the line from Reading, Heathrow, and Shenfield.

150million

passenger journeys have been taken on the Elizabeth line in its first year



We have a suite of digital advertising assets on the Elizabeth line

Elizabeth line advertising

The Elizabeth line is a major addition to our advertising estate, offering brands another exciting opportunity to reach their audiences. With a range of impressive formats including the latest digital assets, advertisers can use our new assets to push the boundaries of creativity.

Ahead of the launch of the line, we worked with Global to embed advertising into the architecture of the new stations and the Elizabeth line saw the biggest single introduction of out-of-home advertising assets for a generation. Our advertising estate includes a wide range of digital assets, as well as enhanced versions of the more traditional formats.

In the run up to the launch, we hosted many stakeholder visits to showcase the advertising opportunities offered to brands. These were successful, with Reed.co.uk, Google, MoneySuperMarket, Sage and Schweppes being among the first brands to advertise for the opening in May.

329

new state-of-the-art advertising sites across the Elizabeth line

44

metre long digital screens at Bond Street Elizabeth line station, the longest screen on our network

The line in numbers

From quicker journey times to accessible stations, there are some impressive statistics behind the Elizabeth line

Trains go up to **90mph** on parts of the route

Lifetime of **120 years** for almost every element of the line

41 fully accessible stations

42km of new tunnels

10 new stations

More than **100km** of track

Each train has **9** carriages

Each train is **205** metres long

Paddington to Tottenham Court Road:
4mins
(was 20 mins)

Abbey Wood to Heathrow:
52mins
(was 93 mins)

Deepest station at Liverpool Street (34m)

Extra **1.5m** people within 45 minutes of central London

Central London's rail capacity increased by 10%

70 trains running on the line

150 million passenger journeys since opening by May 2023

3.5million passenger journeys every week

1,500 passenger capacity per train

Almost 93% public performance meaure rating

My Elizabeth line journey

Monika Michalska

Elizabeth line driver

Monika was the first person to drive an Elizabeth line in passenger service on the day of the launch

Drive to succeed

How did it feel to be one of the first drivers on the Elizabeth line?

Absolutely glorious and unreal! I still cannot believe this actually happened to me. Of all the people out there who can drive trains it was myself who had the privilege to operate the very first one to officially open Elizabeth line.

The crowds at each station and along the route, drones above in the sky, cheering, 'purple energy' everywhere. All of that caused my emotions and adrenaline to go through the roof. I was on top of the world!

To me to say that I drove the Elizabeth line's first train is an honour beyond words. I am so grateful that my company entrusted me with this responsibility and gave me the opportunity to be a part of something so monumental. I am equally thankful to my colleagues and my family for all the support received, and for putting up with me talking about nothing else but the Elizabeth line.

Were there any nerves before you started on the day of the launch?

Definitely. A lot of nerves and all kind of emotions. I remember the feeling when I realised that there was a chance I might be the one to drive the first train on the opening day. I checked my allocated diagram for that day and it showed a 06:30 departure from Abbey Wood. Once I finally got it confirmed, I did start to feel the weight of the responsibility on my shoulders and nerves began to set in.

The purple Elizabeth line trains are instantly recognisable

I was concerned, but mainly about possible train failures or signalling problems, which could have spoiled that big moment. The idea of holding up this historic event because of a technical issue terrified me, and I could barely refrain from thinking about such possibility in the lead-up to the big day.

What are your overall memories from the launch day?

I am reminded of the sheer magnitude of this project and the dedication of all those involved in bringing it to fruition. It is indeed a testament to the power of collaboration, innovation, and hard work. For me, it is a reminder that every person has the potential to make history in their own way.

As someone who had the honour of driving the first train along the new line, it was a momentous occasion and experience that I will cherish forever. I still absolutely love talking about it, and I doubt this will ever change.

What is your favourite thing about working on the Elizabeth line?

When asked by my friends or strangers why I like my job, so many people expect to hear that it is because this job pays well. But it really is not the case. It is the great company values, the supportive attitude from management, the inclusion and camaraderie among drivers and other colleagues that makes me feel that way about working for MTR Elizabeth line.

Having a sense of community with your co-workers can be just as important as the job itself. It truly is a blessing, and especially during hard times and when dealing with challenges that life brings us sometimes.

Working on the Elizabeth line is, without a shadow of the doubt, one of the best things that has happened to me.

A new look for London's stations

As well as transforming travel on the trains, the new stations are home to some stunning design features

Bond Street station

This step-free station links to one of the busiest shopping districts in the UK. It is designed with decorative bronze panels to help absorb noise. There are three abstract artworks to reflect the daily rhythm of the station: descent, ascent, arrival and departure.

60m length of the escalators at Bond Street	**137,000** customer capacity at Bond Street

Farringdon station

There is a frieze, called Avalanche, at Farringdon station, which features the tracery of large diamonds as a nod to the goldsmiths, jewellers, and ironsmiths of the nearby Hatton Garden.

5 passenger lifts at Farringdon station	**82,000** customers each day

Woolwich station

The bronze cladding of the new 276-metre box station displays a rifling pattern that refers to the many cannons that were cast in this area.

Whitechapel station

The original 1876 entrance on Whitechapel Road has been retained. Inspired by the diversity of the area, a series of vibrant portraits depict east Londoners at leisure. Paper collages have been enlarged and recreated in laser-cut aluminium and fixed to the arching walls.

7 passenger lifts at Whitechapel
99,000 passengers each day

Paddington station

The spacious ticket hall has eight bronze-clad columns that carry the weight of the structure and road. A 120-metre steel and glass canopy allows in natural light. It features an artistic rendering of a sky that seems to change according to the light.

6 passenger lifts at Paddington	**174,000** passengers per day

Tottenham Court Road station

The western ticket hall in Soho features black glass and stainless steel to reflect the nocturnal life of the area. By contrast, red and white glass dominates the eastern ticket hall, which is bright and well-lit to reflect the lights of nearby theatreland.

My Elizabeth line journey

Séamus Kearns

Lead Incident
Response Manager

In his role as Lead Incident Response Manager, Séamus has to be prepared for every eventuality and played a key role during the training exercises ahead of the launch

Ready for action

What was it like in the lead up to the launch of the Elizabeth line?

In the final stages of preparation, we were all focused on Trial Operations. The Incident Response Team were out every day, proving that we could respond to the many scenarios that were being tested, such as a train that fails or a major fire.

We were working closely with the emergency services. As part of our response, we have to prove that we can save the infrastructure as soon as we've rescued all the people. We obviously hope that there will never be such major incidents though!

How has your role changed now that the line is open to customers?

The biggest thing is the passengers and the wonderful challenges they bring. These challenges vary from items getting stuck in the doors to a passenger feeling unwell, but all of these highlight the urgency of our role.

It is critical to not only deal with the incident and train, but the impact it will have on the general running of the railway.

The Incident Response Team are prepared for a range of situations

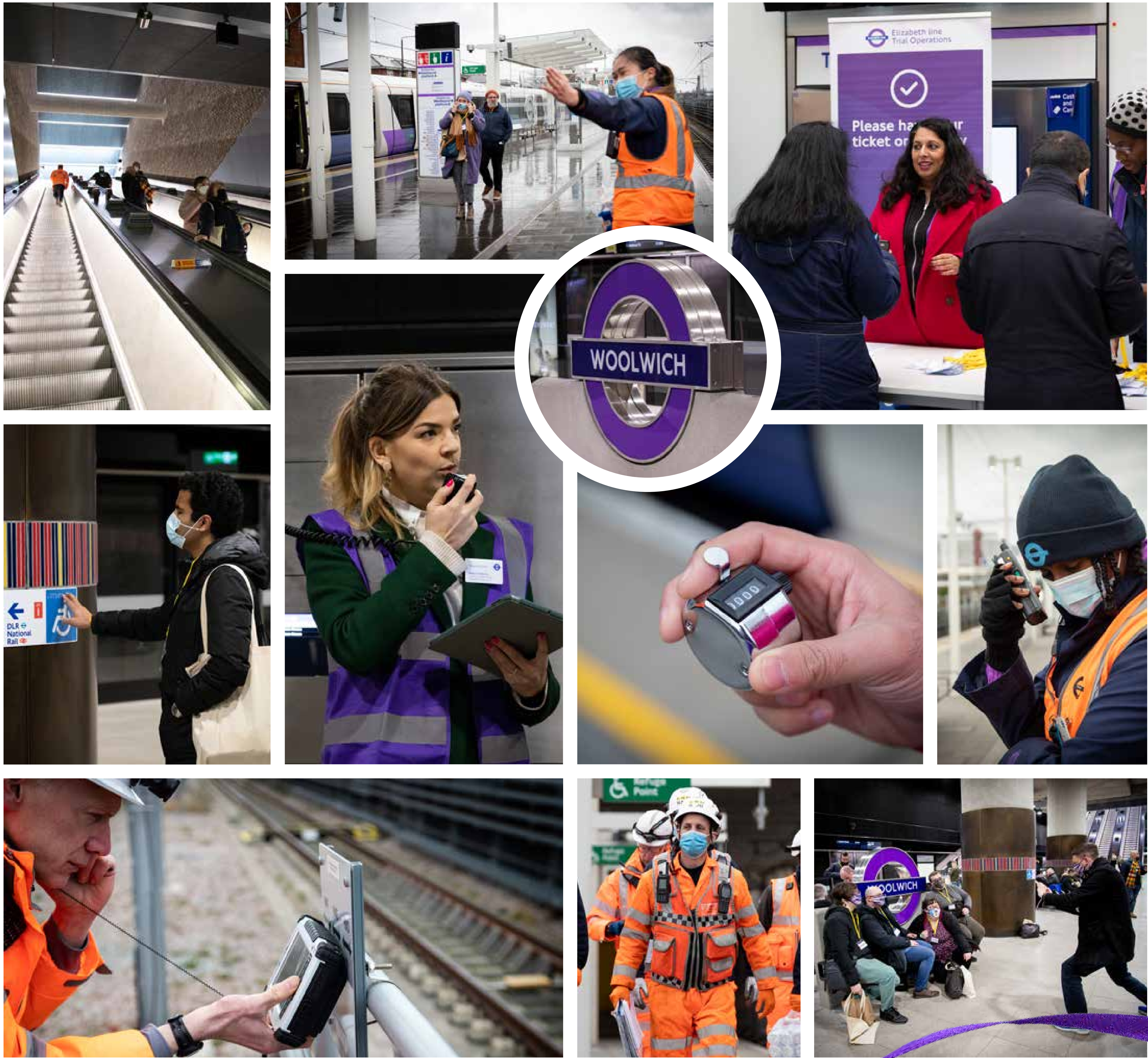
What are your fondest memories of working on the Elizabeth line?

This is actually a pandemic-related memory – not that there were many! My training was interrupted because of coronavirus, as I joined in January 2020. I was expecting to wear bright orange out on a railway, but all the learning was on Microsoft Teams. The nice thing was that we got early exposure to virtual larger scenarios, particularly with the signallers.

We got to see things that would happen in the Route Control Centre that we might not have, which was a positive amid some of the craziness! Now it's nice to pass the railway knowledge to our newer trainees.

What is your favourite Elizabeth line station?

I'm going to go for Paddington because it's my main office. I'm particularly fond of the architecture and the cloud ceiling – which is even nicer in the summer with all the natural light.



Trialled and tested

Before the line launched, we ran an extensive trial operations programme to ensure everything ran smoothly and give colleagues the chance to experience real-life scenarios

We worked in partnership with London Underground, MTR Elizabeth line and Network Rail, along with thousands of volunteers, on our response to trial scenarios.

Emergency services including the British Transport Police, London Fire Brigade and London Ambulance Service were also involved, demonstrating how they would respond to incidents on the network and in stations.

The scenarios included our response to simulated situations on the trains, signalling, platform screen doors and track.

My Elizabeth line journey

Jon Hunter

Head of Design

As Head of Design, Jon Hunter was involved throughout the project, ensuring the strength of the Elizabeth line brand

Creating trains for the future

Describe your role in the preparation of the Elizabeth line?

My role has spanned the entire project – from the creation of the Elizabeth line identity through to overseeing the train design and everything in between. This has ensured a really high degree of consistency of the Elizabeth line brand and a really strong connection back to our other modes of transport to ensure familiar customer experience. I view my role sometimes as the conductor of the orchestra – ensuring we are all playing the same song at the same time – even if we have different instruments!

What were some of the main design considerations you had to consider?

The balance between form and function is always paramount – we need the new Elizabeth line to not only look beautiful on day one but also as good in decades to come. Inclusivity was also a key consideration – the railway must work equally well for all customers.

The trains have been designed to be comfortable and spacious

We chose materials that wear in, not out to ensure the railway feels new in 10 or 20-years time, and the use of colour and light to maximise the feeling of space and connectivity with the wider urban realm and other public transport interchanges are also front of mind.

The design of the Elizabeth line has been a true team effort – and showcases TfL at its very best in delivering brand-new services that exceed customer expectations and provide delight and surprise moments through the considered use of design.

How has this project differed from previous work you have done?

The scale of the project has been immense – a proper integrated design project lasting more than a decade. It has involved my entire team, from the product design team looking at trains and stations through to the visual services team recording the construction of the railway and the photography used for the launch campaign for posterity. This project truly was creating an entire turn key railway.

Were there and challenges you had to overcome?

The phased introduction of the service, ensuring we opened the railway in a way that makes sense for our staff and customers while ensuring we could quickly change all of the required touchpoints to show the line as running through Paddington and Liverpool Street. It was essential that we did not break the railway by confusing customers, so clarity and correctness of information were paramount.

What is the thing you are most proud of?

The step-change it has delivered for our customers and staff. The huge improvements in real-time information, the absolute attention to detail and customer focus for the stations and trains, which has resulted in a service that customers want to travel on – which is a major consideration when customers now have so much choice in terms of how they travel – and all of our expectations are so much higher.

Innovation in motion

Our new fleet of trains incorporate the latest technology and design features

90mph
The trains can run at up to 90mph in the other sections of the line

30
The signalling system has the capacity to accommodate 30 trains per hour

30%
Energy-efficient management system, including regenerative braking that uses up to 30 per cent less energy

- We have a fleet of 70 Class 345 trains, which are 205-metres long
- The trains have an aerodynamic design to reduce drag, even in tunnels
- Strong but lightweight construction, such as using aluminium for the body shell
- The stations are designed to accommodate longer trains and have capacity for two additional carriages in the future

- Real-time journey information in the carriages to help people with their onward journeys
- The trains have the latest LED headlights to ensure good visibility for oncoming trains

- The light-coloured ceilings help maximise the feeling of height and openness inside the train
- Each train has nine fully interconnected, walk-through carriages
- Each carriage features temperature-controlled air conditioning

- The internal design uses colour palettes that are accessible and welcoming, such as darker floors and natural finishes that wear in, and not wear out

- Each carriage has four dedicated wheelchair spaces, as well as multi-use space for buggies and luggage

27
Each train has 27 doors on each side to enable quicker and easier boarding

My Elizabeth line journey

Naomi Smith

Head of Customer Operations

As Head of Customer Operations for the London Underground sub-surface railway, Naomi had a key role in preparing stations

Happy customers

What is your role within the Elizabeth line?

My role covers the Circle, District, Hammersmith & City and Metropolitan lines. Farringdon, Liverpool Street and Whitechapel stations come under my area of accountability. I am also key senior liaison point for MTR, the operator of the Elizabeth line, on day-to-day operations of London Underground-owned Elizabeth line stations.

What were your preparations like ahead of the launch?

I worked with the Operational Readiness team to ensure that London Underground stations were ready to enable the operating of the Elizabeth line. This included ensuring all our teams were trained and familiar with it. All our stations hugely increased in size, so we also had to recruit extra team members. We also had to ensure all our equipment, operational and emergency procedures, communications, and signage was all in place and ready for operation.

It was my responsibility, working with Employee Communications team, to ensure our Customer Services teams were fully knowledgeable about the Elizabeth line so they could give excellent advice and guidance to our customers, and a sense of excitement about the opening among all our frontline teams.

Our customers were impressed with the Elizabeth line stations

How do the Elizabeth line stations compare to other stations?

It was so exciting and energising. We all knew that the Elizabeth line would be a ‘game changer’ for London and I feel so privileged to have been part of its success. It is right up there as the highlight of my 30-year career with London Underground. It even beats the Olympics!

Has anything changed during the first year of operation?

The main area of improvement we have been focusing on is providing an excellent service to our customers who require assistance, such as people with mobility or visual impairments.

Following feedback from customers, we have also changed some of our signage and installed an Oyster validator at Farringdon station for anyone alighting from Thameslink services.

What are your favourite memories from the launch?

I welcomed the first customers onto the Elizabeth line at Farringdon, together with the Area Manager. Their sense of wonder and awe at the magnificence of the station was just lovely to see. Many customers bought their children and we posed for and took a lot of photographs!

I was so proud of how my team took their new responsibilities for operating these enormous stations completely in their stride with such confidence. I also took the opportunity to don a tiara on the day of the opening. I don’t think I will be able to do that again anytime soon!

I have to give thanks to all the hard work of my team and the Operational Readiness team, I am really proud of how smoothly things have gone. We can’t imagine life without the Elizabeth line now.

Light fantastic

Some of London's more famous landmarks were turned purple on the eve of the Elizabeth line opening to passengers

More than 30 iconic locations, including Tower Bridge, the lastminute.com London Eye, City Hall and the Gherkin, were bathed in purple light as the anticipation for the launch grew.

Key bridges across central London, including Westminster Bridge, were illuminated with coordinated light displays. The unified, subtly moving artwork installation by New York-based artist Leo Villareal extended across nine bridges, from London Bridge to Lambeth Bridge, to form the longest public art commission in the world.

Prominent skyscrapers, including One Canada Square, 110 Bishopsgate, and the distinctive Leadenhall Building, often known as 'The Cheesegrater', were also awash with colour.

My Elizabeth line journey

Josh Burrell

Senior Press Officer

Josh has been involved in the Elizabeth line project since 2015 as part of our Press Office

Spreading the word

Despite being involved in various new station launches, as well as numerous large-scale media events, the Elizabeth line was a really special project for Josh.

'To open nine brand new stations and a new underground railway was an immense undertaking,' he recalls. 'None of us were prepared for the crowds of people that were camped outside stations wanting to be some of the first customers to ride the Elizabeth line.

The success of the launch event was the result of careful planning and close teamwork. 'With the Department for Transport as a joint sponsor, and Sadiq Khan, Mayor of London as a key supporter, we had to liaise with their teams on opening day celebrations for TfL reaching this milestone moment,' says Josh.

The Press Office team were involved with preparations for the launch

'As soon as the Royal visit was successfully completed, it was important we moved all focus to the opening day and it was my role to scope out locations and coordinate partner organisations and stakeholders, working to plan a route with time and space for media to get interviews and capture the opening day.'

Global spotlight

The preparations and promotion all paid off, with huge interest from international press, rail trade press, local TV, radio and print media, and national newspaper reporters all wanting to get the scoop on the launch.

'The eyes of the UK and the world were watching, so to be able to involve so many staff in the day and have media attend and see the carnival atmosphere was amazing.'

Memorable occasion

After all the hard work, Josh can look back with fond memories of the launch event and the build up to it. 'It was great to work with so many partners across the Elizabeth line including MTR, Network Rail, and a number of local councils,' he says.

'My favourite thing about working on the launch of the Elizabeth line was seeing all the positivity. Everyone really came together to make it a success. The news coverage was also great with countries around the world writing about the success of the launch.'

Yet, while Josh can afford himself a moment of reflection on a job well done, the work didn't stop with the launch day. 'We are now looking to make sure the railway runs as smoothly as possible for our customers,' he says. 'We will also continue to profile the people that make it such a success behind the scenes!'

Safety

'Ensuring the safety of our customers and staff remains our top priority and is at the heart of all our work'

Lilli Matson
Chief Safety, Health and Environment Officer

We have installed a number of safety features on our buses

1 in 3

buses in our fleet has intelligent speed assistance technology fitted

Bus safety programme

The number of buses that meet the Bus Safety Standard continued to grow in 2022/23, with nearly 1,000 buses now meeting the 2019 or 2021 roadmap requirements

Our fleet of buses that meet the Bus Safety Standard have features such as intelligent speed assistance technology to limit the bus to the posted speed limit and acoustic vehicle alerting systems using our collaboratively-developed Urban Bus Sound, which is also licenced for use outside of London.

We have also enhanced the vehicle alerting sounds to change the volume depending on the ambient noise levels and time of day. Camera monitoring systems have been installed, which improve the bus driver's indirect vision, reducing blind spots and giving them better vision during bad weather.

We continue to research the future of the Bus Safety Standard beyond 2024 and have aligned it to the European General and Pedestrian Safety Regulations.

We are studying bus driver fatigue, health and wellbeing to better understand how this can be managed or improved, including through our ongoing Health and Wellbeing Bus Safety Innovation Challenge.

One of the successful trials supported by the innovation challenge is the Night Club initiative from The Liminal Space, which is aimed at helping shift workers. It is being delivered in partnership with Stagecoach Bus and is a first for the industry.

New powers to help make cycling safer

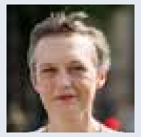
In June 2022, we announced new powers to help make cyclists safer. Together with the London boroughs, we can now enforce laws to keep motor vehicles out of mandatory cycle lanes and cycle tracks.

We are now fining drivers who drive within, or cross, the solid white lines of cycle lanes and cycle tracks on our major roads. Initially, we will use existing CCTV cameras to enforce the rules at key locations.

Cycle lanes are vital in keeping people cycling separated from most motor traffic, reducing the risk of collisions, which can cause death and serious injury. Tackling non-compliant drivers will help improve safety and the confidence of cyclists.

Road danger remains a barrier to people walking and cycling more, with more than half of Londoners choosing not to cycle because of concerns over traffic. The enforcement powers will help protect designated space for cyclists and make the capital's roads more attractive for people to cycle on, helping to build on the huge increases in cycling seen since the start of the pandemic.

> 'We want to ensure a green and sustainable future for London, and to do this we must continue to make walking and cycling around our city safe and accessible to all Londoners'



Siwan Hayward
Director of Compliance, Policing, Operations and Security

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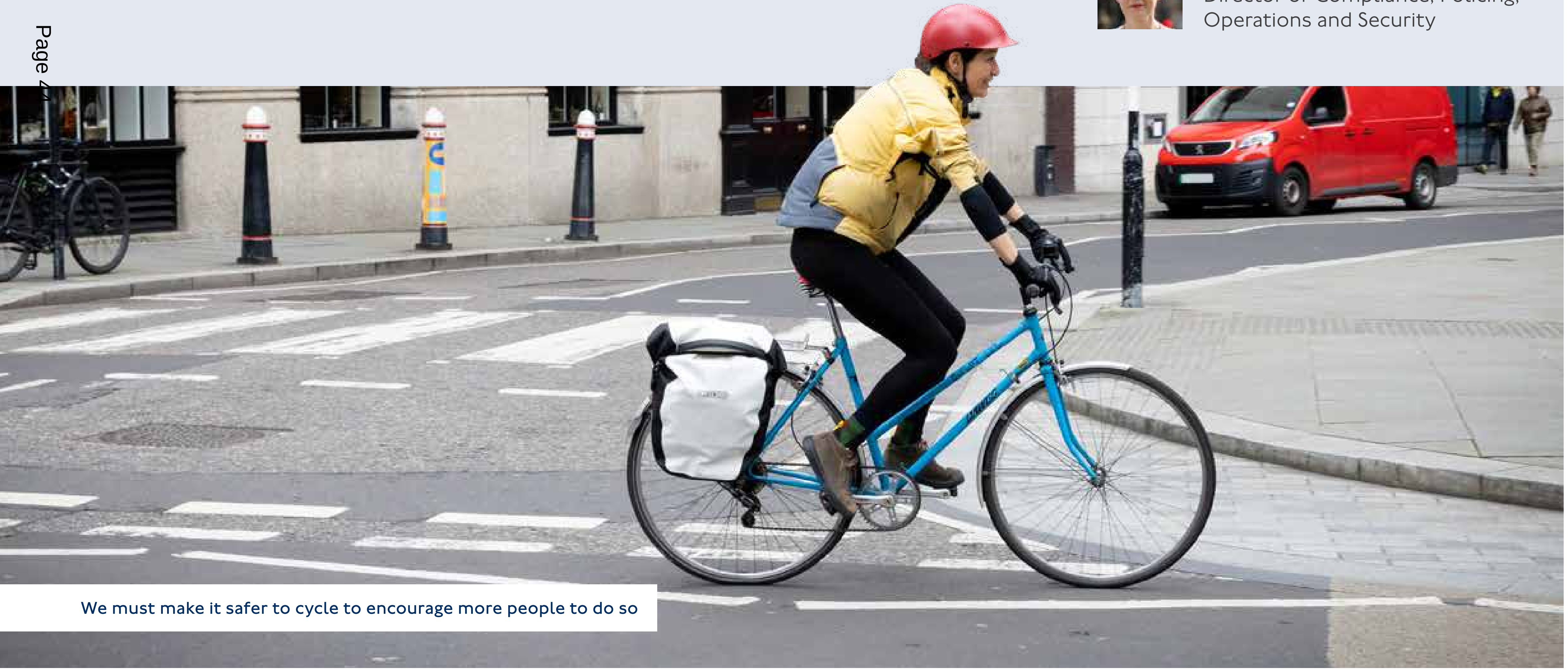


We must make it safer to cycle to encourage more people to do so

Transforming Hammersmith Gyratory

In July 2022, we completed work to transform the roads around Hammersmith Gyratory, reducing danger to vulnerable road users at one of London's most intimidating junctions.

In partnership with Hammersmith & Fulham council, the changes include a protected two-way cycle track on the north side of the gyratory, cyclist-specific signals at junctions to separate cyclists and motor vehicles, safety improvements for pedestrians at all junctions with side roads, and new pedestrian crossing signals with 'countdowns'.

The changes are a further injection in our commitment to making walking and cycling safer and easier in the capital.

5km
of Cycleway between Kew Bridge and Hammersmith that was unlocked by our works

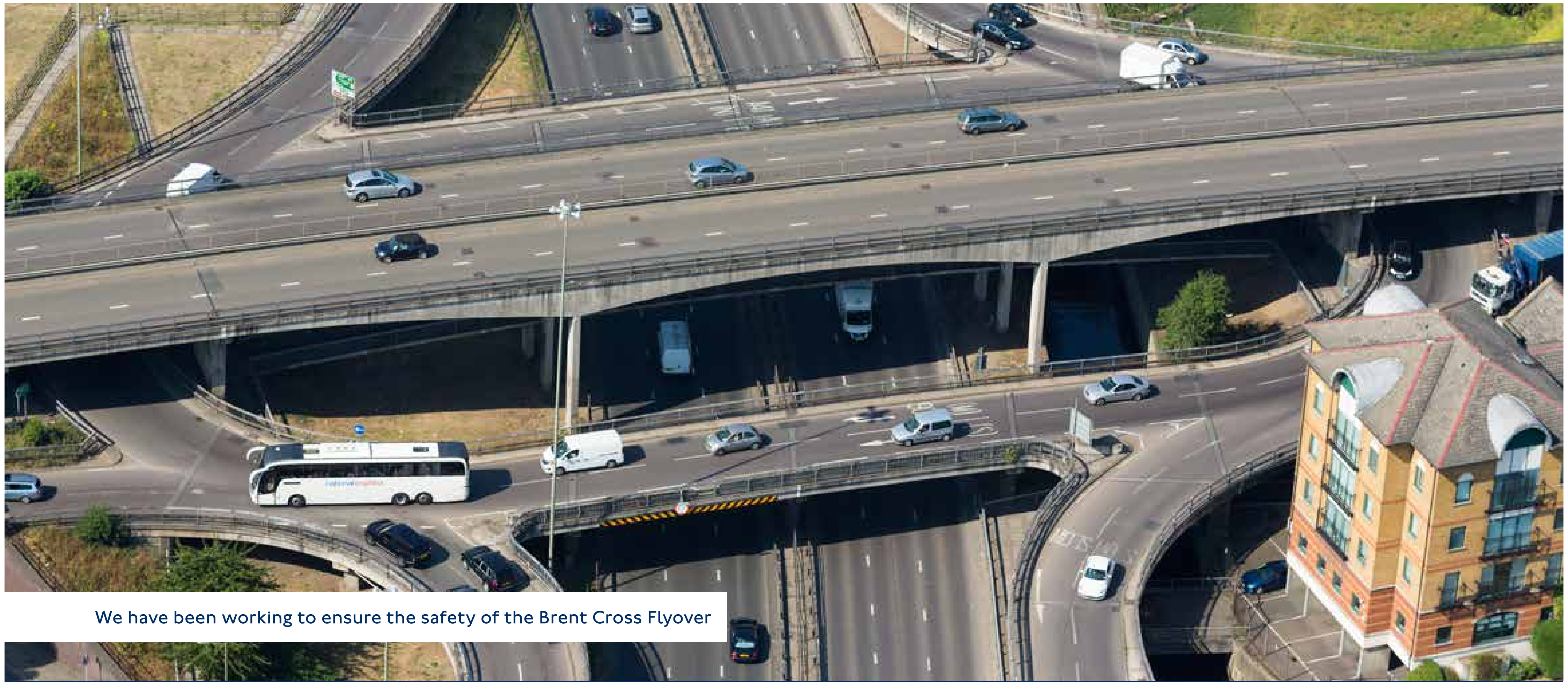
Transforming Lea Bridge Roundabout

In March 2023, we started work to transform Lea Bridge Roundabout to make it easier and safer to walk and cycle at this key junction in Hackney.

The upgraded roundabout will feature segregated cycle lanes and dedicated signals for people cycling, making it easier for them to cross this busy junction, separated from motor traffic. Pedestrian crossings are also being upgraded, making it easier for people to move around the area on foot.

The overhauled roundabout will form the latest section of Cycleway 23, a major new high-quality cycle route between Lea Bridge and Dalston. The cycleway has already improved roads and junctions, making it easier for people to travel in a healthy, sustainable and affordable way.

In 2022, we completed work on the first section of Cycleway 23 in Millfields Park. Along with further planned sections on Lea Bridge Road, this will form part of a major new walking and cycling corridor connecting neighbourhoods in Hackney and Waltham Forest to London's growing network of high-quality Cycleways. The route has been designed to ensure buses can continue to move efficiently through the area.



We have been working to ensure the safety of the Brent Cross Flyover

Safety critical works on the Brent Cross Flyover

In October 2022, we introduced a new safety-critical 7.5-tonne weight restriction on the A41 Brent Cross Flyover. This followed part of our programme of regular inspections for all structures across our road network and was to ensure the structure remains safe for everyone.

The flyover is around 190-metres long and carries the A41 dual carriageway over the A406 North Circular in north London, in the Borough of Barnet. We created a short diversion directly below the flyover via a mid-level roundabout for vehicles weighing more than 7.5 tonnes.

While the flyover posed no immediate risk, these new measures were introduced to avoid any further damage while we work to resolve the issue. This includes a project as part of our Major Renewals Programme that will renew a number of major structures in the area. We continue to work closely with the Department for Transport to secure a funding contribution of 85 per cent of the project costs.

7.5

tonne weight limit for vehicles crossing the flyover to keep it safe for all users

190

metres is the length of the Brent Cross Flyover

Our White Ribbon status

In November 2022, we marked International Day for the Elimination of Violence Against Women, also known as White Ribbon Day, with a number of engagement activities across our network.

We joined Network Rail, the British Transport Police, the Department for Transport, White Ribbon and other partners for a day of action to reaffirm our support for tackling violence against women and girls.

We talked to passengers at Kings Cross station about our activity to tackle violence against women and girls, including our work with White Ribbon UK, and our zero-tolerance approach to sexual harassment campaign.

We used the day to encourage men to make the White Ribbon pledge, to never commit, excuse or stay silent about male violence against women.

White Ribbon is the global movement of men and boys working to end male violence against women and girls. We were awarded the White Ribbon Accreditation in 2022 in recognition of our work to tackle violence against women and girls.

Tackling violence against women and girls

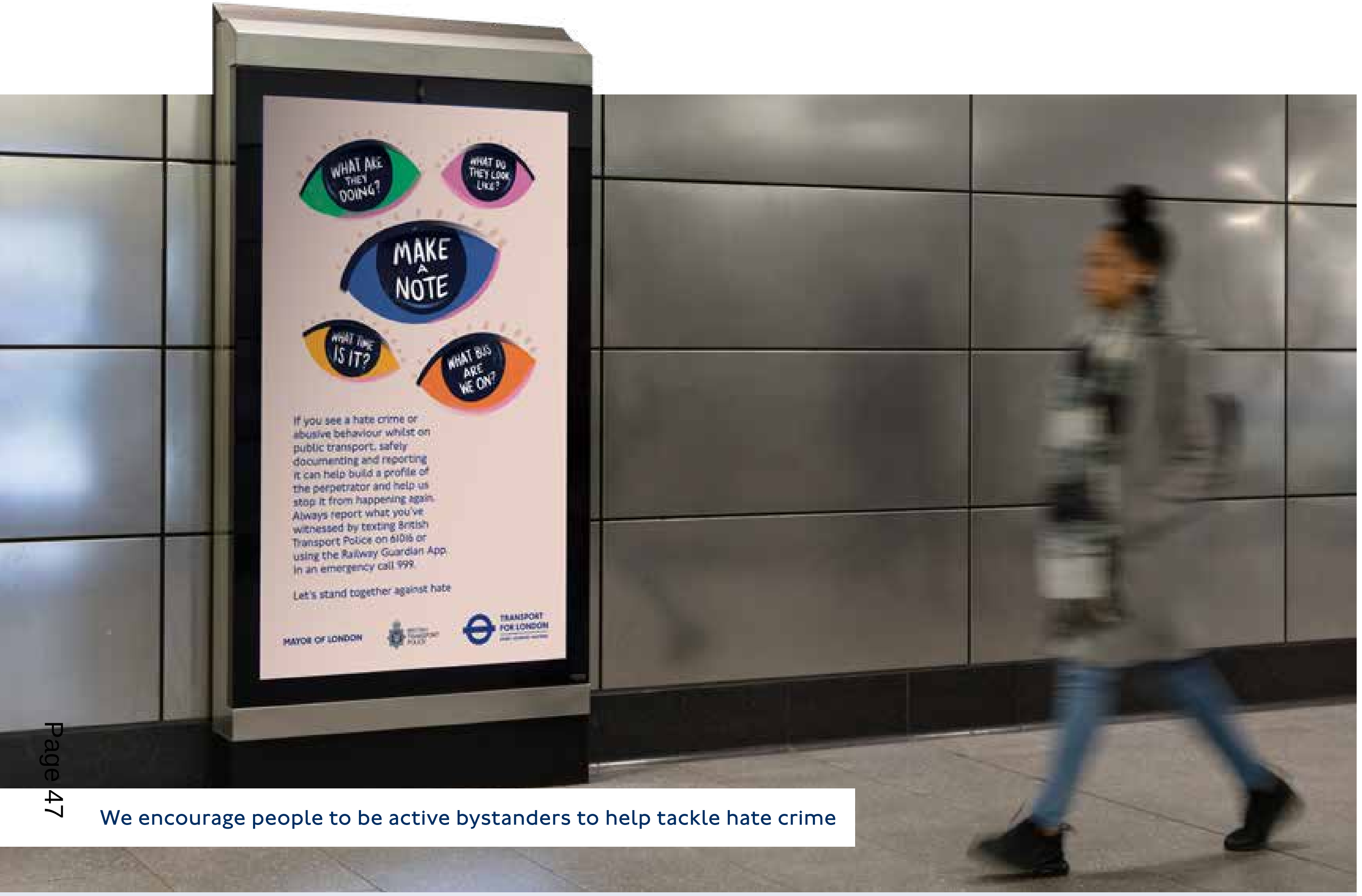
The safety of women and girls remains one of our top priorities and we have a zero-tolerance policy on violence and unwanted sexual behaviour against women and girls using our services. Our women's safety programme is focused on tackling the issues that disproportionately impact women and girls – sexual offences and harassment to improve their confidence to travel.

In January 2023, we launched the second phase of our zero tolerance to sexual harassment campaign, focusing on bystander intervention. The campaign aims to create a culture of active bystanders on the network, setting out clear guidance on how customers can safely intervene if they witness incidents of sexual harassment or hate crimes. The campaign launched to widespread coverage including social media, employee comms, press and posters on the network.

The campaign complements the sexual harassment training being rolled out to all frontline staff, with training for our enforcement officers now complete. This ensures colleagues can respond to reports, support customers and each other, and challenge behaviour. We also run Project Guardian school sessions, which aim to reach more than 6,000 Year 9 students every year to raise awareness of the issue, our zero-tolerance approach and encourage reporting. The sessions are run by the Safety and Citizenship Team from London Transport Museum.

This year, we also introduced our first Domestic Abuse policy, with support from trade unions, colleagues and domestic abuse organisations such as Women's Aid and Hestia. This policy will guide our managers, strengthen our ability to offer better support to colleagues experiencing domestic abuse, and provide a safe and inclusive work environment for those affected.

25,000
bus drivers will complete our sexual harassment training by the end of 2024



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We encourage people to be active bystanders to help tackle hate crime

Encouraging active bystanders

In March, we supported National Bystander Awareness Day with a campaign that aims to encourage a culture of active bystanders by highlighting how customers can safely intervene if they witness incidents of hate crime on public transport.

The campaign, run in partnership with British Transport Police and the Metropolitan Police Service, asks Londoners to look out for others by learning to recognise the signs of hate crime and providing information on how they can help, ignoring the offender and focusing on the person being targeted.

Some of the advice offered is to distract the person with a question, by ignoring the offender and asking the victim an unrelated question, such as journey information or for the time. Customers were also asked to make of note of what happens and to report it, and also check the victim is ok and if they are aware of what happened.

The campaign included eye-catching posters on the network, setting clear guidance for customers on how they can safely intervene if they witness hate crime. There were also sponsored podcasts, as well as public engagement activity at King's Cross and Walthamstow Underground and rail stations.

Actively helping

We have encouraged our customers to be active bystanders if they witness a hate crime on our network, but only if they feel safe to do so.

Ask a question

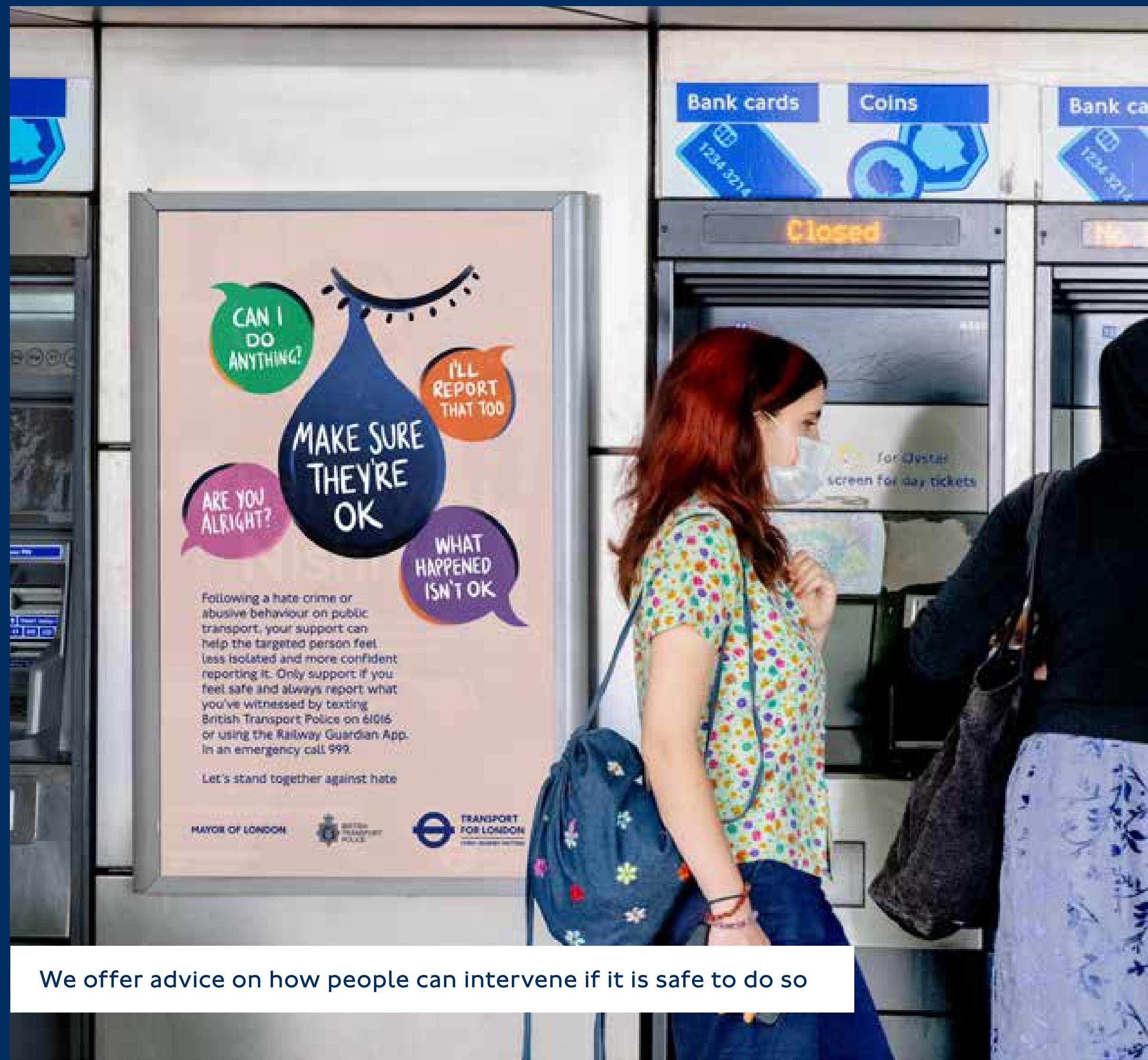
Customers are encouraged to distract with a question – ignoring the offender and asking the victim something unrelated, such as 'what's the time?', or 'what's the next stop?'.

Document it

We advise passengers to make a note of what's happening and report it – including the location, bus route or Tube line, and time.

Check they are ok

After any incident, customers are encouraged to check in with the victim and ask if they are ok and let them know that what happened wasn't ok.



We offer advice on how people can intervene if it is safe to do so

We are improving lorry safety

Strengthening our Direct Vision Standard

In February 2023, we launched a consultation on the second phase of our Direct Vision Standard, to be introduced in 2024, following extensive informal engagement with the freight industry.

The scheme requires all operators of heavy goods vehicles weighing more than 12 tonnes to apply for a free permit to operate in London. Vehicles are rated on how much the driver can see directly from the cabin window, with ratings ranging from zero, which is the lowest, to five stars, which is excellent direct vision. A permit is granted if the vehicle meets the minimum star rating, which is currently one star, while those that do not meet the standard must fit a Safe System including mirrors, sensors and cameras.

The proposals set out in latest consultation consider new and emerging technology, including requirements for vehicles to be fitted with cameras to eliminate any remaining blind spots on the passenger side, as well as audio warnings about intended manoeuvres. Also, we are proposing that all zero- to two-star rated vehicles will need to be fitted with a new progressive safe system.

The Direct Vision Standard, along with the HGV safety permit scheme that it underpins, were introduced in 2019, with enforcement starting in March 2021. Fatal collisions involving HGVs and vulnerable road users where vision was a contributory factor have halved since 2018, from 12 to six, falling again from eight in 2020 to six in 2021.

50%
reduction in fatal collisions involved HGVs where vision was a contributing factor from 2018 to 2021

22
fewer serious collisions involving HGVs between 2018 and 2021, reducing from 39 to 17

Mobile cameras helping to enforce speed limits

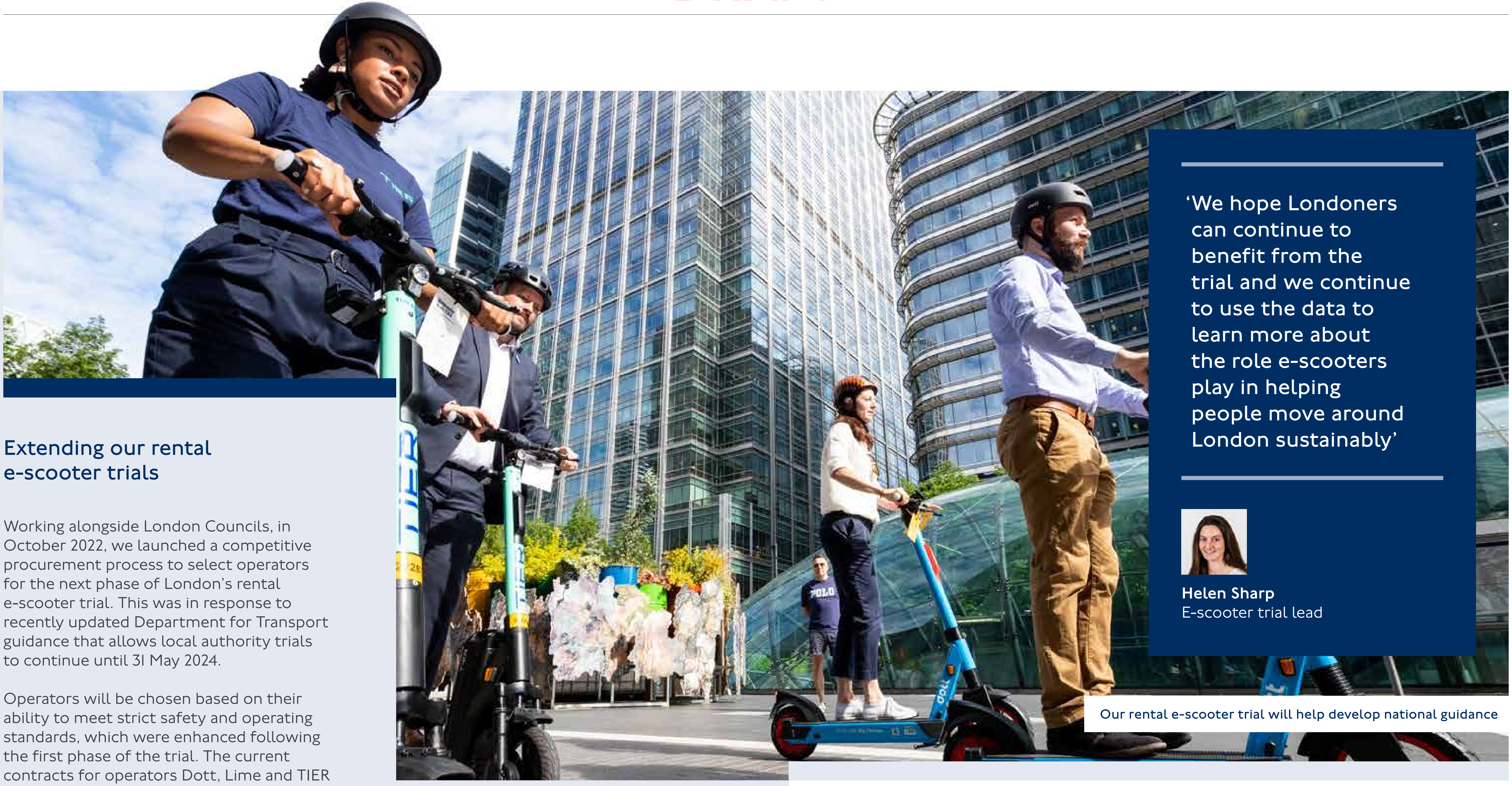
We launched five mobile safety cameras in January 2022 to tackle the risk and harm caused by speeding. The ability to relocate the cameras to where they are most needed means we can target non-compliance 'hot-spots' and areas where local communities are concerned about speeding on residential roads. This ensures that, alongside the police, we can be more responsive to local concerns and emerging problems.

Since the launch of the cameras, 50,000 offences have been enforced. In 2022/23, there were 650,000 speeding offences enforced overall, up from 160,000 in 2018/19 when our first Vision Zero action plan was launched.

The laser cameras, which are operated by a team of police community support officers for the first time, complement other policing and enforcement activity to tackle speeding. This includes London's extensive fixed safety camera network, police roadside enforcement using speed guns, and Community Roadwatch, where community volunteers work with police to educate speeding motorists about the dangers and consequences of speeding.

We are working with the Metropolitan Police Service to increase police enforcement and tackle speeding. Our aim is to have the capacity to enforce up to one million speeding offences by 2024/25.

50%
of fatal collisions in London have speed as a factor



> ‘We hope Londoners can continue to benefit from the trial and we continue to use the data to learn more about the role e-scooters play in helping people move around London sustainably’

Helen Sharp
E-scooter trial lead

Our rental e-scooter trial will help develop national guidance

Extending our rental e-scooter trials

Working alongside London Councils, in October 2022, we launched a competitive procurement process to select operators for the next phase of London’s rental e-scooter trial. This was in response to recently updated Department for Transport guidance that allows local authority trials to continue until 31 May 2024.

Operators will be chosen based on their ability to meet strict safety and operating standards, which were enhanced following the first phase of the trial. The current contracts for operators Dott, Lime and TIER have been extended until this procurement is complete.

Continuing the trial will ensure that London can keep learning about e-scooters and the role they can play in London’s transport offering. This follows Government plans to create a new vehicle category in legislation, in which e-scooters would be included. In the meantime, privately owned e-scooters remain illegal for use on public land, including public roads.

The trial has proved popular since its launch in June 2021, with more than 500 designated parking locations available and more than two million journeys made.

Safety remains at the core of the London trial, which has standards that go beyond those set out at a national level by the Department for Transport.

10
Boroughs taking part in the e-scooters trial

4,425
e-scooters available for hire across the trial area

Healthy Streets and healthy people

‘London’s Healthy Streets programme is enabling more people to walk and cycle, helping cut pollution and improve the health of communities across the capital’

Will Norman
Walking and Cycling Commissioner

Clearing the air

We have been preparing to expand the Ultra Low Emission Zone to help even more Londoners breathe clean air

The ULEZ has helped to improve air quality in central London

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Expanding the Ultra Low Emission Zone

On 25 November 2022, the Mayor announced that the Ultra Low Emission Zone (ULEZ) will be expanded across all London boroughs from 29 August 2023, to help tackle the triple challenges of toxic air pollution, the climate emergency and congestion.

Since the Mayor introduced the ULEZ in central London in 2019 and expanded it in 2021, it has had a huge impact. Yet despite this progress, toxic air is still leading to thousands of premature deaths in London every year, with the greatest number attributable to air pollution in the outer boroughs, where higher proportions of older people live.

The expansion will help enable five million more Londoners to breathe cleaner air and marks an important step towards London being a net-zero carbon city by 2030.

To maximise the benefits of expanding the ULEZ and strengthen the alternatives to private cars, there are also plans for improving the bus network in outer London, including the new Superloop orbital bus service, which was announced in March 2023.

NO_2

46%

lower nitrogen dioxide levels seen in central London since the ULEZ was introduced in 2019, and 21 per cent lower in inner London

90%

of cars driving in outer London meet the ULEZ standard

We asked the public for their views on the expansion

Consulting on our proposals

In May 2022, we opened a public consultation on expanding the ULEZ to all London boroughs. It ran for 10 weeks, until 29 July, and attracted a record number of responses.

Alongside the public consultation, the GLA commissioned a poll in July to understand Londoner's views on the proposals. The survey, carried out by YouGov, saw 1,245 responses, which were weighted to be representative of all London adults. More than half of those surveyed (51 per cent) supported the ULEZ expansion.

The consultation covered other proposals, including removing the £10 annual AutoPay registration fee, and increasing the penalty charge notice level for the ULEZ and Congestion Charge to £180 to maintain its deterrent effect.

It also asked people for their views on the future of road user charging, which could include replacing existing charges with a scheme that uses more sophisticated technology to make it as simple and fair as possible for customers. Road safety and bus reliability emerged as respondents' biggest priorities for any future schemes.

58,000
responses to our ULEZ public consultation

342
of the responses to our consultation came from stakeholder groups

Scrappage scheme to help Londoners clean up their vehicles

In January 2023, the Mayor launched a £110m scrappage scheme to support people on lower incomes, disabled people, London-based charities, sole traders and business with 10 or fewer employees, to prepare for the ULEZ expansion by replacing or retrofitting their old, polluting vehicles.

London residents receiving certain means-tested benefits and non-means-tested disability benefits can apply for cash grants of up to £2,000 to scrap their non-compliant cars or motorcycles. As a new feature, successful applicants can also choose to receive a higher value package comprised of up to two free annual bus and tram passes and a lower cash grant.

Disabled people who want to scrap or retrofit a non-compliant wheelchair accessible vehicle can apply for grants of £5,000 to reflect the higher cost of these vehicles. Disabled people will also be supported through new and extended grace periods.

Charities, sole traders and business with 10 or fewer employees can apply to scrap a van or a minibus, retrofit certain vans or minibuses or scrap and replace a van or minibus with a fully electric vehicle.

To accompany the scrappage scheme, we also put together a range of support offers from businesses. This enables successful applicants to benefit from discounts and promotions on subscriptions, rentals and purchases of bicycles, e-bikes, cargo bikes, cars and vans from companies including Brompton, Enterprise and Santander Cycles.

By May 2023, more than 17,000 people had applied for scrappage grants, and we had committed more than £16m to help support them.


We are helping people to exchange their vehicles for cleaner models

27%
of all Londoners have cycled in the past 12 months

24%
of Black people have cycled in the past 12 months

25%
of Asian people have cycled in the past 12 months

31%
of people from mixed backgrounds have cycled in the past 12 months

49%
of Black non-cyclists are open to trying cycling

Joining forces to encourage more groups to cycle

We joined forces with leading afro-urban media platform Trace TV in May 2022 to encourage more women and underrepresented groups to give cycling a go, with a Santander Cycles ride around the capital.

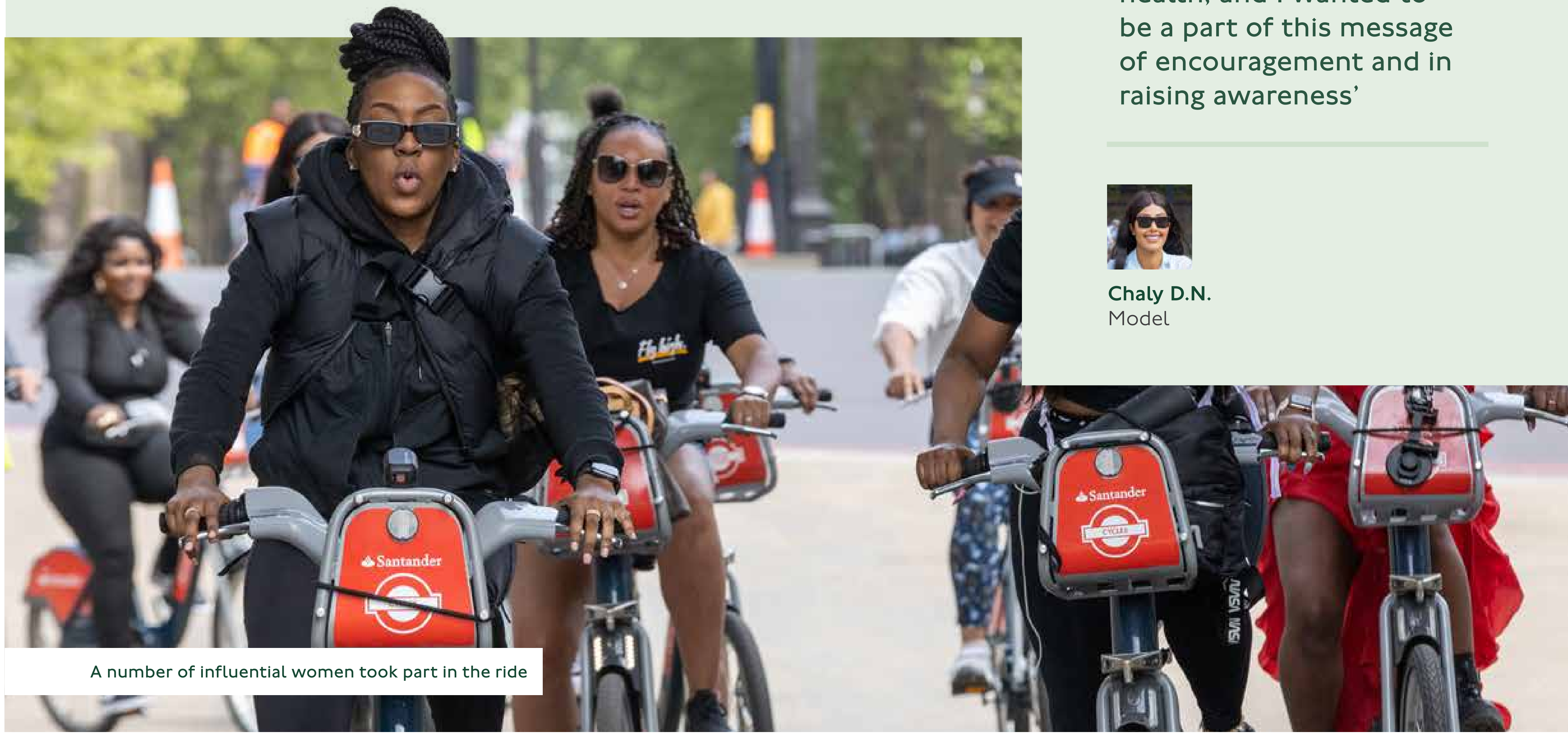
A group of 16 influential women of colour, including a member of the band Cleopatra and the founder of Miss Jamaica UK, took to the saddle and rode from Tower Hill Gardens along protected cycle routes.

They rode past some of London's most famous landmarks, including Big Ben, the statue of Nelson Mandela in Parliament Square and Buckingham Palace.

Led by Cycle Confident, the group ranged from complete beginners to those more experienced, helping demonstrate that cycling is safe and open to everyone whether it's for gentle exercise, leisure or a way to get around.

'I am big on health and wellbeing so given the opportunity to support and advocate women of colour in doing so was for me a no brainer. Cycling can be good for mental and physical health, and I wanted to be a part of this message of encouragement and in raising awareness'

Chaly D.N.
Model



A number of influential women took part in the ride

Our fleet of e-bikes will remove some of the key barriers to cycling

Santander Cycles go electric

In September 2022, we launched 500 e-bikes in to our Santander Cycles hire scheme.

The new e-bikes, which use an electric motor to help riders as they pedal, are distributed across key central London locations and will enable even more Londoners to enjoy the benefits that cycling can bring, from improved health to cleaner air.

They can be docked at any of the scheme's 800 docking stations, giving customers an easy and sustainable way of travelling across a large area of central and inner London.

The e-bikes will help to break down the barriers that stop some people from cycling, such as fitness, age and journey length.

Alongside the introduction of e-bikes, we also made changes to the Santander Cycles fare tariff, to support the introduction of e-bikes and to secure continued investment in our cycle hire scheme. This makes access charges more flexible and easier to understand for everyone.

The Santander Cycles scheme also experienced a historic year in 2022, with a record-breaking number of hires across the year as well as during several different months.

11.5million
Santander Cycles hires made in 2022, beating the previous record of 10.9 million in 2021

129,232
e-bike hires in the first four months of the cycles launching

Creating safe spaces for cycling

We are adding more kilometres to our cycling infrastructure to ensure cycling remains a safe and accessible option

We are working to make spaces for cycling even safer

Extending Cycleway 4

In July 2022, together with Lewisham Council, we completed work on a new section of Cycleway 4 in Deptford.

The section on Creek Road included a two-way protected cycle track on Creek Road between Deptford Church Street and Norman Road, adding 1.6km to London's network of protected cycle routes.

A new pedestrian crossing was also built on the western arm of the Deptford Church Street junction. There was a new pedestrian crossings at Gosterwood Street and Grinstead Road, making walking journeys easier and safer, as well as upgrades to pedestrian crossings at Oxestalls Road and Deptford High Street.

Wider footways and a new public space at New King Street have made the local neighbourhood a nicer place to walk around and spend time in.

The cycleway extension means that people in local communities and beyond will be able to cycle between central London and Greenwich on a safer and mostly protected cycle route.

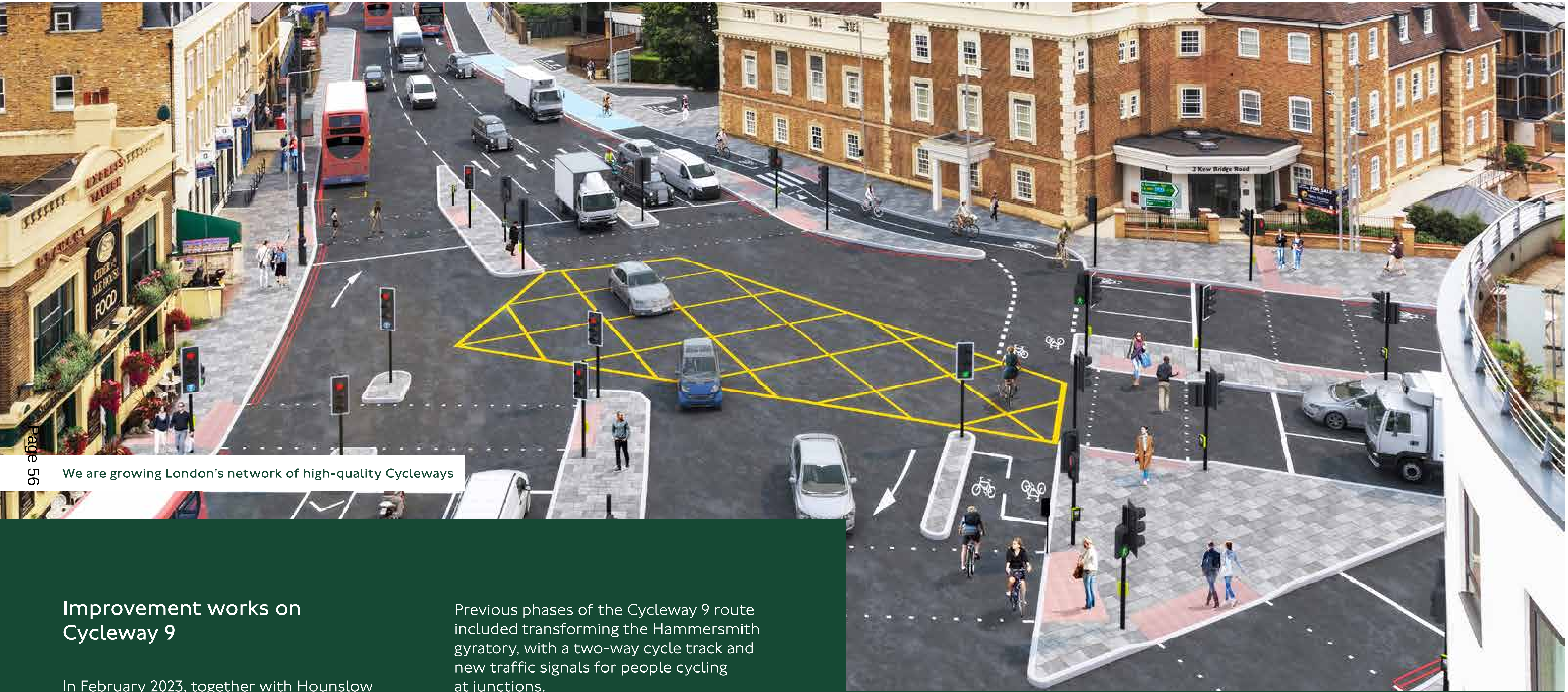
Cycling boost around Finsbury Park

In February 2023, we started work on a new cycle route in Islington between Finsbury Park and Holloway Road. The new route, part of Cycleway 50, includes an overhaul of the intimidating and outdated Nag's Head gyratory and delivers much-needed improvements to roads and junctions, making it easier for everyone in the area to travel in a healthy, sustainable and affordable way.

The new sections will connect people in the neighbourhoods along two new segregated cycle lanes. The work will also make it easier to walk in the area, with upgraded pedestrian crossings and extra space for people walking along the route. Speed limits will also be reduced to 20mph.

Further sections of the Cycleway could begin construction later this year, connecting the Nag's Head gyratory and Holloway Road with York Way via Hungerford Road.

Our analysis shows that the corridor between Camden and Finsbury Park is within the top five per cent in London with the greatest potential for increasing the number of people cycling, and one of the top 10 for travel to and from central London.



We are growing London's network of high-quality Cycleways

Page 56

Improvement works on Cycleway 9

In February 2023, together with Hounslow Council, we completed work on the latest phase of temporary improvements to Cycleway 9 in west London.

The changes, which include new raised junctions, new bus shelters, resurfaced roads and clearer road markings, build on improvements delivered the previous year to make it safer and more attractive for people walking and cycling, and enabling more reliable journeys for bus passengers.

Previous phases of the Cycleway 9 route included transforming the Hammersmith gyratory, with a two-way cycle track and new traffic signals for people cycling at junctions.

We saw a significant increase in people cycling along the route since the temporary schemes were introduced, with the number of people cycling on King Street almost doubling since 2017.

The route is a major addition to London's growing network of high-quality Cycleways, enabling thousands of improved walking and cycling journeys each week between Hammersmith, Chiswick, Kew and beyond.

1,273
more people cycling along the Cycleway 9 route in 2022, compared with 2017

4.6km
of cycle route created between Kew Bridge and Hammersmith on Cycleway 9

People behind the project

John Murray
Principal City Planner

What was your role in the plan?
I was part of a small team that ran workshops with stakeholders to scope out the Leisure walking plan's contents. Building on that, I 'held the pen' to develop and draft the document and worked with our Editorial team to get it designed and published.

Why is it such important work?
London faces big health and wellbeing challenges that could be alleviated by regular physical activity, like going for walks. This document – London's first plan devoted entirely to walking for leisure – seizes the opportunity arising from changes to how people travel and exercise following the pandemic.

What has been response?
Given that the plan outlines the priority actions for when funding becomes available, rather than a fully funded programme, the plan has been greeted with enthusiasm by stakeholders who are excited by the leadership we're bringing.

What are the next steps?
We are busy working with local authorities and stakeholders to deliver some of the plan's key actions, including the creation of a new, 15-mile walking route through five boroughs.

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Our Leisure walking plan will encourage more people to walk regularly

Our new plan to boost walking for leisure

In November 2022, we published our Leisure walking plan, the capital's first plan to boost walking for leisure.

Leisure walking gives people an affordable and easy way to support good health and physical and mental wellbeing, while helping the environment. The new action plan will enhance and expand leisure walking routes and better connect London's communities with green spaces, building on increases in leisure walking seen since the pandemic.

As part of the plan, we partnered with Go Jauntly to digitise the Walk London Network, one of the largest walking networks of any city in the world, and make it available through the Go Jauntly app.

We have established a Leisure Walking Plan Delivery Group to bring together all the right partners to help deliver the programme of work set out in the plan.

The Leisure walking plan also sets out further commitments to boost leisure walking in the capital, including auditing signage on the existing Walk London Network and improving existing wayfinding signs. We will also use funding from the Mayor's Green New Deal fund to deliver a new strategic leisure walking route for London by the end of 2023.

The plan will help ensure London's streets are accessible and inclusive for the diverse range of people who live, work and visit the capital. Since the pandemic, walking for leisure has become the top reason for Londoners walking more.

7
strategic routes that make up the overall Walk London Network

68%
of Londoners said that a better walking network would encourage them to walk more

28
London Boroughs that the Walk London Network passes through

Improved cycling and walking in Nine Elms

In January 2023, we published a consultation report confirming our plans to make it easier and safer to walk and cycle on Battersea Park Road in Nine Elms.

The plans for Battersea Park Road include 150 metres of protected cycle tracks and a range of other upgrades, including improvements at Queenstown Road junction, new 20mph limits along the whole of Battersea Park Road, improved pedestrian crossings and new bus shelters.

Feedback from the consultation showed that 60 per cent of respondents strongly supported the proposed new cycling infrastructure.

The eastern end of the Nine Elms area has seen significant development in recent years, including a new Northern line Tube station, and the changes will help to connect the new and existing neighbourhoods in the west of Nine Elms to London's growing network of high-quality Cycleways.

The changes are being funded by Wandsworth Council and local developers, with funding from both playing an important role in making recently developed areas better places to live for both new and existing residents.

Battersea Park Road links directly with the CS8 cycle route, which is in the top five per cent of routes in London with the greatest potential for people to cycle. The proposals will build on recent upgrades to other cycle routes in the area, by connecting the existing Cycleways with Vauxhall, through Nine Elms and onwards to Wandsworth town centre. People walking will benefit from signalised crossings and improved public spaces.

Our work around Nine Elms would encourage more people to cycle

We are working with community cycling groups

Funding community projects to make cycling and walking more inclusive

Cycling and walking in London got an important boost in December 2022 when we announced the latest projects to benefit from the Walking and Cycling Grants London programme.

Operated in partnership with The London Marathon Charitable Trust, the programme supports projects that aim to increase participation in walking and cycling among traditionally underrepresented groups, such as disabled people, those from Black, Asian or minority ethnic backgrounds, homeless people, refugees and asylum seekers. In this way it helps tackle the barriers that prevent people from getting active and helping to make London a more sustainable, inclusive and healthy city.

This tranche of funds went to a range of projects across 31 London boroughs and the City of London, including walking tours for older people, bike maintenance classes for women, and cycling and walking sessions for deaf people. There were also Group Walk and Talk and Therapy4 Healing sessions, which run fortnightly walks that support people from ethnic minorities, women, refugees and asylum seekers, to improve their physical and mental health and encourage social integration.

More than £118,000 was also awarded for 60 existing projects to enable them to continue their work in the community.

£416,000
is the total amount awarded through the Walking and Cycling Grants London programme

87
new projects that will benefit from the funding package

We have western Europe's largest zero-emission bus fleet

Growing our zero-emission bus network

We operate the largest zero-emission bus fleet in western Europe and continue to add zero-emission buses to our network as quickly and affordably as possible. By the end of March 2023, there were 970 zero-emission buses in service, making up around 11 per cent of the fleet, operating across multiple routes all over the capital.

There are different types of zero-emission bus technology we use, including hydrogen fuel-cell double-deck buses, battery electric buses, which charge at bus garages and make up the majority of the zero-emission fleet, and electric 'opportunity charged' buses, which uses pantograph technology to charge the battery. This type of technology is helping buses on longer journeys as they can receive a 'top-up' charge throughout the day.

We continue to work with multiple bus manufacturers to develop a vibrant and competitive zero-emission market. These new technologies are supporting the wider objective of converting the entire fleet of around 9,000 buses to be zero emission no later than 2034.

970
zero-emission buses in service in our fleet

11%
of our bus fleet is made up of zero-emission vehicles

Rapid electric bus charging

In autumn 2022, we introduced new pantograph technology at Bexleyheath bus garage to provide fast, high-power electric top-up for buses.

The pantograph, which is an arm-like structure, attaches itself to the bus roof to deliver a quick, high-power charge to buses.

With less than 10-minutes of charge, the technology enables buses to travel further distances each day. The quick top-up time, coupled with a longer distance each bus can travel, means fewer buses are needed in the fleet to provide the same high level of service. This frees up resources to be reinvested into other areas of the bus network.

We plan to extend this work in 2023/24, with pantographs conveniently located at each end of route 358 between Crystal Place and Orpington, which is one of the longest bus routes on our network.

With the varying length and requirements of London's bus routes, this new technology ensures that infrastructure is in place to further support our zero-emission bus ambitions.

Our pantograph technology improves electric bus charging

Using our Power Purchase Agreements

We are one of the largest single consumers of electricity in the UK, with a requirement for up to 1.6TWh per year, which is equivalent to the electricity consumed by around 420,000 homes or 12 per cent of homes across London. We have a strategy in place to procure 100 per cent renewable power by 2030, which will help to meet the Mayor's target for the capital to reach net-zero carbon by 2030.

Our current strategy is for a significant proportion of our electricity demand to be met through renewable Power Purchase Agreements, which are long-term contracts with renewable generators to purchase their electricity in agreed volumes and prices. These contracts give generators a guaranteed income, enabling them to develop new renewable energy projects in the UK, which will help to create new green jobs and support the economy.

We have gone to market for our first Power Purchase Agreements, which will provide up to 10 per cent of our required electricity from renewable sources, such as wind or solar power. We expect to award contacts in early 2024. We will continue to adapt our energy strategy to a changing and uncertain energy market as we pursue the twin objectives of decarbonisation and value for money.

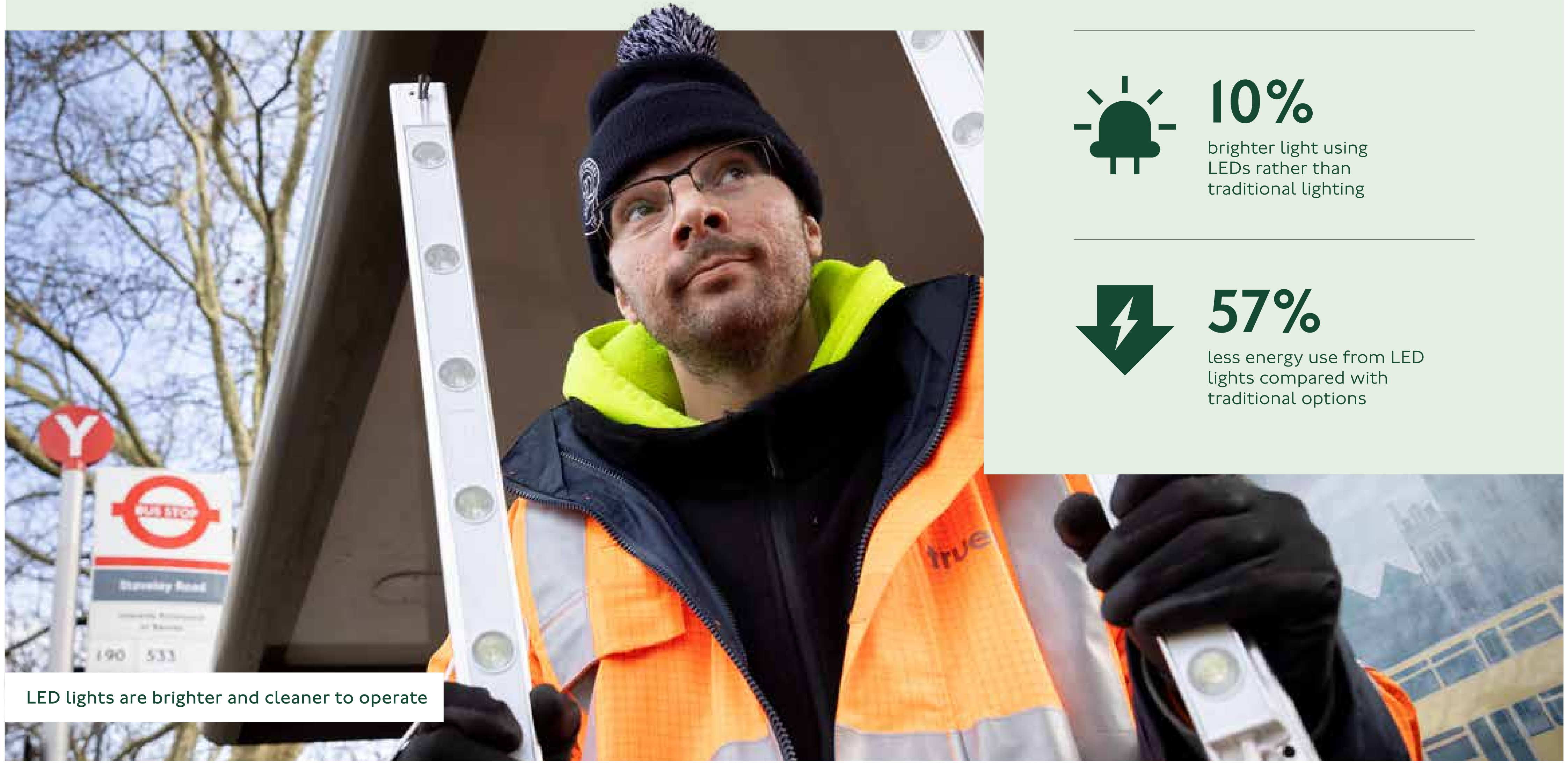
Switching over to LED

Around 12,100 bus shelters across our network have had traditional lighting in them, but we are moving ahead with plans to replace these with LED lights. Together with our contractor, TrueForm, and our electrical maintenance contractor, Milestone, we have been rolling out greener, more environmentally friendly LED lighting, which help reduce waste, energy consumption and associated carbon emissions.

We plan to retrofit and convert all lighting in our bus shelters, including those used in advertising panels, to LED by the end of March 2024. Once complete, it will reduce carbon emissions by more than 1,000 tonnes of carbon dioxide equivalent, measuring carbon dioxide plus all other greenhouse gases, every year. Work is also taking place to upgrade lighting at bus stations across our network, as well as a number of Tube depots, and the London Trams depot in Croydon.

At least a quarter of all Tube stations have been converted to only use LED lighting, with more planned for conversion in the coming months and years. All 38 tram stops have been converted to LED lighting.

Around 50 per cent of all lamp columns on our roads are now fitted with LED lights, with work under way to convert more of these lamps as soon as possible.


LED lights are brighter and cleaner to operate

10%
brighter light using LEDs rather than traditional lighting

57%
less energy use from LED lights compared with traditional options

Cargo bikes are an great addition to London's freight industry

Page 61

Promoting the use of cargo bikes

In March 2023, we unveiled a new plan to work with local authorities, businesses and the freight and servicing industries to transform how deliveries and servicing trips are made by promoting cargo bikes.

The plan, which was launched at the National Cargo Bike Summit, sets out actions to promote cargo bike use and address barriers that inhibit or prevent a shift from vans to cargo bikes.

The actions proposed in the plan include developing a London safety standard for cargo bikes, exploring opportunities to provide space such as hubs and parking to support last-mile cargo bike operations, and ensuring adequate and suitable capacity for cargo bikes when designing cycling schemes.

The use of cargo bikes for freight and servicing trips is becoming more widespread, with major businesses including Amazon and DHL using them for deliveries because they are quicker, cheaper and greener.

The safe, clean and efficient functioning of freight in London is vitally important to the economy and a healthier and more sustainable city for all Londoners.

Cargo bikes also present a lower risk to people walking and cycling than vans and heavy goods vehicles, helping to make London's streets safer and more attractive for people using public transport, walking and cycling.

90%
of all goods are transported by road in London

17%
of van kilometres could be replaced by cargo bikes by 2030

30,000
tonnes of carbon dioxide could be saved a year by 2030 by promoting cargo bikes

'Cargo bikes are no longer a niche concept, and are becoming real game changers when it comes to delivering freight and servicing trips. Not only do they provide environmental benefits by not contributing to air pollution, they also make journeys more efficient, and present a much lower risk of danger to people walking and cycling than vans and HGVs'

Will Norman
Walking and Cycling Commissioner

Making streets for active travel

We continue to make roads safer and more healthy as we work towards the Mayor's Vision Zero ambition

Page 62

Funding agreed for Healthy Streets investment

In March 2023, we allocated more than £63m in Local Implementation Plan funding for London's boroughs in 2023/24, with more to follow in 2024/25. This funding will enable boroughs to continue their vital work making the capital's roads safer and more attractive for people using public transport, walking and cycling.

Healthy Streets investment provides funding for local projects that support the Mayor's Transport Strategy and local priorities. These include improved public transport, schemes that support the Mayor's Vision Zero goal of eliminating death and serious injury from the transport network and opportunities for safe and active travel.

Our funding will help boroughs introduce new cycle routes, School Streets, new or upgraded pedestrian crossings, bus priority schemes and 20mph speed limits. Enabling more people to walk, cycle and access public transport is vital to a healthier and more sustainable city for all Londoners.

Nearly £39m was allocated to outer London boroughs, including £4m to Barking and Dagenham, £1.8m to Hounslow, £2.5m to Hillingdon and nearly £2m to Sutton. There was £24m allocated to inner London boroughs, including almost £1.9m to Islington and nearly £2.3m to Newham.

Confirming this funding gives boroughs certainty, enabling them to progress their plans. It is the latest allocation of the £138m made available to boroughs as part our funding deal with the Government last year. Boroughs have already invested £59m in vital schemes to improve access to walking, cycling and public transport.

Working to make our junctions safer

Our Safer Junctions programme continued this year, with 44 junctions redesigned since the programme launched, helping to make them safer for all road users, especially those walking, cycling or riding motorcycles.

We recently started work at York Road Roundabout in Wandsworth, with plans under way for Safer Junctions schemes at Holloway Road and Drayton Park later in 2023. We are consulting on changes to roads and junctions at Battersea Bridge and Kings Cross/Pentonville Road, as well as working on pedestrian and cycling improvements at Lambert Bridge North and South, and Manor Circus.

We are working closely with the London Borough of Camden on improvements at Holborn, including Holborn Gyratory, which has gained much public support. Our Safer Junctions programme targets key locations where the greatest numbers of people have been killed or injured while walking, cycling or riding motorcycles. All locations in the Safer Junctions programme had higher-than-average collision rates, and this improvement work is a vital part of our Vision Zero ambition.

We want more zero-emission vehicles across London

Page 63

Pushing ahead with zero-emission capable private hire vehicles

We took another step forward in our work to clean up London's air in January when we introduced the requirement for all private hire vehicles licensed for the first time to be zero-emission capable.

The previous requirement, which came into force in 2020, was for all vehicles under 18-months old and licensed for the first time to be zero-emission capable. This led to 25 per cent of all private hire vehicles in London meeting these game-changing standards, with a number of the larger operators committing to having an all-electric fleet by 2025.

We announced the zero-emission capable requirement seven years ago to ensure the industry could plan ahead. Since then, we have worked with the trade to ensure that it was prepared for this date.

As well as playing a pivotal role in helping Londoners breathe cleaner air, private hire drivers making the switch to fully zero-emission vehicles will also be able to apply for the Cleaner Vehicle Discount, meaning they won't have to pay the Congestion Charge until December 2025.

46%
of all black cabs in London are capable of not producing any emissions at their exhausts

820
fast or ultra rapid charging points across London

We have introduced more 20mph speed limits on our roads

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Speed limits helping to make our road safer and encourage active travel

Data that was released in February 2023 showed that there had been a significant reduction in the number of collisions on London's roads following the implementation of 20mph speed limits on key roads around the capital.

In March 2020, we introduced 20mph speed limits on all of our roads within the central London Congestion Charging zone, as part of our commitment to our Vision Zero ambition of eliminating death and serious injury on the capital's roads by 2041.

The statistics show that there has been a 25 per cent reduction in collisions that result in someone being killed or seriously injured, from 94 to 71. While every death and serious injury is an absolute tragedy, the data suggests that lower speed limits are having a huge impact on reducing road danger.

Since the 20mph speed limits were introduced, collisions involving vulnerable road users decreased by 36 per cent, while collisions involving people walking fell by 63 per cent.

As well as making our roads safer, the speed limits can also help encourage more Londoners out of their cars to walk, cycle and use public transport, which is vital to reducing congestion and air pollution.

25%
reduction in collisions that result in someone being killed or seriously injured since 20mph speed limits were introduced

20

220km
of our roads in inner and outer London will have a 20mph speed limit by 2024

'Our 20mph speed limits not only save lives, but also encourage Londoners to travel in more active and sustainable ways. We look forward to seeing the expansion of the programme benefit more areas of London'

Penny Rees
Head of Healthy Streets Investment

A good public transport experience

‘Public transport in London continues to support and provide the safest and greenest options, investing in faster and more reliable journeys for all our customers’

Stuart Harvey
Chief Capital Officer

LOVE THE TUBE
160
YEARS OF SERVICE

In 2023, we are celebrating 160 years of the Tube. For the full story, see page 65

Improvements you can Bank on

We completed a major upgrade of Bank station to provide better access for customers

Our upgrade of Bank station involved intricate and complex work

Page 66

Upgrade unveiled at Bank station

In February 2023, we completed the £700m upgrade of Bank Underground station, which includes a new entrance on Cannon Street, giving customers easy access, via six new escalators, to the Northern line and DLR.

New, more direct interchanges mean journeys are quicker for those changing between lines, shaving up to nine minutes off journey times for some customers.

The upgraded station also includes two new lifts to provide step-free access to the Northern line for the first time, and improved access to the DLR.

More than 1,000 metres of new tunnels were dug during the upgrade, including the new southbound Northern line running tunnel and the pedestrian tunnel, which houses two new moving walkways between the Northern and Central lines.

The work was often intricate, with care being taken to avoid disrupting any of the 31 listed buildings that surround the site.

40%
more capacity at Bank station as a result of the upgrade work

550
people worked on the Bank station upgrade project each day

Reopening the Bank branch

In May 2022, we re-opened the Bank branch of the Northern line following a 17-week planned closure to support our upgrade work at Bank station.

The closure enabled construction staff to work around the clock to finish constructing a brand-new Northern line tunnel and passenger concourse at Bank station, as well as a new, wider southbound platform.

The Northern line closure also enabled us to do essential work at other stations including London Bridge, Borough and Elephant & Castle, to help minimise future disruption. This included work on lifts and escalators, as well as refurbishment work at Borough, and enabling works for the future Elephant & Castle station upgrade.

550
construction staff worked on the Bank station upgrade

650
train drivers and 100 station staff took part in familiarisation exercises ahead of the line reopening

People behind the project

Claire Horne
Experience Design Lead

What is new for TfL Go this year?
I worked on a new feature that invites customers to discover London and its places of interest, cultural hubs and events. The feature shows a selection of events throughout the year, as part of the search screen. Customers can discover more content, visit a booking link, or plan their journey.

Were there any challenges?
There are many things to consider from design to content, and how different people and teams will work together. When launching a new feature, it can also be a challenge to get people to know that it exists. Will your customers find it by chance or will we have to market it heavily?

Did you work with other groups?
We worked with Business Improvement Districts and many other partners to promote events across different London neighbourhoods. We also work with our own Marketing Partnerships, Commercial Partnerships and Content teams. With so many teams involved, we are always refining and developing ways on how to work with each other.

What are the future plans?
There are a lot of exciting things we could develop. There are also many types of content we could include to make the feature even richer and more engaging.

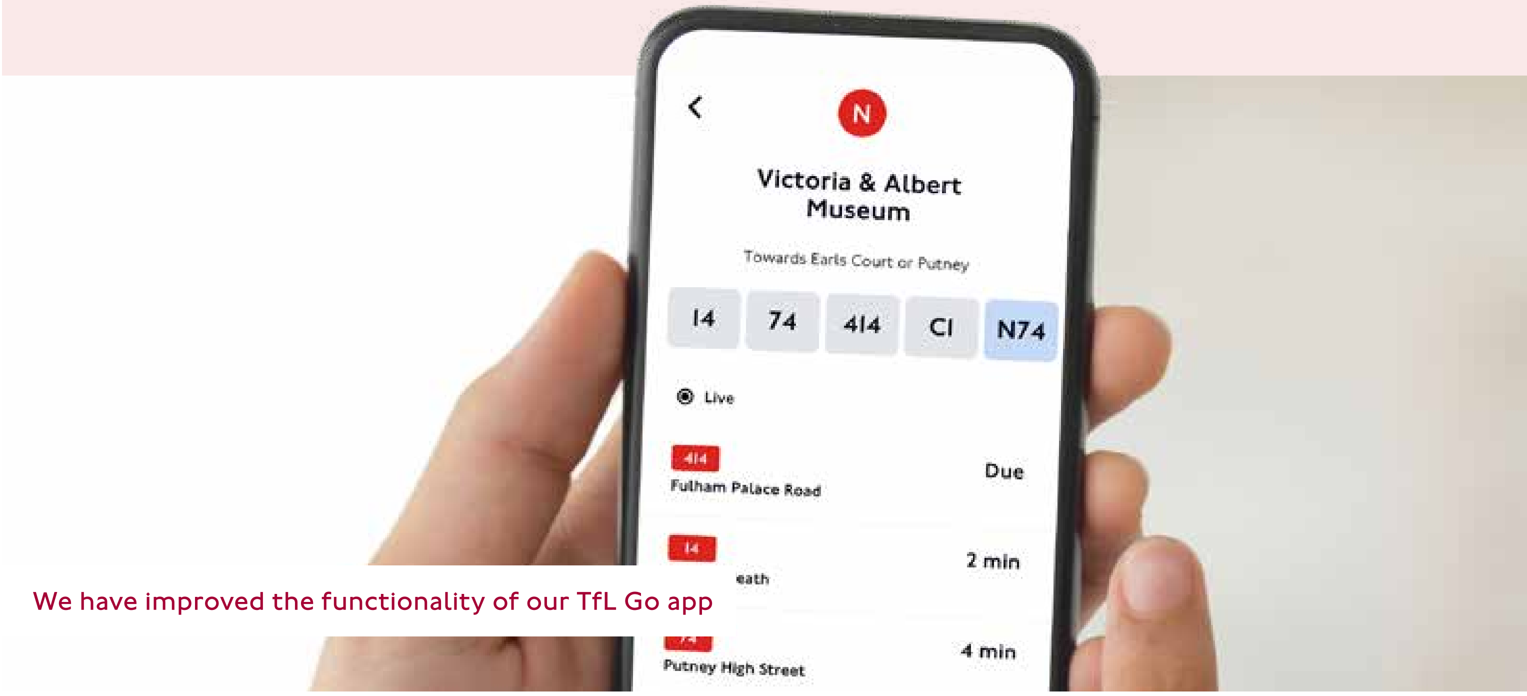
Latest upgrades to the TfL Go app

Our TfL Go app continues to be a popular option for customers to help them plan their journeys and check live service status. We regularly update the app with new features to help make travel in London even easier. During 2022/23, we added more live bus data and fares information, as well features that provide additional support during severe disruption.

In summer 2022, we launched Promoted Places, which helps customers discover and visit places of interest, cultural hubs and events. Since its launch, we have used it to mark the opening of Bond Street Elizabeth line station, promote festive days out and celebrate summer and spring in the city. We also used Promoted Places following the death of Her Majesty Queen Elizabeth II to help customers find the end of the queue for the Lying in State.

Future planned updates include account and payment features so that customers can plan, pay and travel on one integrated app. Customers will be able to top-up their Oyster cards, buy Travelcards and view their journey history. We are also planning to incorporate more real-time information for buses and national rail services, and launch app notifications so that customers can receive status updates on the go. The app has been recognised with Design Week, Drum and British Interactive Media Association awards.

3.6million
times the TfL Go app has been downloaded since it launched in August 2020



We have improved the functionality of our TfL Go app

Return of the Night Tube to keep London moving

In July 2022, Night Tube services started again on the Piccadilly line, marking a complete restoration of our weekend Night Tube and Night Overground services to provide more options for safe travel around the city.

Night Tube services, which run through Friday and Saturday nights on selected lines, were suspended in March 2020 during the pandemic.

The Central and Victoria lines were the first to start operating in November 2021, ahead of the return of the Jubilee and Northern lines in May and June 2022. In addition, Night Overground services between Highbury & Islington and New Cross Gate returned in December 2021.

London's recovery from the pandemic has been driven by a safe and reliable public transport network that serves the city night and day. The complete restoration of Night Tube services enables Londoners and visitors to make the most of all the capital has to offer on weekend evenings with shorter journey times, while also giving late-night revellers another safe way to get home.

Barking Riverside station is improving transport links in the area

Barking Riverside Extension opening

A new London Overground station opened at the heart of Barking Riverside in July 2022, helping transform journeys to this rapidly developing area of east London and supporting the delivery of more than 10,000 new homes.

Sitting at the heart of a new public square and only a five-minute walk from the riverfront, Barking Riverside station forms part of the extended Gospel Oak to Barking route. With around 3,000 homes already built or under construction, the new railway will help unlock more than 7,000 further homes along with new leisure facilities, schools and riverside walks.

The 178-hectare brownfield site will become home to around 30,000 new residents with Barking Riverside station forming an intrinsic part of the development, which is being delivered by Barking Riverside Limited, while the housing development will be delivered through a joint venture between the Mayor of London and housing provider L&Q.

Sustainable travel is a key part of the plans for the development. Public transport, walking and cycling feature heavily, supported by local bus services, easily connected with the new London Overground station, and a network of footpaths and cycleways. We also extended our river services to this area. Cycle parking for 180 cycles is provided at a dedicated new facility as part of the new station, making it easier for people to start or end their journeys by cycle.

7

minutes it now takes to get from Barking Riverside to Barking, cutting the previous time by two thirds

22

minutes to get from Barking Riverside to the City

> 'Residents can now benefit from a modern, spacious new station and greatly reduced journey times with Barking just seven minutes away – I'm pleased to say that the station is also fully step-free'

Sadiq Khan
Mayor of London

Northern Line Extension proving popular

September 2022 marked the first anniversary of the Northern line stations opening at Battersea Power Station and Nine Elms, with more than five million journeys made through the new stations in the first year.

The two new step-free Zone 1 stations have given a huge boost to the area's connectivity, reducing journey times and helping to support the ongoing delivery of around 25,000 new jobs and more than 20,000 new homes.

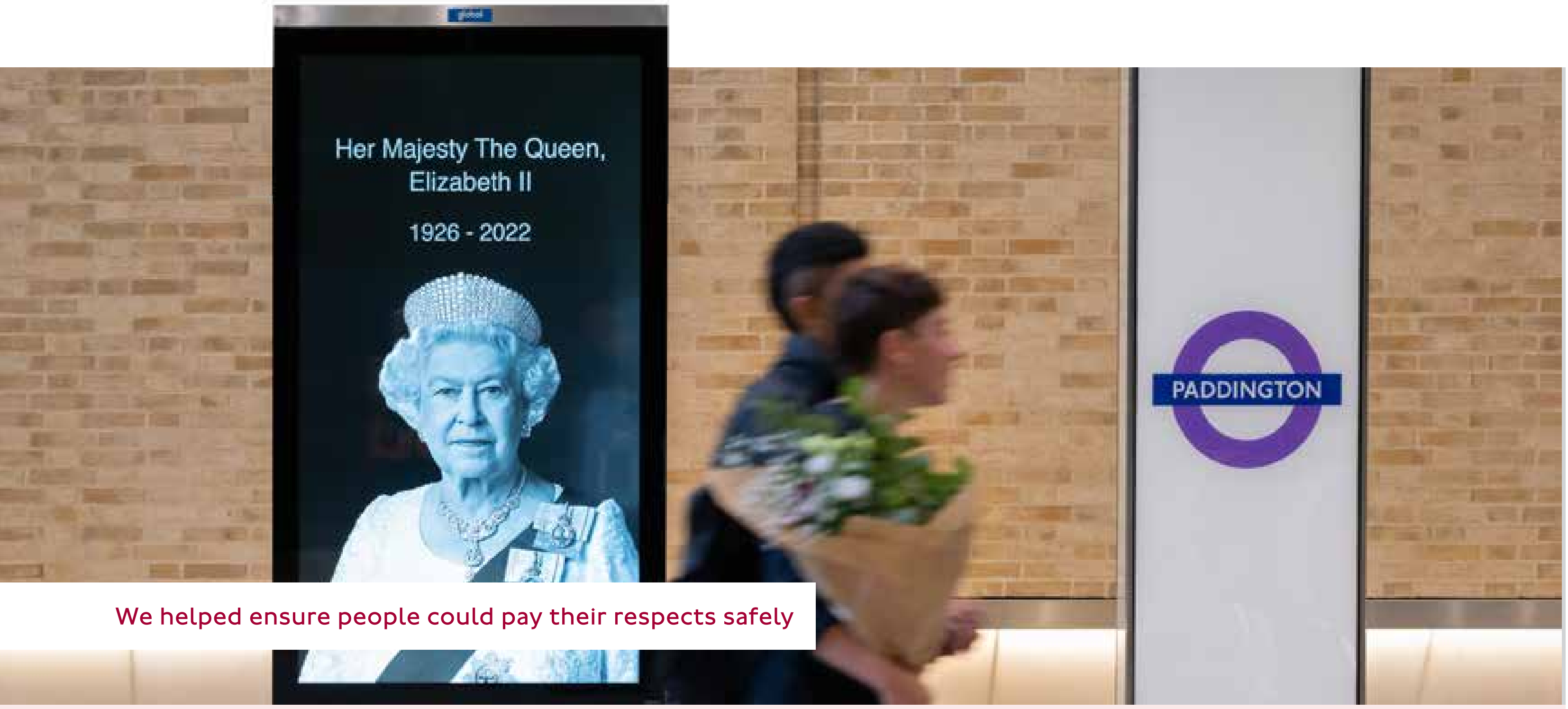
In June 2022, we doubled the frequency of trains running on the extension, from six to 12 trains per hour during peak times, and from five to 10 trains per hour at off-peak times.

150,000

trips made each week through Battersea Power Station

75,000

trips made each week through Nine Elms station



We helped ensure people could pay their respects safely

Helping people travel during the Queen's funeral

When the world received the sad news of the death of Her Majesty Queen Elizabeth II in September 2022, it marked the official activation of Operation London Bridge, the official plans for the State Funeral and associated events that a great many at TfL had been planning for, for a number of years.

Our teams from across the organisation pulled together, alongside London and transport sector partners and Government departments, to ensure that Londoners and visitors to the capital could get around safely and as easily as possible.

With the huge demand for people to visit the ceremonial and memorial events over the 11 day period, the volume of activities needed to support was significant. It was one of the biggest operations on our network, across London and the nation we had seen since the 2012 Olympics.

We provided travel advice and transport information via emails, posters, station announcements, social media posts, website updates, our Metro travel page, travel apps such as TfL Go, Journey Planner and City Mapper and via the thousands of staff and ambassadors on the ground.

We amplified messages of our event partners to help the quarter of a million people travelling to the Lying-in-State get there and back with ease, and those going to watch the processions find their way to and from their viewing spots.

350,000
visits made to our travel advice webpage

Supporting London's Jubilee celebrations

In June 2022, London's streets were awash with Union Jacks as the celebrations for Her Majesty Queen Elizabeth II's Platinum Jubilee began.

We helped share the celebratory atmosphere, with eight of our buses decorated with special commemorative wraps. The platinum buses ran on selected routes passing by some iconic locations associated with the Royal Family, including Kensington Palace and Westminster Abbey, and Royal Parks such as Hyde Park and Green Park.

The wraps were funded by bus operators Arriva, RATP, Abellio, Go-Ahead, Metroline and Stagecoach.

We also played celebratory messages at selected Jubilee line, Elizabeth line and other stations with a Royal link in their name during the four-day Jubilee weekend. We helped people get around and enjoy the many street parties and events, with all our services running with no closures and Night Tube services were available on the Central, Jubilee and Victoria lines. We issued travel advice ahead of the weekend, including a dedicated webpage offering up-to-date advice.

The Platinum Jubilee saw Londoners celebrating across the capital

Tunnelling begins at Silvertown

In August 2022, we began tunnelling work for the new public-transport focused river crossing at Silvertown.

Preparation works began in 2020, including the creation of a launch chamber for the tunnel boring machine, a conveyor system to remove excavated materials by barge and repairs to the river wall to ensure it is not affected by the tunnelling.

TfL and Riverlinx are also actively working on the designs for the walking, cycling and landscaping improvements, which will be delivered around either side of the tunnel entrances. These will see new dedicated cycleways and footways, as well as 'shared space' and new public spaces.

The project is being delivered by Riverlinx, a consortium made up of design, build, operations and contracting. with the vast majority of the funding coming from private finance, which has been specifically raised for this scheme. Once open in 2025, both the Silvertown Tunnel and Blackwall Tunnels will be subject to a user charge to help manage traffic flows.

The Silvertown Tunnel will provide improved bus links, which will be kept under review, which will enable around 20 zero-emission buses an hour to cross the Thames when it opens. By reducing congestion at the Blackwall Tunnel, providing new cross-river bus links and creating a more reliable river crossing for cars, vans and lorries, it will support economic growth across east and southeast London and improve air quality on the approaches to the tunnels.

The tunnel will also provide better access to new job opportunities and support new housing and business developments across the wider area.

The Silvertown Tunnel will provide new bus links and reduce congestion

Tunnel vision

The tunnel boring machine used on the Silvertown Tunnel is 82 metre-long and named after Jill Viner, the first female bus driver in London.

600,000
tonnes of material will be excavated and removed via barges during the course of the project

1.4km
long tunnel will link Newham to the Greenwich Peninsula

The new entrance at Hackney Central is helping to ease congestion

Second entrance at Hackney Central station opens

In July 2022, we opened a new second entrance at Hackney Central London Overground station, helping to ease congestion, providing more direct access to the town centre and enabling customers to make a simpler interchange with Hackney Downs station and local bus services.

The £3m scheme, which was delivered collaboratively with funding by the Department for Transport using Hackney Council land, includes a new covered gate line, two new ticket machines and additional cycle storage, helping to encourage greener and more sustainable journeys to and from the station.

It also features a living roof on both the new station building and the covered cycle storage and a green wall and new trees in the customer area. Lighting was upgraded to the latest energy saving LED technology throughout the station, providing a brighter and safer environment for customers.

An information screen provides live bus information next to the station exit to help with onward connections, with a newly installed pedestrian crossing making it safer to cross the road for buses heading towards Dalston. There is also a new water fountain for customers to refill reusable bottles, free of charge.

10%↑

increase in passenger journeys on the London Overground in Hackney in the two years before the pandemic

New entrance opens at Imperial Wharf station

We opened a new additional entrance at Imperial Wharf station in June 2022, giving customers better access to London Overground and Southern services.

The £1.7m upgrade, which was funded by the Department for Transport, includes a new second entrance and ticket gate line. This enables people to make quicker and easier journeys towards Shepherds Bush, Willesden Junction and Stratford, helping to reduce congestion and improve journey times.

The new entrance was delivered in the most cost effective way by refurbishing an existing set of stairs, previously used as a fire escape, at the end of the platform, and a new covered walkway was installed.

Our improvements will enable shorter journey times

'This is a great addition to Imperial Wharf station helping to make it easier for our customers using the station but also helping to ensure trains can leave promptly'

Rory O'Neill
General Manager for London Overground

Step-free boost at Leyton and Colindale

In early 2023, we received confirmation of funding to make Colindale and Leyton Tube stations step-free and increase their capacities, as part of the Government's Levelling Up Fund allocation.

At Colindale, our project includes a new ticket hall, a new lift to provide step-free access from the street to train, as well as additional ticket gates.

At Leyton, there will be a new ticket hall, two new lifts to provide step-free access from street to platform, with access to the train provided by manual boarding ramps, and additional ticket gates.

Both projects are now fully funded, subject to us meeting the Government's detailed conditions for release of the money. We are working closely with the Government, the GLA and the London Boroughs of Barnet and Waltham Forest and we hope to be able to carry out the next stage of contract award for construction at Colindale and for detailed design at Leyton later this year.

Contractor chosen for Surrey Quays improvements

In December 2022, we appointed a main works contractor for our plans to transform Surrey Quays station to make it more accessible and help improve journeys.

The improvements, which will be carried out by Morgan Sindall Infrastructure, include a second station entrance built that will provide more direct access to a nearby new development and the existing shopping centre at Canada Water.

This brand-new entrance will include a new spacious ticket hall, along with a new gate line to help ease congestion at the busiest times at the existing entrance.

A new customer bridge, with stairs leading to platforms, will provide relief to the existing narrow staircases. For the first time, step-free access will be provided to the platforms via two new lifts, helping those who are mobility impaired and parents with pushchairs.

Enabling works are expected to start on site later in 2023, with the main work expected to start by the end of 2023. The station improvements are expected to be complete in 2026.

This project is funded by the Department for Levelling Up, Housing and Communities as part of its Housing Infrastructure Programme with a contribution from British Land, the developer of the Canada Water Masterplan Development.

20%

increase in step-free access across our network since May 2016

200+

stations on our network are step-free

Surrey Quays station will have step-free access for the first time

Our priority seating moquette will help customers who need a seat

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Priority seating on new Routemaster buses

Throughout 2022/23, we continued to refurbish our New Routemaster buses. The refurbishments include new priority seat moquettes featuring an eye-catching pattern with distinctive colours and a clear message explaining that it is a priority seat.

The design helps people who need a seat, including older and disabled customers and people with non-visible conditions, to easily identify these seats and serves as a helpful reminder to fellow passengers that there may be customers who need a seat more than them.

We will continue to install priority seat moquette on the remainder of our New Routemaster fleet and are on target to complete this by the end of 2025.

We continue to work closely with bus operators, who are also introducing new, prominent priority seat designs across the wider bus fleet.

300+
buses in our fleet now have more prominent priority seating moquettes

Please offer me a seat

100,000
Please offer me a seat badges have been issued to disabled customers and those with non-visible conditions

Bus countdown signs and real-time information trial

In February 2023, we took another step in improving customer information and experience by installing a new wave of bus countdown boards across every borough, including those in outer London.

The countdown signs, which use real-time technology to show when the next buses are due and any disruption on the network, give customers certainty, while also improving accessibility for those without smartphones.

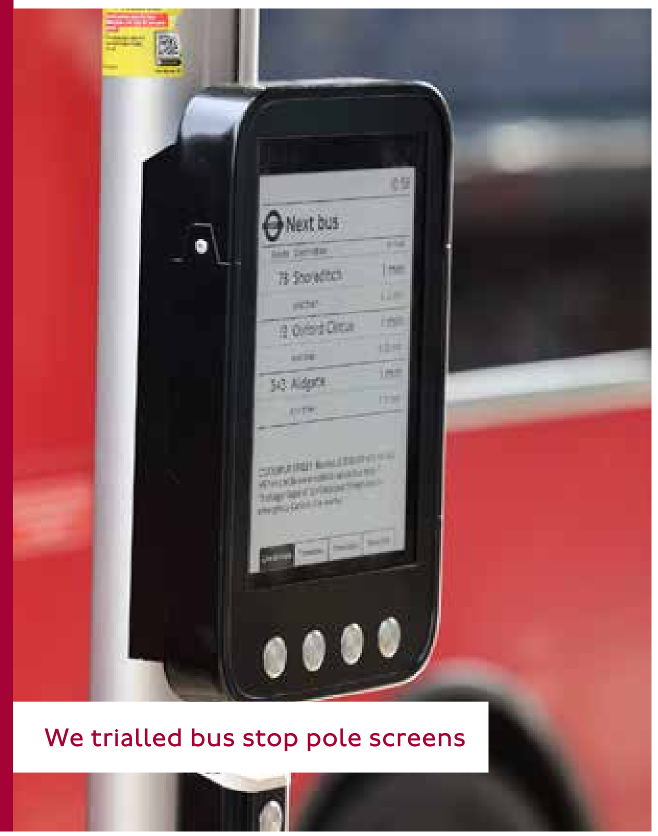
We also began trialling 12 new innovative screens on route 63 between King's Cross and Honor Oak, which give customers live bus arrival information, alongside a variety of other live mapping and travel information including any disruptions and diversions.

We are also trialling new information displays attached to the bus stop pole itself. The device is battery-powered and in greyscale to save energy. They enable customers to view live bus arrival times, disruption information, digital timetables and route maps, and the displays are mounted at a suitable height for wheelchair users.

Live bus arrival information can also be activated as an audio announcement at the push of a button, improving the travelling experience for all customers, including those with visual impairments.

'We are now looking at the next generation of technology, using the route 63 as a pilot. We are looking to transform the experience of how people get from A to B and make the network even more accessible'

Louise Cheeseman
Director of Bus



We trialled bus stop pole screens

The Superloop will improve outer London bus journeys

Launching the new Superloop

In March 2023, we announced plans for our new Superloop bus network. The network will provide limited-stop express bus routes that circle the capital and enable quicker connections with outer London town centres, railway stations, hospitals and transport hubs.

The Superloop will reduce journey times and is proposed to be introduced in stages, with some routes that would become part of the Superloop already in operation. This includes the X140 connecting Heathrow and Harrow, which was introduced in December 2019, and a more frequent route X26 connecting Heathrow and West Croydon.

Future sections could include a limited-stop express link between North Finchley and Walthamstow, and between Walthamstow and the Royal Docks via Ilford. Links are also proposed between Bexleyheath, Bromley and Croydon.

We also unveiled a new Superloop brand, which uses a new roundel and bus livery to help customers identify the new service, while still being recognisable as part of our bus network. The new branding will also feature on maps, timetables and other pieces of customer information.

'The Superloop is the jewel in the crown in our plans to strengthen alternatives to the private car ahead of the ULEZ expanding London-wide and is a game changer for outer London'

Alex Williams
Chief Customer and Strategy Officer

£6m
funding provided by the Mayor for outer London bus service improvements

We celebrated the Tube's 160th anniversary with a series of events

'A milestone birthday gives us the perfect opportunity to reflect on the historical significance of the Tube and how it has expanded and improved to meet the needs of an ever-changing world city. During this time the Tube has breathed new life into unconnected parts of London and been the catalyst to many local economies'

Andy Lord
Interim Transport Commissioner

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Happy birthday to the London Underground

We announced a series of activities at the start of 2023 to mark the 160th anniversary of the London Underground, the world's first and most famous underground railway.

To mark the milestone birthday, Mayor of London Sadiq Khan met with four London Underground staff members, who have given a total of 160 years of service in a range of roles.

A celebration took place at Baker Street station, one of the original stations that opened on 10 January 1863, when the first Tube journey took place between Paddington and Farringdon stations, on what was then the Metropolitan Railway.

The Mayor also unveiled a special 160th year 'Love the Tube' roundel, which went on display at stations across the network including at Gloucester Road, Brixton, Oxford Circus and Covent Garden. London Transport Museum will be supporting the celebrations with activities throughout the year, highlighting the heritage and innovation of the Tube. This will be alongside the museum's permanent exhibitions, which encourage visitors to explore the Tube's origins as the world's first subterranean railway.

The Tube through time

1863
The Metropolitan Railway opens the world's first underground railway between Paddington, then called Bishop's Road, and Farringdon Street

1908
The name 'Underground' makes its first appearance in stations, and the first electric ticket-issuing machine is introduced. This year also sees the first appearance of our famous roundel symbol

1969
Her Majesty Queen Elizabeth II opens the Victoria line

1979
The Prince of Wales opens the Jubilee line

2000
TfL is formed bringing London together into one integrated transport body

2003
London Underground becomes a wholly owned subsidiary of TfL

2007
The Tube carries one billion passengers in a year for the first time.

2016
The Night Tube is launched, offering all-night services at weekends

2021
The Northern line is extended to Battersea Power Station and Nine Elms, supporting the complete regeneration of the area

2022
The Elizabeth line – the evolution of the Tube network – is opened by Her Majesty Queen Elizabeth II

Wellbeing station pilot launched

In August 2022, we began work on a pilot to test a pop-up wellbeing station at Beckton DLR station and West Ham Tube station.

The focus of the first phase of the pilot was on specific outreach activities to give local residents information on cost of living support and ways to proactively protect their health during the winter.

The wellbeing station was available on six occasions in November and December 2022, with experts on cost of living from Our Newham Money and the mental health charity MIND joining two of the events.

There were 180 residents who attended the events across the two stations and offered further support and given a range of informational materials. By holding the events during the day the initiative was able to support residents from areas of deprivation and health inequalities and in much need of support.

A second phase of the pilot to include Custom House station is being expanded to promote health choices and active travel, including offering free fruit from Whole Foods.

Our wellbeing work includes offering free fruit

Our innovations are helping to keep the Tube cool

Cooling the Tube

Following the extreme temperatures seen during summer 2022, that July, we announced a trial of state-of-the-art cooling panel at Holborn station to test its suitability for reducing temperatures across our deep Tube network.

The cooling panel works by circulating cold water around pipework within a curved metal structure to chill it before circulating air using an industrial-sized fan, through gaps in the panel's structure, which in turn is cooled.

The panel could also have the additional benefit of halving operational and maintenance costs, compared to existing technology used to manage temperatures on Tube lines.

The cooling panel, which was tested at a disused platform, aims to provide cooler air to passengers waiting on platforms, as well as mitigating potential temperature increases associated with running an increased number of trains on the Piccadilly line, as part of the line's future capacity upgrade.

Following the trial at Holborn station and subject to funding, we will explore whether the panels could provide a cooling solution for other deep Tube lines.

40.3C

was recorded in 2022, the hottest temperature in the UK since records began

1st

ever red alert warning for heat was issued by the Met Office in July 2022

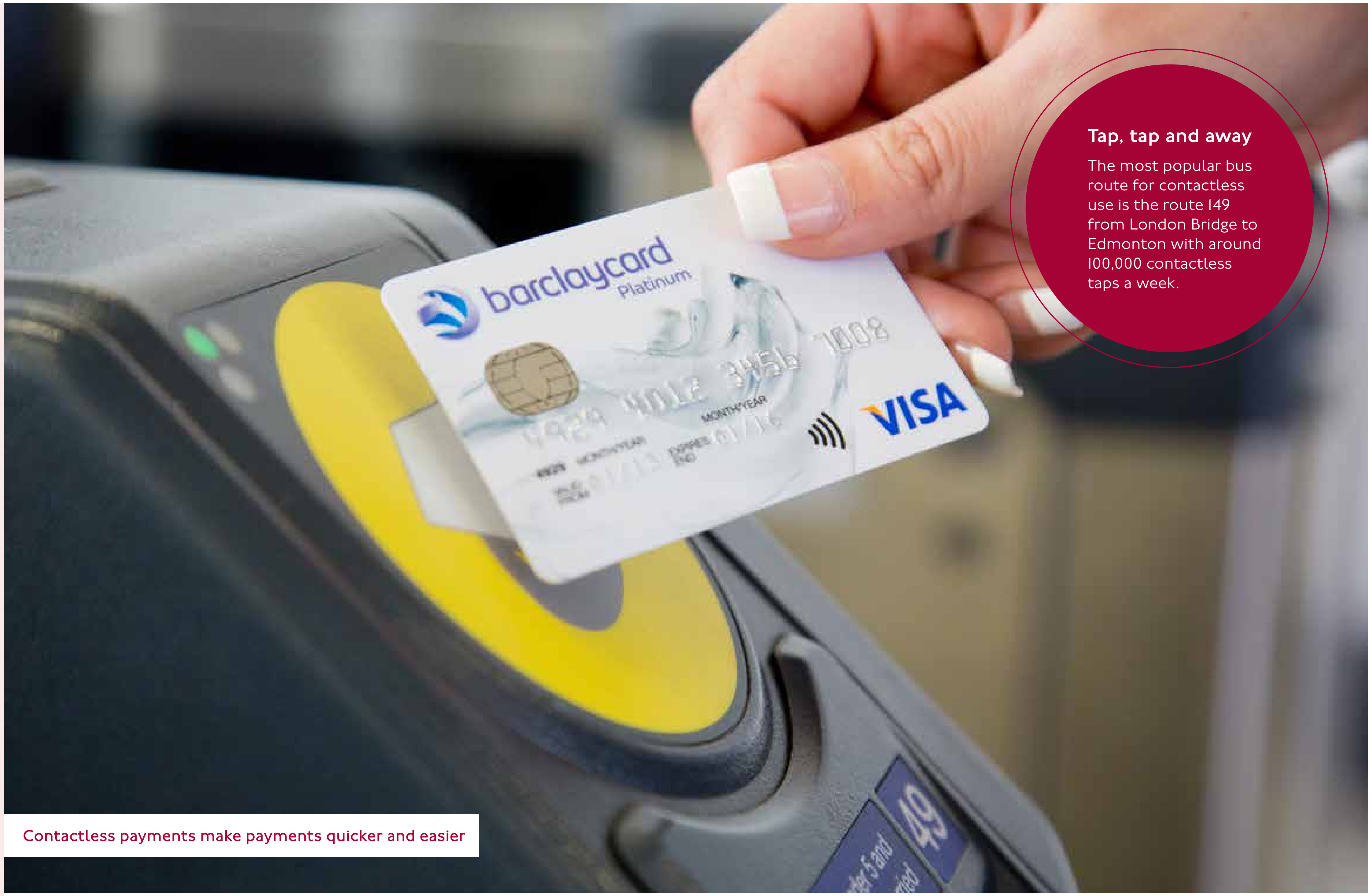
Contactless payments celebrates 10-year anniversary

In December 2022, we marked 10 years since our revolutionary contactless payment technology using a bank card was introduced on London's buses, making paying for travel easier and more convenient for millions of customers.

The system, which evolved from our successful Oyster card system and was developed in partnership with the wider banking industry, enables customers to benefit from the ease and convenience of using their contactless card, phone or watch device, rather than having to buy a ticket. The system also ensures daily and weekly capping, meaning customers never pay more than the equivalent Travelcard.

Our development of contactless payment is seen by many as the catalyst for contactless being adopted more generally by consumers in the UK and across the world. The huge success of pay as you go with contactless in London has led to other cities, including New York, Chicago and Sydney, introducing contactless payment options across their public transport systems.

Bus ridership is now at around 80-85 per cent of pre-pandemic levels. On an average day, fare payers make more than three million bus journeys, more than half of which are made using contactless to pay as you go.



Contactless payments make payments quicker and easier

Tap, tap and away

The most popular bus route for contactless use is the route 149 from London Bridge to Edmonton with around 100,000 contactless taps a week.

70%
of bus journeys are paid for through contactless technology

2billion
bus journeys have been made using pay as you go with a contactless device since the technology was introduced

Supporting HS2 works on Euston Road

We supported Londoners and our customers ahead of the first major set of HS2 works on Euston Road, which started on 20 February 2023 and were expected to lead to significant delays to journey times.

Working with HS2 and their contractor, we developed a communications strategy to help people plan their journeys and mitigate the impacts. We developed travel advice for people travelling to, and through, the area to plan ahead, leave more time for their journeys and use alternative routes where possible.

Targeted communications were issued to key customers and stakeholders, including freight traffic, and a dedicated webpage with detailed advice and information was set up.

The works were to construct the new HS2 station at Euston, which would have meant many years of disruption in the area. HS2 is now rephasing construction of Euston as it develops the scheme. Work continues in other locations across London and we will continue to work closely with HS2 to mitigate these impacts and future works at Euston.

Update on works at Old Street

In February 2023, we confirmed a revised completion date for the transformation of Old Street, a major project that is modernising the station entrances and overhauling the outdated 1960s roundabout to create a much safer, more welcoming environment for everyone.

We are working closely with contractor Morgan Sindall to complete the project by early 2024, including the station entrances and lifts to the retail concourse, which will generate ongoing commercial income.

The work has already seen the northwest arm of the roundabout closed permanently to traffic, creating a major new public space, with better walking and cycling access to Old Street station.

Once complete, the former Old Street Roundabout will have permanent, fully segregated cycle lanes and cycle-only traffic signals around the redesigned junction, alongside new pedestrian crossings to make it much easier to navigate the area on foot. Work on the new cycle lanes and pedestrian crossings is expected to be complete later in 2023.

We are also upgrading Old Street station, including two new passenger entrances and new lifts to an upgraded retail concourse.

The pandemic had a major impact on construction work, with the site shut for three months. This was followed by months of social distancing measures in a confined work site, while the scope of the work needed to deliver the project has also increased significantly. A key requirement of the project has been for the road and station to remain open and accessible throughout the works, which further complicates delivery.

Our work at Old Street will transform the area for everyone

The new DLR trains include a number of improvements for customers

Free travel concessions for lowest paid workers

In February 2023, as Londoners continued to be hit by the cost of living crisis, we introduced a new concession for the lowest paid transport workers to receive free travel across our network.

Funded by the Mayor, the announcement means that around 5,800 transport workers who were not previously eligible will now receive free travel. Examples of employees who will receive free travel from April 2023 include cleaners, catering and security staff.

This step builds on measures taken by the Mayor in 2016 when he ensured all who work in TfL, including contractors, are paid the London Living Wage.

New DLR train is unveiled

The first of 54 new, state-of-the-art DLR trains arrived at our Beckton depot in January 2023. The new trains feature a walk-through design that will increase capacity by 10 per cent, as well as the latest audio and visual real-time travel information, air conditioning and mobile device charging points.

The trains will also improve accessibility for our customers, with three multi-use areas as well as three dedicated wheelchair spaces. These multi-use areas can also be used to accommodate pushchairs, bicycles and luggage. The new trains will also feature a brand new moquette seat fabric, called Poplar.

The new trains, which are designed and built by Construcciones y Auxiliar de Ferrocarriles (CAF), promise to provide thousands of customers with more frequent, reliable and comfortable journeys from 2024.

The trains will go through rigorous testing to ensure they enter service smoothly and reliably from next year. All the new trains will be in service by 2026.

Of the new trains, 11 have been funded through the Government's Housing Infrastructure Fund as they will support the development of thousands of new homes around the network, particularly in the Royal Docks.

33

new trains to replace the oldest rolling stock on the DLR

21

trains will be introduced to boost capacity across the DLR network

People behind the project

Harriet McDonald
Head of Commercial Partnerships

What was your role in the cable car rebrand?
My job was to secure a new sponsor after the 10-year Emirates contract ended. I worked with them and our stakeholders to develop a new look and feel, and ensure we implemented this across the many places it can be seen.

What are your highlights of 2022/23?
The Pokémon takeover was a real highlight, it was fun putting it together and watching our customers' delight as they got into a cabin with the Pikachus! Another highlight was when we celebrated the new sponsorship and unveiled the bold, vibrant new look.

What makes the cable car so special?
It has all the engineering excellence that is a hallmark of our network, but it also represents the eccentricity, quirk, and creativity of the London spirit. It combines the exhilaration of being 90metres above the Thames with the peace and calm of being in among the clouds. I love it!

What are the future plans?
This year is all about celebrating the Cable Car as a must-do attraction. The team recently opened the London Cable Car Experience, which has a teddy workshop, virtual reality gaming experiences as well as a café and gift shop! We are looking forward to growing this and working with local partners.

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Head in the clouds

The IFS Cloud Cable Car is London's only cable car and reaches heights of up to 90 metres above the Thames

The IFS Cloud Cable Car continues to be a popular way to see London

The only way is up for the London Cable Car

We secured a new sponsor for the London Cable Car following the end of the Emirates contract. The newly named IFS Cloud Cable Car officially launched in October 2022. We worked closely with IFS to deliver the rollout of the new branding.

In 2022/23, more than 1.5 million people used the the cable car, up by 200,000 people compared to the previous year. This demand was helped by the social media activity, which took off following the pandemic when people shared their experiences across their social channels.

In August 2022, we ran a promotion with Pokemon, which won an award at The Drum Out Of Home Awards in the Transport category in December 2022.

4G boost on the Underground

In early 2023, Virgin Media and O2 became the latest mobile network operators to join the BAI Communications network, supporting the provision of Wi-Fi and providing 4G and 5G ready mobile connectivity for customers across the London Underground. The project will see uninterrupted coverage in tunnels and stations across the Underground network. The companies follow EE, Vodafone and Three whose customers who were the first to benefit.

Work on delivering 4G and 5G-ready coverage across the Tube network is already well under way on the Jubilee, Northern and Central lines. The mobile network will also host the new Emergency Services Network, which will give first responders immediate access to life-saving data, images and information in live situations and emergencies.

When complete, Tube customers will be able to access 5G mobile connectivity and the internet within every London Underground station and tunnel, including the Elizabeth line. This investment will remove one of the most high-profile mobile 'not-spots' in the UK.

In spring 2023, Interim Commissioner Andy Lord visited our data centre at Tottenham Court Road station to get a better understanding of the installation. He was able to see the complexity of the project, and how this will be delivered without disrupting services for customers.

Discount partnerships

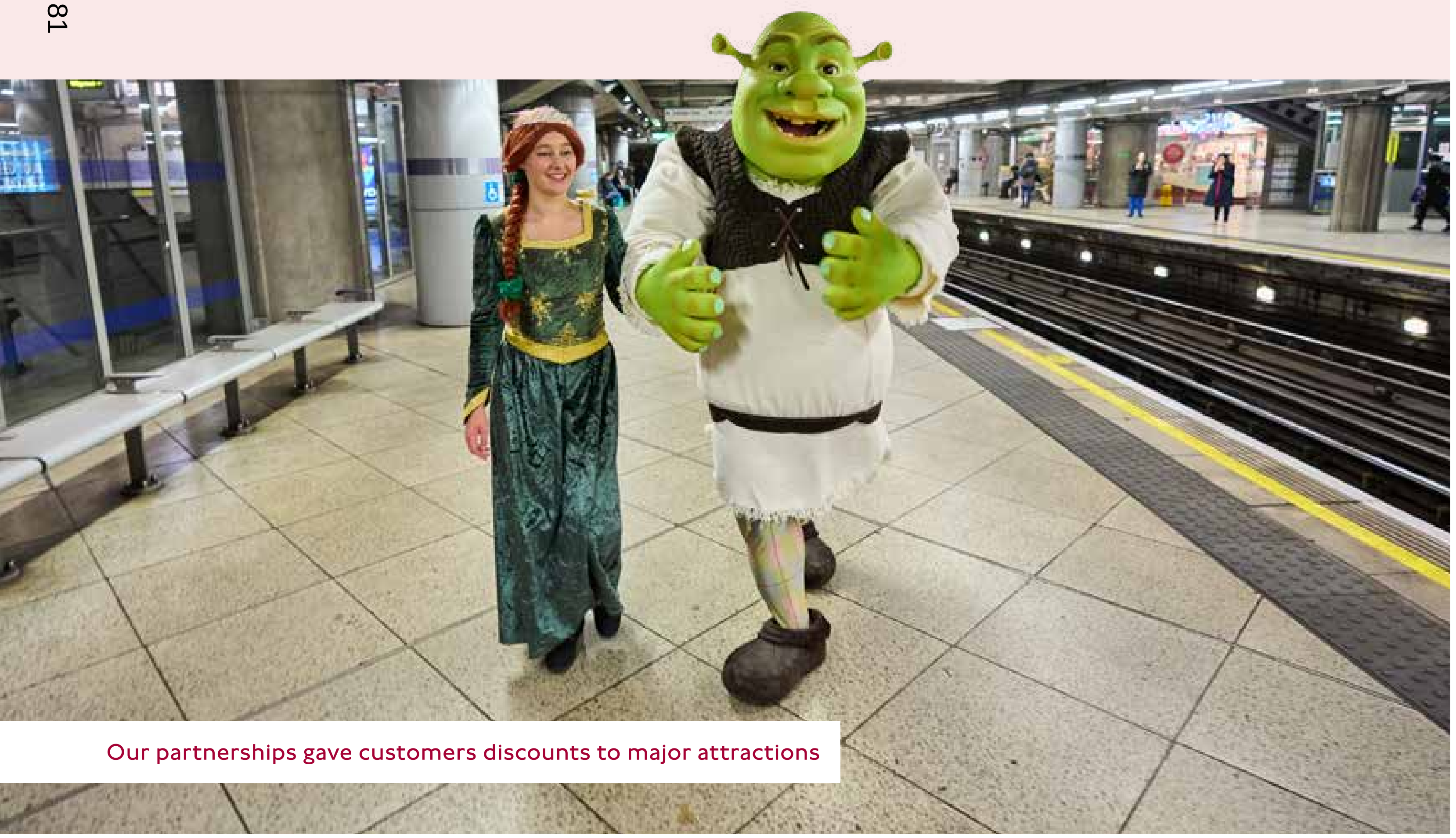
As part of London's recovery campaign, we teamed-up with some of London's most popular destinations to provide offers, discounts and joint activities to inspire Londoners to use our network for leisure trips.

During 2022/23, we worked with Merlin Entertainments to offer full fare paying TfL customers a 30 per cent discount to SEA LIFE London Aquarium, Lastminute.com London Eye, Madame Tussauds, London Dungeons and Shrek Adventure!

We also worked with Kew Gardens to offer a 30 per cent discount to the gardens and launched our second joint product range available at the Kew onsite and online shops.

Our work with Society of London Theatres saw us launch a 12 Shows of Christmas campaign on OfficialLondonTheatre.com, providing discounted offers to more than 30 top London shows in the run up to the festive season.

We also teamed up with Historic Royal Palaces to offer two-for-one entry for our customers at Tower of London, Hampton Court Palace and Kensington Palace.



Our partnerships gave customers discounts to major attractions

Teaming up with Kurt Geiger

This year, we collaborated with fashion designer Kurt Geiger on two campaigns. The first celebrated the Underground, with a limited-edition handbag and wallet collection featuring the colours of the Tube lines. In November 2022, the Elizabeth line collection launched, featuring five handbags in purple crystal adorned velvet, leather and glitter, all lined with the Elizabeth line moquette. This collaboration cemented us as a quality, high-end brand.

Licensing partnerships

During 2022/23, we teamed up with premium London-based brand Mallet to create two exclusive new trainers in contrasting black and white colourways.

Featuring the iconic Tube map in a reflective print and additional TfL embellishments, the trainers could be purchased from Mallet's London stores and online for £210.

The launch of the new trainers included a campaign shot on the network and at Acton Depot, which was picked up by press outlets including Sole Supplier and Fashion United.

Celebrating our diversity

We are proud to have again partnered with, and supported, some of London's most iconic celebrations this year

Mapping the histories of London's Black people

To coincide with Black History Month in October 2022, our special edition Tube map went on display at the Victoria and Albert Museum.

The map, which was developed in 2021 with Black Cultural Archives, is a redesigned version of the iconic London Underground map that replaces the 272 Tube station names with the names of notable Black people, from a wide range of disciplines including sport, art and medicine.

Copies of the map were also available to buy from London Transport Museum shop.

Marching on together

As part of the 2022 Pride in London celebrations, a group of colleagues from TfL took part in the march alongside a decorated fully electric bus.

The TfL contingent marched under the banners of the Women, Faith, RACE, Carers, Parent and Guardians, and Disability Colleague Network Groups, as well as the LGBT+ banner to highlight the many aspects of the LGBT+ communities of London.

The iconic red bus was provided by bus operator Abellio while the decorative signage was fully funded by our advertising media partner, Global.

We are proud that we have been part of the Pride parade since 2006, showing support for our colleagues and the wider London LGBT+ community.

We again supported the Pride in London events

Showing our Pride

In June, we celebrated the 50th anniversary of the Pride movement with a collection of LGBT+ community and people-focused posters across the public transport network.

The specially curated and designed photos and posters appeared across the Tube, London Overground, DLR, and bus stations ahead of the Pride in London celebrations. For the first time, the posters were also displayed across the Elizabeth line.

The posters carried the stories from a wide range of LGBT+ communities and businesses, including The Cocoa Butter Club, an award-winning performance company for performers of colour, Gay's The Word, the UK's oldest LGBT+ independent bookshop, and the Royal Vauxhall Tavern, an institutional LGBT+ entertainment and nightlife venue.

Inclusive sports clubs and teams were also featured, including Stonewall FC, London Cruisers and London Otters Rowing Club.

We also displayed portraits of more than 20 TfL employees and contractors at Vauxhall and Green Park Underground stations and Poplar DLR station.

New homes and jobs

‘We are now on site building thousands of high quality, sustainable homes across London, alongside improvements and new jobs for local communities in the areas where we build’

Graeme Craig
Director and Chief Executive,
Places for London Limited

Our commercial office partner announced

As our property development goes from strength to strength, we are pleased to have taken the next step in ensuring we can deliver the homes and services London needs

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In February 2023, we confirmed that Helical was our preferred investment partner for our sustainable commercial office portfolio across central London, subject to contract negotiations.

The move was announced by Places for London Limited (Places) formerly TTL Properties Limited, our wholly owned commercial property company following a competitive procurement process involved a group of central London's most accomplished office developers and investors.

Places for London Limited, advised by JLL and Herbert Smith Freehills LLP, assessed the potential partners' sustainability strategies, partnering approach, and investment proposals for our development sites.

The partnership will see new high-quality and sustainable office space created above or close to Tube stations, which currently consist of three new commercial office developments at Bank, Paddington and Southwark.

All three sites have full planning permission to deliver sustainable commercial office developments that provide exceptional workplaces and positively impact the local community.

The buildings will be constructed on the basis of net-zero carbon while the sites will also fully incorporate a focus on active travel options for occupants, with the three sites providing almost 900 cycle spaces collectively.

'This new joint venture complements our wider commercial development programme, which will see us deliver thousands of new and affordable homes in London, develop our estate to support small businesses and train the next generation entering the construction industry'

Scott Anderson
Head of Property Development at Places for London Limited

New homes in Barkingside

In January 2023, we were given the go-ahead to develop 98 new affordable residential homes next to Barkingside Tube station after Redbridge Council granted permission.

The site mainly covers an area previously used as a builder's yard next to Barkingside Tube station. The development will be delivered across three buildings, and include a mix of one-, two-, and three-bedroom properties and provide a mixture of both shared ownership, which offers an affordable route into home ownership, and social rent.

Located close to the Central line, as well as to local bus routes, new residents will be able to easily travel sustainably and affordably across the capital using public transport.

Sustainability is also being factored into the scheme, with the development being powered using renewable forms of energy such as air source heat pumps along with the potential for solar panels.

Green roofs, new allotments and communal gardens for residents will also be delivered. Together, this focus on sustainability will help improve local biodiversity alongside much of the existing flora being retained and enhanced.

98
new affordable residential homes to be built

We have ambitious plans for Edgware town centre

Proposals in place for Edgware

In March 2023, our wholly owned property company Places for London Limited and leading property developer Ballymore launched a consultation setting out plans for £1.7bn investment in Edgware town centre.

The ambitious plans would transform the current Broadwalk Shopping Centre and our adjacent bus garage into a vibrant, exciting destination.

The proposals include a new retail and leisure district created with half a million square feet of office, retail, food and drink, and health uses. The complex will include up to 4,000 much needed new homes, including affordable rent, shared ownership, first time homes, senior living and student accommodation.

Edgware town centre would connect with neighbouring areas through new walking and cycling routes, and a new cycle hub with around 200 publicly accessible cycle spaces. The proposals will also open up the new 1.9-hectare Deans Brook Nature Park on green open space next to the site and some of our land that has been closed off to the public for almost 100 years.

The designs include the use of renewable energy sources, such as air heat pumps, as well as solar panels, green roofs and a community food garden.

A brand-new transport interchange is proposed, with the existing bus garage moved underground and fully electrified.

Plans were publicly launched in March, with a series of consultation drop-in sessions in the Broadwalk Shopping Centre and other community locations. The sessions will gather public feedback ahead of a planning application being submitted later this year.

1,400
full-time jobs would be created through the Edgware town centre proposals

£3.7m
could be generated each year through local spending

Our plans would create more commercial space in Bollo Lane

Bounding ahead at Bollo Lane

Our plans to develop our site at Bollo Lane in Acton moved a step closer this year when TTL Properties Ltd appointed Barratt London as joint venture partner.

The plans to deliver new homes and a new commercial space site were given the go-ahead in January 2021 by Ealing Council.

The proposals will also open up public space, with green areas, play spaces, new footpaths and pavements as well as facilities to make walking and cycling safer and easier.

The development will be delivered in three phases, with the first phase comprising 195 build-to-rent homes, the second phase delivering around 450 homes and a third phase delivering around 250 homes.

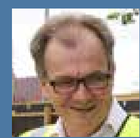
Further land to the north in Acton, which could be incorporated into the partnership, could deliver a new facility for London Transport Museum, along with a further 800 homes. The joint venture partnership will also have the opportunity to develop other TfL sites across west London, helping to deliver thousands of new and much needed homes with close access to public transport.

Barratt London was selected as the joint venture partner after a competitive dialogue procurement process. Bidders were assessed on their technical capability and the commercial performance of their tender.

900
new homes will be delivered at the Bollo Lane site in Acton

50%
of the new homes will be affordable

'This joint venture partnership demonstrates how we are going from strength-to-strength with our wider commercial development programme, which will see thousands of high-quality homes delivered across London alongside improvements for the local communities in the areas where we build'



Jonathan Cornelius
Head of Property Development at TfL

People behind the project

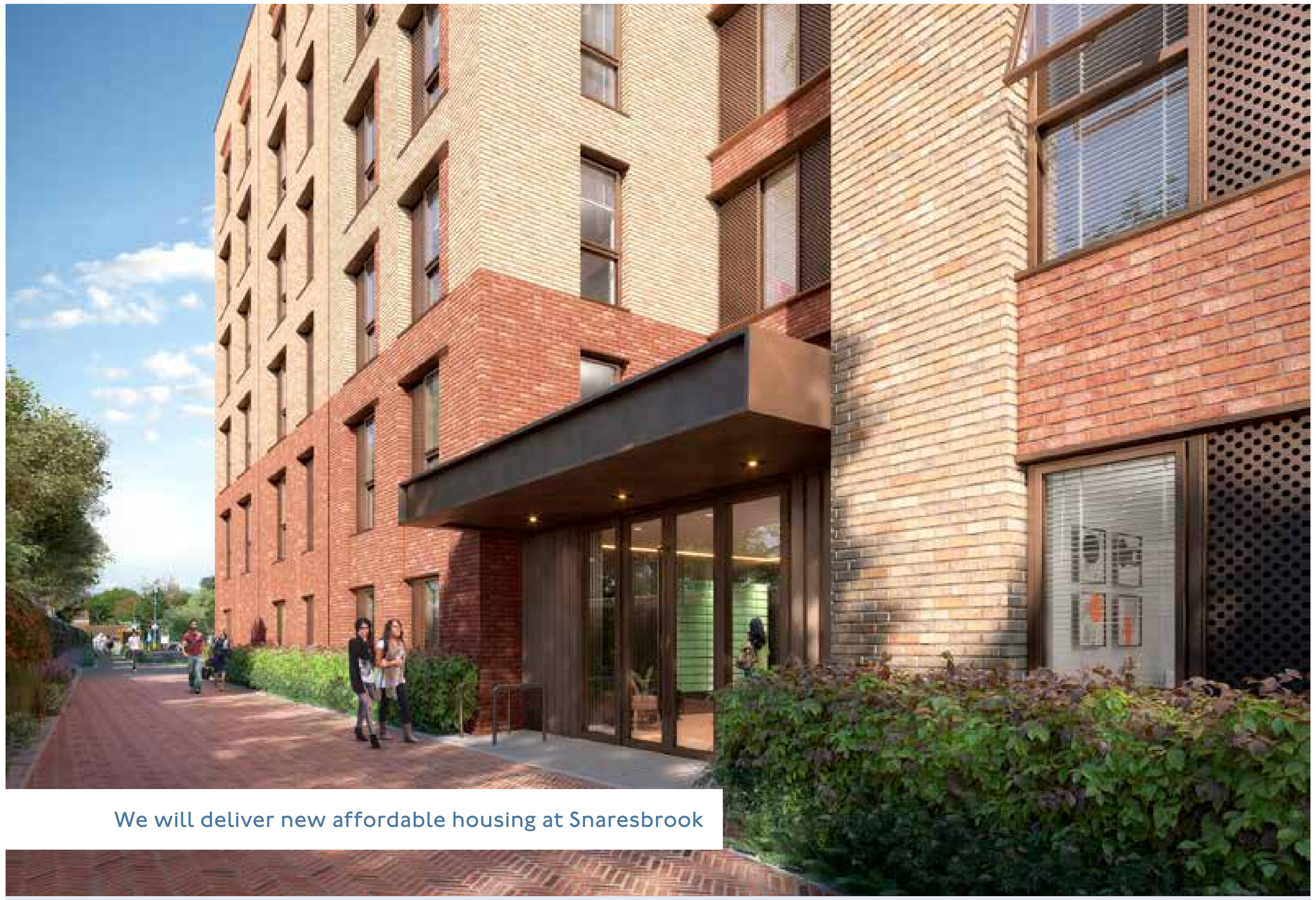
Grace O'Connor
Commercial Real Estate Apprentice

What is your role at TfL?
I am a first year, Commercial Real Estate Degree Apprentice, currently working as a property manager in Places for London Limited.

How did you find out about the roles available at TfL?
I first found out about the Real Estate apprenticeships through the company's collaboration with my school. As part of the Educational Engagement Programme, myself and two other students conducted retail gap analysis for Blackhorse View, which we then presented to some TfL Board members. Before this, I wasn't aware of the wide range of apprenticeships TfL offers in the property industry.

How have you found the support available for you?
It has been outstanding from the beginning. The buddy programme allows me to learn from someone who was in my place a year ago. They are able to give me advice on day-to-day work and the professional development I need to complete for my apprenticeship. I have been fortunate to have very accommodating and supportive placement and line managers that I can talk to about any issues I face.

What is your favourite thing about working for TfL?
I really enjoy the community I have entered into, everyone is super friendly and then being able to help people run their business and build them affordable homes feels like a great thing to be part of.



We will deliver new affordable housing at Snaresbrook

Approval granted for Snaresbrook development

In March 2023, our plans to deliver new homes on land next to Snaresbrook Tube station were approved by Redbridge Planning Committee.

The proposals, which will be delivered with our partners Pocket Living, will deliver 74 new homes, all of which will be 20 per cent discounted to local market values and available to first-time buyers who live or work in Redbridge.

It will also deliver a new pathway and mews space for the local community. It is also effectively car-free for residents, with the exception of disabled Blue Badge parking, and encompasses land that is currently used as a car park.

The Snaresbrook homes are expected to be complete by 2026 and will make up 15 per cent of the council's annual affordable housing targets.

Building a career in construction

Our Construction Skills team are helping hundreds of people take their first steps in the construction industry or find new challenges to help move them into the next chapter of their career.

Together with our partners, we have trained hundreds of people in the past two years, with many of these going into full-time employment within the construction industry. The majority of our trainees are from ethnic minority backgrounds, and importantly, a growing number of them are women.

We also work with schools across the capital to help children understand the vast range of roles across the built environment sector and show the next generation how they could have a part in shaping London's ever-changing skyline.

Along with the traditional construction roles, we also highlight the possibilities of careers in other areas, such as communications, sales, project management and even photography and filmmaking. This year, three students from our programme progressed into degree apprenticeships in the industry, including one with us in Places for London Limited.

Our people

‘Our colleagues are at the centre of everything we do for London. We will continue working towards making this a great place to work where everyone can thrive, and an organisation where people want to work and build their careers’

Fiona Brunskill
Chief People Officer

Remembering our colleagues

In autumn 2021, we announced our plans to create a fitting memorial to honour our colleagues and transport workers who tragically died as a result of COVID-19. Sadly, we lost 107 colleagues from the pandemic.

Earlier this year the site in Tower Hamlets was completed, and a ceremony to unveil the memorial to the families and loved ones affected took place in April. The ceremony was attended by the Mayor, the Transport Commissioner and Louise Cheeseman, Director of Bus and Marcia Williams, Head of Customer Operations Strategic Delivery and Change.

The memorial will be maintained by us. Any floral tributes left at the location will be removed regularly and composted. Non-floral tributes will be environmentally recycled wherever appropriate to do so.

'When the entire nation was gripped by fear they did not waver. They ensured our phenomenal NHS workers could still care for our friends and family, our shopworkers and delivery drivers could still meet our basic needs and our care workers could still look after our most vulnerable'

Sadiq Khan
Mayor of London

We are working with London's organisations to create a fairer city

Supporting the Anchor Institutions Charter

In January 2023, we attended the London Anchors Institutions' Network Conference, hosted by the Mayor, to share our progress on our pledges. We are founding signatories of the Anchor Institutions Charter. Launched in March 2021, as the devastating impact of the pandemic was becoming clear, we committed to London's first ever city-wide Anchor Institutions' agreement, demonstrating our support in tackling long-standing social and economic inequalities and the growing climate emergency.

By working with other founding organisations, we aim to create a fairer, greener, more prosperous city. Our pledges include purchasing 20 per cent of goods and services from small- and medium-sized enterprises, either directly or indirectly.

Other pledges are to diversify our apprenticeship and intern hires, working towards being reflective of economically active Londoners, and in transferring up to £1m of our apprenticeship levy to small- and medium-sized enterprises who support the Mayor's Good Work Standard. Our pledges cover jobs and skills, young people, green London and the procurement pledge.

People behind the project

Danielle Eddington
Senior Press Officer

Can you describe your role?
I am a Senior Press Officer, which means I pitch stories to the media about TfL and respond to any enquiries from journalists too.

What projects have you worked on?
I lead on the media relations for some really exciting areas, including our wholly owned property company and our advertising estate. This means I have worked on some really interesting projects recently, such as profiling our new housing developments and the launch of the TfL Book Club. I was also recognised for this award because I co-lead a Diversifying Recruitment workstream for our communications directorate.

What was it like to be recognised by PR Week?
It feels fantastic and it's still a bit of a shock to have been selected! It's quite rare for in-house entrants to be represented in the final 30. My nomination came about through a conversation with my line manager after a colleague encouraged me to consider it. It was nerve-wracking, but it shows how championing each other can make a difference.

How can this inspire others?
I hope to use this achievement to build my own confidence and show others who may not believe in themselves what's possible if you take a leap of faith. It's a testament to what can be achieved when we support each other – if my colleague hadn't encouraged my nomination, it wouldn't have happened.

Danielle has worked on a number of major campaigns

PRWeek 30 under 30

An award-winning PR team

In June 2022, Senior Press Officer Danielle Eddington was recognised in PR Week's 30 Under 30 list.

Since joining TfL through its press office graduate scheme in 2014, Danielle has been promoted to a senior role and chiefly covers communications about our property company as well as our advertising estate.

Also celebrating this year was Ben Bloom, who, in March 2023, was named public affairs newcomer of the year in the PR Week awards. Since joining TfL permanently in January 2022, Ben has brought innovative ideas to our Youth Panel initiative, which he helped expand through an engaging recruitment campaign.

One of the judges praised Ben for demonstrating 'a real passion, combined with a dedication to finding innovative solutions that are strategic and deliver strong outcomes.'

Our Well@TfL bus

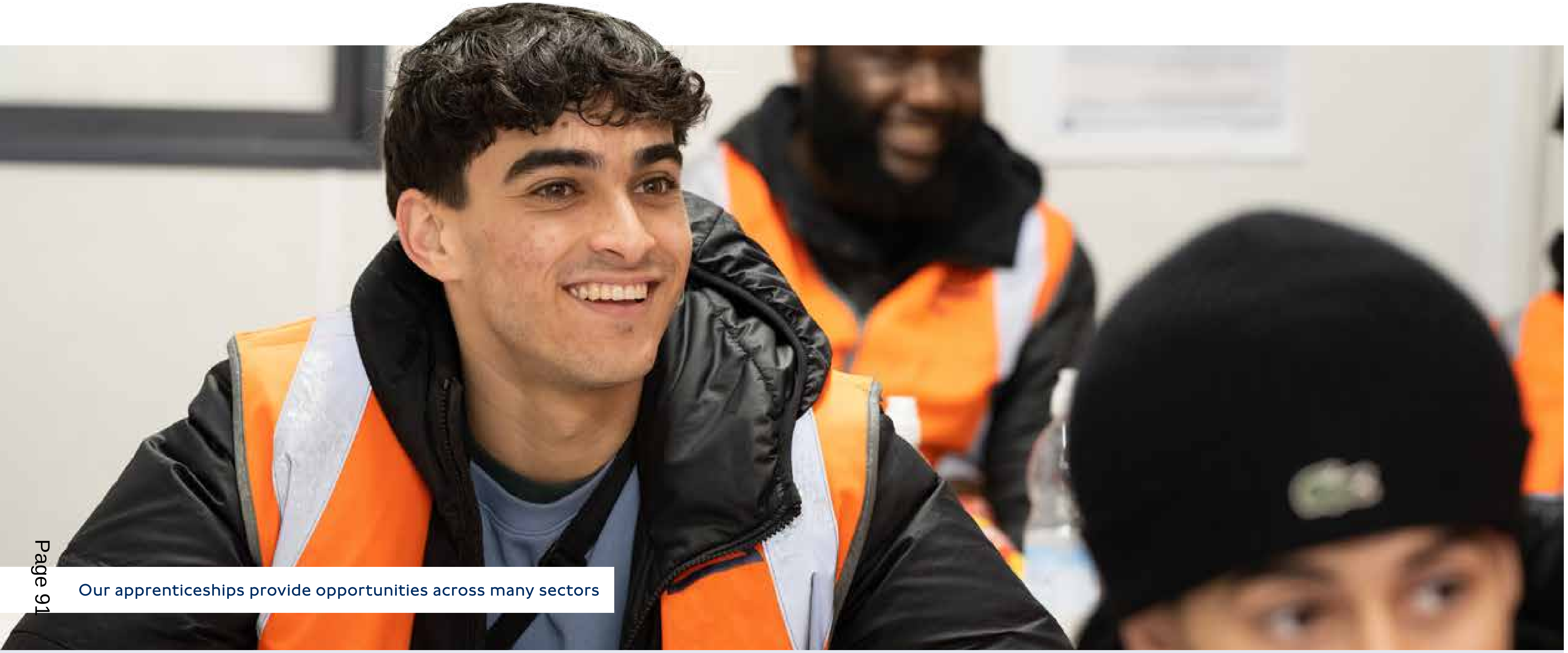
We perform mobile health checks for our staff as part of our Well@TfL scheme, which was launched in 2021. To support this work, our newly commissioned mobile Well@TfL bus includes the equipment needed for onsite occupational health medical checks.

By the end of 2022/23, the bus had visited 16 sites and conducted 840 health checks. The checks measure cholesterol, blood glucose, blood pressure and body composition and are focused on indicating risk factors associated with the major public health issues, such as heart disease and diabetes.

We want to accommodate night-time workers too, so this year the bus stopped at Northumberland park, Poplar and Stratford Market depots and will be stopping at more bus depots in the coming year. The bus continues to be available for periodic medical examinations, which prevents staff having to attend the occupational health office for their medical appointments.

We use the information from our Well@TfL work to address and identify trends to help inform our future plans, using results from a target of more than 1,000 health checks on our staff.

We provide facilities to help monitor the health of staff



Our apprenticeships provide opportunities across many sectors

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'We are very proud of our apprenticeship programme, which is just one of the ways that we are working to create an organisation that is representative of the diverse city we serve'

Patrica Obinna
Director of Diversity and Inclusion

Promoting our apprenticeship opportunities

We marked National Careers Week in March by highlighting the wide range of apprenticeships schemes that we offer across the organisation.

Over the years, our apprenticeship roles have helped thousands of people develop the essential skills needed to go on to find careers in transport and further afield. The extensive apprenticeship programmes offer roles in many sectors including commercial real estate, human resources, sustainability, software development and civil engineering.

We have more than 170 roles across 30 apprenticeship schemes available to apply for, ranging from Levels 2 to 6. People working on a Level 2 apprenticeship will earn the equivalent of five GCSEs, while those on a Level 6 apprenticeship would earn a degree while gaining the essential work experience they need to further their careers.

In February 2023, we also hosted our annual supply chain recruitment fair during National Apprenticeship Week. This year's fair linked more than 20 employers from TfL, HS2 and our GLA partners with almost 1,000 prospective candidates.

29%
of the people joining our apprenticeship scheme in 2022 were women

46%
of the people who joined our apprenticeship scheme in 2022 were from Black, Asian and minority ethnic backgrounds

Working with our trade unions

Since summer 2022, there has been an increase in industrial action across the UK in a number of sectors. We were not immune to this, and strike action on both national rail and our services affected travel to and within the capital.

We kept customers informed by providing accurate and up-to-date travel advice across a range of channels, including our website, emails, in-station announcements and our daily Metro travel page, while also continuing to work with and speak to our trade union colleagues to help keep London moving.

Remuneration report 2022/23

'It is important that TfL has an appropriate remuneration policy to continue to attract and retain talented and skilled senior employees with the necessary experience to take the organisation forward, while ensuring affordability for TfL'

Kay Carberry
Chair of TfL Remuneration Committee

Message from the Chair

As Chair of the Remuneration Committee, it is my role to ensure that TfL has an appropriate remuneration policy to attract and retain senior employees with the right experience to lead and manage the organisation. As the capital continues recovery from the pandemic, the employment market is returning to buoyancy and, with that, the market has become increasingly competitive. Within this environment, it is vital that TfL continues to demonstrate value for money while still attracting and retaining the best talent.

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'We need energised, motivated and committed people to keep London moving and working'

Post pandemic, many of those aged 50+ and the highly skilled are retiring early or choosing to remain outside the jobs market. This environment, coupled with a skills gap, presents employees and jobseekers alike with a vast choice of competitive employment packages. This means it is even more important that TfL ensures value for money while offering the right remuneration policy to continue to attract talent and retain senior employees with the best possible experience to take the organisation forward. This year's Annual Report shows the progress TfL has continued to make in winning back customers while navigating financial challenges with an aim to be financially self-sustainable.

Government funding support contained conditions, including a freeze on pay increases in 2021 and not paying performance awards from Government funding. We have approved revised performance award schemes for financial years 2021/22 and 2022/23. The revised arrangement reflects the need for TfL to ensure that it can sustain a fair reward package and retain talent at such a vital time, while it is working to reach financial self-sufficiency. Payment of any awards relating to those years will be subject to TfL running its operations free of extraordinary Government funding for revenue support in 2023/24.

While we have seen an increase in the number of employees receiving salaries of £100,000 or more, primarily as a result of annual pay review processes and previously negotiated collective bargaining with the relevant trade unions. The Committee continues to review these requests and approve them as appropriate. This is to ensure that the remuneration offered supports TfL in attracting and retaining the best talent in the context of our financial situation.

TfL's people are at the heart of how we work and we very much value their effort every day. We need energised, motivated and committed people to keep London moving and working in a safe and sustainable way.

The Committee is responsible for setting a policy that enables TfL to be competitive in line with peer organisations to attract the right talent. This must be done in a fair way, rewarding employees for their individual contributions to TfL's successes while not paying more than is necessary. This is the right approach to rewarding staff whose talents are essential to TfL achieving its long-term plans.

SIGNATURE

Kay Carberry CBE
Chair, TfL Remuneration Committee

Governance

Remuneration Committee members

Kay Carberry CBE
Chair

Peter Strachan
Vice Chair

Seb Dance

Dr Nelson Ogunshakin OBE

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Role and responsibilities

Our remuneration policy is set by our Remuneration Committee to attract, motivate and retain high-calibre, suitably qualified people to successfully manage our large and complex business. The Committee considers the need to remunerate at a competitive level compared with the external market and peer organisations while also, in a fair and reasonable manner, rewarding them for their individual contributions to our long-term success, without paying them more than is necessary.

The Committee's full terms of reference are published on our website. These essentially involve keeping an overview of our reward and remuneration policies and the arrangements for talent management and succession planning. From time to time, the Committee will review and set the remuneration of the Commissioner, chief officers and other direct reports of the Commissioner. The Committee also helps review the remuneration strategies for the entire senior manager group, particularly regarding performance-related pay.

Committee meetings

The Committee met on 6 July 2022, 9 November 2022 and 2 March 2023.

Committee activities

At the meeting on 6 July 2022, the Committee noted the business performance results as measured by the TfL and delivery business Scorecards for the year ended 31 March 2022. The performance award scheme for 2021/22 requires TfL to be financially sustainable by April 2023 and to run its operations free of extraordinary Government funding for revenue support in order to trigger payment of any awards. As a result, no performance award payments were made during 2022/23 and will instead be paid during 2023/24, if financial sustainability is achieved.

The Committee reviewed the executive benchmarking data undertaken in November 2021 by Aon that informed the pay adjustments as part of the Executive Committee reorganisation that took place in February 2022 and noted the observations and pay positioning of the Executive Committee.

During the year, the Committee also contributed to a procurement exercise to secure a new executive remuneration benchmarking provider and, once a new contract is in place, work will begin to provide new benchmarking reports for the June 2023 meeting.

While considering resourcing at TfL, details on retention, the future skills requirements of the organisation, the approach to strategic workforce planning and how TfL was addressing its skills challenges were provided.

The Committee welcomed the work in this area and noted the good progress being made on establishing the foundations for data-led processes, which would enable TfL to anticipate and predict future skill needs and reduce the impact of staff turnover or internal moves. Work was under way on succession plans, improving individual development plans and developing TfL's leaders to drive inclusion, engagement and consistent standards.

The use of non-permanent labour was discussed, particularly in Engineering and Technology and Data where TfL's work was often world-leading, with excellent training and development opportunities. TfL was often unable to attract or retain key individuals in these specialisms due to remuneration constraints. This was being considered as part of the work on establishing job families and external benchmarking to develop a talent pipeline.

Annual pay review processes for chief officers and directors had been frozen since 2016. As a result, base pay had remained static for individuals unless a role re-evaluation, structural change or promotion had taken place. The Committee approved the proposal to apply the same percentage increase as the first year of the TfL pay deal for those chief officers and directors who had not received a pay adjustment as part of the leadership organisation restructure during 2022. The Committee also noted a paper outlining the outcomes of the annual remuneration processes across TfL for the years 2020 and 2021.

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

Policy

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

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

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

The remuneration for each member for the year ended 31 March 2023 is shown on page XX of the Annual Report. No fee is paid to the Chair or Deputy Chair of TfL.

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

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

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

Executive remuneration
The base pay and the total remuneration of the Commissioner, chief officers and other direct reports of the Commissioner is set by the Remuneration Committee, which uses external benchmarking and other comparative information to determine remuneration. This is broken down into the following components.

The remuneration received by the Commissioner and chief officers for 2022/23 is shown in Appendix 2 of this report.

Component	Purpose	Operation	Maximum
Base pay	To reflect the individual's role, experience and contribution. This is set at a level to attract and retain individuals of the calibre required to lead a business of our size and complexity.	We take into account: • Remuneration benchmark information from a specific peer group to identify a market median range of base pay, which reflects what our Commissioner and chief officers would receive if they worked in a similar role in another company of similar size, complexity and scope • The scope and responsibility of the role • The individual's skill, experience and performance against targets • Affordability for us	There is no prescribed maximum salary. Any increases to base pay for the Commissioner, chief officers and directors will be reviewed on an annual basis subject to Remuneration Committee approval.
Performance-related pay	To incentivise delivery of stretching one-year key performance targets (both individual and collective) as measured through individual performance rating and scorecard results. A revised performance award scheme, approved by the Remuneration Committee, was launched in November 2021 that allowed performance award schemes to operate for 2021/22 and 2022/23 in line with the 1 June 2021 Government funding agreement.	Performance awards are calculated using a matrix, which sets out the percentage performance award an employee will receive based on a combination of the scorecard result and their individual performance rating. Depending on the business area that the employee works in, either our scorecard alone or a combination of our scorecard and the Delivery Business Scorecard sets the budget available for performance awards. An employee's contribution, in the form of a personal performance rating, determines the percentage performance award received from the available budget using a multiplier approach. Awards are paid in the following financial year.	The maximum award for the Commissioner is 50 per cent of base pay. The maximum award for chief officers is 30 per cent of base pay.

Component	Purpose	Operation	Maximum
Benefits	To provide a competitive total reward package that supports attraction, retention and motivation.	The Commissioner and chief officers receive the same core benefits as all our other employees. The only enhancements are full family cover for private medical benefit and an annual health assessment, which is available to all TfL directors. Membership of the TfL Pension Fund, a 'defined benefit' scheme that provides for a pension payable from age 65, based on 1/60th of pensionable salary for each year of service or, if invited and eligible, similar benefits provided on an unfunded basis. Some legacy arrangements apply for certain employees whereby an employer contribution of 10 per cent of salary is paid to either a defined contribution arrangement or as cash supplement at a discounted amount.	Pensionable salary is capped at: • £172,800 from 6 April 2021 to 5 April 2022 • £181,800 from 6 April 2022 to 5 April 2023 for members who joined after 31 May 1989

Performance-related pay

Our 2022/23 scorecard was developed to align with TfL's Vision and Values and the Mayor's Transport Strategy objectives. The measures selected for the 2022/23 scorecard maintained the focus of 2021/22, encapsulating the key priorities of attracting customers back onto our network, achieving financial sustainability and decarbonising our operations, while never compromising on safety.

The scorecard was updated during the year to align with the Revised Budget approved by our Board in December 2022, and the measures will be used to determine any performance-related pay. These payments will be made in 2023/24, if we have achieved financial sustainability.

The scorecard results for 2022/23 are set out on page xx of our Annual Report.

Severance policy

Most employees who leave owing to redundancy do so under our voluntary severance arrangements. These terms may include the following, dependent on circumstances:

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

There are minimum service requirements for some of these terms and some elements vary if employees volunteer to leave early during organisational change. There are also some variations to these terms, which have been agreed as local arrangements for the small number of employees who are members of the Local Government and Principal Civil Service Pension Schemes.

Following the Dawn Jarvis report (published on 12 February 2019), which was commissioned by the Mayor to review termination clauses and payments for senior employees across the GLA Group, the Remuneration Committee has oversight of any proposed exit payments for the Commissioner, chief officers and other senior directors reporting to the Commissioner.

The Committee will also consider any exit payment outside the standard redundancy terms, and which exceeds £100,000, excluding notice periods, which are contractual.

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

Remuneration

Benchmarking of senior executives' pay

The Remuneration Committee uses data from remuneration consultants Aon to benchmark the remuneration for the Commissioner and chief officers using two separate peer groups. The first is made up of comparable private and public sector companies (in terms of scale, complexity and sector). The data is mainly derived from Aon's Executive Total Reward Survey (ETRS). This survey peer group comprises 182 organisations focusing on the transport, infrastructure and engineering sectors, and excludes less relevant sectors such as financial services. This provides a broad cross section of the UK private sector market while incorporating some key public sector businesses as well.

The second peer group is solely from publicly accountable organisations, which comprises 14 UK organisations with some degree of public accountability and, in most cases, a focus on infrastructure and transport.

Each role is benchmarked against its respective counterparts in comparator organisations, with the scope of each role matched using Aon's Job Link system and our internal Hay job evaluation scores. For combined roles, or where someone has remit over multiple functions, data is provided separately for each relevant role match.

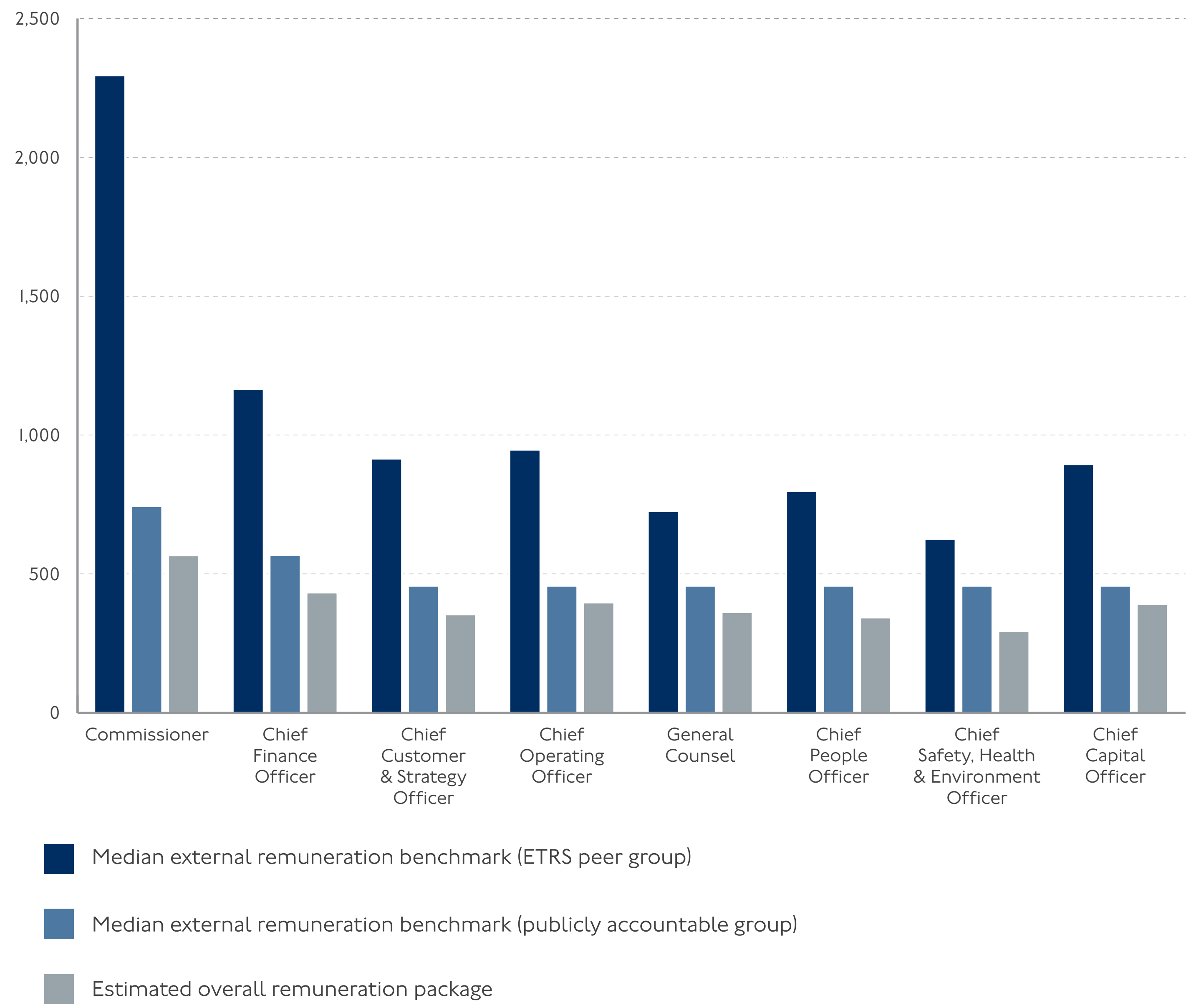
Job Link levels are assigned to market data based on the scope and responsibilities of individual roles, as well as their seniority within their organisation and the scope of the organisation itself, typically with reference to group or divisional revenue. Therefore, role-matching based on Job Link ensures a like-for-like comparison between each role at TfL and the market data.

Estimated overall remuneration for each role includes the base salary and estimates of performance-related pay and pension provision.

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

The benchmarking has shown that the base salaries and comparable remuneration for the Commissioner and chief officers are significantly below the market level, with total estimated overall remuneration an average of 42 per cent of the ETRS peer group benchmark levels and 71 per cent of the publicly accountable group market benchmark levels.

Benchmarking of remuneration for Commissioner and chief officers (£000s)



Commissioner remuneration ratio

In total remuneration terms, the Commissioner earns 5.9 times that of the median employee, excluding Crossrail.

	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2020/21	8.7:1	6.3:1	5.6:1
2021/22	8.5:1	6.3:1	5.5:1
2022/23	8.1:1	5.9:1	5.5:1

The Commissioner's base salary in 2022/23 was £355,000. This compares with the median base salary of £57,872 and the lowest base salary, excluding apprentices, of £21,211.

Other employees' remuneration

We publish the remuneration of all employees, including those working in our subsidiaries, whose total remuneration was more than £50,000 during the course of the financial year. This is shown in Appendix 1.

The impact of the transfer of employees into and out of 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, from subsidiaries can cause distortion for year-on-year comparisons. An additional voluntary disclosure for the Group, which is made up of the Corporation and its subsidiaries, is provided and shows the combined employee bands for TfL and its subsidiaries.

The remuneration disclosure is also affected by the Crossrail project. The number of Crossrail Limited employees receiving total remuneration of £50,000 or more decreased from 191 in 2021/22 to 120 in 2022/23. The corresponding figures for those receiving total remuneration of more than £100,000 per year decreased from 40 in 2021/22 to 37 in 2022/23 – 25 of these employees have now left the organisation as the project nears completion.

Total remuneration of more than £100,000

Throughout 2022/23, 232 people earned total remuneration of more than £100,000 and had a base salary of £100,000 or more per year, compared with 161 in 2021/22.

Just under 50 per cent of the additional people receiving a base salary of more than £100,000 did so as a result of the fourth year of the London Underground negotiated collective bargained pay agreement in 2020. The final year of the four-year pay deal paid within London Underground, which delivered an 8.4 per cent increase to employees and in TfL and other operational roles, a four per cent budget was implemented across all levels of the organisation for 2022. For senior managers this was the first annual pay award since 2019.

In the years since 2016, inflation and salaries in the external market have risen more significantly than budgets provided within TfL, with record levels of inflation in 2022 and 2023 while the £100,000 threshold has remained static. In 2016, there were 188 employees on a salary of more than £100,000. Had the threshold set in 2016 risen in line with February RPI each year, the equivalent value would now be £139,754, with 43 employees on a higher salary than this. Had it risen in line with February CPI it would be £127,816, with 73 employees above this level.

In comparison, if we applied the annual pay review budgets awarded to the senior manager population over the same time, this figure would now be £111,589 with 137 employees above this.

No performance awards have been paid during 2022/23, with the schemes in operation for 2021/22 and 2022/23 subject to TfL achieving the financial overlay trigger metric.

The number of people whose base salary was less than £100,000 but the overtime they earned took their total remuneration over the threshold increased by 85. Many of these are specialist engineers working overnight and at weekends on major projects such as the Bank station upgrade and Barking Riverside Extension, and continue to integrate the hugely successful Elizabeth line, and install new signalling on the Circle, District, Hammersmith & City and Metropolitan lines.

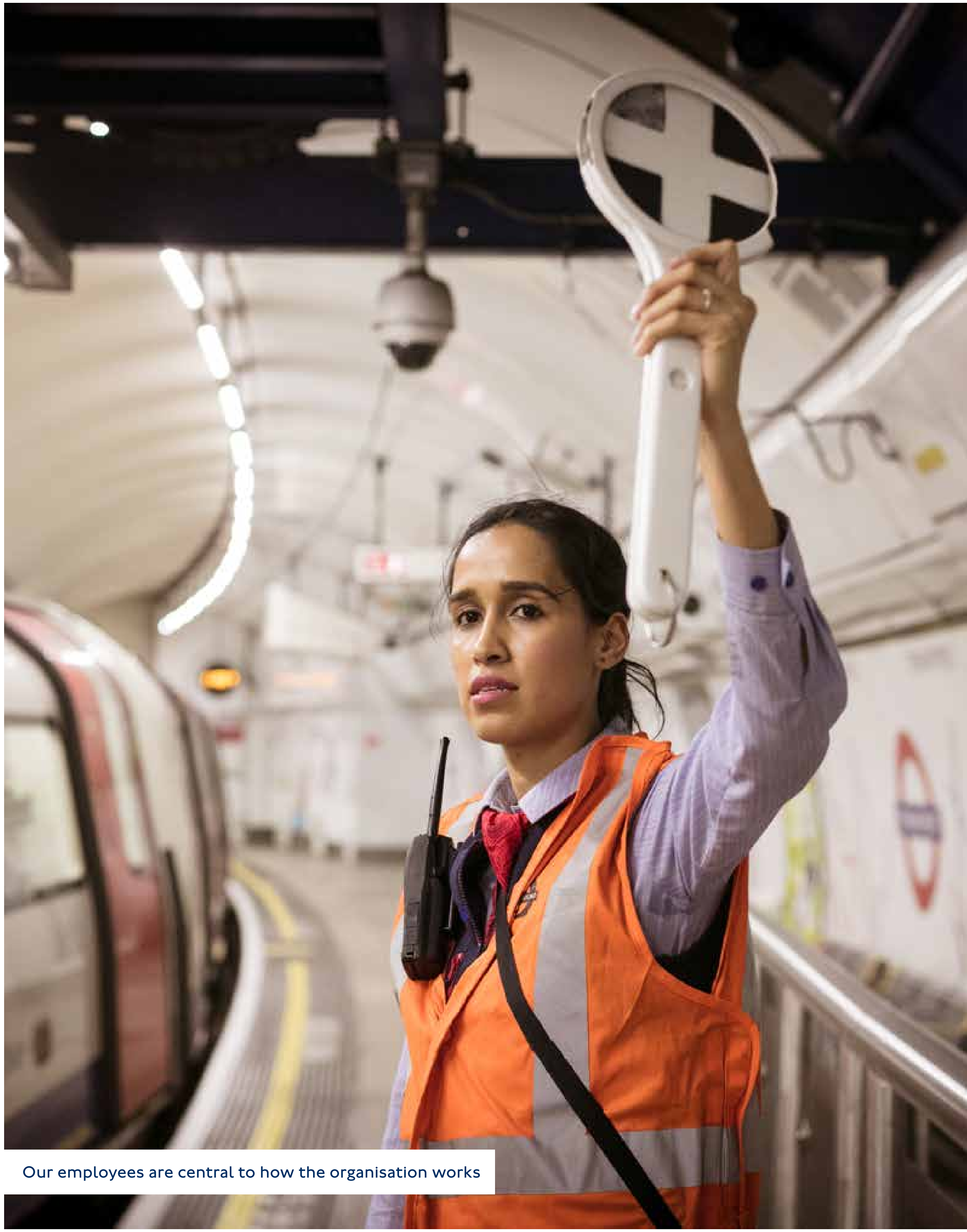
Overtime payments were also made in relation to major events such as the Platinum Jubilee and the funeral of Queen Elizabeth II.

There were 16 people, compared with 22 in 2021/22, who were on a base salary of less than £100,000 per year and received a one-off voluntary severance payment that took their total remuneration above this threshold. This is largely due to people leaving as part of our transformation programme, which is reducing management layers and eliminating duplication to improve efficiency and deliver recurring savings.

Therefore, the total number of our staff (excluding Crossrail) who received total remuneration of more than £100,000, including severance payments and overtime, was 729 in 2022/23 compared with 557 in 2021/22.

Number of employees who earned total remuneration of more than £100,000 in the year

	2022/23	2021/22
Base salary of £100k or more	232	161
Base salary below £100k	206	184
Voluntary severance payments taking earnings over £100k	16	22
Level of overtime worked taking earnings over £100k	275	190
Total TfL	**729**	**557**
Crossrail	37	40
Total (including Crossrail)	**766**	**597**


Our employees are central to how the organisation works

Appendix 1

Number of employees receiving total remuneration of more than £50,000
This includes salaries, fees, performance-related pay, benefits in kind, lump sums and termination payments, but excludes pension contributions paid by the employer. All information is subject to audit. The TfL Group is made up of the Corporation and its subsidiaries while the Corporation is made up of London Streets, Taxi and Private Hire, and the corporate centre which, for legal and accounting purposes, constitutes TfL.

Remuneration (£)	Group 2023	Group 2022	Corporation 2023	Corporation 2022
50,000 - 54,999	1,810	2,550	715	879
55,000 - 59,999	2,224	4,725	667	689
60,000 - 64,999	4,471	2,398	570	530
65,000 - 69,999	2,310	1,517	503	465
70,000 - 74,999	1,474	1,161	445	285
75,000 - 79,999	1,181	884	306	257
80,000 - 84,999	814	622	200	162
85,000 - 89,999	603	447	123	123
90,000 - 94,999	417	340	69	81
95,000 - 99,999	352	284	70	80
100,000 - 104,999	244	182	47	40
105,000 - 109,999	136	98	18	33
110,000 - 114,999	102	73	24	23
115,000 - 119,999	54	49	17	13
120,000 - 124,999	48	34	7	12
125,000 - 129,999	34	23	9	7
130,000 - 134,999	23	23	8	7
135,000 - 139,999	21	18	7	13
140,000 - 144,999	15	15	2	9
145,000 - 149,999	15	7	6	3
150,000 - 154,999	11	4	6	1
155,000 - 159,999	7	7	4	3
160,000 - 164,999	9	9	3	7
165,000 - 169,999	6	6	2	4
170,000 - 174,999	3	4	2	3
175,000 - 179,999	6	4	1	3
180,000 - 184,999	2	3	–	2
185,000 - 189,999	5	1	3	–
190,000 - 194,999	1	1	–	1
195,000 - 199,999	2	2	2	1
200,000 - 204,999	1	2	1	1
205,000 - 209,999	–	2	–	–
210,000 - 214,999	–	1	–	–
215,000 - 219,999	1	1	–	1
220,000 - 224,999	–	1	–	1
225,000 - 229,999	2	1	1	1
230,000 - 234,999	2	1	2	–
235,000 - 239,999	1	3	1	2
240,000 - 244,999	2	2	2	2
245,000 - 249,999	1	3	1	1
250,000 - 254,999	2	1	1	1
255,000 - 259,999	1	2	1	1

Remuneration (£)	Group 2023	Group 2022	Corporation 2023	Corporation 2022
260,000 - 264,999	1	–	–	–
265,000 - 269,999	1	–	–	–
275,000 - 279,999	–	1	–	1
290,000 - 294,999	1	–	1	–
295,000 - 299,999	1	1	1	1
300,000 - 304,999	1	–	–	–
315,000 - 319,999	–	2	–	2
330,000 - 334,999	–	1	–	–
335,000 - 339,999	1	–	1	–
340,000 - 344,999	–	1	–	1
350,000 - 354,999	–	1	–	1
360,000 - 364,999	1	1	1	–
370,000 - 374,999	–	1	–	1
375,000 - 379,999	–	1	–	1
405,000 - 409,999	–	2	–	2
445,000 - 449,999	–	1	–	–
480,000 - 484,999	1	–	1	–
495,000 - 499,999	1	–	–	–
625,000 - 629,999	–	1	–	1
Total	**16,422**	**15,525**	**3,851**	**3,758**

Remuneration for senior employees

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

Disclosure is made for each financial year under various categories and set out in Appendix 2.

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

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

All information is subject to audit.

Appendix 2

Employees receiving a base annual salary of £150,000 or more (£)

Name	Notes	Salary (including fees and allowances) 2022/23	Performance-related pay and bonus payments paid in the year 2022/23**	Compensation for loss of employment 2022/23	Benefits in kind 2022/23	Total remuneration excluding pension contributions 2022/23	Employer's contribution to pension 2022/23	Salary (including fees and allowances) 2021/22	Performance-related pay and retention payments paid in the year 2021/22**	Total remuneration excluding pension contributions 2021/22***
Andy Lord, Commissioner	a	*361,453	–	–	2,227	363,680	–	*320,032	23,711	345,970
Glynn Barton, Chief Operating Officer	b	185,633	–	–	1,740	187,373	37,360	135,000	25,353	162,093
Fiona Brunskill, Chief People Officer	c	208,584	17,500	–	2,227	228,311	46,531	176,104	–	178,331
Howard Carter, General Counsel	d	*257,578	–	–	2,227	259,805	–	*248,373	67,291	317,891
Stuart Harvey, Chief Capital Officer	e	*336,106	–	–	1,740	337,846	–	*289,171	84,365	375,276
Lilli Matson, Chief Safety, Health and Environment Officer	f	200,000	–	–	1,740	201,740	46,921	180,068	22,518	204,326
Rachel McLean, Chief Finance Officer	g	261,348	34,950	–	1,747	298,045	49,668	234,072	23,300	259,599
Alex Williams, Chief Customer & Strategy Officer	h	*252,173	–	–	–	252,173	–	*206,553	34,000	240,553
Tricia Wright, Chief Officer – Pensions Review	i	*244,506	–	–	1,271	245,777	–	*232,780	63,675	297,331
Thomas Ableman, Director of Strategy & Innovation	j	147,425	–	–	1,740	149,165	35,681	68,740	–	69,638
Matt Brown, Director of Communications & Corporate Affairs	k	161,616	–	–	–	161,616	37,360	138,041	25,515	163,556

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

** the payment of all 2021/22 performance-related pay awards is deferred until 2023/24 (if we are financially sustainable). The payment of all 2019/20 performance-related pay awards was deferred until 2021/22 and no awards were made in respect of the 2020/21 financial year

*** total remuneration for 2021/22 also includes benefits in kind as reported in last year's Statement of Accounts

a on secondment in 2022/23 and in receipt of higher duty allowance

b on secondment in 2022/23 and in receipt of higher duty allowance

c on secondment in 2022/23 and in receipt of higher duty allowance. Performance-related pay disclosed relates to retention payment

d salary sacrificed for pension of £9,061 (2021/22 £8,638)

e changed role in 2021/22

f changed role in 2021/22

g changed role in 2022/23. Performance-related pay disclosed relates to retention payment

h changed role in 2022/23

i salary sacrificed for pension of £9,058 (2021/22 £8,638)

j entered service 20 September 2021

k changed role in 2021/22

Name	Notes	Salary (including fees and allowances) 2022/23	Performance-related pay and bonus payments paid in the year 2022/23**	Compensation for loss of employment 2022/23	Benefits in kind 2022/23	Total remuneration excluding pension contributions 2022/23	Employer's contribution to pension 2022/23	Salary (including fees and allowances) 2021/22	Performance-related pay and retention payments paid in the year 2021/22**	Total remuneration excluding pension contributions 2021/22***
Louise Cheeseman, Director of Bus	l	216,355	-	-	1,740	218,095	47,909	139,233	-	140,366
George Clark, Technical Director		171,600	-	-	1,740	173,340	-	165,000	8,910	175,650
Andrea Clarke, Director of Legal	m	167,793	28,548	-	1,740	198,081	48,605	183,000	60,524	245,264
Isabel Coman, Director of TfL Engineering & Asset Strategy	n	102,575	-	-	435	103,010	25,648	-	-	-
Michael Cooper, Director of Programme Management Office	o	153,378	-	-	1,740	155,118	37,471	76,373	-	77,272
Graeme Craig, Director & Chief Exectuive		192,400	-	-	1,740	194,140	49,025	185,000	9,398	196,138
Nick Dent, Director of Customer Operations		187,200	-	-	1,740	188,940	47,909	180,000	26,651	208,391
Patrick Doig, Group Finance Director	p	*238,543	-	-	1,740	240,283	4,014	185,589	34,020	221,349
Nick Fairholme, Director of Capital Delivery – Systems	q	159,331	-	-	1,740	161,071	24,849	140,253	19,404	161,397
Stephen Field, Director of Pensions & Reward	r	*203,004	28,088	-	1,740	232,832	-	*189,908	50,575	242,222
Jonathan Fox, Director of Rail and Sponsored Services		159,681	-	-	1,740	161,421	38,261	151,988	20,097	173,825
Lester Hampson, Director of Property Development		186,069	-	-	1,740	187,809	46,531	175,807	79,352	256,899

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

** the payment of all 2021/22 performance-related pay awards is deferred until 2023/24 (if we are financially sustainable). The payment of all 2019/20 performance-related pay awards was deferred until 2021/22 and no awards were made in respect of the 2020/21 financial year

*** total remuneration for 2021/22 also includes benefits in kind as reported in last year's Statement of Accounts

l salary sacrificed for Cycle to Work scheme of £2,442 (2021/22 £nil). Entered service 2 August 2021

m salary sacrificed for holiday buy of £809 (2021/22 £nil). Performance-related pay disclosed ralates to retention payment

n entered service 5 September 2022

o entered service 20 September 2021

p changed role in 2021/22

q changed role in 2022/23

r salary sacrificed for pension of £8,547 (2021/22 £8,437). Performance-related pay disclosed relates to retention payment

Name	Notes	Salary (including fees and allowances) 2022/23	Performance-related pay and bonus payments paid in the year 2022/23**	Compensation for loss of employment 2022/23	Benefits in kind 2022/23	Total remuneration excluding pension contributions 2022/23	Employer's contribution to pension 2022/23	Salary (including fees and allowances) 2021/22	Performance-related pay and retention payments paid in the year 2021/22**	Total remuneration excluding pension contributions 2021/22***
Michael Hardaker, Director of Capital Delivery – Infrastructure		187,889	-	-	2,227	190,116	47,909	183,310	34,020	219,557
Joanna Hawkes, Corporate Finance Director	s	*217,862	37,440	-	-	255,302	-	*210,977	27,000	237,977
Geoff Hobbs, Director of Public Service Transport Planning	t	169,283	-	-	-	169,283	-	154,608	24,414	179,022
Chris Hobden, Project Director, Four Lines Modernisation	u	156,000	22,500	-	1,740	180,240	39,263	150,000	10,500	162,240
Lorraine Humphrey, Director of Risk & Assurance	v	153,980	-	-	784	154,764	27,434	134,561	9,016	144,361
Maureen Jackson, Director of Business Services	w	148,021	-	-	1,740	149,761	38,261	142,442	15,990	160,172
Stacey Kalita, Finance Director, Crossrail	x	150,230	-	-	784	151,014	26,537	131,783	-	132,567
Siwan Lloyd-Hayward, Director of Security, Policing & Enforcement	y	144,666	-	-	1,740	146,406	35,382	130,000	18,018	149,758
Stewart Mills, Director of Infrastructure, Crossrail	z	178,509	-	-	1,626	180,135	17,426	-	-	-

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

** the payment of all 2021/22 performance-related pay awards is deferred until 2023/24 (if we are financially sustainable). The payment of all 2019/20 performance-related pay awards was deferred until 2021/22 and no awards were made in respect of the 2020/21 financial year

*** total remuneration for 2021/22 also includes benefits in kind as reported in last year's Statement of Accounts

s salary sacrificed for Cycle to Work scheme of £936 (2021/22 £nil) and for holiday buy of £796 (2021/22 £nil). Performance related pay disclosed relates to retention payment

t changed role in 2022/23

u performance-related pay disclosed relates to retention payment

v salary sacrificed for holiday buy of £2,020 (2021/22 £nil). Changed role in 2021/22

w salary sacrificed for holiday buy of £2,779 (2021/22 £nil)

x changed role in 2021/22

y changed role in 2022/23

z entered service 25 April 2022

Name	Notes	Salary (including fees and allowances) 2022/23	Performance-related pay and bonus payments paid in the year 2022/23**	Compensation for loss of employment 2022/23	Benefits in kind 2022/23	Total remuneration excluding pension contributions 2022/23	Employer's contribution to pension 2022/23	Salary (including fees and allowances) 2021/22	Performance-related pay and retention payments paid in the year 2021/22**	Total remuneration excluding pension contributions 2021/22***
Peter McNaught, Director of Operational Readiness	aa	221,760	28,080	–	1,385	251,225	–	188,510	51,372	240,666
Esther Sharples, Director of Asset Performance & Facilities	ab	176,800	–	–	784	177,584	45,153	170,000	15,574	186,358
Jadon Silva, Director of Procurement & Commercial – Capital	ac	155,648	–	–	784	156,432	39,263	16,977	–	17,050
Howard Smith, Chief Operating Officer, Elizabeth line	ad	*189,750	70,000	–	1,740	261,490	–	*181,391	24,325	207,455
Shashi Verma, Chief Technology Officer		243,604	–	–	784	244,388	60,560	234,611	42,525	277,920
Jonathan Wharfe, Director of Procurement & Commercial – Operations	ae	168,639	–	–	1,740	170,379	43,360	33,034	–	33,354

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

** the payment of all 2021/22 performance-related pay awards is deferred until 2023/24 (if we are financially sustainable). The payment of all 2019/20 performance-related pay awards was deferred until 2021/22 and no awards were made in respect of the 2020/21 financial year

*** total remuneration for 2021/22 also includes benefits in kind as reported in last year's Statement of Accounts

aa performance-related pay disclosed includes retention payment

ab changed role in 2021/22

ac salary sacrificed for holiday buy of £663 (2021/22 £nil). Entered service 21 February 2022

ad salary sacrificed for pension of £8,487 (2021/22 £8,439). Performance-related pay disclosed relates to the delivery of the Elizabeth line

ae entered service 19 January 2022

Name	Notes	Salary (including fees and allowances) 2022/23	Performance-related pay and bonus payments paid in the year 2022/23**	Compensation for loss of employment 2022/23	Benefits in kind 2022/23	Total remuneration excluding pension contributions 2022/23	Employer's contribution to pension 2022/23	Salary (including fees and allowances) 2021/22	Performance-related pay and retention payments paid in the year 2021/22**	Total remuneration excluding pension contributions 2021/22***
Former employees										
Andy Byford, Commissioner	af	205,219	–	–	470	205,689	29,694	355,000	–	355,792
Simon Kilonback, Chief Finance Officer	ag	*26,006	–	–	208	26,214	–	*327,409	77,825	407,460
Helen Murphy, Director of Consulting & International Operations	ah	66,623	–	112,860	798	180,281	18,340	151,000	19,660	172,400
Gabriella Neudecker, Customer and Revenue Director	ai	16,161	–	–	88	16,249	1,661	74,589	–	74,852
Jonathan Patrick, Chief Procurement Officer	aj	149,488	–	120,931	536	270,955	33,499	221,923	93,600	316,307
Gareth Powell, Chief Customer & Strategy Officer	ak	*188,074	–	–	1,120	189,194	–	*323,935	54,132	380,293
Ken Youngman, Divisional Finance Director, Commercial Development	al	77,712	–	56,573	899	135,184	21,183	155,000	89,125	245,865
Susan Beadles, General Counsel, Crossrail	am	22,397	–	137,854	234	160,485	4,366	156,163	–	157,903
Chris Binns, Crossrail	an	140,454	9,250	151,395	1,273	302,372	13,683	185,000	9,250	195,990
Jim Crawford, Chief Programme Officer, Crossrail	ao	306,900	–	191,088	1,459	499,447	–	359,040	–	360,780
Andy Weber, Delivery Construction Manager, Crossrail	ap	50,879	–	111,634	258	162,771	5,038	150,958	–	151,742
Mark Wild, Chief Executive Officer, Crossrail	aq	*74,782	–	393,777	316	468,875	–	*445,977	–	447,717

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

** the payment of all 2021/22 performance-related pay awards is deferred until 2023/24 (if we are financially sustainable). The payment of all 2019/20 performance-related pay awards was deferred until 2021/22 and no awards were made in respect of the 2020/21 financial year

*** total remuneration for 2021/22 also includes benefits in kind as reported in last year's Statement of Accounts

af left service 28 October 2022

ag left service 29 April 2022

ah left service 9 September 2022

ai left service 6 May 2022

aj left service 30 November 2022

ak left service 25 September 2022

al left service 30 September 2022

am left service 19 May 2022

an left service 23 December 2022. Performance related pay disclosed relates to retention payment

ao left service 31 January 2023

ap left service 29 July 2022

aq left service 31 May 2022

Appendix 3

Severance payments

We have also published the number and cost of compulsory and voluntary severance termination packages agreed during the year. This is fully in line with the Code and our policy on severance can be seen on page 86.

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

	Group 2023 (number)	Group 2023 (£m)	Corporation 2023 (number)	Corporation 2023 (£m)	Group 2022 (number)	Group 2022 (£m)	Corporation 2022 (number)	Corporation 2022 (£m)
Non-compulsory exit packages (£)								
0 - 20,000	29	0.4	4	0.1	26	0.3	1	–
20,001 - 40,000	37	1.1	4	0.1	66	2.0	4	0.1
40,001 - 60,000	19	0.9	1	–	96	4.8	8	0.4
60,001 - 80,000	11	0.8	1	0.1	30	2.0	6	0.4
80,001 - 100,000	3	0.3	–	–	8	0.7	2	0.2
100,001 - 150,000	21	2.6	7	0.9	9	1.1	5	0.6
150,001 - 200,000	8	1.3	3	0.5	3	0.5	–	–
200,001 - 250,000	–	–	–	–	2	0.4	1	0.2
250,001 - 300,000	–	–	–	–	1	0.3	1	0.3
350,001 - 400,000	1	0.4	1	0.4	1	0.4	1	0.4
Total non-compulsory exit packages	**129**	**7.8**	**21**	**2.1**	**242**	**12.5**	**29**	**2.6**
Compulsory exit packages (£)								
0 - 20,000	1	–	–	–	–	–	–	–
Total	**130**	**7.8**	**21**	**2.1**	**242**	**12.5**	**29**	**2.6**

All information is subject to audit.

Appendix 4

Representation of equalities groups at different pay levels as at 31 March 2023, excluding Crossrail and our apprentices (this is not subject to audit)

	Less than £30,000		£30,001 to £40,000		£40,001 to £50,000		£50,001 to £60,000		£60,001 to £70,000		£70,001 to £80,000		£80,001 to £90,000		£90,001 to £100,000		More than £100,000	
	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%
Gender																		
Female	294	37	1,975	35	956	31	1,197	25	1,212	16	407	19	127	13	60	17	62	26
Male	505	63	3,639	65	2,144	69	3,528	75	6,284	84	1,783	81	858	87	287	83	181	74
Total	**799**		**5,614**		**3,100**		**4,725**		**7,496**		**2,190**		**985**		**347**		**243**	
Ethnicity																		
Black, Asian and minority ethnic	322	40	2,669	48	1,215	39	1,547	33	2,557	34	511	23	174	18	50	14	26	11
White	309	39	1,872	33	1,526	49	2,691	57	3,980	53	1,439	66	709	72	267	77	205	84
Not stated	168	21	1,073	19	359	12	487	10	959	13	240	11	102	10	30	9	12	5
Total	**799**		**5,614**		**3,100**		**4,725**		**7,496**		**2,190**		**985**		**347**		**243**	
Disability status																		
Disabled	51	6	248	4	130	4	133	3	202	3	77	3	27	3	22	6	12	5
No disability	544	68	3,938	70	2,056	66	3,103	66	4,745	63	1,369	63	517	52	234	68	180	74
Not stated	204	26	1,428	26	914	30	1,489	31	2,549	34	744	34	441	45	91	26	51	21
Total	**799**		**5,614**		**3,100**		**4,725**		**7,496**		**2,190**		**985**		**347**		**243**	

Appendix 5

Trade union facility time (not subject to audit)

The Trade Union (Facility Time Publication Requirements) Regulations 2017 mean we must collate and publish a range of data on the amount and cost of trade union facility time within the organisation each year. Facility time is the provision of paid or unpaid time off from an employee's normal role for trade union duties and activities as a union representative.

The trade unions represented in our organisation are:

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

881
members of staff elected as union representatives as at 31 March 2023

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Working hours spent on facility time

Percentage of time	Number of employees
0	-
1-50	839
51-99	7
100	35
Total	**881**

We allow representatives paid time off for union duties and meeting these costs represents 0.35 per cent of our total wage bill.

Total cost of facility time (£m)	8.0
Total remuneration costs for all TfL employees (£m)	2,275.6
Percentage of pay bill spent on facility time (%)	0.35

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

Our colleagues continue to deliver for Londoners and visitors

Statement of Accounts

‘As we continue to build our recovery, our focus remains on achieving financial sustainability while also delivering the vital services London needs, both now and in the future’

Patrick Doig
Statutory Chief Finance Officer

Statement of Accounts – contents

Narrative Report and Financial Review

Overview

This was a pivotal year in the history of our finances, as we continued to build our recovery and look forward in to 2023/24.

Before the outbreak of the pandemic, we had been close to reaching financial sustainability in terms of our operational activities without the need for direct Government grant, which had been removed from April 2018 onwards. Between 2015/16 and 2019/20, we focused on improving our financial position and resilience. We reduced the net cost of operations, excluding Government funding, by almost £1bn over that period, and we increased cash reserves to more than £2bn, giving ourselves a cash buffer that proved crucial to continue operating in the first phase of the pandemic while 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 under a series of funding agreements from the Department for Transport (DfT). In 2021/22, we saw a combination of easing restrictions, leading to recovering income and ongoing careful cost control. During 2022/23, as we continued to focus on London's recovery, rebuilding our ridership and controlling costs, the level of extraordinary grant support reduced to £943m (2021/22 £1,717m). Passenger demand increased from 68 per cent of pre-pandemic levels to around 85 per cent, and passenger income grew by 34 per cent from £3.2bn to £4.2bn.

On 30 August 2022, the TfL Board approved a 20-month funding settlement with the DfT until 31 March 2024. While this is not the genuinely long-term funding settlement required to deliver major capital investment in the most efficient and effective manner, it is significantly longer than any of our previous settlements during the pandemic. This funding settlement provides £1.2bn of Government funding along with the guaranteeing of passenger revenue over the period. Further detail of the key features and conditions is set out in the going concern section of our Accounting Policies.

Reaching agreement on this was crucial for the coming years 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, 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, impacting fares income. We would have to reduce 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 ambitions for people killed or seriously injured on our networks.

The Government recognises the need for certainty and stability for our capital investment pipeline, and the settlement will ensure delivery of key capital renewals and investment in London worth £3.6bn to March 2024. Combined with support from the Mayor, this has enabled us to avoid the managed decline scenario. We have increased renewals in our infrastructure above the level we had originally budgeted – helping us to protect the critical assets on which Londoners depend. We have restored a level of expenditure on new capital enhancements to improve our network, alongside delivering our committed investment, including new Piccadilly line and DLR trains, Four Line Modernisation, Bank station upgrade and Old Street roundabout.

Government also continues to recognise that further capital funding beyond this agreement will be required for major capital enhancements and major renewals, which we are not expected to solely finance from operating incomes, as is consistent with other transport authorities. A long-term funding settlement, similar to that in place for Network Rail, National Highways and other Metro Mayors across the country, would enable us and our supply chain to plan more effectively, improving efficiency and supporting investment in jobs 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.

Organisational overview

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 are the integrated body responsible for the capital's transport system. We implement the Mayor's Transport Strategy and manage transport services across the capital. We aim to deliver safe, reliable and integrated transport to those who live in, work in or visit London.

Narrative Report and Financial Review (continued)

Governance
Our governance and decision-making arrangements ensure we manage the organisation responsibly and effectively and to high standards of business conduct (see TfL's Annual Governance Framework on page XX). 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. We conduct, at least annually, a review of the effectiveness of our 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 2023 concluded that our governance framework was satisfactory for our needs and operated in an effective manner. The opinion highlighted the progress against the 2022/23 improvement plan.

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 XX to XX). 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.

Operating model
We are led by the TfL Executive Committee which is responsible for setting the strategy and direction for the whole organisation. Members of the committee have clear individual accountabilities and objectives for the businesses they run directly and also collective objectives and accountabilities to be delivered by the organisation as a whole.

In 2022, the TfL executive team worked to define the highest-level process that describes what we do and how we do it, and create our value chain. Our value chain is:

- Strategise and plan
- Fund and procure
- Build and maintain
- Operate and optimise
- Enable and support

The value chain helps us make sure work isn't duplicated and that we have clear accountabilities in each part of the business. The TfL Executive Committee is organised around the principles of the value chain, with the following roles

- TfL Commissioner – Andy Lord
- Chief Customer & Strategy Officer – Alex Williams
- Chief Finance Officer – Rachel McLean
- Chief Capital Officer – Stuart Harvey
- Chief Operating Officer – Glynn Barton*
- Chief People Officer – Fiona Brunskill*
- Chief Officer – Pensions Review – Tricia Wright*
- Chief Safety, Health & Environment Officer – Lilli Matson
- General Counsel – Howard Carter
- Director of Communications and Corporate Affairs – Matt Brown

* Interim roles

Strategy and resource allocation
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.

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 XX of the Annual Report).

We produce a Business Plan, approved by the TfL Board, which sets out the medium-term plan for the organisation, demonstrating how we will achieve the Mayor's Transport Strategy. In December 2022, the TfL Board approved the 2023 TfL Business Plan, which was the first one since the pandemic.

The first full year of the Business Plan is used as the basis for an annual budget, which allocates resource to individual departments and projects for the year ahead. In March 2023, the TfL Board approved the 2023/24 TfL Budget.

Narrative Report and Financial Review (continued)

Interests of the Group's employees
We strive to create a workplace that is safe, secure and contributes to an engaged workforce.

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

While the majority of our colleagues are in roles that require them to be at an operational or project location, for our office-based colleagues we are operating a hybrid-working approach, which offers flexibility and is valued by them.

Those who are hybrid working are expected to spend a maximum of 50 per cent of their time working at home per period on average for the purpose of what we call the three Cs, which are Collaboration, Culture and Coaching.

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 – with local, functional and company-level meetings taking place across different parts of the organisation – play a significant role in achieving this, our Colleague Network Groups provide employees the chance to share ideas and support each other in developing our equality agenda in all areas of employment.

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

Through our network, we aim to create a resilient, attractive, nature- rich, and liveable city, which supports biodiversity and contributes to the mental and physical health of Londoners.

Climate change poses severe risks for us, but it also comes with opportunities to deliver a safer and more sustainable future for the communities we serve.

Environmental sustainability is integral to our business and the way we work. We face huge environmental challenges, as we are London's biggest user of electricity, and a quarter of London's greenhouse gas emissions come from transport. We are London's second largest landowner, which brings a number of environmental risks and opportunities. As our transport network is woven through the city, we take a leading role in managing climate risks in partnership with our stakeholders across London. Managing our climate risks will enable us to provide a safer and more reliable transport network, as well as allowing us to make well-informed investment decisions and reduce our financial liability from climate disasters. We are also uniquely positioned to provide opportunities for London.

We are taking leadership in the management of physical climate risks by working with stakeholders across London and beyond. Through the London Surface Water Strategic Group, we are working with key stakeholders across the city to procure London's first surface water flood risk management strategy. We are leading work on the Transport Adaptation Steering Group, to improve consistency across the transport sector for Adaptation Reporting Power submissions, as well as exploring how best to assess and score key interdependency risks. Other areas of collaboration include being a key partner in developing the rail sector adaptation maturity matrix through the Rail Safety and Standards Board project and developing a transport sector handbook for asset managers through the Transport Research and Innovation Board project. We are constantly working to improve our understanding of climate risks. Following the July 2022 heatwave, a PhD project on the impact of high temperatures on London Underground is coming to an end. We are exploring how best to communicate and embed research findings in our activities.

Our target is to be net-zero carbon by 2030, and we are working with others to achieve this. We have drawn on our experience of developing renewable energy contracts to drive efforts to establish GLA Group-wide purchasing of wind and solar energy. Together with the GLA, the Metropolitan Police Service, the London Fire Brigade, and the London Legacy Development Corporation, we aim to use our enhanced purchasing power to negotiate a Power Purchase Agreement. This would secure new renewable power, provide longer-term stability on energy prices, and contribute to the Mayor's ambition for London to reach net-zero carbon by 2030. We are also working with the London Anchor Institutes Network as we are an active participant in its Green New Deal Working Group. The purpose of the group is for anchors to work collaboratively to support the capital's net-zero targets by accelerating public estate decarbonisation and developing an appropriately skilled workforce to meet the demands of a growing green economy. In 2022/23, we made commitments in relation to subjects including our carbon literacy training roll-out and the publishing of our Climate Change Adaptation Plan.

In line with our 2018 Energy Strategy, we have established a clear hierarchy for reducing our operational carbon emissions. At 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 by further rolling out LED lighting placements across London Underground stations and depots.

On an annual basis, our safety, health, and environment reports, containing details of our carbon emissions, environmental performance and action plans are published on our 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.

Narrative Report and Financial Review (continued)

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 2022/23

Description	Amounts	Units	2021/22 comparison
Total Electricity consumption	1,572,490,169	kWh	1,542,260,719
Total Gas consumption	83,309,200	kWh	80,574,572
Total Fuel for company fleet	1,245,548	litres	1,510,631
Purchased District Heating and Cooling	3,449,677	kWh	4,076,143

Emissions Breakdown	Amounts	Units	Conversion factor ($kgCO_2e$)
Scope 1 Emissions from combustion of gas	15,207	tCO_2e	0.18254 (natural gas)
Scope 1 Emissions from combustion of fuel for transport purposes	3,134	tCO_2e	2,55784 (diesel) 2.16185 (petrol)
Scope 2 Emissions from purchased electricity	304,088	tCO_2e	0.19338 (UK grid electricity)
Scope 2 Emissions from purchased heating and cooling	503	tCO_2e	0.2319 (district heating) 0.0581 (district coolth)
Total Gross CO_2e based on the above	**322,933**	**tCO_2e**	
Total Gross CO_2e including energy/ fuel purchased by public transport service operators	**813,600**	**tCO_2e**	

Intensity metric	Amounts	Units
Operated train km	99,443,290	3.2kg CO_2e/operated train km
Average headcount	25,943	12.5t CO_2e/employee

We have used invoiced consumption and metered data, and have calculated emissions using government conversion factors for company reporting of greenhouse gas emissions 2022. District heating and cooling factors are specific to the Olympic Park district heating system.

Our financial disclosure on climate change

Environmental sustainability is integral to our business and the way we work, but we face huge challenges in a changing world.

In 2017, the Taskforce on Climate-related Financial Disclosures (TCFD) released climate-related financial disclosure recommendations designed to help organisations assess and manage climate-related risks and opportunities. The disclosure recommendations are structured around four thematic areas that provide a framework for us to understand and take action on our climate risks and opportunities. These thematic areas represent core elements of how organisations operate: governance, strategy, risk management, and metrics and targets. Ultimately, widespread adoption of the recommendations is aimed at enabling financial risks and opportunities, related to climate change, to become a natural part of organisations' risk management and strategic planning processes.

Following on from our disclosure last year on physical risks, for 2022/23 we will provide an update on our progress against all four themes, with a plan to provide more detailed disclosures as we mature our adoption of the TCFD recommendations and as we move forward in developing scenario analysis.

Narrative Report and Financial Review (continued)

Our climate governance

Achievements in 2022/23

- Sustainability Executive committee established, responsible for management of environmental risks and opportunities
- Executive Committee completed Sustainability training
- More than 800 people completed carbon literacy training, including our senior leaders

Responsibility for managing climate risk sits with our Executive Committee, overseen by the TfL Board. Environment management is embedded across the organisation, with all areas represented at our Executive Committee Sustainability Group. The Executive Committee Sustainability Group, which meets every six weeks, oversees the strategic and operational direction on our behalf by ensuring we align between the vision, purpose, and corporate plans relating to climate risks and opportunities.

We delivered sustainability training to our Executive Committee in November 2022, enabling our directors to engage and lead on sustainability with confidence. This training will be made available to all senior leaders over the next 12 months. We are also rolling out carbon literacy training across the organisation to increase awareness of the carbon impacts of everyday activities and give people the ability and motivation to reduce emissions. Our training course, accredited by the Carbon Literacy Project, encourages us to incorporate carbon into our decision-making processes.

Governance structure for Environmental Management

Group	Role
TfL Board	• The Board has overall responsibility for the oversight of TfL's environmental management which includes our risks and opportunities associated with climate change. TfL's Enterprise-level environmental risk is scrutinised by the Board's Audit and Assurance Committee, Safety, Sustainability Human Resources (SSHR) Panel • The Board meets a minimum of six times a year • In the last 12 months the SSHR Panel have discussed: progress against TfL's Corporate Environment Plan, Power Purchase Agreement (PPA) tender, Sustainability Network, Carbon Literacy training, Natural Capital Account, Climate Change Adaptation Plan
Executive Committee	• TfL's Commissioner and Chief Officers are responsible for fulfilling the priorities and objectives set out in the Mayor's Transport Strategy and TfL Business Plan • The Executive Committee is responsible for the management of TfL's Enterprise-level environmental risk • The Executive Committee meets on a weekly cadence and has performance and strategic meetings every four weeks
Executive Committee Sustainability Group	• The Executive Committee Sustainability Group is responsible for the co-ordination of cross-organisational environmental and sustainability issues and work-programmes, on behalf of the Executive Committee • The group is chaired by TfL's Chief Safety, Health and Environment Officer and Chief Capital Officer, and includes representation from all TfL business units The Executive Committee Sustainability Group meets every six weeks, and their role includes: • Agreeing the strategy for environmental management, including setting targets, monitoring, and reporting on performance • Providing central oversight of the Group's management of climate impact to ensure that climate chance informs strategic planning and decision making across all TfL activities • Overseeing management practices that ensure that these exposures are controlled in line with TfL's risk appetite and Corporate Environment Plan • Promoting internal awareness and understanding of climate- related threats and opportunities • Ensuring actions and responses to climate are proportionate

It is important that we engage colleagues in sustainability. Our sustainability staff network, which has more than 400 active members, is a place for colleagues to share, learn and support each other in regard to sustainability challenges and initiatives.

Our climate strategy

Achievements in 2022/23

- Published our 2023 Business Plan, which prioritises progress against key green enablers, such as decarbonising operations, and green infrastructure
- Established our Green roadmap
- Published our Climate Change Adaptation Plan
- Updated the Board on our progress on our Corporate Environment Plan
- Launched procurement for our first renewable energy Power Purchasing Agreement (PPA) to achieve our goal of running a zero-carbon railway

Narrative Report and Financial Review (continued)

Our strategy for the environment has been built to support the Mayor's London Environment Strategy. Our response to the London Environment Strategy is set out in our Corporate Environment Plan, published in 2021, which describes our environmental priorities and how we will manage any key risks and opportunities. This includes a focus on how we will respond to the climate emergency by reducing carbon emissions, and how we will adapt to physical climate risks through adaptation.

The Corporate Environment Plan provides the foundation for developing environmental strategies and delivery plans. At a business level, this is considered as part of the development of our Business Plan, which determines our strategic plan over the medium-term, the most recent version of which covers the three-year period between 2023/24 and 2025/26. This includes a summary of where we will allocate resources across our various strategic priorities, including our plans for the environment, covering our operations, asset renewals portfolio and capital investment programme. Our 2023 Business Plan also included our first-ever submission to the GLA Group 'Climate Budget' process, providing a forecast of the carbon emissions resulting from our operations over the next seven years, and in addition highlighted key risks and opportunities, and potential funding requirements over the longer term.

The overall business strategy is supported and informed by a number of policies, technical strategies and analysis. For example, our asset management strategies provide a set of options for how we might deliver our green ambitions. Once we have decided on a preferred approach, we are then able to include this in our main plans and/or engineering standards in order to provide clarity regarding specific challenges and environmental interventions.

To deliver the Mayor's Transport Strategy, it is important to consider potential funding requirements over the long term, beyond our Business Plan. In 2023, this will be done as an internal exercise looking at the next 25 to 50 years, and will include assumptions outlining our key environmental ambitions, risks and opportunities from the Corporate Environment Plan. We will work in tandem to develop our longer-term business planning and climate risk scenario analysis.

Types of risk and risk management

- Transition risks – these arise from actions associated with the transition to a low-carbon economy, including the introduction of new climate policies and technologies for us. These include:
  - » Policy and legal – meeting enhanced compliance requirements relating to building efficiency standards. Embodied carbon, future planning requirements and building regulations for projects and carbon pricing
  - » Market – greater demands from customers to meet higher sustainability standards
  - » Reputational – loss of reputation in market due to greenwashing or by slow response or inaction
  - » Technology – additional capital, operational and maintenance costs incurred from lower emission technologies
- Physical risks – these come from the physical impacts of climate change for us. These include:
  - » Acute – increased severity of extreme weather events
  - » Chronic – longer-term shifts in variability of weather patterns and precipitation, rising mean temperatures and rising sea levels

Physical climate change poses significant risk to us. Our transition to net zero poses significant risks, as well as opportunities. We published Adaptation Reporting Power third round in 2021, which was our most comprehensive climate risk assessment on physical risks. As part of this assessment, 333 climate risks were identified. Precipitation, including both too much and too little rain, is the climate hazard with the greatest number of identified risk. Temperatures, both high and low, are the climate hazard with the next greatest number of identified risks. Some of our most at risk assets are bridges and viaducts; drainage from track, civil infrastructure, buildings and highways; rolling stock and signalling systems. We have conducted workshops with asset and engineering teams to better understand these risk and identify adaptation measures.

Of the 333 climate risks identified, five scored as major or above today and four of these were linked to extreme high temperatures. Risks scored as major or above increases to 11 in the 2050s and 13 in the 2080s. The key findings of this assessment included:

- All our assets are, or will be, affected by severe weather and climate change, with climate risks becoming more severe
- We use resilience to manage short-term weather-related disruption. However, as severe weather becomes more frequent due to climate change, the cost and time spent on resilience will increase
- Precipitation, both too much and too little, is our most common climate hazard
- Drainage represents a crucial supporting asset for other asset types. If drainage – both ours and third parties' – fails then other assets become more exposed to flooding

Using this information as a baseline, in March 2023, we published our Climate Change Adaptation Plan, which outlines what we need to do by 2030 to manage our risks from physical climate hazards. The plan details the actions we need to take to improve our understanding of physical risk, as we mature on our adaptation journey. We will continue to build on our strategic adaptation actions.

Narrative Report and Financial Review (continued)

Physical risk will increase the likelihood of safety issues for staff and customers, increase the likelihood of operational disruption including delays and cancellations, and have negative financial impacts in terms of recovery from events and reduced revenue. We manage these risks through robust resilience processes. We monitor weather and coordinate emergency plans, as well as organising for recovery after extreme weather events. Resilience will become more expensive as extreme weather events become more frequent, therefore it is important we embed our Adaptation Plan across the organisation.

For transition risks, we have a target to be net-zero carbon by 2030 in our transport operations. We are moving forward with our strategy to achieve this. By the end of March 2023, more than 50 per cent of our bus shelters were converted to LED, and we aim to convert all of our bus shelters by March 2024, saving more than 1,000 tonnes of carbon dioxide equivalent each year. As of 31 March 2023, around 11 per cent of our bus fleet operated with zero-emission buses, 970 zero-emission buses in total, helping us reduce our reliance on diesel, cut emissions and reduce carbon dioxide.

Decarbonising our buildings is integral to our net-zero strategy. In 2022, we conducted a baseline assessment of the carbon emissions associated with our buildings, using existing data, supplemented with 40 site visits. This year, we will conduct 20 feasibility studies to move forward with our buildings decarbonisation.

We have allocated up to £2m additional funding per year to improve our understanding of the impacts of climate change and to develop and deliver plans to adapt to it. This is in addition to the £4m Green and Healthy Streets Fund provided by the Mayor to deliver sustainable drainage on both our roads and the boroughs.

Our climate risks
Achievements in 2022/23 included:

- Developed and agreed an adaption enterprise risk on the environment

Climate risks are considered across our organisation, which is reflected at different levels in our risk hierarchy. We have developed our enterprise- and strategic-level risks relating to the environment, including climate adaptation, since the last Annual Report. Enterprise-level risks are reviewed each year by our Executive Committee and Safety, Sustainability and Human Resources Panel. Our strategic climate and environment risks are reviewed in detail each year, as well as an ongoing review by our sustainability sub-group.

We have a risk database that enables climate and environment risks to be tagged and monitored. Interdependencies between risks are also considered. For example, climate change could cause potentially significant disruption to our supply chain, which must be monitored and mitigated.

We have assessed the risks on assets and people under different climate scenarios. There is more work we must do to understand our climate risks in more detail. We need to continue to collect quantitative data, as well as understand our transition risks within the stated timeframes and under different scenarios.

We also have research projects ongoing. Through internal projects, we have modelled the risk to flooding on the London Underground network. We are now expanding this to cover flooding risks on other modes. As part of this, we identified risk levels at Underground stations and are putting measures in place to reduce risk where appropriate. We also work with external partners, such as academics and universities, to gain a great understanding of our risks.

Our climate metrics and targets
Achievements in 2022/23 included:

- Green measures added to our scorecard
- Scorecard measure developed for the Sustainable Drainage System (SuDS)
- 970 zero-emission buses in operation
- 50 per cent of bus shelters converted to LED lighting
- 50 per cent of all lamp columns on our road network now fitted with LED lighting

Carbon emissions is a key metric on our scorecard, the tool by which we measure our performance, and will be reported on quarterly across the business in 2023/24.

Our target set out in the Mayor's Climate Budget, is to be net-zero carbon by 2030 for our operational emissions. This includes all energy and fuel that we purchase directly (scope 1 & 2 emissions), along with emissions associated with the operation of branded services.

Our plan to achieve net zero is:

Item	Narrative
Buses	All buses to be zero emission by 2034, with a target to accelerate this to 2030 (subject to funding)
Support fleet	All cars and vans in the TfL support fleet to be zero emission by 2030
Piccadilly line trains	Lighter, more energy efficient trains with regenerative braking
Private wire	Directly receive a proportion of our electricity from zero-carbon, private, dedicated solar installations
Our buildings	Decarbonising our buildings through removal of fossil fuel heating and increasing energy efficiency
Power Purchase Agreements	50 per cent of our grid purchased electricity will be from fully renewable sources by 2030

We have identified risks to achieving net-zero carbon by 2030, these include changes to regulation which could impact progress of PPA procurement. In addition, to achieve our net-zero target by 2030, we will require additional funding.

Narrative Report and Financial Review (continued)

With additional funding, we could lock-in the pathway to making the bus fleet zero-emission by our target 2030, which, in combination with existing and funded initiatives, would save an additional 300,000 tonnes of carbon. This would require significant additional funding, although this cost would be spread over the lifetime of the new vehicles, which extends beyond 2030. There is currently no certainty on Government funding for capital investment beyond March 2024. Our Business Plan makes an assumption on the level of funding that will be made available to replace trains and signalling replacement. If this funding is not confirmed in future, this will impact the ability to fund all of our capital investment including green initiatives.

Our metrics and targets in relation to physical climate risks are related to tree coverage and Sustainable Drainage Systems (SuDS). Through the Mayor's Transport Strategy, we have a target to increase tree numbers on our roads by one per cent per year between 2016 and 2025. We increased the tree coverage on our network to 24,795, planting 453 in 2022/23. This is an increase of 21 trees above target. We also have a target to increase SuDS by 50,000 square metres per annum. These targets will help to protect London from flooding and provide shade and shelter from extreme weather events.

Our next steps

We are continually improving our approach to TCFD by improving our understanding of climate risks and opportunities through more detailed data and research.

In the next 12 months, we plan to:

Governance

- Robust tracking of climate risks and opportunities
- All senior leaders to complete Sustainability training
- More than 3,000 colleagues trained on carbon literacy
- Agree a TfL value framework for capital investment
- Start implementing an asset management decision support system

Strategy

- Strategic research programme to continue
- Strategic actions from the adaptation plan to be progressed
- Continue transition of the bus fleet to net zero and deliver buildings decarbonisation projects
- Begin work on risks and opportunities for scenario analysis
- Expand climate budget to include adaptation
- Green Infrastructure and biodiversity plan published
- Launch our transition plan for zero-emission support fleet vehicles

Risk

- Enterprise risk register expanded to cover strategic and tactical risks
- Physical climate risks to be incorporated into the Active Risk Management system
- All risks across enterprise risk framework that link to climate, identified, and tagged

Metrics and targets

- Agree an emissions reduction target for our scope 3 measures
- Deliver SuDS to enable 5,000 square metres of drainage
- 845ktonnes carbon dioxide emissions from our operations and building

Performance

Summary of financial performance for the TfL Group

Total revenues, excluding grant funding, for the year came in at £5,804m, compared with a total of £4,313m for 2021/22, reflecting recovering fares revenues as passengers returned to the network. The expansion of the Ultra Low Emission Zone (ULEZ) to the area within the North and South Circular Roads in 2021 was implemented to improve air quality, but does generate income while compliance levels increase and the full-year impact of this increased revenue in 2022/23.

Gross expenditure of £8,490m has increased from the prior year total of £7,771m primarily from higher staff costs following base pay increases and higher levels of ULEZ bad debt.

In 2022/23, our net financing and investment expenditure increased from £299m to £648m, primarily reflecting investment property valuations losses of £155m which replaced prior year gains of £93m, due to ongoing fluctuations in the property market. Net gains on disposals of investment properties also decreased from £105m to £22m.

Grant income, at £3,523m, was £828m below the level seen in 2021/22, primarily reflecting reduced levels of extraordinary funding grant received in the year.

These items combined with Corporation tax of £5m results in an overall Group surplus after tax for the year of £74m compared to a prior year surplus of £504m. After reserves transfers, this translated to a decrease in usable reserves from £634m as at 31 March 2022 to £319m at 31 March 2023.

In addition to £624m (2021/22 £551m) of spend on renewals works, capital spend included new investment of £188m (2021/22 £568m) on the Crossrail project and £1,234m (2021/22 £991m) on other investment projects. Major projects progressed in the year included the Four Lines Modernisation project, Barking Riverside extension, Piccadilly line trains, the Bank station upgrade and the design and planned construction of DLR trains and systems integration.

Narrative Report and Financial Review (continued)

Funding sources

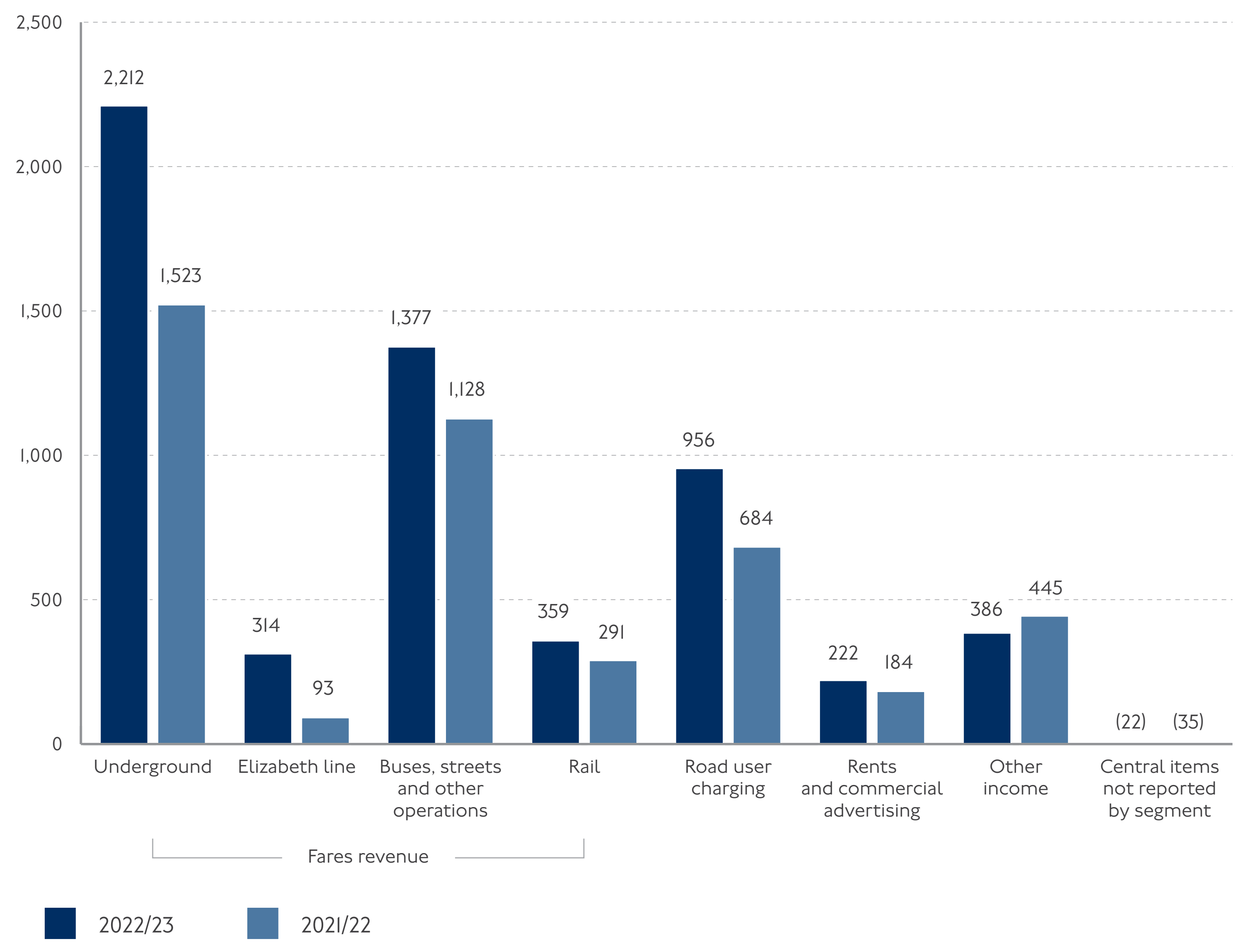
Our activities are funded from four main sources:

- Passenger fares income – the largest single source of our income
- Other income, including commercial activity and income from the Congestion Charge scheme and the Low Emission Zone / Ultra Low Emission Zone scheme
- 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 and cash reserves

Our 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. Government recognises that we may require further capital funding beyond the current funding settlement.

Gross service income

Gross service income breakdown by type (£m)

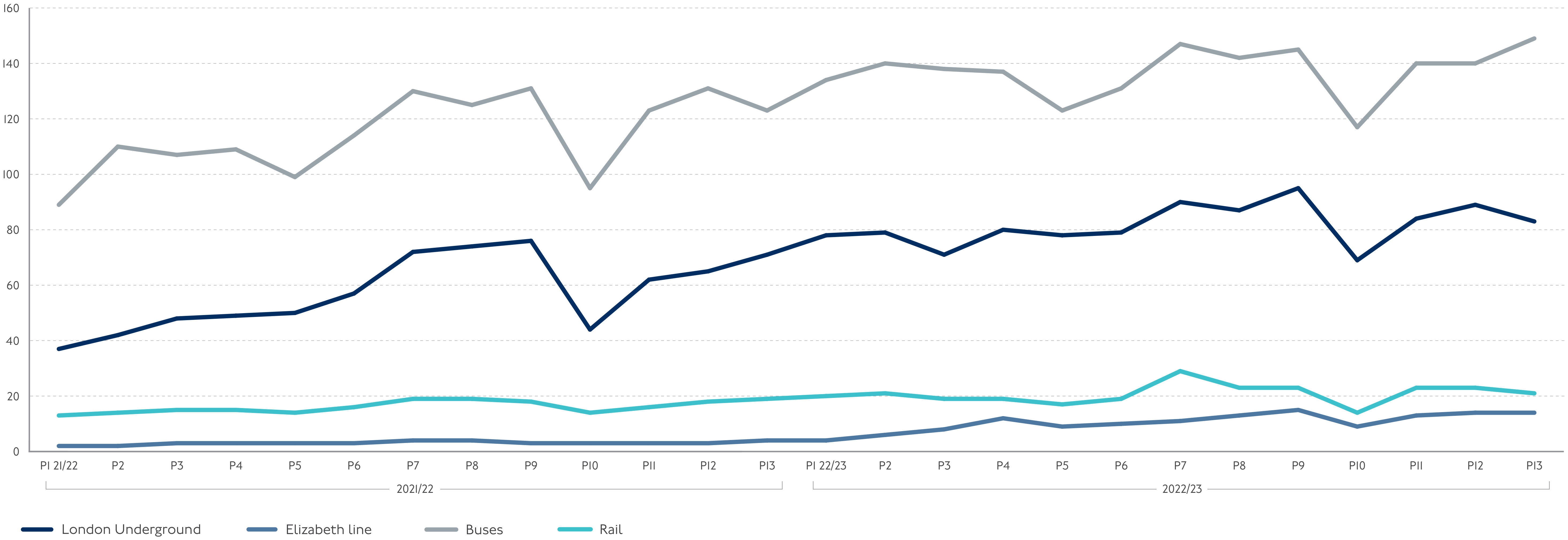


Total gross service income increased by 35 per cent from £4,313m in 2021/22 to £5,804m in 2022/23, reflecting the increase in passengers returning to the network through work and social activities. In addition, it demonstrates our commitment to growing our revenue so that we are less dependent on the revenue from fares.

Our primary source of income comes from passenger fares income. Currently fares make up around 73 per cent of our gross service income (exclusive of grant revenue). Fares income have increased from £3,154m in 2021/22 to £4,241m in 2022/23, a growth of 34 per cent. Journey numbers are now at 85 per cent of pre-pandemic levels, an increase from 68 per cent in 2021/22.

Narrative Report and Financial Review (continued)

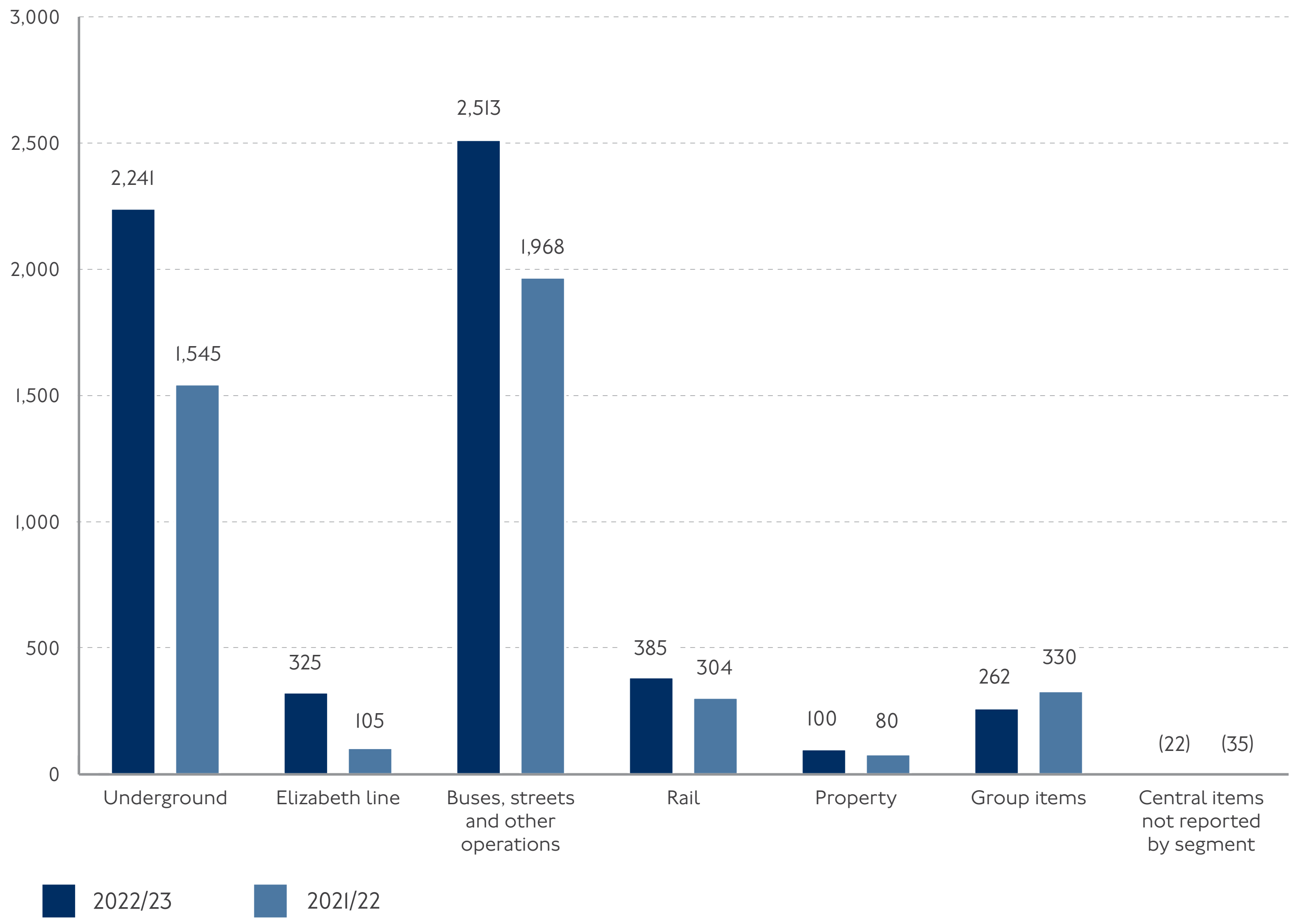
Passenger journeys per period (millions)



As well as the increase in passenger journeys, passenger revenues also reflect fare levels. Our fares decisions are taken annually by the Mayor who, following five years of fare freezes and taking into account the requirements of Government funding agreements, increased fares initially in March 2021, and again in March 2022 by an average of 4.8 per cent (reflecting Retail Price Index (RPI) plus one per cent) and in March 2023 by 5.9 per cent in line with National Rail fares.

Narrative Report and Financial Review (continued)

Total gross service income by operating division (£m)



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Total gross service income for the Underground was £2,241m, which is £696m higher than 2021/22. The fares component made up the majority of this increase as a result of the increase in passenger journeys from 748 million to 1,063 million in 2022/23 (a 42 per cent increase).

Gross service income for the Elizabeth line (operating as 'TfL Rail' during the first quarter of the financial year) increased by 210 per cent from £105m in 2021/22 to £325m in 2022/23. Within this total, passenger income increased from £93m to £314m. In 2022/23, there were 138 million passenger journeys on the Elizabeth line. This is an increase of 98 million over the previous year. The growth is due to the opening of the Elizabeth line central operating section in May 2022, followed by the start of partial through running in November 2022.

Income from Buses, streets and other operations rose 28 per cent from £1,968m in 2021/22 to £2,513m in 2022/23. Within this total, passenger income for buses, at £1,367m, was £246m more than the previous year. London's bus network saw an increase in passenger journeys of 296 million with demand steadily improving during the year. Fares income from the IFS Cloud Cable Car, at £9m for the year, was £2m higher than the prior year.

Road user charging income, at £956m, was £272m higher than 2021/22 levels. There has been a reduction in Congestion Charge revenues for the full year from £423m in 2021/22 to £358m in 2022/23, due to the changes in hours and days of the schemes operation following the end of pandemic restrictions.

In 2022/23, we saw a full year of the expanded ULEZ, operating to the area within the North and South Circular Roads, which contributed to income rising by £254m to £480m.

In the Rail division, income at £385m was 27 per cent above prior year levels. Within this, passenger income of £359m was £68m above the 2021/22 total. Rail journeys, including London Overground, DLR and London Trams, were 77 per cent of pre-pandemic levels, showing rising demand on the network from 209 million in 2021/22 to 270 million in 2022/23.

Property development income has risen by 25 per cent from £80m in 2021/22 to £100m in 2022/23 the majority of which was a dividend payment from the joint venture TTL Blackhorse Road properties (£17m). In addition there has been a strong return on car parking revenue.

Income from Group items relates to a variety of activities, including taxi and private hire licensing, media, estates management and travelcard administration.

Narrative Report and Financial Review (continued)

Government grants and other funding

We have a current funding agreement until the end of March 2024, which in 2023/24 supports our capital programme and protects our growing passenger income against any demand shocks. The DfT contributed revenue grant funding totalling £943m to us in 2022/23 (2021/22 £1,717m) under a number of Extraordinary Funding and Financing Agreements. In addition, we 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 us as a resource grant.

Other sources of grant income included specific capital grant from the GLA for the Crossrail project and other projects, such as DLR train 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 us in 2022/23 was £3,523m (2021/22 £4,351m).

Prudential borrowing

Movements in borrowing during 2022/23 (£m)

Opening borrowing at 1 April 2022 per the accounts	12,966
Public Works Loan Board (PWLB) loans – 11 tranches borrowed due between 2033-2068	1,661
Repayment of Bonds	(1,216)
Repayment of DfT Crossrail loans	(35)
Repayment of rolling short-term Commercial Paper	(199)
Repayments on PWLB and European Investment Bank (EIB) loans	(271)
Fair value movements, issue premia/discounts and fee adjustments	4
Closing borrowing at 31 March 2023 per the accounts	**12,910**

The authorised limit for direct borrowings for the Corporation set by the Mayor for 2022/23 was £13,769m.

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.

Gross expenditure

Gross expenditure, which includes day-to-day operating costs as reported to management (see Note 2 to the financial statements) and central items not reported on a segmental basis (including depreciation and amortisation) increased by nine per cent from £7,771m in 2021/22 to £8,490m in 2022/23.

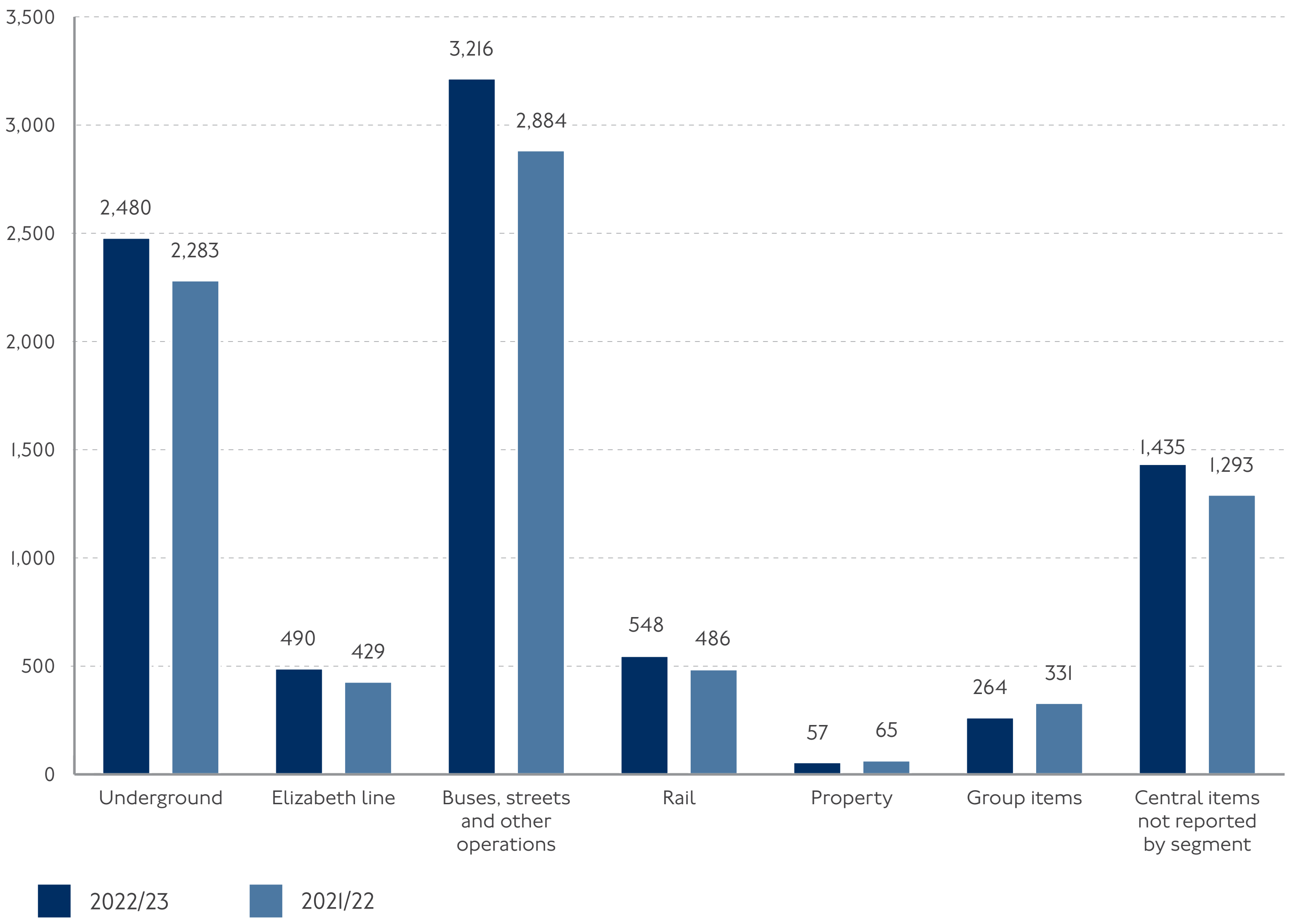
Year-on-year costs of operations (£m)

	2022/23	2021/22
Cost of operations as per internal management reports	**(7,055)**	**(6,478)**
Adjust for one-off items incurred	44	35
Adjust for investment programme operating costs included in operating expenditure	146	157
Adjust for new Elizabeth line services	477	422
Adjust for other new services	177	85
Adjust for reduction in pension deficit payments in 2022/23	(72)	-
Adjust for accounting changes in LEZ/DVS operating costs	47	-
Cost of operations (like-for-like basis)	**(6,236)**	(5,779)
Adjust for RPI at 12.9 per cent	**710**	-
Cost of operations (like-for-like basis) in real terms (2021/22 prices)	**(5,526)**	**(5,779)**
Year-on-year decrease in real terms	**253**	
Year-on-year percentage decrease in real terms	**-4.4%**	

Like-for-like operating costs £457m (7.9 per cent) up on last year due to the high levels of inflation, but down in real terms. We remain focused on increased spend controls and reducing our core costs where possible.

Narrative Report and Financial Review (continued)

Gross expenditure by operating division (£m)



On the Underground, costs increased by £197m (nine per cent) in the year. 2022/23 saw the final year of the four-year pay deal paid to staff within London Underground, which delivered an 8.4 per cent increase to employees.

Total operating expenditure on the Elizabeth line at £490m was £61m (14 per cent) higher than the prior year figure of £429m, following the opening of the central operating section in May 2022.

The cost of operating Buses, streets and other operations at £3,216m increased by 12 per cent on the prior year figure of £2,884m mainly due to full-year costs of operating the expanded ULEZ.

Operating expenditure for the Rail division increased by 13 per cent from £486m in 2021/22 to £548m in 2022/23 with higher costs in London Overground (£34m) and DLR (£10m)

Property costs have decreased during the year – from £65m to £57m partly as a result of maintenance underspend with activity re-profiled to next 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 indirect operating cost of individual divisions.

As set out in Note 2, Central items not reported on a segmental basis 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 £1,410m in 2021/22 to £1,524m in 2022/23 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.

Narrative Report and Financial Review (continued)

Net interest and finance income/charges

Gross financing and investment expenditure for the year was £750m, £248m above the prior year.

This increase was primarily a reflection of valuation losses of £155m recognised in relation to the Group's investment property portfolio. In 2021/22 £93m of valuation gains had been recognised within financing and investment income.

Also within this overall total, interest payable on direct borrowings increased by three per cent from £433m to £444m. This increase is the result of increased market rates achieved on borrowing refinanced during 2022/23. As at 31 March 2023, we had a nominal £12.937bn of borrowings, of which around £0.7bn was short-term borrowing under the Commercial Paper programme. The weighted average interest rate was 3.4 per cent and the borrowings had a weighted average remaining life to maturity of 19.7 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 2022/23 totalled £32m (£115m in 2021/22).

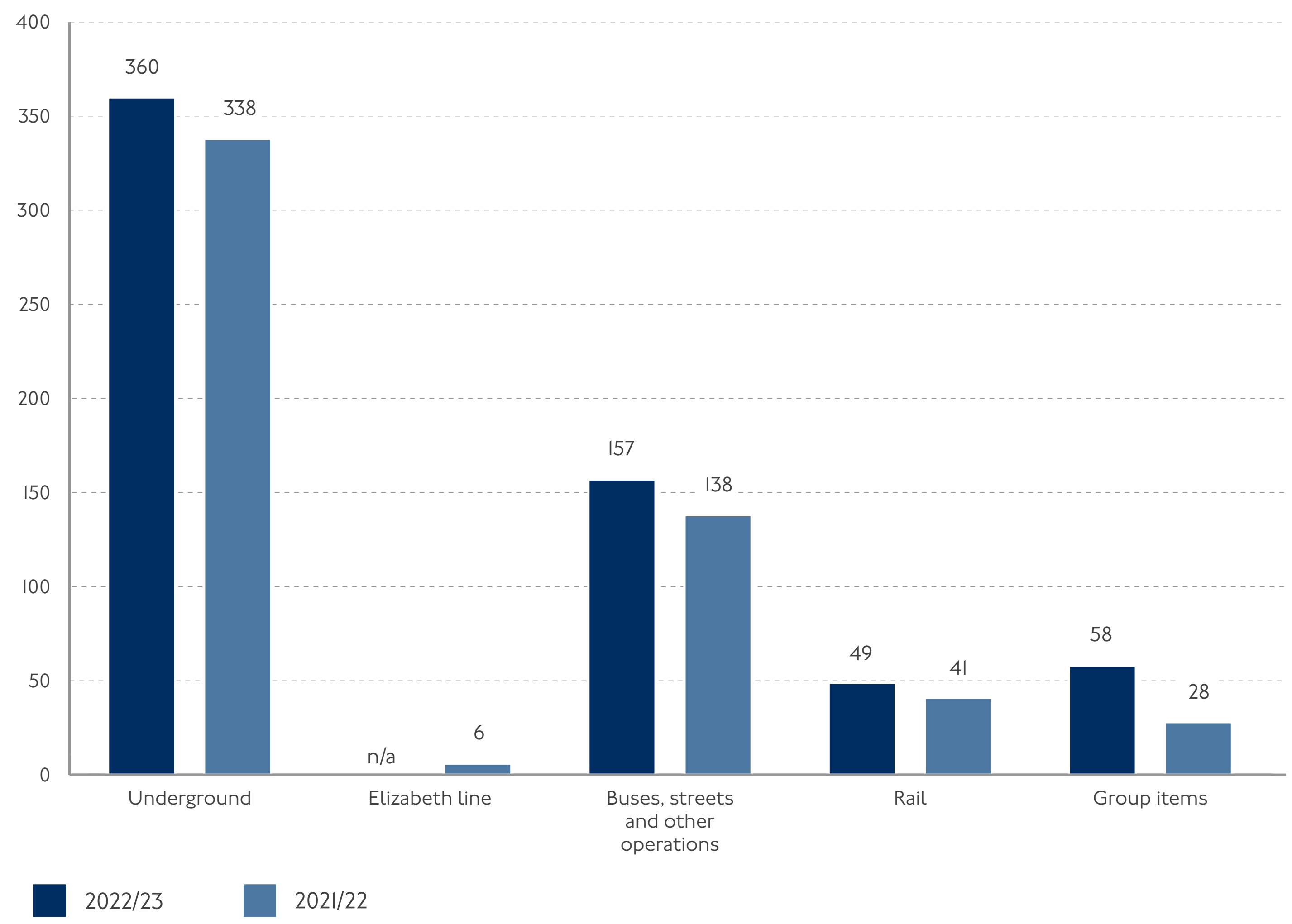
Interest payable on leases, including contingent rentals in respect of PFIs, increased from £71m in 2021/22 to £93m in 2022/23, reflecting a portion of lease contracts that are impacted by increasing interest rates. The Group's net interest expense in respect of its defined benefit pension scheme obligations increased from £106m in 2021/22 to £79m in 2022/23.

Gains from the disposal of investment properties decreased from £105m in 2021/22 to £22m in 2022/23.

Capital expenditure

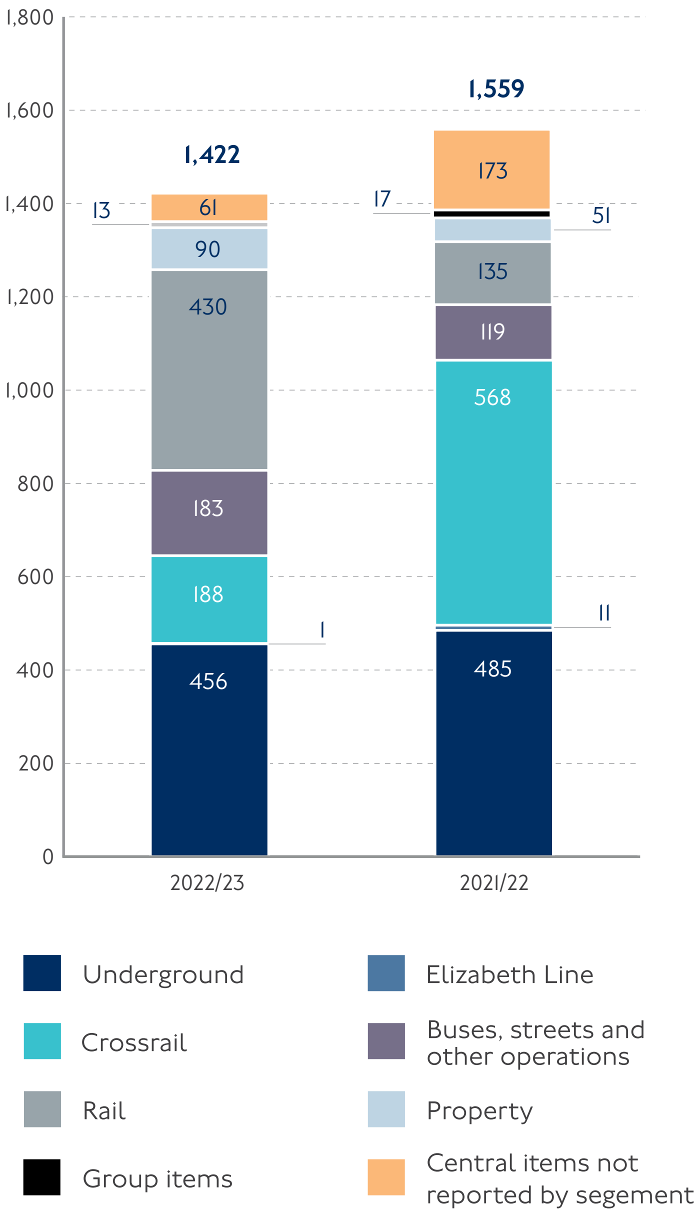
Total Group capital expenditure for the year, including property, plant and equipment intangibles, investment in associates and investment properties totalled £2,046m (2021/22 £2,110m). Within this total £624m was spent on capital renewals (2021/22 £551m).

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 £816m, down slightly from £823m in the prior year. This included £456m of new capital investment and £360m of asset renewals.

A further £53m was invested in the Bank station upgrade this year, which will increase capacity by 40 per cent. The capacity upgrades are alongside additional upgrades improving the passenger flows and overall experience. Improvements include step-free access to the Northern line, improved access to DLR platforms, two new moving walkways, 12 new escalators and two new lifts to serve the Northern line and DLR. There are more direct routes within the station and a new station entrance on Cannon Street. The new street-level entrance on Cannon Street was officially opened by the Mayor of London on 27 February 2023. This includes six further escalators between street level and the Northern line platform level, step-free access to the Northern line for the first time and improved step-free access to the DLR via new lifts. This completes the transformation of Bank station, which is a significant milestone.

£115m was spent on the Four Lines Modernisation project. As part of this programme, we have introduced 192 new S-stock trains on the network. On 11 September 2022, a new timetable was introduced enabling a journey time improvement of around five per cent on average on the Circle and District lines between Monument, Fulham Broadway, Barons Court and Paddington. We continue to make good progress on the programme, which is delivered by progressively installing new signalling onto sections of the railway. The signalling section between Stepney Green and Becontree went live on 15 January 2023. This represented a major achievement for the programme as it completes the rollout of the new signalling on the Hammersmith & City line, further improving reliability for customers. The signalling section between Dagenham East and Upminster went live on 19 March 2023. This is another significant achievement for the programme as it extends the rollout of the new signalling system on the District line, completes automatic running on the east of the railway, and connects the first depot to the network.

A further £230m was invested in relation to the Piccadilly line upgrade. In December 2022, Siemens completed the manufacture of the second in type key motor car shell for the first new Piccadilly line train. This follows the successful assembly of the first intermediate motor cars in June 2022. In February 2023, we delivered 22 out of 44 power connections in the communication equipment room, a significant step towards enabling train and platform CCTV to be installed. This marks the completion of 50 per cent of planned installations. Once completed, this work will enable the one-person operation and off-train communications equipment to be installed. One person operation CCTV is a safety related system that enables the train operator to view passengers along the platform at the interface with the train.

Total capital expenditure within the Buses, streets and other operations division of £340m is £83m higher than in 2021/22. Within this total, the amount spent on renewals increased from £138m to £157m and on new capital investment from £119m to £183m.

Narrative Report and Financial Review (continued)

Work progressed on the Silvertown Tunnel, a new 1.4km long twin-bore public transport focused road tunnel linking the A102 Blackwall Tunnel Approach on the Greenwich Peninsula to the Tidal Basin Roundabout in the Royal Docks area. Tunnelling began on this project at the end of August 2022. Jill, the tunnel boring machine, reached the rotation chamber in the Greenwich site in February 2023, completing the tunnelling of the first bore, which was a significant milestone for the project. Work has begun to rotate the tunnel boring machine within the rotation chamber, which is an innovative and complex process.

Construction has begun on the new walking and cycling bridge across the A102, which will replace the existing 1960s footbridge with a new, fully accessible bridge built to modern design standards and with improved lighting. The new bridge will provide a safe and easily accessible crossing for those walking and cycling, including those using cargo bikes, on the Greenwich Peninsula and has taken into consideration future neighbouring development proposals. The main span of the new bridge was installed in March, and the existing bridge will be kept in use until the new bridge is fully opened.

The DfT's active travel fund has now delivered more than 25km of new or improved cycling infrastructure. Boroughs worked tirelessly to deliver ambitious schemes, significantly expanding London's cycle network. Building on the success of the programme, cycling delivery will continue across London via the borough cycling programme. Funding for this programme has now ended and we continue to deliver Active Travel schemes as part of the most recent £63m funding settlement which was confirmed to the boroughs in March 2023. We continue to reduce road danger in line with the Vision Zero Action Plan, as well as making it easier to walk, cycle and travel by bus across London. It will also accelerate progress towards mode shift, decarbonisation, economic recovery and tackling health inequalities.

Following removal of the Old Street roundabout, construction continues with the highway works on the four approach arms to the junction, including the infilling of Subway 3 on the south-western side of the junction. As well as the green roof for the main station entrance, the project is promoting other environmental initiatives with sustainable drainage systems installed in the disused subways for which there is a £155k funding contribution from Thames Water and last year the site became diesel free so all plant and machinery is now powered by battery or electric.

Total capital expenditure within the Rail division of £479m is £303m higher than in 2021/22. £281m of this increase relates to the purchase of the London Overground class 378 fleet. We were exposed to various financial risks, including interest rate and refinancing risks, in relation to the lease agreements for these trains and so to mitigate against these risks the decision was made to purchase the fleet.

The DLR rolling stock programme (including the element funded through the Housing Infrastructure Fund) increased spend this year by £133m. The manufacture of the new rolling stock in Spain is continuing to plan with 11 trains completed in 2022/23. The second new train was delivered to Beckton depot in early March 2023, while the first train delivered in January 2023 is now undergoing testing on DLR network in engineering hours. We completed signalling testing of the new software on the DLR network with the existing fleet in preparation for the arrival of the new trains. Following this, we have successfully completed the first stage of signalling integration testing with the new train running under automatic signalling control.

We have received confirmation from the Government to activate an option to purchase 11 additional trains, which are funded through the Housing Infrastructure Fund. This will provide additional capacity and unlock further housing benefits in the Royal Docks and Isle of Dogs. We are currently finalising negotiations with the supplier for the delivery of these trains.

A further £6m spend completed the Barking Riverside Extension between Gospel Oak and Barking Riverside, which opened on 18 July 2022. We were able to open the station ahead of the previously scheduled autumn completion date due to good progress in driver training, support from Network Rail, and by applying finishing touches to the station. It has been running a good service. Signal assets have also been transferred to Network Rail following the commissioning of the banner repeater signal in January 2023.

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 started construction on thousands of homes, including at Bollo Lane and Southall in Ealing, Montford Place and Nine Elms in Lambeth, and Arnos Grove in Enfield. This brings the total number of homes built or in construction to 4,100.

We have appointed Barratt London as our joint venture partner for the project at Bollo Lane, subject to contract completion. Barratt London was appointed after a competitive dialogue procurement process. This new strategic partnership will also have the opportunity to develop our other sites across west London, helping to deliver thousands of new and much-needed homes with close access to public transport.

Narrative Report and Financial Review (continued)

We also launched homes to the market at our site in construction at Wembley Park Gardens. These will consist of 302 one- and two-bedroom properties, spread across five buildings of varying height, with Metropolitan Thames Valley Housing Association delivering a further 152 affordable homes. We expect the first residents to be able to move in from spring 2025, boosting opportunities for first-time buyers to make their step on to the housing ladder. Sustainability is at the heart of Wembley Park Gardens with solar panels, trees and biodiverse green roofs proposed for inclusion in the scheme. The public transport on offer includes the Jubilee and Metropolitan lines, connecting residents to central and outer London in a matter of minutes.

During the year, £188m was spent on the Crossrail project. The Elizabeth line opened on Tuesday 24 May 2022 with services between Paddington and Abbey Wood. TfL Rail services from Reading and Heathrow to Paddington mainline, and Shenfield to Liverpool Street mainline were also rebranded to the Elizabeth line on this day.

Bond Street's Elizabeth line station opened on 24 October 2022. The station can accommodate nearly 140,000 Elizabeth line passengers daily, contributing to an overall station capacity of 225,000 across the Jubilee, Central and Elizabeth lines, providing a new link to one of the busiest shopping districts in Europe. The station features two brand-new, spacious ticket halls which lead passengers to the 255-metre long Elizabeth line platforms. The journey is step-free from street to train, with two lifts, further enhancing accessibility on the Elizabeth line and across our network.

People landing at Heathrow Airport are now able to travel straight through central London on a direct train to areas such as Farringdon and Canary Wharf.

New capital investment spend includes £31m 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 using our street 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 2023 amounted to £1,402m, a decrease of £7m since the end of 2021/22, enabling us to continue to meet the requirements of our long-term funding settlement with the Government. Of the total cash balance, £165m is held for the Crossrail project, London Transport Museum Limited (LTM), London Transport Insurance (Guernsey) Limited (LTIG) and Places for London Limited (Places) formerly TTL Properties Limited.

Our liquidity policy requires that we aim to maintain cash reserves equivalent to at least 60 days' worth of forecast annual operating expenditure, on average (around £1.2bn for 2022/23). Our cash reserves remained on average around this level. This is in line with the long-term funding settlement agreed with Government in August 2022, which requires that usable cash reserves are maintained at no more than £1.2bn on average.

The average yield from our cash investments for 2022/23 was 2.21 per cent, an increase from 0.10 per cent in 2021/22. The investment yield reflects the recent interest rates environment and the conservative nature of our investment strategy.

Pensions

As at 31 March 2023, the majority of our employees were members of the TfL Pension Fund.

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.

Narrative Report and Financial Review (continued)

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 2023. 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.

On this IAS 19 basis, the Public Sector Section's net deficit/surplus decreased from a £2,997m deficit at the start of the year to a £1,630m surplus at the end of the year, as a result of a change in the financial assumptions adopted. The increase in discount rate significantly reduced the value of the liabilities over the accounting period. This was magnified by a reduction in the inflation assumption which further reduced the value of the liabilities.

The total net surplus recognised in respect of all funded and unfunded pension arrangements at 31 March 2023 amounted to £1,543m (2022 £3,202m deficit).

Prospects, outlook, and principal risks

Government funding

TfL is one of the only major transport authorities in Europe not to receive a regular Government grant to cover day-to-day operations, with fares having made up more than 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 before the pandemic.

Despite this, even before the pandemic, we still required external support for new capital investment. We have lacked certainty on capital funding since around 2018 and before the short-term extraordinary funding settlements during the pandemic, we were subject to single-year rollovers and unclear capital funding arrangements.

The pandemic devastated our finances and exposed the inadequacy of our current funding model. Our significant exposure to changes in demand due to our high fixed costs and dependence on fares revenue mean that we are particularly susceptible to recessions, changed travel patterns and other travel demand shocks.

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

For the period 1 April 2020 to 31 March 2023, the Secretary of State for Transport has provided £5,117m of extraordinary funding grant through five distinct funding agreements. On top of this grant funding, a further £600m of additional borrowing from the PWLB was agreed in 2020/21.

We have been rebuilding our finances and have been on a trajectory of declining Government support. We are now on course to achieve operating financial sustainability in 2023/24.

The latest TfL Budget, published in March 2023, shows us delivering an operating surplus in 2023/24 of £79m, having received Government base funding of £798m in 2022/23. While the actual level of passenger demand will determine whether DfT revenue top-up grant is required to deliver the operating surplus, all DfT base funding in 2023/24 is applied to capital investment. Therefore, we are able to demonstrate that we are financially sustainable from April 2023 onwards, in line with the requirements of the funding settlements.

However, the current Government funding settlement expires on 31 March 2024 and there is no certainty on future capital funding support from Government. In its funding settlement letters, the Government has consistently recognised that we – similar to transport authorities around the world – cannot solely finance investment in major capital projects and renewals from our own operating incomes.

Based on these statements, the 2023 TfL Business Plan assumes that further Government capital funding is provided from April 2024 onwards to contribute towards rolling stock and signalling programmes. In 2024/25, we are able to fund around three-quarters of our total £2bn capital investment, but a Government funding contribution of £475m is assumed. Without certainty on this funding from Government, we will have to descope and defer planned capital investment in our 2024 Business Plan, due to be published in December 2023.

Without a clear picture of future resources, we cannot plan for the future of our network and optimise the benefits we 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 us and other transport operators in the UK and beyond.

Narrative Report and Financial Review (continued)

Passenger income
Rebuilding our ridership has been a key area of focus after the pandemic. Our colleagues have continued to work tirelessly to attract customers back onto our network, including by delivering exceptional customer service, and creating a safe and clean environment on our buses, trains and in stations through our enhanced cleaning regime. By the end of 2022/23, the demand for services had recovered to 85 per cent of pre-pandemic levels.

The central section of the Elizabeth line was opened by Her Majesty Queen Elizabeth II on 24 May 2022. Full through-running of the Elizabeth line – direct journeys between Shenfield in the east and Heathrow and Reading in the west – began on 21 May 2023, and marks the final stage of opening of the Elizabeth line. To the end of 2022/23, the Elizabeth line carried more than 130 million passengers, which reflects the line's ability to improve and enhance travel across the city for all Londoners.

In March 2023, the Mayor increased TfL fares under his control by 5.9 per cent – a rise in line with the increase in National Rail fares. This rise was lower than the usual RPI plus one per cent formula, reflecting the growth in average earnings in July 2022 and the Secretary of State's desire to strike a balance between passengers who use rail transport, and taxpayers who help pay for them. Notwithstanding the departure from the usual formula, we continue to plan on the basis that our fares are uplifted by RPI plus one per cent on average annually from March 2025, noting that this will be subject to a Mayoral decision.

Commercial development activity
On 20 June 2023, TTL Properties Limited ((TTLP) was renamed to Places for London Limited (Places). On 1 April 2022, Places was financially separated from TfL as a fully self-financing commercial property company. Places has the twin objectives of supporting our financial sustainability through delivering an increasing annual income stream and helping London's post-pandemic recovery, including through building thousands of new homes. Places's funding will come from a combination of receipts from property disposals and commercial debt. Places's capital programme sits outside the scope of our core business and is not part of its definition of financial sustainability.

Other income sources
As part of commitments made in December 2021 by the Mayor to the DfT to raise £500m in new income by 2023/24, and in addition to the fares options detailed earlier in this section, an increase of £20 in the Band D council tax Mayoral precept was implemented from the beginning of the 2022/23 financial year and paid over to us in accordance with the provisions of the 30 August 2022 funding settlement. This raised around £61m and the precept will rise by a further £20 in the 2023/24 financial year.

We are deploying the infrastructure required to ensure that the existing ULEZ is expanded to the Greater London Authority boundary on 29 August 2023, in line with the Mayor's commitment to tackle the triple threat of toxic air, congestion and the climate emergency. Expanding the ULEZ will improve London's air quality and it is also expected to result in net revenue for us while compliance levels improve.

Operating expenditure
Reducing our reliance on Government base funding was a key aim for 2022/23 and achieving financial sustainability in 2023/24 with all base funding applied to capital investment has required us to make significant savings in our cost base. Rising inflation during 2022/23 has posed a significant challenge to our operating costs, albeit we benefitted from an additional £15m of inflation-related funding from Government under the terms of the 30 August 2022 funding settlement. Aside from this additional funding, RPI continued to run higher than expected during 2022/23, with our original Budget (approved in March 2022) assuming average full-year RPI to be 5.7 per cent as compared to an actual average rate of 12.9 per cent for 2022/23.

While no longer being able to mitigate fully the impact of higher inflation, our 2023 Business Plan extended and expanded its recurring savings programme out to 2025/26 to identify and deliver sustainable savings that protect service performance, customer satisfaction and revenues as far as possible. This includes extensive modernisation programmes in our customer services, line operations and asset operation functions, contract savings, and operating model changes for our professional services. In 2022/23, we delivered £92m of recurring savings, in addition to the £398m of recurring savings delivered between 2019/20 and 2021/22 – contributing to the new and extended target of £998m of recurring savings by the end of 2025/26.

Narrative Report and Financial Review (continued)

Service levels
With the change in the post-pandemic travel patterns, we are seeking to adjust service levels to better reflect the changing needs of passengers while balancing the need to make savings and efficiencies and to respond to new Mayoral policies such as the expansion of the existing ULEZ in August 2023.

During summer 2022, we launched a consultation on bus service levels in central London, which received more than 21,500 responses. In response to the issues raised in the consultation, the Mayor identified additional funding averaging around £25m per year, which enabled us to reassess proposed changes and, as a result, cancel the most impactful changes resulting in progressing with only four of the original 16 neighbourhood proposals.

In March 2023, the Mayor announced plans for the Superloop – a major expansion of outer London's bus network made up of limited-stop express bus routes around outer London. The Superloop will provide quicker journey times, with the Mayor providing £6m funding as an initial catalyst to improvements to outer London orbital bus services. It is proposed to be introduced in stages with some routes that would become part of the Superloop currently in operation, providing quick links across outer London. The Superloop is in addition to the Mayor's existing commitment to add more than one million additional kilometres of bus routes in outer London ahead of the expansion of the ULEZ in August 2023.

On the Underground network, the Night Tube returned to the Jubilee and Northern lines in May and June 2022 respectively, and with the return of Night Tube services on the Piccadilly line in late July 2022, all Night Tube services that were suspended during the pandemic have now been fully restored.

The Elizabeth line was officially opened by Her Majesty Queen Elizabeth II in May 2022, providing significant additional capacity to London's transport network. At its launch, the Elizabeth line operated in three sections, West (Paddington to Heathrow/Reading); Central (Paddington to Abbey Wood); and East (Liverpool Street to Shenfield). In the central section, trains operated every five minutes from 06:30 to 23:00, Monday-Saturday and customers wanting to travel between the three sections of the line had to change at Paddington and/or Liverpool Street.

In May 2023, the final Elizabeth line timetable was implemented, increasing peak time frequencies and enabling customers from Shenfield and east London to travel directly to Heathrow Airport for the first time. In its first week of operation, more than 2.5 million journeys were made on the entire Elizabeth line route. Now, with journeys from the east and west running through central London, there are an average of around 3.5 million Elizabeth line journeys each week – with around 600,000 journeys on weekdays.

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 competitive.

We honoured the London Underground negotiated collective bargained pay agreement from 2020. The final year of the four-year pay deal, paid within London Underground, delivered a 8.4 per cent increase for employees. A four per cent increase was implemented across the rest of TfL.

The performance award scheme for 2021/22 required us to be financially sustainable by April 2023 and to run our operations free of extraordinary Government funding for revenue support in order to trigger the payment of any awards. As a result, no performance award payments were made during 2022/23.

In March 2023, we published our annual budget for 2023/24, demonstrating that, despite the difficulties caused by the pandemic and recent economic pressures, our own sources of income are expected to be greater than our operating costs, returning us to what we call 'operational financial sustainability'. This significant achievement is due to the ongoing hard work of colleagues across the organisation to increase passenger numbers, grow our income sources and reduce our costs. As a result, we are now able to confirm that we have achieved the overarching 'financial overlay trigger', and therefore able to proceed with the payment of performance awards for 2021/22 and 2022/23 in 2023/24.

Our 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 would be conducted independently, led by Sir Brendan Barber. An interim report was published in December 2021, which was followed by a Final Report in March 2022.

The Government funding settlement on 30 August 2022 set out further steps for the review of pensions. In line with this, we have submitted a response to Government to the Independent Pension Review in September 2022 and a Pensions Position Paper in October 2022. On 20 July 2023, TfL responded to the latest letter from the DfT that considered points raised as critical to progressing to a final option for reform. At the time of this report, no final decision has been made.

There are no current proposals to change the TfL pension scheme and there are no changes assumed in the 2023 TfL Business Plan.

Narrative Report and Financial Review (continued)

Enterprise Risk Management Framework
The TfL Board has overall accountability for Risk Management and the setting our Risk Appetite and Tolerance levels. Our Enterprise Risk Management Framework supports a broader and more integrated approach to managing risks across the organisation, enabling a co-ordinated and less siloed process including the provision of governance and assurance activities.

We launched our vision and values roadmaps of Safety and Security, Customer, Colleague, Green, and Finance to help deliver our objectives. The Enterprise Risk Management Framework has been updated to reflect these roadmaps. Our Strategic Risks are directly categorised by the roadmaps and the Enterprise level risks have been mapped to a relevant roadmap.

The Enterprise level risks have been assigned to an appropriate panel or committee and continue to be presented annually for scrutiny. Our Executive Committee reviews and discusses the Enterprise Risks on a quarterly cycle, once a full assessment of each enterprise risk has been carried out. There has also been the introduction of thematic Executive Committee sub groups. The strategic risks will be presented at their assigned sub group for review. 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.

Enablers

Decision making

- Mayor's Transport Strategy and Vision and Values Roadmaps
- Risk tolerance and apetite
- Culture and competence

Methodology

- Risk policy and procedure
- Risk guidance and tools
- Enterprise Risk Assessment Matrix

Hierarchy

Level 0 – Enterprise

TfL Executive Committee

Level 1 – Strategic

Colleague, Customer, Green, Finance, Safety and Security

Level 2 – Tactical

Operations, Assets, Programmes, Projects

Escalation and de-escalation

Governance and assurance

Governance

- Board, Committees and Panels
- Chief Officer meetings
- Client Portfolio, Programme and Project Meetings

Assurance

- Self Assurance Risk/Control
- Objective Assurance (TfL Assurance Providers)
- Independent Assurance (Internal Audit and IIPAG)

Our Enterprise Risks

Our Enterprise Risks have been consolidated down from 14 to 10 risks, following the post-pandemic review with some of the risks crystallising. Key mitigations for Enterprise Risks.

Risk	Title	Key mitigations
ER01	Inability to deliver safety objectives and obligations	• Improvements to the Safety, Health and Environment Management System • Contracts and regulations • Policies and programmes • Monitoring and benefits realisation • Strategies and targets that promote active, efficient and sustainable transport modes
ER02	Attraction, retention, and wellbeing of our employees	• Annual People Planning activity • Wellbeing interventions • Action on inclusion initiative • Talent management • Reward management • Critical role identification
ER03	Environment including climate adaptation	• Corporate Environment Plan • Environmental asset management Strategy and objectives • Short-term resilience planning • Environmental investment • Environmental training and competence
ER04	Significant security incident	• Security strategy, governance and culture • Threat intelligence and security liaison • Security risk management systems • Security incident preparedness • Our whistleblowing policy • Cyber security improvement programme
ER05	Efficient and high performing supply chains and effective procurement	• Financial monitoring • Centralised management of supply chain risks • Supply chain management and risk management analytics • Supplier communication and engagement • Engagement and collaboration with industry bodies
ER06	Deterioration of operational performance	• New risk assessments to be completed
ER07	Financial resilience	• Financial planning cycle: business planning, budgeting, forecasting and review of actuals • Daily cash reporting • Passenger demand forecasting: short term and longer term • Maintaining external credit ratings • Treasury management policy • Relationship management with Government
ER08	Delivery of our key investment programmes and projects	• Project management office operating model • Capital improvement group • Capital efficiencies plan • Central project list and baseline
ER09	Changes in customer demand	• Scenario and risk-based planning • Business planning and budgeting • Transport Innovation • Forecasting methods
ER10	Governance and controls suitability	• Standing orders • Governance framework and management system • Integrated assurance plan • Board effectiveness review • Privacy and Data Protection compliance Programme • Enterprise Risk Management Framework

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. We opted into this scheme.

For an audit firm to be eligible to tender for an audit contract with PSAA, they 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. Our appointed external auditor is Ernst & Young LLP.

During the year, Ernst & Young LLP was appointed by the PSAA as our auditor for the duration of the five-year appointing period, covering the audit of the accounts from 2023/24 to 2027/28.

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

- Qualification
- Expertise and resources
- Effectiveness
- Independence

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

Non-audit services

Under guidance issued by Financial Reporting Council 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.

Under our 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 2022/23, 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 one 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 14 per cent of the audit fee of the Corporation as a single entity for 2022/23.

Accounting statements

We are a statutory corporation established by section 154 of the GLA Act 1999. We are a functional body of the GLA and report 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 2022/23 (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.

Our 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 UK. 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. 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 Statement of Accounting Policies
- The Statement of Responsibilities for the Accounts
- Notes to the Group and Corporation financial statements

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.

Narrative Report and Financial Review (continued)

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

Comprehensive Income and Expenditure Statement
This statement shows both the revenue received and the costs incurred in the year of providing services, in accordance with Generally Accepted Accounting Practices. Other comprehensive income and expenditure comprises unrealised gains and losses including revaluation gains on property, plant and equipment, fair value movements on derivative financial instruments and remeasurement gains or losses on defined benefit pension schemes.

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

The Cash Flow Statement
The Cash Flow Statement shows our changes in cash and cash equivalents during the financial year. The statement shows how we generate 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 our operations 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 our future service delivery.

Movement in Reserves Statement
This statement shows the movement in the year on the different reserves we held, 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.

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 2023.

SIGNATURE

Patrick Doig
Statutory Chief Finance Officer
XX September 2023

Independent Auditor's Report to the Members of Transport for London

Opinion
We have audited the financial statements of Transport for London ('TfL') and its subsidiaries (the 'Group') for the year ended 31 March 2023 under the Local Audit and Accountability Act 2014 (as amended). The financial statements comprise the:

- Group Comprehensive Income and Expenditure Statement,
- Group Balance Sheet,
- Group Movement in Reserves Statement,
- Group Statement of Cash Flows,
- Corporation Comprehensive Income and Expenditure Statement,
- Corporation Balance Sheet,
- Corporation Movement in Reserves Statement,
- Corporation Statement of Cash Flows
- Accounting Policies
- the related notes 1 to 44

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion the financial statements:

- give a true and fair view of the financial position of Transport for London ('the Corporation') and the Group as at 31 March 2023 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and the Local Audit and Accountability Act 2014 (as amended). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group and the Corporation's ability to continue to adopt the going concern basis of accounting included:

- We understood management's assessment of funding requirements and commitments for the going concern period to the 31 March 2025 by reconciling 2023/24 and 2024/25 budget back to supporting evidence and testing the mathematical accuracy of the forecast.
- We considered the historical accuracy of management's budgets and forecasting by comparing the last two years variances in actual outturn, as well as the post-year end period to August 2023, to assess the risk of the budgets used in the funding discussions omitting material commitments.
- We validated performance to date on efficiency savings programmes, to determine the potential risk of non-delivery of the savings assumed within the budget,
- We understood the nature of the conditions set out in the agreement with the DfT dated 30 August 2022. In particular, we understood the terms and availability of funding related to inflation, cost savings, the dispute mechanism and the utilisation of funding for the planned operating services or capital purposes.
- We validated the performance against conditions set out in DfT funding agreement dated 30 August 2022 and the control mechanisms in place at TfL to monitor performance, to assess the risk of noncompliance with conditions which could therefore result in a reduction in funding in the going concern period to 31 March 2025.
- We challenged each material element of downside risk identified by management, including those related to inflation and cost savings and tested to supporting evidence to assess the underlying assumptions and the appropriateness of TfL calculations.
- We stress tested the downside risk, using severe but plausible parameters, considered completeness of downside risks and calculated a "worst case" downside risk– this included using increased inflation rates, reduced cost savings, changes to passenger fares and other reductions to revenue.
- We considered the mitigations available to TfL, challenged the assumptions over access to further borrowing and other potential mitigations to determine the reasonableness of those options. We assessed the headroom available against TfL's Authorised Prudential Borrowing Limit over the going concern period and considered the accessibility of borrowing from the Public Works Loans Board.
- We assessed the adequacy of the going concern disclosures relating to the ability to deliver current planned operational services within available sources of funding in the financial statements.

Management has concluded that the Group has access to sufficient mitigations including accelerating planned borrowing within their Authorised Prudential Borrowing Limit and descoping and deferring planned capital investment in its 2024 Business Plan to mitigate the risks outlined in their going concern assessment. The Authority's management has determined, having set a balanced budget for 2023/24 and 2024/25, that they have sufficient income to continue to provide services within the going concern period without having to make unplanned service reductions.

Going concern has also been determined to be a key audit matter.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Corporation's ability to continue as a going concern for a period to the 31 March 2025.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Overview of our audit approach

Audit scope	• We performed an audit of the complete financial information of two components • The components where we performed full audit procedures accounted for 99 per cent of expenditure, 99 per cent of Surplus before tax and 99 per cent of total assets
Key audit matters	• Going concern • Revenue recognition • Capital projects • Property valuation
Audit scope	• We performed an audit of the complete financial information of two components • The components where we performed full audit procedures accounted for 99 per cent of expenditure, 99 per cent of Surplus before tax and 99 per cent of total assets
Materiality	• Overall group materiality of £86.8 million which represents one per cent of Group operating and capital expenditure • Corporation materiality of £163 million which represents 0.5 per cent of total assets

An overview of the scope of the Corporation and Group audits

Tailoring the scope

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

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the four reporting components Transport for London Corporation, Transport Trading Limited (which consolidates Crossrail Limited) and London Transport Insurance (Guernsey) Limited). Only Transport Trading Limited and the Corporation are material to the Group, representing 99 per cent of the Group's expenditure. The other two entities represent less than one per cent of Group's expenditure, surplus before tax and total assets and are considered immaterial to the Group.

We performed an audit of the complete financial information of Transport for London Corporation and Transport Trading Limited (which consolidates Crossrail Limited) ("full scope components") which were selected based on their size or risk characteristics. For the remaining two components, we performed other audit procedures including analytical review, testing of consolidation journals and intercompany eliminations to respond to any potential risks of material misstatement to the Group financial statements.

The reporting components where we performed audit procedures accounted for 99 per cent (2022: 99 per cent) of the Group's operating and capital expenditure, 100 per cent (2022: 100 per cent) of the Group's Revenue and 99 per cent (2022 99 per cent) of the Group's Total assets.

Changes from the prior year

There were no changes in scope in the current year.

Involvement with component teams

All audit work performed for the purposes of the audit was undertaken by the Group audit team.

Climate change

There has been increasing interest from stakeholders as to how climate change will impact Transport for London. The Group has determined that the most significant future impacts from climate change on its operations will be from the impact of the increase in frequency of extreme weather events with periods of hot and cold weather, flash flooding and storm events. Such events can cause widespread disruption to operations and damage to assets whether caused by falling debris, flooding or failure of assets. This is explained on pages 12-16, which form part of the "Other information," rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated. As explained in the Accounting Policies, governmental and societal responses to climate change risks are still developing, and are interdependent upon each other, and consequently financial statements cannot capture all possible future outcomes as these are not yet known.

Our audit effort in considering climate change was focused on evaluating management's assessment that there is no impact of climate change risk, the adequacy of the Group disclosures in the financial statements and the conclusion that there is limited effect on accounting judgement and estimates for the current period or have any other impact on the financial statements as disclosed in (note ak) Climate Change of the Accounting Policies. We also challenged the Group's considerations of climate change in their assessment of going concern and associated disclosures.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

Key audit matters

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

Climate change will continue to affect our services

Revenue recognition relating to the allocation of fares received based on time periods, services provided by other parties and refunds

Risk	Our response to the risk	Key observations communicated to the Audit and Assurance Committee
Passenger income £4,046.6m (2022 £2,880.2m) - refer to note 1 in the consolidated financial statements. Transport for London (TfL) generated 69.7 per cent of its revenue from fares charged to customers during FY22/23. The recovery from the impact of COVID-19 and related lockdowns, has seen an increase in revenue compared to FY21/22, however this has not yet returned to pre-pandemic levels and as a result TfL remains dependent on extraordinary funding from Government which provides additional income for the gap between the level of funding required to cover operational expenditure. Fares revenue remains a focus of the financial statements audit due to the complexity and amount of judgement associated with it. This risk over revenue recognition specifically arises in the following judgemental areas, where there is opportunity to overstate revenue: • Oyster Pay As You Go and Contactless Pay: Revenue is recognised on a real time basis and is apportioned between TfL and Train Operating Companies where necessary. TfL requires a robust control environment to ensure that TfL's share of fares are accurately recognised as revenue and amounts due to the Training Operating companies are excluded as well as reflecting a level of expected refunds. • Travelcard and Through Ticket: Revenue from annual or periodic tickets and travel cards is recognised on a straight-line basis over the period of validity of the ticket or travel card. Revenue received in advance is released over the validity period. Daily travelcards and Through Tickets are recognised on the day of purchase. All the above is apportioned between TfL and the Train Operating Companies based on agreed apportionment factors.	Our testing of revenue recognition included both tests of control and substantive testing. Our test of controls focused on the effectiveness of the cash collection process and sales made at various sales outlets to provide evidence of existence of passenger income and services delivered. We obtained an understanding of the processes for recording fares revenue including the IT applications. We tested IT controls using our IT specialists for the SAP, CPAY and OXNR systems. We utilised the conclusions from an ISAE3402 report on the controls operated by service organisations over contactless ticketing and Oyster Pay as You Go. Our substantive testing of revenue relating to Oyster Pay as You Go, Contactless Pay, Travelcard and Through Ticket included: • We selected a sample of sales included in the sales database and agreed the information to sales returns received, analysed by outlets. For each return we have then re-performed the calculation of the amount to be recognised as revenue based on the product type and agreed it to the revenue recorded for that period. This calculation also includes the apportionment of revenue between TfL and the Train Operating Companies, which was tested for this sample. • We agreed the values reported as revenue in advance to the revenue system reports identifying the proportion of revenue relating to future periods for annual or periodic tickets and travel cards purchased in the 2022/23 year. We tested the parameters used in the report to confirm the appropriate calculation of this amount as payments received in advance. • We compared the assessment of fares apportioned to the Train Operating Companies for reasonableness against latest agreements, settlements in year and correspondence with the Train Operating Companies. We performed full scope audit procedures over this risk area for the whole Group, which covered 100 per cent of passenger income.	We concluded that the basis on which fares revenue is recognised is in accordance with the requirements of IFRS15 – Revenue from contracts with customers as applied by the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23. The judgements made related to fares revenue in the financial statements have been appropriately described.

Capital projects

Risk	Our response to the risk	Key observations communicated to the Audit and Assurance Committee
Additions to Group property, plant and equipment £1,979.6m (2022: £2,003.9m). Refer to note 13 in the consolidated financial statements. The TfL Group undertakes multiple capital projects at any point in time. These projects vary in size, complexity and length of time to complete and therefore there is a risk of inappropriate capitalisation of costs that do not meet the criteria of IAS16: Property, Plant and Equipment as applied by the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.	Testing of capital expenditure included both tests of controls and substantive testing to assess whether the expenditure capitalised in property, plant and equipment met the criteria under IAS16. We have gained an understanding of key controls and governance surrounding capital project accounting and management. Our test of controls focused on the effectiveness of the approval process for expenditure and for capitalisation, by testing controls related to the approval of capital expenditure recorded in property, plant and equipment to evidence of appropriate authorisation and of review of amounts capitalised. The following procedures were performed as part of our substantive testing: • We selected a sample of major projects and tested expenditure capitalised during the financial period to supporting project documentation, including third party reports and valuations and assessed whether the expenditure met the criteria for capitalisation. • We met with project managers for a sample of projects to understand the scope, progress and viability of the project, to enable us to consider whether the accounting amounts recorded were consistent with the understanding gained of any delivery challenges encountered, or disputes with contractors and to consider whether this indicated any expenditure did not meet the criteria for capitalisation. • We have compared the latest positions of the projects recorded in respect of "pain or gain" arrangements to contract terms and conditions and to the latest project outturn forecasts to assess the related value recorded in accruals. • We have also performed detailed testing on a sample of capital accruals to source documentation to test completeness of costs recognised at 31 March 2023. • We visited a sample of project sites to further understand the scope and the progress on projects for a sample of projects, to enable us to consider whether the accounting amounts recorded were consistent with the understanding gained of any delivery challenges encountered, or disputes with contractors and to consider whether this indicated any expenditure did not meet the criteria for capitalisation. We performed full scope audit procedures over this risk area for the whole Group, which covered 100 per cent of the risk amount.	We are satisfied that the capitalised costs in the year meet the criteria for capitalisation of IAS16: Property, Plant and Equipment as applied by the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and are appropriate.

Property valuation

Risk	Our response to the risk	Key observations communicated to the Audit and Assurance Committee
Investment properties £1,574.6m (2022: £1,713.3m) Refer to notes 13 and 16 in the consolidated financial statements. The TfL Group has an extensive and diversified property portfolio across London. Any changes to the assumptions used to value properties within the portfolio could have a significant impact on the financial statements due to the nature of the properties. External valuers perform a detailed valuation across the property portfolio during each financial year. Significant judgement is used during the valuation of the property portfolio due to the uniqueness thereof. Inaccuracies in inputs or inappropriate bases used in these judgements (in respect of estimated rental value and yield profile applied) could result in a material misstatement of the balance sheet.	The following procedures were performed as part of our substantive testing: • We obtained an understanding of management's process and controls around the valuation of properties. • We obtained management's valuations report for properties valued at 31 March 2023. • We evaluated the competence of the Group's external valuers, CBRE, which included consideration of their qualifications, expertise and independence. • We tested 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. • We met with TfL's external valuers and discussed the methodology applied and key judgements used in the valuation. Such judgements included the estimated rental value, yield profile and other assumptions that impact the value. • We selected a sample of investment properties based on a number of factors including size, risk and representation across asset classes. For all assets in this sample of properties, we tested source documentation provided by the Group to CBRE and the appropriateness of assumptions applied. This included agreeing a sample back to underlying lease data. • For certain assets within this sample, we used our valuation experts to assist in our testing of assumptions. Assets tested by our valuation experts were determined based on risk factors such as properties valued on a project basis and properties with significant movements in valuation from the prior year. Our valuation experts reviewed and challenged the valuation approach and assumptions these assets. They compared the yields applied to each property to an expected range of yields taking into account available market data and asset specific considerations. They assessed whether the other assumptions applied by the external valuers, such as the estimated rental values, voids and tenant incentives were supported by available data. They also considered whether other market transactions contradict the assumptions used in the valuation. We performed full scope audit procedures over this risk area for the whole Group, which covered 100 per cent of the risk amount.	We have concluded that property valuations were within an acceptable range and in compliance IAS 40: Investment Property as applied by the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23. The disclosures set out in the notes to the financial statements are fundamental to users' understanding of this matter. We conclude that the balances and disclosures in the financial statements and notes appropriately reflect the risk factors identified and are in compliance with the requirements of IAS40: Investment Property as applied by the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

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

We determined materiality for the Group to be £86.8 million (2022: £98.4 million), which is one per cent (2022: one per cent) of operational and capital expenditure. TfL Group's key responsibilities are to provide transportation services across London and to continue to develop the capital's transport infrastructure. TfL has two key purposes: operational responsibilities for transport services and the development of London's transport infrastructure. Both of these elements are of significant interest to the users of the financial statements identified above and we therefore determined that TfL expenditure in these areas is an appropriate measure for planning materiality.

We determined materiality for the Transport for London Corporation to be £163.4 million (2022: £160.0 million), which is 0.5 per cent (2022: 0.5 per cent) of total assets. However, as this exceeded the materiality noted above for the Group, we restricted materiality for the Corporation to the same amount (£86.8 million).

Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2022:50%) of our planning materiality, namely £43.4 million (2022: £49.2 million). In setting performance materiality at this percentage based on our assessment of the Group's internal control environment and the extent and nature of audit findings identified in the prior period.

Audit work at Transport for London Corporation and Transport Trading Limited for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, we set performance materiality for Transport for London Corporation of £15.2 million (2022: £17.2 million) and Transport Trading Limited £36.9 million (2022: £41.8 million).

Reporting threshold

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

We agreed with the Audit and Assurance Committee that we would report to them all uncorrected audit differences in excess of £4.3 million (2022: £5 million), which is set at five per cent of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the National Audit Office's Code of Audit Practice 2020

In our opinion:

- the parts of the Remuneration Report identified as subject to audit have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

Matters on which we are required to report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Group and the Corporation;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended);
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended);
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended);
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended);
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended); or
- we are not satisfied that the Group and the Corporation has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have nothing to report in these respects.

Responsibility of the Statutory Chief Finance Officer

As explained more fully in the Statement of the Statutory Chief Financial Officer Responsibilities set out on page 125, the Statutory Chief Financial Officer is responsible for the preparation of the financial statements which includes the Group and Corporation financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Statutory Group Financial Officer is responsible for assessing the Group and Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are the Accounts and Audit Regulation 2015, the Local Government Act 2003 and the Local Government Finance Act 2012. In addition, we considered that there are certain significant laws and regulations which could have an effect on the determination of the amounts and disclosures in the financial statements being the General Data Protection Regulation, Public Contracts Regulations 2015, Civil Enforcement of Road Traffic Contraventions Regulation and those laws and regulations relating to health and safety.
- We understood how the Group is complying with those frameworks by making enquiries from those charged with governance, those responsible for legal and compliance procedures and from internal audit. We understood the oversight of those charged with governance, the culture of honesty and ethical behaviour and whether a strong emphasis is placed on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and punishment, We corroborated our enquiries through our review of board minutes, papers provided to the Audit and Assurance Committee and correspondence received from regulatory bodies.

- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by meeting with management within various parts of the business to understand where they considered there was susceptibility to fraud. Where the risk was considered higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements are free from fraud or error.

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved a review of board minutes to identify any non-compliance with laws and regulations, a review of the reporting to the Audit and Assurance Committee on compliance with regulations, enquiries of the Head of Counter-Fraud and Corruption and enquiries of management.

- To address our fraud risk around the manipulation of reported financial performance through improper recognition of revenue, we have completed the procedures set out in the key audit matter above on revenue recognition relating to the allocation of fares received based on time periods, services provided by other parties and refunds.

- To address our fraud risk of inappropriate capitalisation of revenue expenditure we have completed the procedures set out in the key audit matter above on capital projects.

- To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website. This description forms part of our auditor's report.

Other matters we are required to address

- We were appointed by Public Sector Audit Appointments on 20 July 2017 to audit the financial statements for the year ending 31 March 2019 and subsequent financial periods.

- The period of total uninterrupted engagement is five years, including previous renewals and reappointments is seven years, covering the years ending 31 March 2016 to 31 March 2023.

- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Corporation and we remain independent of the Group and the Corporation in conducting the audit.

The audit opinion is consistent with the additional report to the Audit and Assurance Committee.

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

We have undertaken our review in accordance with the Code of Audit Practice 2020, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in December 2021, as to whether the Transport for London had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Transport for London put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Delay in certification of completion of the audit

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

In addition, we cannot formally conclude the audit and issue an audit certificate until we have issued our Auditor's Annual Report for the year ended 31 March 2023. We have completed our work on the value for money arrangements and will report the outcome of our work in our commentary on those arrangements within the Auditor's Annual Report.

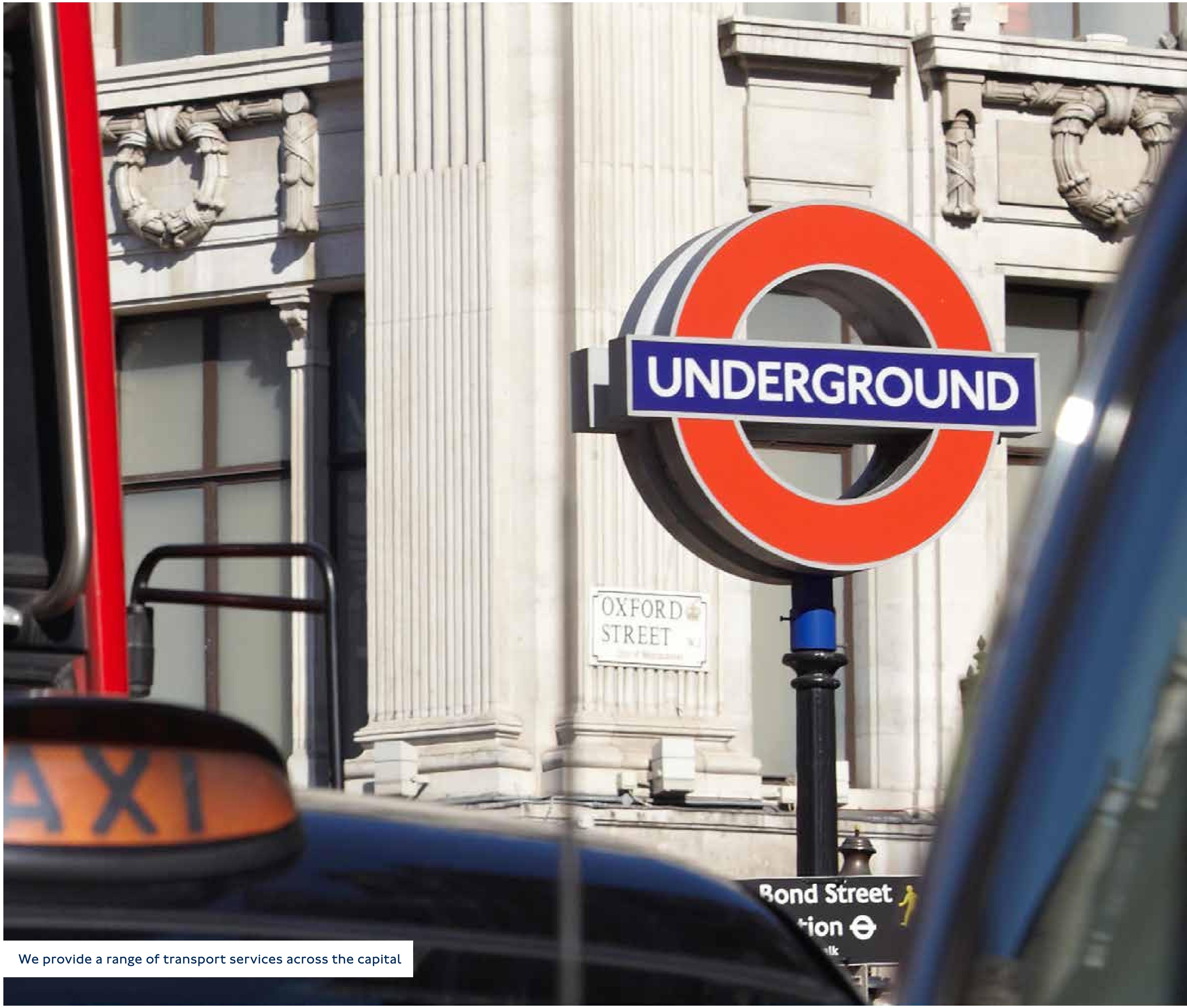
Until we have completed these procedures, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Transport for London, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended). Our audit work has been undertaken so that we might state to the members of Transport for London those matters we are required to state to them in an auditor's report and for no other purpose as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

SIGNATURE

Janet Dawson
(Key Audit Partner) for and on behalf of Ernst & Young LLP, (Local Auditor) London
XX September 2023



We provide a range of transport services across the capital

Group Comprehensive Income and Expenditure Statement

Year ended 31 March	Note	Gross service income 2023 £m	Gross expenditure 2023 £m	Net income/ (expenditure) 2023 £m	Gross service income 2022 £m	Gross expenditure 2022 £m	Net income/ (expenditure) 2022 £m
Operating segment							
Underground		**2,241.0**	**(2,480.0)**	**(239.0)**	1,545.0	(2,283.0)	(738.0)
Elizabeth line		**325.0**	**(490.0)**	**(165.0)**	121.0	(429.0)	(308.0)
Buses, streets and other operations		**2,513.0**	**(3,216.0)**	**(703.0)**	1,968.0	(2,884.0)	(916.0)
Rail		**385.0**	**(548.0)**	**(163.0)**	304.0	(486.0)	(182.0)
Property		**100.0**	**(57.0)**	**43.0**	80.0	(65.0)	15.0
Other group items		**262.0**	**(264.0)**	**(2.0)**	330.0	(331.0)	(1.0)
	2	**5,826.0**	**(7,055.0)**	**(1,229.0)**	4,348.0	(6,478.0)	(2,130.0)
Central items not reported on a segmental basis	2	**(22.4)**	**(1,435.2)**	**(1,457.6)**	(34.6)	(1,292.7)	(1,327.3)
Net cost of services	2	**5,803.6**	**(8,490.2)**	**(2,686.6)**	4,313.4	(7,770.7)	(3,457.3)
Other net operating expenditure	7			**(86.4)**			(36.2)
Financing and investment income	8			**101.8**			202.6
Financing and investment expenditure	9			**(749.6)**			(501.8)
Grant income	10			**3,522.5**			4,351.1
Surplus on the provision of services				**101.7**			558.4
Group share of profit before tax of joint ventures	17			**8.8**			7.9
Group share of loss before tax of associated undertakings	18			**(41.5)**			24.0
Group surplus before tax				**69.0**			590.3
Taxation	11			**4.8**			(86.2)
Group surplus after tax				**73.8**			504.1

Year ended 31 March	Note	Gross service income 2023 £m	Gross expenditure 2023 £m	Net income/ (expenditure) 2023 £m	Gross service income 2022 £m	Gross expenditure 2022 £m	Net income/ (expenditure) 2022 £m
Group surplus after tax				**73.8**			504.1
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			**1.6**			21.9
Surplus on the valuation of newly created investment properties	15			**6.0**			49.0
Deferred tax on the surplus on valuation of newly created investment properties	11			**-**			(54.7)
Net remeasurement (loss)/gain on defined benefit pension schemes*	35			**5,087.3**			2,790.9
				5,094.9			2,807.1
Items that may be subsequently reclassified to profit or loss							
Movement in fair value of derivative financial instruments*	37			**17.6**			51.9
Derivative fair value loss reclassified to income and expenditure*	37			**9.4**			10.2
Discontinued hedging relationship	37			**13.5**			(15.0)
				40.5			47.1
				5,135.4			2,854.2
Total comprehensive income and expenditure				**5,209.2**			3,358.3

* There is no tax effect of these items on other comprehensive income and expenditure in the years ended 31 March 2023 or 2022 (see Note 11)

Group Balance Sheet

	Note	31 March 2023 £m	31 March 2022 restated* £m
Long-term assets			
Intangible assets	12	**257.1**	256.5
Property, plant and equipment	13	**44,588.5**	43,791.5
Right-of-use assets	14	**1,954.5**	2,209.9
Investment property	15	**1,574.6**	1,713.3
Investment in joint ventures	17	**79.7**	47.3
Investment in associated undertakings	18	**166.7**	197.5
Derivative financial instruments	30	**26.2**	13.2
Finance lease receivables	19	**9.1**	23.2
Retirement benefit surplus	35	**1,631.4**	-
Debtors	21	**60.2**	72.2
		50,348.0	48,324.6
Current assets			
Inventories	20	**78.7**	58.1
Debtors	21	**696.3**	523.7
Assets held for sale	22	**53.7**	160.9
Derivative financial instruments	30	**1.7**	1.4
Finance lease receivables	19	**5.2**	13.8
Other investments	23	**15.0**	19.0
Cash and cash equivalents	24	**1,387.5**	1,390.2
		2,238.1	2,167.1
Current liabilities			
Creditors	25	**(2,062.9)**	(1,806.8)
Capital grants received in advance	25	**(43.4)**	(40.1)
Borrowings	26	**(693.7)**	(1,423.0)
Right-of-use lease liabilities	14	**(299.6)**	(334.1)
PFI liabilities	27	**(14.3)**	(10.6)
Other financing liabilities	28	**(6.6)**	(6.4)
Derivative financial instruments	30	**(3.4)**	(6.5)
Provisions	29	**(175.1)**	(99.3)
		(3,299.0)	(3,726.8)

	Note	31 March 2023 £m	31 March 2022 restated* £m
Long-term liabilities			
Creditors	25	**(83.5)**	(71.8)
Capital grants received in advance	25	**(4.1)**	(10.5)
Borrowings	26	**(12,216.6)**	(11,543.3)
Right-of-use lease liabilities	14	**(1,915.9)**	(2,102.2)
PFI liabilities	27	**(76.7)**	(91.0)
Other financing liabilities	28	**(115.1)**	(121.7)
Derivative financial instruments	30	**(10.1)**	(14.2)
Deferred tax liabilities	11	**(370.4)**	(375.2)
Provisions	29	**(49.9)**	(86.6)
Retirement benefit obligation	35	**(88.1)**	(3,201.5)
		(14,930.4)	(17,618.0)
Net assets		**34,356.7**	29,146.9
Reserves			
Usable reserves		**319.1**	634.1
Unusable reserves	37	**34,037.6**	28,512.8
Total reserves		**34,356.7**	29,146.9

* Details of the restatement are included within Note 40

The notes on pages XX to XX form part of these financial statements. These financial statements were approved by the Audit and Assurance Committee acting on behalf of the Board on 20 September 2023 and signed on its behalf by:

SIGNATURE

Mark Phillips
Chair, Audit and Assurance Committee
XX September 2023

Group Movement in Reserves Statement

	Note	General Fund £m	Earmarked Reserves £m	**General Fund and Earmarked Reserves £m**	Street Works Reserve £m	Capital grants unapplied account £m	**Usable reserves £m**	Corporation unusable reserves £m	**Total Corporation reserves £m**	Share of Group Unusable reserves £m	**Total reserves £m**
At 1 April 2021 (as previously reported)		500.0	362.1	**862.1**	24.8	-	**886.9**	10,355.1	**11,242.0**	14,545.7	25,787.7
Prior period correction in respect of MRP*		-	(46.4)	**(46.4)**	-	-	**(46.4)**	46.4	**-**	-	**-**
At 1 April 2021 (restated)		500.0	315.7	**815.7**	24.8	-	**840.5**	10,401.5	**11,242.0**	14,545.7	**25,787.7**
Movement in reserves during 2021/22											
Group surplus after tax		2,875.8	-	**2,875.8**	-	-	**2,875.8**	-	**2,875.8**	(2,371.7)	**504.1**
Other comprehensive income and expenditure		-	-	**-**	-	-	**-**	2,774.0	**2,774.0**	80.2	**2,854.2**
Total comprehensive income and expenditure		2,875.8	-	**2,875.8**	-	-	**2,875.8**	2,774.0	**5,649.8**	(2,291.5)	**3,358.3**
Adjustments between group and authority accounts		(2,741.3)	-	**(2,741.3)**	-	-	**(2,741.3)**	-	**(2,741.3)**	2,741.3	**-**
Net (decrease)/increase before transfers		134.5	-	**134.5**	-	-	**134.5**	2,774.0	**2,908.5**	449.8	**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 statutory provisions (restated)*	38	(341.3)	-	**(341.3)**	0.4	-	**(340.9)**	340.9	**-**	-	**-**
Net (decrease)/increase before transfer to/from Earmarked Reserves		(206.8)	-	**(206.8)**	0.4	-	**(206.4)**	3,114.9	**2,908.5**	450.7	**3,359.2**
Transfer to/from Earmarked Reserves (restated)*		206.8	(206.8)	**-**	-	-	**-**	-	**-**	-	**-**
(Decrease)/increase in 2021/22		-	(206.8)	**(206.8)**	0.4	-	**(206.4)**	3,114.9	**2,908.5**	450.7	**3,359.2**
Balance at 31 March 2022 (restated)*		**500.0**	**108.9**	608.9	**25.2**	**-**	634.1	**13,516.4**	14,150.5	**14,996.4**	29,146.9
Movement in reserves during 2022/23											
Group surplus after tax		1,889.2	-	**1,889.2**	-	-	**1,889.2**	-	**1,889.2**	(1,815.4)	**73.8**
Other comprehensive income and expenditure		-	-	**-**	-	-	**-**	5,039.9	**5,039.9**	95.5	**5,135.4**
Total comprehensive income and expenditure		1,889.2	-	**1,889.2**	-	-	**1,889.2**	5,039.9	**6,929.1**	(1,719.9)	**5,209.2**
Adjustments between group and authority accounts		(2,058.1)	-	**(2,058.1)**	-	-	**(2,058.1)**	-	**(2,058.1)**	2,058.1	**-**
Net (decrease)/increase before transfers		(168.9)	-	**(168.9)**	-	-	**(168.9)**	5,039.9	**4,871.0**	338.2	**5,209.2**
Derivative fair value loss reclassified to the Balance Sheet	37	-	-	**-**	-	-	**-**	-	**-**	0.6	**0.6**
Adjustments between accounting basis and funding basis under statutory provisions	38	(250.3)	-	**(250.3)**	2.0	102.2	**(146.1)**	146.0	**(0.1)**	0.1	**-**
Net (decrease)/increase before transfer to/from Earmarked Reserves		(419.2)	-	**(419.2)**	2.0	102.2	**(315.0)**	5,185.9	**4,870.9**	338.9	**5,209.8**
Transfer to/from Earmarked Reserves		108.9	(108.9)	**-**	-	-	**-**	-	**-**	-	**-**
(Decrease)/increase in 2022/23		(310.3)	(108.9)	**(419.2)**	2.0	102.2	**(315.0)**	5,185.9	**4,870.9**	338.9	**5,209.8**
Balance at 31 March 2023		**189.7**	**-**	189.7	**27.2**	**102.2**	319.1	**18,702.3**	19,021.4	**15,335.3**	34,356.7

* Details of the restatement are included within Note 40

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.

Capital receipts received in the Corporation are fully applied during the year and a Capital Receipts Reserve has not been shown in this statement. Refer to Note 39.

Adjustments between group and authority accounts represent intra-group transactions between the Corporation and subsidiaries. This includes capital and revenue grants and interest income. The balance is adjusted against the Group deficit after tax.

Group Statement of Cash Flows

Year ended 31 March	Note	2023 £m	2022 £m
Surplus on the provision of services		**101.7**	558.4
Adjustments to the surplus on the provision of services for non-cash movements	36b	**2,159.4**	1,689.2
Adjustments to the surplus on the provision of services for investing or financing activities	36c	**(2,147.9)**	(2,170.6)
Net cash flows from operating activities		**113.2**	77.0
Investing activities	36d	**283.7**	(64.2)
Financing activities	36e	**(399.6)**	(332.8)
Decrease in net cash and cash equivalents in the year		**(2.7)**	(320.0)
Net cash and cash equivalents at the start of the year		**1,390.2**	1,710.2
Net cash and cash equivalents at the end of the year	24	**1,387.5**	1,390.2

Corporation Comprehensive Income and Expenditure Statement

Year ended 31 March	Note	2023 £m	2022 £m
Highways and Transport Services			
Gross service income	1	**1,160.0**	857.7
Gross expenditure	4	**(1,817.7)**	(1,477.0)
Net cost of services		**(657.7)**	(619.3)
Other net operating expenditure	7	**(0.3)**	(2.7)
Financing and investment income	8	**489.8**	540.4
Financing and investment expenditure	9	**(559.2)**	(547.0)
Grant income	10	**3,475.6**	4,289.5
Grant funding of subsidiaries		**(2,917.0)**	(3,526.5)
(Deficit)/surplus on the provision of services		**(168.8)**	134.4
Other comprehensive income and expenditure			
Items that will not be subsequently reclassified to profit or loss			
(Deficit)/surplus on the revaluation of property, plant and equipment	13	**(1.1)**	0.1
Surplus on the valuation of newly created investment properties		**-**	0.8
Net remeasurement gain on defined benefit pension schemes	35	**5,040.8**	2,773.2
		5,039.7	2,774.1
Total comprehensive income and expenditure		**4,870.9**	2,908.5

Corporation Balance Sheet

	Note	31 March 2023 £m	31 March 2022 Restated* £m
Long-term assets			
Intangible assets	12	**167.6**	184.5
Property, plant and equipment	13	**4,379.6**	4,181.7
Right-of-use assets	14	**339.8**	368.5
Investment property	15	**86.9**	97.1
Investments in subsidiaries	16	**13,062.5**	12,782.5
Retirement benefit surplus	35	**1,630.0**	-
Debtors	21	**12,326.9**	12,360.9
		31,993.3	29,975.2
Current assets			
Debtors	21	**389.4**	262.9
Assets held for sale	22	**3.0**	12.1
Cash and cash equivalents	24	**1,131.3**	1,231.8
		1,523.7	1,506.8
Current liabilities			
Creditors	25	**(823.3)**	(528.0)
Capital grants received in advance	25	**(24.3)**	(30.1)
Borrowings	26	**(693.7)**	(1,423.0)
Right-of-use lease liabilities	14	**(27.0)**	(27.0)
PFI liabilities	27	**(14.3)**	(10.6)
Provisions	29	**(113.0)**	(53.3)
		(1,695.6)	(2,072.0)

	Note	31 March 2023 £m	31 March 2022 Restated* £m
Long-term liabilities			
Creditors	25	**(51.3)**	(46.7)
Capital grants received in advance	25	**(0.9)**	(7.7)
Borrowings	26	**(12,221.5)**	(11,547.3)
Right-of-use lease liabilities	14	**(341.1)**	(367.1)
PFI liabilities	27	**(76.7)**	(91.0)
Provisions	29	**(20.3)**	(41.0)
Retirement benefit obligation	35	**(88.1)**	(3,158.8)
		(12,799.9)	(15,259.6)
Net assets		**19,021.5**	14,150.4
Reserves			
Usable reserves		**319.1**	634.1
Unusable reserves	37	**18,702.4**	13,516.3
Total reserves		**19,021.5**	14,150.4

The notes on pages XX to XX form part of these financial statements. These financial statements were approved by the Audit and Assurance Committee acting on behalf of the Board on 20 September 2023 and signed on its behalf by:

SIGNATURE

Mark Phillips
Chair, Audit and Assurance Committee
XX September 2023

* Details of the restatement are included within Note 40

Corporation Movement in Reserves Statement

	Note	General Fund £m	Earmarked Reserves £m	General Fund and Earmarked Reserves £m	Street Works Reserve £m	Capital grants unapplied account £m	Usable reserves £m	Unusable reserves £m	Total reserves £m
At 1 April 2021 (as previously reported)		500.0	362.1	862.1	24.8	-	886.9	10,355.1	11,242.0
Prior period correction in respect of MRP*		-	(46.4)	(46.4)	-	-	(46.4)	46.4	-
At 1 April 2021 (restated)		500.0	315.7	815.7	24.8	-	840.5	10,401.5	11,242.0
Movement in reserves during 2021/22									
Surplus on the provision of services		134.5	-	134.5	-	-	134.5	-	134.5
Other comprehensive income and expenditure		-	-	-	-	-	-	2,774.0	2,774.0
Total comprehensive income and expenditure		134.5	-	134.5	-	-	134.5	2,774.0	2,908.5
Adjustments between accounting basis and funding basis under statutory provisions (restated)*	38	(341.3)	-	(341.3)	0.4	-	(340.9)	340.9	-
Net (decrease)/increase before transfer to/from Earmarked Reserves		(206.8)	-	(206.8)	0.4	-	(340.9)	3,114.9	2,908.5
Transfer to/from Earmarked Reserves		206.8	(206.8)	-	-	-	-	-	-
(Decrease)/increase in 2021/22		-	(206.8)	(206.8)	0.4	-	(340.9)	3,114.9	2,908.5
Balance at 31 March 2022 (restated)*		**500.0**	**108.9**	**608.9**	**25.2**	**-**	**634.1**	**13,516.4**	**14,150.5**
Movement in reserves during 2022/23									
Deficit on the provision of services		(168.9)	-	(168.9)	-	-	(168.9)	-	(168.9)
Other comprehensive income and expenditure		-	-	-	-	-	-	5,039.9	5,039.9
Total comprehensive income and expenditure		(168.9)	-	(168.9)	-	-	(168.9)	5,039.9	4,871.0
Adjustments between accounting basis and funding basis under statutory provisions	38	(250.3)	-	(250.3)	2.0	102.2	(146.1)	146.1	-
Net (decrease)/increase before transfers to/from Earmarked Reserves		(419.2)	-	(419.2)	2.0	102.2	(315.0)	5,186.0	4,871.0
Transfer to/from Earmarked Reserves		108.9	(108.9)	-	-	-	-	-	-
(Decrease)/increase in 2022/23		(310.3)	(108.9)	(419.2)	2.0	102.2	(315.0)	5,186.0	4,871.0
Balance at 31 March 2023		**189.7**	**-**	**189.7**	**27.2**	**102.2**	**319.1**	**18,702.4**	**19,021.5**

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

Capital receipts received in the Corporation are fully applied during the year and a Capital Receipts Reserve has not been shown in this statement. Refer to Note 39.

* Details of the restatement are included within Note 40

Corporation Statement of Cash Flows

Year ended 31 March	Note	2023 £m	2022 £m
(Deficit)/surplus on the provision of services		**(168.8)**	134.4
Adjustments to surplus on the provision of services for non-cash movements	36b	**823.1**	449.7
Adjustments to surplus on the provision of services for investing or financing activities	36c	**(2,095.5)**	(2,058.6)
Net cash flows from operating activities		**(1,441.2)**	(1,474.5)
Investing activities	36d	**1,437.4**	1,115.8
Financing activities	36e	**(96.7)**	(37.9)
Decrease in net cash and cash equivalents in the year		**(100.5)**	(396.6)
Net cash and cash equivalents at the start of the year		**1,231.8**	1,628.4
Net cash and cash equivalents at the end of the year	24	**1,131.3**	1,231.8

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We invest in our network to ensure a safe and reliable service

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 2022/23 (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 2022/23 is based on International Financial Reporting Standards (IFRS) adopted by the UK (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 mandatory implementation of IFRS 16 Leases in the Code until 1 April 2024. 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 UK 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.

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:

- 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. The majority of these leases were held at peppercorn rents by a previous lessee prior to the leases being taken on by TfL. An exercise was undertaken to assess the fair value of the assets leased under these arrangements and it was 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 2023. The Corporation is a single service authority and all expenditure is attributable to the provision of highways, roads and transport services. The Corporation has granted a standing delegation in its Standing Orders by which each wholly owned subsidiary (Subsidiary Entity) is delegated power to discharge any functions of TfL relevant to that Subsidiary Entity's role and responsibilities within the Group, except those functions reserved to the TfL Board. Those subsidiaries therefore directly discharge TfL's statutory functions and do so within the scope of the same statutory arrangements that apply to TfL itself.

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

Accounting Policies (continued)

The financial statements 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.

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.

The Corporation is required to make adjustments between the accounting basis and funding basis under statutory provisions. Further detail regarding these adjustments is included within Note 38. For the alignment of accounting policies for the purposes of Group accounts, the Group transfers amounts between the Retained Earnings Reserve in its subsidiaries and the Group Capital Adjustment Account on the same basis as if those statutory provisions applied to its subsidiaries. Further details regarding this alignment is included within Note 37.

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 from the date of signing these financial statements for the period ending 31 March 2025 (which covers the remainder of 2023/24 and 2024/25 financial years), which is the going concern assessment period, and will meet its liabilities as they fall due for payment. In making this assessment, the Board has had regard to Practice Note 10: Audit of financial statements of public sector bodies, which sets out that a public sector entity is presumed to be a going concern unless there is a clearly expressed Parliamentary intention to discontinue the provision of services that the entity provides.

In the prior period 2021/22 financial statements, for the going concern assessment period ending 31 March 2024 (which covers the remainder of 2022/23 and 2023/24 financial years), management assessed that the combination of the risks and uncertainties it faced at the time, created a material uncertainty, which may have cast doubt on TfL's ability to continue to operate planned operational services within available sources of funding.

Although the August 2022 funding settlement provided by the Department for Transport set out sufficient funding to take TfL to the point of financial sustainability, material uncertainty remained on the level of operational funding that will actually be received during the funding period, with three areas of risk and uncertainty. The three areas assessed at the time were:

a. The settlement enables the Secretary of State for Transport to adjust the amount of funding provided to TfL under this settlement using the 'dispute mechanism' if it believes that measures within the funding settlement have not been met. The dispute mechanism has been included in all previous funding settlements during the pandemic and has not been used to implement a deduction in funding in these settlements. However, as the dispute mechanism is uncapped, the impact could have been up to £1.1bn funding outstanding at the date of approving the 2021/22 TfL Accounts

b. The inflation review mechanism, which may provide TfL more funding as expected inflation is likely to exceed the level assumed in TfL's Budget in 2022/23, is not certain as it is subject to Government ministerial approval. However, TfL has the information required under the funding settlement to clearly set out the impact of inflation on its operating costs. The impact was up to £165m expected through this mechanism at the date of approving the 2021/22 TfL Accounts

c. The requirement to deliver cost savings of £230m in addition to those already assumed in TfL's 2022/23 Budget

Accounting Policies (continued)

Since making this assessment, TfL published its 2023 Business Plan in December 2022, confirming how we will meet the conditions of the funding settlement and build a positive but realistic plan to 2025/26 through our strategy to rebuild our finances to secure our future by:

- Actively growing passenger demand, while creating new sources of revenue to reduce our reliance on fares income. This includes increasing passenger demand to 86 per cent for Tube and rail (excluding Elizabeth line) and 91 per cent for buses of pre-pandemic levels by 2025/26. As well as grow new revenue sources of at least £500m by 2023
- Continue to deliver recurring cost savings to remain affordable for customers and taxpayers including delivering a further £600m of recurring operating cost savings by 2025/26 and continuing to reduce like-for-like operating costs in real terms
- Create and grow an operating surplus based on our own sources of income to fund investment
- Fully fund our capital programme with a long-term Government settlement and an affordable level of debt
- Maintain cash reserves to make payments and protect against shocks, with average cash balances of 60 days operating expenses, which is around £1.2bn

For the year ended 31 March 2023 we have revisited the risk factors outlined above:

a. Over the past 11 months there have been no reductions in funding under the August settlement and TfL have performed positively against the conditions. As such the risk of dispute is reduced

b. On 26 July 2023, TfL were informed that the DfT was not in a position to provide a specific inflation uplift for 2023/24. However this can be mitigated through a combination of operating savings, reprofiling of capital spend and bringing forward planned borrowing from 2024/25 (subject to affordability assessment)

c. TfL stretched its Business Plan savings target to £600m by 2025/26, delivering an additional £27m in 2022/23 compared to its target of £65m and is making good progress towards its £204m target in 2023/24

On this basis, we do not believe there is material uncertainty.

The current Government funding settlement expires on 31 March 2024 and there is no certainty on future capital funding support from Government. In its funding settlement letters, the Government has consistently recognised that TfL – similar to transport authorities around the world – cannot solely finance investment in major capital projects and renewals from its own operating incomes.

Based on these statements, TfL's 2023 Business Plan assumes £475m of further Government capital funding is provided in 2024/25 to contribute towards rolling stock and signalling programmes, with TfL able to fund the other three-quarters of its total £2bn capital investment.

The level of funding support assumed is sufficient to create a balanced budget for the going concern assessment period ending March 2025.

On this basis, there remains two key areas that represent a level of judgement to this position:

a. The dispute mechanism in the funding settlement to 31 March 2024 remains, with outstanding funding of £85m at the date of approving the TfL accounts

b. The Government capital funding contribution of £475m assumed in the 2023 Business Plan for 2024/25

Management has mitigations available to support continuation of its capital programme over the going concern period which include:

1. Descoping and deferring planned capital investment in its 2024 Business Plan, due to be published in December 2023 including delaying those elements of the programme that are not subject to contractual delivery commitments into future periods beyond 31 March 2025. This would require approval from the Board and assessment against contracts, but is within TfL's control

2. Accelerating planned borrowing from beyond March 2025. This reduces available funding in future years, but could enable TfL to continue to meet its contractual commitments as they fall due over the going concern period. TfL has headroom against its Authorised External Debt Limits, which can be accessed at short notice from a number of sources including the Public Works Loan Board (PWLB) for capital expenditure purposes

3. Completing asset disposals, which would take longer to deliver and offer poor value. This would only be utilised in a severe downside case scenario should multiple risks highlighted above crystallise. This would require approval from the Board and assumes a buyer can be found

On this basis, management has a reasonable expectation that they will have adequate resources to continue in operational existence throughout the going concern period ending 31 March 2025 maintaining the provision of its services without significant amendment or reductions. For this reason, alongside the statutory guidance, we continue to adopt the going concern basis in preparing these financial statements.

Accounting Policies (continued)

e) The application of new and revised standards

The Code stipulates that the requirements of IFRS and other pronouncements by the International Accounting Standards Board (as adopted by the UK) 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:

- Property, Plant and Equipment: Proceeds Before Intended Use

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 amendments to IAS 16 were assessed to have a minimal impact on TfL's financial statements for the year ending 31 March 2023.

- Onerous Contracts – Costs of Fulfilling a Contract

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 (such as the costs of direct labour and materials) and an allocation of costs directly related to contract activities (such as 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 to IAS 37 were assessed to have a minimal impact on TfL's financial statements for the year ending 31 March 2023.

- Reference to the Conceptual Framework – Amendments to IFRS 3

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 to IFRS 3 were assessed to have a minimal impact on TfL's financial statements for the year ending 31 March 2023.

- 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. The amendments to IFRS 1 did not have any impact on TfL's financial statements for the year ending 31 March 2023

  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. The amendments to IFRS 9 were assessed to have a minimal impact on TfL's financial statements for the year ending 31 March 2023

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 UK, 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

- Classification of Liabilities as Current or Non-current – Amendments to IAS 1 (effective for annual periods beginning on or after 1 January 2024). The amendments clarify the requirements for classifying liabilities as current or non-current

- 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

Accounting Policies (continued)

- Amendment to IAS 8 on Definition of Accounting Estimates (effective for annual periods beginning on or after I 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 I and IFRS Practice Statement 2 Making Materiality Judgements (effective for annual periods beginning on or after I January 2023) – The entity is now required to disclose its 'material' accounting policy information

- Amendment to IAS I2 on Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after I 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)

- Amendments to IAS I on classification of liabilities as current or non-current (effective for annual periods beginning on or after I January 2024) – further guidance is included to specify that a liability should be recorded as non-current if the entity has the right to defer settlement for at least I2 months after the reporting date

Amendments to IAS I on non-current liabilities with covenants (effective for annual periods beginning on or after I January 2024). The amendments clarify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current

- Amendments to IFRS I6 on lease liabilities in a sale and leaseback transaction (effective for annual periods beginning on or after I January 2024). The amendments focus on providing additional guidance as to how a seller-lessee should measure the right-of-use asset arising from a leaseback with variable lease payments. The amendments clarify that the seller-lessee must only record a gain or loss relating to the rights transferred to the buyer-lessor

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 represented 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, which by definition, will seldom equal the actual results. Management additionally exercise judgement in applying the Group's accounting policies.

Outlined below is a summary of areas that involve a higher degree of judgement or complexity, and items that are more likely to be materially adjusted due to estimates and assumptions changing. Detailed information about the sensitivity of such judgement is including within the relevant note.

Use of estimates

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.

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 £596.8m (2022 £I,3I3.4m). 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 £600.0m (2022 £2,950.Im).

Accounting Policies (continued)

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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 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.

Use of Judgements

Determining whether an arrangement contains a lease

In determining whether an arrangement contains a lease, as required by IFRS 16 Leases, there is a 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.

Determining whether the Group has an unconditional right to a refund of surplus pension assets

After consideration of the Trust Deed and Rules, the Group has assessed that under IFRIC 14 TfL has an unconditional right to a refund of surplus assets for accounting purposes assuming the gradual settlement of plan liabilities. As a result, the net pensions surplus has been recognised in full.

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 is not recognised in the Comprehensive Income and Expenditure Statement and is recorded on the Balance Sheet within current liabilities as contract liabilities. Contract liabilities represent receipts in advance for Travelcards, bus passes and Oyster cards.

Revenue in respect of free and reduced fare travel for older customers and disabled customers

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

Congestion Charging

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

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

Road network compliance

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

Taxi licensing

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

Commercial advertising

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

Where the arrangement is viewed as an operating lease under 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.

Accounting Policies (continued)

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.

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

Third party contributions to operating costs

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

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.

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
- 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 IFS Cloud Cable Car
- Rail – Provision of passenger rail services through contracted third-party operators on the DLR, London Overground and London Trams
- Property development – Investment in our commercial and residential estate and building portfolio

Accounting Policies (continued)

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.

l) Grants and other funding

The main source of grant funding during 2022/23 and 2021/22 was the Extraordinary Funding Support Grant from the DfT and 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.

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.

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).

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 His 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, 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.

Accounting Policies (continued)

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. Contingent assets acquired as part of a business combination are not recognised.

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

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. Proceeds generated from an asset prior to its intended use are not deducted from the cost of the asset and area instead charged to the Comprehensive Income and Expenditure Statement as generated.

Where major components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items 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.

Accounting Policies (continued)

Where there are similar assets with identical useful lives such as cabling, these assets are accounted for as pooled items of property, plant and equipment and are depreciated over their useful lives. When pooled items are fully depreciated the gross acquisition value and accumulated depreciation are derecognised.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal along with the costs of disposal with the carrying amount of the item and are recognised net within other gains and losses in the Comprehensive Income and Expenditure Statement.

Depreciation

Depreciation is calculated on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less the expected residual value at the end of its useful economic life.

Depreciation is recognised in the Comprehensive Income and Expenditure Statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Tunnels and embankments	up to 120 years
Bridges and viaducts	up to 120 years
Track	up to 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.

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, 2021/22 and 2022/23, as part of an exercise undertaken by management to create a consolidated commercial property portfolio, new lease structures created allowed the recognition 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.

Accounting Policies (continued)

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.

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 carried at lower of cost and net realisable value. 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).

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

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).

Accounting Policies (continued)

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.

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.

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.

Accounting Policies (continued)

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. Any lease modifications are treated as new leases from the date of modification.

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 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

- 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 IFRS 16.

An annual finance cost is calculated by applying the implicit interest rate in the lease to the opening lease liability for the year and is charged to financing and investment expenditure within the Comprehensive Income and Expenditure Statement.

The element of the unitary payment that is allocated as a finance lease rental is applied to meet the annual finance cost and to repay the lease liability over the contract term.

Life cycle replacement
Components of the asset replaced by the operator during the contract (lifecycle replacement) are capitalised where they 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. In assessing whether impairment indicators exist Management have considered climate change risks and the impact of any commitments under the Group's Climate Change Adaptation Plan.

Accounting Policies (continued)

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.

Where an impairment loss is reversed subsequently, the reversal is credited to the Impairment line of the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

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 interest expense or income, and (c) remeasurement. The Group presents the first two components in profit or loss within the surplus on the provision of services before tax. Curtailment gains and losses are accounted for as past service costs.

Multi-employer exemption

For certain defined benefit schemes, the Corporation and/or the Group is unable to identify its share of the underlying assets and defined benefit obligations of the scheme on a consistent and reasonable basis. As permitted by the multi-employer exemption in the Code, these schemes are accounted for as defined contribution schemes. Contributions are therefore charged to the Comprehensive Income and Expenditure Statement as incurred.

Group schemes under common control

The Corporation and certain of its subsidiaries are members of a Group defined benefit plan wherein risks are shared between the entities under common control. There is no contractual arrangement in place to apportion the net defined benefit cost across the member entities. Accordingly, in line with the provisions of IAS 19, the total net defined benefit obligation is recognised in the individual financial statements of the sponsoring employer, the Corporation.

Unfunded pension schemes

Ex gratia payments are made to certain employees on retirement in respect of service prior to the establishment of pension funds for those employees. Supplementary payments are made to the pensions of certain employees who retired prior to the index linking of pensions. The Group also augments the pensions of certain employees who retire early under voluntary severance arrangements. In addition, certain employees also accrue benefits under an unfunded pension arrangement. These unfunded pension liabilities are provided for in the Balance Sheet.

Defined contribution plans

Some employees are members of defined contribution plans. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the Comprehensive Income and Expenditure Statement in the periods during which services are rendered by employees.

Other employee benefits

Other short- and long-term employee benefits, including holiday pay and long service leave, are recognised as an expense over the 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.

Management has determined that the Retained Earnings Reserve in subsidiaries are unusable unless the subsidiary declares a dividend to the Corporation, and they are able to fund these via their own cash reserves. The majority of assets held in subsidiaries are related to transport infrastructure and are not readily convertible to cash.

The Group's investment property assets are held within a separate property investment vehicle for the purpose of creating an estate of commercial, income-producing assets and development opportunities. They are not available to fund the expenditure of the Corporation.

ai) Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (such as grants and business rates) 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

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.

Accounting Policies (continued)

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.

Cash and cash equivalents
Cash and cash equivalents comprise cash at banks and on hand, and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. 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 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.

Accounting Policies (continued)

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 hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in reserves are transferred from reserves and are included in the initial measurement of the cost of the related asset or liability. For transaction-related hedged items, this will occur once the hedged transaction has taken place. For time-period related hedged items, the amount that is accumulated in reserves is amortised on a systematic and rational basis as a reclassification adjustment.

Hedge accounting is discontinued when the hedging instrument expires, is sold, terminated, exercised or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in reserves at that time remains in reserves and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in reserves is recognised immediately in profit or loss.

Fair value measurement of financial instruments
The fair value of quoted investments is determined by reference to bid prices at the close of business on the Balance Sheet date, within Level 1 of the fair value hierarchy as defined within IFRS 13.

Where there is no active market, fair value is determined using valuation techniques. These include using recent arm's length transactions; reference to the current market value of another instrument which is substantially the same; and discounted cash flow analysis and pricing models.

In the absence of quoted market prices, derivatives are valued by using quoted forward prices for the underlying commodity/currency and discounted using quoted interest rates (both as at the close of business on the Balance Sheet date). Hence, derivatives are within Level 2 of the fair value hierarchy as defined within IFRS 13.

Impairment of financial assets
At each reporting date, the Group assesses whether the credit risk on a significant financial asset measured at amortised cost or FVTOCI has increased significantly since initial recognition and subsequently measures an expected credit loss allowance for that financial instrument.

The expected loss allowance is a measurement based on the probability of default over the lifetime of the contract for trade receivables, lease receivables or contract assets in scope of IFRS 15. For other financial assets, the allowance is based on the probability of default occurring in 12 months providing credit risk is assessed as low.

The expected credit loss is based on a forward-looking, probability-weighted measure considering reasonable and supportable information on past events, current conditions and the time value of money. Where financial assets are determined to have shared risk characteristics they are assessed collectively, otherwise, they are reviewed on an individual basis.

No loss allowance for expected credit loss is recognised on a financial asset where the counterparty is central government or a local authority and where relevant statutory provisions prevent default. Expected credit loss allowances are recognised in the Comprehensive Income and Expenditure Statement.

Embedded derivatives
Derivatives that are embedded in other financial instruments or other host contracts are treated as separate derivatives when:

- The host contract is a financial liability or an asset not within the scope of IFRS 9; and
- The derivative's risks and characteristics are not closely related to those of the host contract;
- 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.

Accounting Policies (continued)

ak) Climate change
In preparing the Group's financial statements, consideration has been given to the impact of both physical and transition climate change risks as described within the Task Force on Climate-related Financial Disclosures (TCFD) section of the Narrative Report, and how these impact the financial statements. Management have considered the commitments made under the Group's Climate Change Adaptation Plan and Bus Action Plan and have concluded that there is no impact to the Group's financial statements,

Policies and market changes in response to climate change are continually developing and therefore the financial statements cannot capture all possible outcomes as these are not yet known. The degree of uncertainty of these changes may also mean they cannot be considered in the determination of asset and liability valuations and the timing of future cashflows.

We are working to adapt to a changing climate

Notes to the Financial Statements

1. Gross service income

a) Group gross service income

Year ended 31 March	2023 £m	% of total	2022 £m	% of total
Passenger income	4,046.6	69.7	2,880.2	66.8
Revenue in respect of free travel for older and disabled customers	194.2	3.3	273.7	6.3
Congestion Charging	358.1	6.2	423.3	9.8
Ultra Low Emission Zone charges	479.9	8.3	225.7	5.2
Low Emission Zone charges	118.2	2.0	34.6	0.8
Charges to London Boroughs and Local Authorities	14.2	0.2	12.6	0.3
Charges to transport operators	53.1	0.9	21.3	0.5
Road Network compliance income	86.5	1.5	68.3	1.6
Commercial advertising receipts	144.9	2.5	105.1	2.4
Rents receivable	77.1	1.3	78.4	1.8
Contributions from third parties to operating costs	30.8	0.5	28.6	0.7
Taxi licensing	37.9	0.7	32.9	0.8
Ticket and photocard commission income	14.9	0.3	11.6	0.3
General fees and charges	16.6	0.3	11.2	0.3
ATM and car parking income	16.6	0.3	10.5	0.2
Museum income	13.0	0.2	8.3	0.2
Training and specialist services	22.9	0.4	26.2	0.6
Cycle hire scheme	14.5	0.2	15.2	0.4
Other	63.6	1.2	45.7	1.0
	5,803.6	100.0	4,313.4	100.0

b) Corporation gross service income

Year ended 31 March	2023 £m	% of total	2022 £m	% of total
Congestion Charging	358.1	30.9	423.3	49.4
Ultra Low Emission Zone charges	479.9	41.4	225.7	26.3
Low Emission Zone charges	118.2	10.2	34.6	4.0
Charges to London Boroughs and Local Authorities	12.9	1.1	11.8	1.4
Road Network compliance income	86.5	7.5	68.3	8.0
Rents receivable	0.1	-	0.7	0.1
Contributions from third parties to operating costs	29.5	2.5	24.3	2.8
Taxi licensing	37.9	3.3	32.9	3.8
General fees and charges	4.4	0.4	4.0	0.5
Training and specialist services	15.4	1.3	17.1	2.0
Other	17.1	1.4	15.0	1.7
	1,160.0	100.0	857.7	100.0

c) Congestion Charging

Year ended 31 March	Group and Corporation 2023 £m	Group and Corporation 2022 £m
Income	358.1	423.3
Toll facilities and traffic management	(133.2)	(107.5)
	224.9	315.8
Administration, support services and depreciation	(2.4)	(8.5)
Net income from Congestion Charging	222.5	307.3

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 service income (continued)

d) Combined Emission Zone Charging

Year ended 31 March	Group and Corporation 2023 £m	Group and Corporation 2022 £m
Income	**598.1**	260.3
Toll facilities and traffic management	**(373.8)**	(107.7)
	224.3	152.6
Administration, support services and depreciation	**(15.7)**	(7.4)
Net income from LEZ Charging	**208.6**	145.2

Emission zone charging comprises the Low Emission Zone (LEZ) and Ultra Low Emission Zone (ULEZ).

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e) Street works

Year ended 31 March	Group and Corporation 2023 £m	Group and Corporation 2022 £m
Income	**10.6**	8.9
Allowable operating costs of managing the lane rental scheme	**(2.4)**	(2.0)
Application of Street Works Reserve to projects reducing the adverse effects caused by street works	**(6.2)**	(6.4)
Net income recognised within net cost of services	**2.0**	0.5
Allowable capital costs of managing the lane rental scheme	**-**	(0.1)
Net income for the year transferred to the Street Works Reserve	**2.0**	0.4

Under the London lane rental scheme, introduced in 2012, TfL receives payments where utilities carry out certain street works in circumstances significantly affecting traffic. The legislation (SI 2012/425) requires TfL to apply the net proceeds of these payments to reducing the adverse effects caused by street works. The net income shown above has been transferred to the Street Works Reserve.

Notes to the Financial Statements
2. Segmental analysis

2a) Segmental analysis
The breakdown of performance reporting by segment is presented in the Expenditure and Funding Analysis in Note 3. 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 internal management reports income statement to the Group Comprehensive Income and Expenditure Statement
The segmental information presented in the Expenditure and Funding Analysis reflects the presentation of the internal management reports income statement, published on TfL's website in the form of Quarterly Performance Reports.
The methodology for preparation and the presentation of figures within the internal management reports 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 to the Group Comprehensive Income and Expenditure Statement is presented on the following pages.

We regularly monitor our performance against a range of metrics

Notes to the Financial Statements
2. Segmental analysis (continued)

Reconciliation of internal management reports to the Group Comprehensive Income and Expenditure Statement (CI&E)

Year ended 31 March 2023	Internal management reports Income Statement £m	Items included in the CI&E but excluded from management reports £m	Items included in management reports but excluded from the CI&E £m	Reclassifications between line items £m	Items with different accounting treatment (see note 2c) £m	Group Comprehensive Income and Expenditure Statement £m
Gross service income/(total operating income)	5,826.0	-	-	-	(22.4)	5,803.6
Gross expenditure/(operating cost)	(7,055.0)	(2,106.2)	711.5	-	(40.5)	(8,490.2)
Net cost of services(divisional net contribution)	(1,229.0)	(2,106.2)	711.5	-	(62.9)	(2,686.6)
Other net operating expenditure	-	(86.4)	-	-	-	(86.4)
Grant income	2,898.0	-	-	-	624.5	3,522.5
Group share of profit before tax of joint ventures	-	8.8	-	-	-	8.8
Group share of loss before tax of associated undertakings	-	(41.5)	-	-	-	(41.5)
(Capital renewals)	(624.0)	-	624.0	-	-	-
(Operating surplus before interest)	1,045.0	(2,225.3)	1,335.5	-	561.6	716.8
Financing and investment income	-	68.7	-	33.1	-	101.8
Financing and investment expenditure	-	(295.4)	-	(457.1)	2.9	(749.6)
(Net interest costs)	(424.0)	-	-	424.0	-	-
Group surplus before tax/(operating surplus)	621.0	(2,452.0)	1,335.5	-	564.5	69.0
Taxation	-	4.8	-	-	-	4.8
Group surplus after tax	621.0	(2,447.2)	1,335.5	-	564.5	73.8

Notes to the Financial Statements

2. Segmental analysis (continued)

Reconciliation of internal management reports to the Group Comprehensive Income and Expenditure Statement (CI&E)

Year ended 31 March 2022	Internal reports as reported to management £m	Items included in the CI&E but excluded from the internal reports £m	Items included in the internal reports but excluded from the CI&E £m	Reclassifications between line items £m	Items with different accounting treatment (see note 2c) £m	Group Comprehensive Income and Expenditure Statement £m
Gross service income/(total operating income)	4,348.0	–	–	–	(34.6)	4,313.4
Gross expenditure/(operating cost)	(6,478.0)	(2,071.3)	750.9	–	27.7	(7,770.7)
Net cost of services/(divisional net operating deficit excluding grant income)	(2,130.0)	(2,071.3)	750.9	–	(6.9)	(3,457.3)
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	–	(374.1)	889.5
Financing and investment income	–	198.6	–	4.0	–	202.6
Financing and investment expenditure	–	(51.7)	–	(443.0)	(7.1)	(501.8)
(Net interest costs)	(439.0)	–	–	439.0	–	–
Group surplus before tax/(net cost of operations after extraordinary grant)	(416.0)	85.6	1,301.9	–	(381.2)	590.3
Taxation	–	(86.2)	–	–	–	(86.2)
Group surplus after tax	(416.0)	(0.6)	1,301.9	–	(381.2)	504.1

Where line item descriptors differ between the internal reports and the Comprehensive Income and Expenditure Statement, those used in the internal reports 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 internal management report's Income Statement 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 I9

- The internal management report's Income Statement 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 internal management report's Income Statement 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 internal management report's Income Statement 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 for management reporting purposes to present the ongoing, full, day-to-day cost of running and maintaining our existing network

- The internal management report's Income Statement 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 interest costs so that amounts charged to the internal management report's Income Statement reflect the full cost to the Group of financing its debt

- Certain grants received are treated as capital grant for management reporting purposes and are thus excluded from the internal management report's Income Statement (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 internal management report's Income Statement 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 internal management reports are collectively referred to as Central items and are not included in reports to management

Notes to the Financial Statements

2. Segmental analysis (continued)

Detailed reconciliation of net cost of operations per management reports to net cost of services per the Comprehensive Income and Expenditure Statement

	Note	2023 £m	2023 £m	2022 £m	2022 £m
Operating surplus/(deficit) per internal management reports			**621.0**		(416.0)
Adjustments between management and statutory reports:					
Add amounts included in the Comprehensive Income and Expenditure Statement not reported in management reports					
Depreciation	4	**(1,133.9)**		(940.4)	
Amortisation of right-of-use assets	4	**(357.5)**		(361.6)	
Amortisation of software intangibles	4	**(59.9)**		(50.2)	
Impairment	4	**27.8**		(57.8)	
Pension service costs including scheme expenses	35	**(582.7)**		(661.3)	
			(2,106.2)		(2,071.3)
Other net operating expenditure	7		**(86.4)**		(36.2)
Group share of profit before tax of joint ventures	17		**8.8**		7.9
Group share of loss before tax of associated undertakings	18		**(41.5)**		24.0
Change in fair value of investment properties included in financing and investment income	8	**-**		93.4	
Premium receivable on settlements	8	**46.3**			
Net gain on disposal of investment properties	8	**22.4**		105.2	
			68.7		198.6
Net interest on defined benefit obligation	9	**(79.3)**		(105.9)	
Interest payable on lease and PFI liabilities	9	**(81.7)**		(60.4)	
Contingent rentals on PFI liabilities	9	**(11.2)**		(10.5)	
Change in fair value of investment properties included in financing and investment expenditure	9	**(155.0)**		-	
Amounts capitalised into qualifying assets	9	**31.8**		114.6	
			(295.4)		(62.2)
Capital grant income*	10		**-**		2,014.3
Tax	11		**4.8**		(86.2)
			(2,447.2)		(11.1)
Less items included in the management reports but excluded from the Comprehensive Income and Expenditure Statement					
Cash payments under PFI and lease arrangements		**392.0**		373.0	
Pension payments charged to operating costs		**319.5**		377.9	
			711.5		750.9
Capital renewals			**624.0**		551.0
			1,335.5		1,301.9
Amounts subject to differing accounting treatment between management reports and the Comprehensive Income and Expenditure Statement					
Specific grant income			**624.5**		(367.2)
Central items			**(60.0)**		(3.5)
			564.5		(370.7)
Group surplus after tax per the Comprehensive Income and Expenditure Statement			**73.8**		504.1

* Capital Business Rates Retention is now included in the internal management Income Statement. Some specific grants have a different accounting treatment.

Notes to the Financial Statements
3. Expenditure and Funding Analysis

	For the year ended 31 March 2023			For the year ended 31 March 2022		
	Net expenditure chargeable to the General Fund £m	Adjustments*	Net expenditure in the Comprehensive Income and Expenditure Statement £m	Net expenditure chargeable to the General Fund restated** £m	Adjustments*	Net expenditure in the Comprehensive Income and Expenditure Statement £m
Underground	(239.0)	-	(239.0)	(738.0)	-	(738.0)
Elizabeth line	(165.0)	-	(165.0)	(308.0)		(308.0)
Buses, streets and other operations	(703.0)	-	(703.0)	(916.0)	-	(916.0)
Rail	(163.0)	-	(163.0)	(182.0)	-	(182.0)
Property	43.0	-	43.0	15.0	-	15.0
Group items	(2.0)	-	(2.0)	(1.0)	-	(1.0)
Central items not reported on a segmental basis	1,113.4	2,571.0	(1,457.6)	2,113.5	3,440.8	(1,327.3)
Net Cost of Services	(115.6)	2,571.0	(2,686.6)	(16.5)	3,440.8	(3,457.3)
Other income and expenditure	(303.6)	(3,064.0)	2,760.4	(236.7)	(4,198.1)	3,961.4
(Deficit)/surplus after tax	(419.2)	(493.0)	73.8	(253.2)	(757.3)	504.1
Opening general fund and earmarked reserves balance	608.9			862.1		
Deficit on the general fund	(419.2)			(253.2)		
Closing general fund and earmarked reserves balance	189.7			608.9		

* Management has concluded that the Expenditure and Funding Analysis presents a true and fair view of the Group's financial performance. Central items are not reported to management or maintained on a segmental basis. The effect of this is presented on a separate line item and disclosed in Note 2

** Details of the restatement are included within Note 40

Notes to the Financial Statements

3. Expenditure and Funding Analysis (continued)

For the year ended 31 March 2023	Capital adjustments £m	Pension adjustments £m	Other statutory adjustments £m	Total statutory adjustments £m	Non-statutory adjustments £m	Total adjustments £m
Underground	-	-	-	-	-	-
Elizabeth line	-	-	-	-		-
Buses, streets and other operations	-	-	-	-	-	-
Rail	-	-	-	-	-	-
Other segments	-	-	-	-	-	-
Group items	-	-	-	-	-	-
Central items not reported on a segmental basis	205.4	340.1	(3.4)	542.1	2,028.9	2,571.0
Net Cost of Services	205.4	340.1	(3.4)	542.1	2,028.9	2,571.0
Other income and expenditure	(678.7)	-	(113.9)	(792.6)	(2,271.4)	(3,064.0)
(Deficit)/surplus after tax	(473.3)	340.1	(117.3)	(250.5)	(242.5)	(493.0)

For the year ended 31 March 2022	Capital adjustments £m	Pension adjustments £m	Other statutory adjustments £m	Total statutory adjustments £m	Non-statutory adjustments £m	Total adjustments £m
Underground	-	-	-	-	-	-
Elizabeth line	-	-	-	-		-
Buses, streets and other operations	-	-	-	-	-	-
Rail	-	-	-	-	-	-
Other segments	-	-	-	-	-	-
Group items	-	-	-	-	-	-
Central items not reported on a segmental basis	219.1	385.7	(2.0)	602.8	2,838.0	3,440.8
Net Cost of Services	**219.1**	**385.7**	**(2.0)**	**602.8**	**2,838.0**	**3,440.8**
Other income and expenditure	(931.6)	-	(11.8)	(943.4)	(3,207.9)	(4,151.3)
(Deficit)/surplus after tax	**(712.5)**	**385.7**	**(13.8)**	**(340.6)**	**(369.9)**	**(710.5)**

Notes to the Financial Statements

4. Gross expenditure

Gross expenditure recognised in the Comprehensive Income and Expenditure Statement comprises:

Year ended 31 March	Note	Group 2023 £m	Group 2022 £m	Corporation 2023 £m	Corporation 2022 £m
Staff costs:					
Wages and salaries**		1,524.0	1,431.5	404.7	394.2
Social security costs		187.1	165.4	49.1	45.7
Pension costs	35	564.5	652.5	335.5	379.6
		2,275.6	2,249.4	789.3	819.5
Other service expenditure ***		4,245.8	3,926.5	390.1	266.6
Credit loss expense		445.3	184.8	432.9	171.7
Depreciation	13	1,133.9	940.4	151.2	142.0
Amortisation right-of-use assets	14	357.5	361.6	29.1	29.8
Amortisation of software intangibles	12	59.9	50.2	34.7	26.7
Impairment*	13	(27.8)	57.8	(9.6)	20.7
		8,490.2	7,770.7	1,817.7	1,477.0

* Impairment includes impairment reversals where management have determined assets are no longer impaired

** Wages and salaries include amounts provided for the cost of voluntary severance

*** Included in the Corporation's other service expenditure is £71.3m (2021/22 £81.9m) 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 2023 Number	Group 2022 Number	Corporation 2023 Number	Corporation 2022 Number
Permanent staff (including fixed term contracts)	26,044	25,408	7,345	7,282
Agency staff	1,962	1,586	1,342	1,093
	28,006	26,994	8,687	8,375

5. External audit fees

External audit fees are made up as follows:

Year ended 31 March	Group 2023 £m	Group 2022 £m	Corporation 2023 £m	Corporation 2022 £m
Auditor's remuneration:				
for statutory audit services	1.8	1.6	0.1	0.1
for non-audit services****	-	-	-	-
	1.8	1.6	0.1	0.1

**** 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

6. 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 82-99.

Notes to the Financial Statements

7. Other operating expenditure

Year ended 31 March	**Group 2023 £m**	Group 2022 £m	**Corporation 2023 £m**	Corporation 2022 £m
Net loss on disposal of investment property	**0.1**	-	**0.1**	-
Net gain on termination of right of use assets	**(13.7)**	-	**-**	-
Fair value loss on office buildings	**1.7**	-	**-**	-
Net loss on disposal of property, plant and equipment	**98.3**	36.2	**0.2**	2.7
Total other operating expenditure	**86.4**	36.2	**0.3**	2.7

8. Financing and investment income

Year ended 31 March	**Group 2023 £m**	Group 2022 £m	**Corporation 2023 £m**	Corporation 2022 £m
Interest income on bank deposits and other investments	**27.9**	1.6	**26.6**	1.5
Interest income on loans to subsidiaries	**-**	-	**403.5**	403.3
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	**22.4**	105.2	**11.5**	85.0
Premium receivable on settlements	**46.3**	-	**46.3**	-
Interest receivable on finance lease receivables	**0.8**	1.1	**-**	-
Other investment income	**4.4**	1.3	**1.9**	0.1
	101.8	202.6	**489.8**	540.4

9. Financing and investment expenditure

Year ended 31 March	Note	**Group 2023 £m**	Group 2022 £m	**Corporation 2023 £m**	Corporation 2022 £m
Interest payable on loans and derivatives		**443.7**	433.3	**435.6**	414.5
Interest payable on right-of-use lease liabilities		**77.3**	55.5	**10.4**	11.0
Interest payable on PFI liabilities		**4.4**	4.9	**4.4**	4.8
Contingent rentals on PFI contracts		**11.2**	10.5	**11.2**	10.2
Change in fair value of investment properties (including those classified as held for sale)		**155.0**	-	**14.0**	-
Net interest on defined benefit obligation	35	**79.3**	105.9	**78.2**	104.8
Other financing and investment expenditure		**10.5**	6.3	**5.4**	1.7
		781.4	616.4	**559.2**	547.0
Less: amounts capitalised into qualifying assets	13	**(31.8)**	(114.6)	**-**	-
		749.6	501.8	**559.2**	547.0

10. Grant income

Year ended 31 March	Group 2023 £m	Group 2022 £m	Corporation 2023 £m	Corporation 2022 £m
Non ring-fenced resource grant from the DfT used to fund operations	942.6	1,716.8	942.6	1,716.8
Non ring-fenced Business Rates Retention from the GLA used to fund operations	205.3	494.1	205.3	494.1
Other revenue grant received	137.9	74.3	137.1	72.4
Council tax precept	114.0	51.6	114.0	51.6
Total grants allocated to revenue	**1,399.8**	2,336.8	**1,399.0**	2,334.9
Ring-fenced grant from the GLA used to fund capital expenditure relating to Crossrail	271.0	554.0	271.0	554.0
Non ring-fenced Business Rates Retention from the GLA used to fund capital	1,613.7	1,350.2	1,613.7	1,350.2
Other capital grants and contributions received	238.0	110.1	191.9	50.4
Total grants allocated to capital	**2,122.7**	2,014.3	**2,076.6**	1,954.6
Total grants	**3,522.5**	4,351.1	**3,475.6**	4,289.5

Allocation of capital grants

Year ended 31 March	Note	Group 2023 £m	Group 2022 £m	Corporation 2023 £m	Corporation 2022 £m
Capital grant funding of subsidiaries*		-	-	1,342.3	1,216.0
Applied capital grants	37	2,020.5	2,014.3	632.1	738.6
Transfer from unapplied capital grants	38	102.2	-	102.2	-
Total capital grants		**2,122.7**	2,014.3	**2,076.6**	1,954.6

* Capital grant funding of subsidiaries in the Corporation represent revenue expenditure funded from capital under statute (REFCUS). The sources of finance are all applied during the year. Refer to Note 39

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 (2021/22 19 per cent) comprised:

Year ended 31 March	Group 2023 £m	Group 2022 £m
UK Corporation Tax – current year charge	-	-
UK Corporation Tax – adjustments in respect of prior years	-	-
Total current tax income	-	-
Deferred tax – current year (credit)/charge	**(4.8)**	86.2
Total tax (credit)/charge for the year	**(4.8)**	86.2

Reconciliation of tax expense

Year ended 31 March	Group 2023 £m	Group 2022 £m
Surplus on the provision of services before tax	69.0	590.3
Surplus on the provision of services before tax multiplied by standard rate of Corporation Tax in the UK of 19% (2021/22 19%)	13.1	112.2
Effects of:		
Non-taxable income/non-deductible expenses	(70.4)	(65.9)
Permanent difference in TfL Corporation	(34.9)	(97.1)
Amount charged to current tax for which no deferred tax was recognised	89.1	138.9
Utilisation of tax losses carried forward for which no deferred tax was recognised	(0.9)	(0.9)
Overseas earnings	(0.8)	(1.0)
Total tax (credit)/charge for the year	**(4.8)**	86.2

Notes to the Financial Statements

11. Taxation (continued)

b) Unrecognised deferred tax assets

The Group has a potential net deferred tax asset of £600.0m (2022 £2,950.1m) in respect of the following items:

	Group 2023 £m	Group 2022 £m
Deductible temporary differences	**3.2**	1,636.7
Tax losses	**596.8**	1,313.4
Unrecognised deferred tax asset	**600.0**	2,950.1

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:

For the year ended 31 March 2022	Balance at 1 April 2022 £m	Movement in the provision of services £m	Movement in other comprehensive income during the year £m	**Balance at 31 March 2023 £m**
Deferred tax assets				
Property, plant and equipment	59.0	(59.0)	-	**-**
Tax losses	-	781.8	-	**781.8**
Derivative financial instruments	11.6	(7.0)	-	**4.6**
Total	70.6	715.8	-	**786.4**
Deferred tax liabilities				
Investment properties	(429.4)	68.3	-	**(361.1)**
Assets held for sale	(16.4)	3.7	-	**(12.7)**
Property, plant and equipment	-	(783.0)	-	**(783.0)**
Total	(445.8)	(711.0)	-	**(1,156.8)**
Net deferred tax liability	(375.2)	4.8	-	**(370.4)**

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 2022	Balance at 1 April 2022 £m	Movement in the provision of services £m	Movement in other comprehensive income during the year £m	Balance at 31 March 2022 £m
Deferred tax assets				
Property, plant and equipment	14.5	44.5	-	59.0
Derivative financial instruments	20.7	(9.1)	-	11.6
Total	35.2	35.4	-	70.6
Deferred tax liabilities				
Investment properties	(254.7)	(120.0)	(54.7)	(429.4)
Assets held for sale	(14.8)	(1.6)	-	(16.4)
Total	(269.5)	(121.6)	(54.7)	(445.8)
Net deferred tax liability	(234.3)	(86.2)	(54.7)	(375.2)

The key movements in the period were due to the following:

- The deferred tax liability arising on investment properties, including those classified as assets held for sale, has decreased 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 Places for London Limited (formerly 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
- The property, plant and equipment deferred tax balance has changed in the period due to a change in methodology for calculating the tax base of certain assets held in London Underground Limited. Other movements in the year arise 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 2022/23 due to movement in the fair value of derivatives

UK Corporation Tax is calculated at a rate of 19 per cent (2021/22: 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 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 2023 have been calculated at a rate of 25 per cent.

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 2023, no deferred tax assets have been recognised in these entities.

Notes to the Financial Statements
12. Intangible assets

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a) Group intangible assets

	Note	Software costs £m	Intangible assets under construction £m	Goodwill £m	Total £m
Cost					
At 1 April 2021		529.7	18.3	351.8	899.8
Additions		52.6	6.0	-	58.6
Net transfers from property, plant and equipment	13	8.0	91.2	-	99.2
Transfers between asset classes		87.4	(87.4)	-	-
Disposals		(167.8)	-	-	(167.8)
At 31 March 2022		509.9	28.1	351.8	889.8
Additions		**33.0**	**7.4**	**-**	**40.4**
Net transfers from property, plant and equipment	13	**17.2**	**2.9**	**-**	**20.1**
Transfers between asset classes		**18.9**	**(18.9)**	**-**	**-**
Disposals		**(8.1)**	**-**	**-**	**(8.1)**
Write offs		**(0.9)**	**-**	**-**	**(0.9)**
At 31 March 2023		**570.0**	**19.5**	**351.8**	**941.3**
Amortisation and impairment					
At 1 April 2021		401.3	-	349.2	750.5
Amortisation charge for the year	4	50.2	-	-	50.2
Net transfers from property, plant and equipment	13	0.4	-	-	0.4
Disposals		(167.8)	-	-	(167.8)
At 31 March 2022		284.1	-	349.2	633.3
Amortisation charge for the year	4	59.9	-	-	59.9
Disposals		(8.3)	-	-	(8.3)
Write offs		**(0.7)**	**-**	**-**	**(0.7)**
At 31 March 2023		**335.0**	**-**	**349.2**	**684.2**
Net book value at 31 March 2023		**235.0**	**19.5**	**2.6**	**257.1**
Net book value at 31 March 2022		225.8	28.1	2.6	256.5

Intangible assets under construction comprise software assets under development by the Group.

b) Corporation intangible assets

	Note	Software costs £m	Intangible assets under construction £m	Total £m
Cost				
At 1 April 2021		365.9	7.9	373.8
Additions		8.0	32.9	40.9
Net transfers from property, plant and equipment	13	8.0	75.7	83.7
Transfers between asset classes		104.3	(104.3)	-
Disposals		(167.7)	-	(167.7)
At 31 March 2022		318.5	12.2	330.7
Additions		**9.9**	**5.4**	**15.3**
Net transfers from property, plant and equipment	13	**0.5**	**2.2**	**2.7**
Transfers between asset classes		**8.7**	**(8.7)**	**-**
Write offs		**(0.9)**	**-**	**(0.9)**
At 31 March 2023		**336.7**	**11.1**	**347.8**
Amortisation and impairment				
At 1 April 2021		286.9	-	286.9
Amortisation charge for the year	4	26.7	-	26.7
Net transfers from property, plant and equipment	13	0.4	-	0.4
Disposals		(167.8)	-	(167.8)
At 31 March 2022		146.2	-	146.2
Amortisation charge for the year	4	**34.7**	**-**	**34.7**
Write offs		**(0.7)**	**-**	**(0.7)**
At 31 March 2023		**180.2**	**-**	**180.2**
Net book value at 31 March 2023		**156.5**	**11.1**	**167.6**
Net book value at 31 March 2022		172.3	12.2	184.5

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 2023 comprised the following elements:

	Note	Office building £m	Infrastructure £m	Rolling stock £m	Plant and equipment £m	Assets under construction £m	Total £m
Cost or valuation							
At 1 April 2022 (restated)*		299.5	33,569.6	5,087.5	1,861.3	18,786.9	59,604.8
Additions		-	493.9	320.8	51.3	1,112.3	1,978.3
Transfers to intangible assets	12	-	-	-	-	(20.1)	(20.1)
Transfers to investment properties	15	(23.0)	0.2	-	-	(3.5)	(26.3)
Transfers between asset classes		-	16,888.9	39.0	69.1	(16,997.0)	-
Disposals		-	(19.9)	-	(4.9)	-	(24.8)
Reversal of impairments		-	-	-	-	34.2	34.2
Write offs		-	(76.1)	-	(1.0)	-	(77.1)
Revaluation		(5.0)	-	-	-	-	(5.0)
At 31 March 2023		271.5	50,856.6	5,447.3	1,975.8	2,912.8	61,464.0
Depreciation and impairment							
At 1 April 2022 (restated) *		47.1	12,060.0	2,506.7	1,143.2	56.3	15,813.3
Depreciation charge for the year	4	9.3	874.7	131.7	118.2	-	1,133.9
Impairment charge for the year	4	-	-	-	-	6.4	6.4
Transfers to investment properties	15	0.5	(1.0)	-	-	-	(0.5)
Disposals		-	(19.8)	-	(4.9)	-	(24.7)
Write offs		-	(47.3)	-	(0.8)	-	(48.1)
Revaluation		(4.8)	-	-	-	-	(4.8)
At 31 March 2023		52.1	12,866.6	2,638.4	1,255.7	62.7	16,875.5
Net book value at 31 March 2023		219.4	37,990.0	2,808.9	720.1	2,850.1	44,588.5
Net book value at 31 March 2022		252.4	21,509.6	2,580.8	718.1	18,730.6	43,791.5

* During the year, Management identified £4.4bn of fully depreciated assets that were not derecognised from gross cost and accumulated depreciation in line with the pooled assets accounting policy of the Group (£nil net book value). As this is a prior period error, opening balances as at 1 April 2021 and 1 April 2022 have been restated for infrastructure assets and plant and equipment. There is no impact on the primary statements or other notes to the accounts.

Given the lack of long-term funding agreements being in place as at 31 March 2022, Management concluded there was a material uncertainty as to whether lower priority capital assets under construction would be completed and as a result impaired AUC projects totalling £51.4m. Following the granting of funding in August 2022, Management have reassessed the financial requirements and availability and have concluded that £34.2m of the previously recognised impairment should be reversed and £8.3m should be fully disposed of.

1 April 2021 – £3,855.6m gross cost and accumulated depreciation adjusted to the opening balance. Made up of £3,504m infrastructure assets and £351.6m plant and equipment.

1 April 2022 – £552.4m gross cost and accumulated depreciation adjusted to disposals in 2021/22. Made up of £540.8m infrastructure assets and £11.6m plant and equipment.

The Group holds its office buildings at valuation. All other items of property, plant and equipment are held at cost.

Notes to the Financial Statements

13. Property, plant and equipment (continued)

b) Group property, plant and equipment at 31 March 2022 comprised the following elements:

	Note	Office building £m	Infrastructure £m	Rolling stock £m	Plant and equipment £m	Assets under construction £m	Total £m
Cost or valuation							
At 1 April 2021		290.9	34,830.1	5,050.7	2,240.2	20,038.7	62,450.6
Prior period adjustment*		-	(3,504.0)	-	(351.6)	-	(3,855.6)
At 1 April 2021 (restated)*		290.9	31,326.1	5,050.7	1,888.6	20,038.7	58,595.0
Additions		-	421.1	23.1	34.1	1,525.6	2,003.9
Transfers to intangible assets	12	-	(8.0)	-	-	(91.2)	(99.2)
Transfers to investment properties	15	(5.2)	(0.1)	-	-	(106.5)	(111.8)
Transfer to assets held for sale		-	-	-	-	(83.4)	(83.4)
Transfers between asset classes		0.7	2,384.4	13.7	66.6	(2,465.4)	-
Disposals (restated) *		-	(553.9)	-	(122.7)	-	(676.6)
Write offs		-	-	-	(5.3)	(30.9)	(36.2)
Revaluation		13.1	-	-	-	-	13.1
At 31 March 2022		299.5	33,569.6	5,087.5	1,861.3	18,786.9	59,604.8
Depreciation							
At 1 April 2021		47	15,420.4	2,383.6	1,500.8	4.9	19,356.7
Prior period adjustment*		-	(3,504.0)	-	(351.6)	-	(3,855.6)
At 1 April 2021 (restated)*		47.0	11,916.4	2,383.6	1,149.2	4.9	15,501.1
Depreciation charge for the year	4	9.3	693.5	123.1	114.5	-	940.4
Impairment charge for the year	4	-	-	-	6.4	51.4	57.8
Transfers to investment properties	15	(0.4)	(0.1)	-	-	-	(0.5)
Transfers to intangible assets	12	-	(0.4)	-	-	-	(0.4)
Disposals (restated)*		-	(549.4)	-	(126.9)	-	(676.3)
Revaluation		(8.8)	-	-	-	-	(8.8)
At 31 March 2022		47.1	12,060.0	2,506.7	1,143.2	56.3	15,813.3

* During the year, Management identified £4.4bn of fully depreciated assets that were not derecognised from gross cost and accumulated depreciation in line with the pooled assets accounting policy of the Group (£nil net book value). As this is a prior period error, opening balances as at 1 April 2021 and 1 April 2022 have been restated for infrastructure assets and plant and equipment. There is no impact on the primary statements or other notes to the accounts.

Given the lack of long-term funding agreements being in place as at 31 March 2022, Management concluded there was a material uncertainty as to whether lower priority capital assets under construction would be completed and as a result impaired AUC projects totalling £51.4m. Following the granting of funding in August 2022, Management have reassessed the financial requirements and availability and have concluded that £34.2m of the previously recognised impairment should be reversed and £8.3m should be fully disposed of.

1 April 2021 – £3,855.6m gross cost and accumulated depreciation adjusted to the opening balance. Made up of £3,504m infrastructure assets and £351.6m plant and equipment.

1 April 2022 – £552.4m gross cost and accumulated depreciation adjusted to disposals in 2021/22. Made up of £540.8m infrastructure assets and £11.6m plant and equipment.

The Group holds its office buildings at valuation. All other items of property, plant and equipment are held at cost.

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 £31.8m (2022 £114.6m). The cumulative borrowing costs capitalised are £955.2m (2022 £923.4m). 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 2023, the Group had capital commitments which are contracted for but not provided for in the financial statements amounting to £1,856.6m (2022 £1,103.7m).

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 £m	Plant and equipment £m	Total £m
Gross cost	209.1	16.7	225.8
Accumulated depreciation	(101.5)	(16.7)	(118.2)
Net book value at 31 March 2023	**107.6**	**-**	**107.6**
Net book value at 31 March 2022 (restated)*	110.1	-	110.1

d) Depreciation charge

The total depreciation charge for the Group for the year comprised:

Year ended 31 March	Note	2023 £m	2022 £m
Depreciation of owned assets		1,129.0	935.5
Depreciation of assets held under PFI arrangements		4.9	4.9
Total depreciation	4	**1,133.9**	940.4

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 2023 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.

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 2023 was £nil (2022 £nil)

g) Corporation property, plant and equipment at 31 March 2023 comprised the following elements:

	Note	Office buildings £m	Infrastructure £m	Plant and equipment £m	Assets under construction £m	Total £m
Cost or valuation						
At 1 April 2022		0.8	6,060.4	247.0	410.0	6,719.7
Additions		-	77.2	19.3	247.2	343.5
Net transfers to intangible assets	12	-	-	-	(2.7)	(2.7)
Transfers to investment properties	15	-	-	-	(0.4)	(0.4)
Transfers between asset classes		-	75.4	42.8	(118.2)	-
Disposals		-	0.1	(2.1)	-	(2.0)
Reversal AUC impairments		-	-	-	9.6	9.6
Write offs		-	(0.2)	(0.7)	-	(0.9)
Revaluation		(5.4)	-	-	-	(5.4)
At 31 March 2023		**(4.6)**	**6,212.9**	**307.8**	**545.3**	**7,061.4**
Depreciation						
At 1 April 2022		-	2,384.3	133.0	20.7	2,538.0
Depreciation charge for the year	4	-	121.7	29.5	-	151.2
Disposals		-	-	(2.2)	-	(2.2)
Write offs		-	-	(0.6)	-	(0.6)
Revaluation		(4.6)	-	-	-	(4.6)
At 31 March 2023		**(4.6)**	**2,506.0**	**159.7**	**20.7**	**2,681.8**
Net book value at 31 March 2023		**-**	**3,706.9**	**148.1**	**524.6**	**4,379.6**
Net book value at 31 March 2022		0.8	3,676.1	115.5	389.3	4,181.7

Notes to the Financial Statements

13. Property, plant and equipment (continued)

h) Corporation property, plant and equipment at 31 March 2022 comprised the following elements*:

	Note	Office buildings £m	Infrastructure £m	Plant and equipment £m	Assets under construction £m	Total £m
Cost or valuation						
At 1 April 2021		10.2	5,512.3	293.3	1,301.3	7,117.1
Prior period adjustment*		-	(351.1)	(16.4)	-	(367.5)
At 1 April 2021 (restated)		10.2	5,161.2	276.9	1,301.3	6,749.6
Additions		-	43.6	20.3	156.6	220.5
Transfers to intangible assets	12	-	(8.0)	-	(75.7)	(83.7)
Transfers to investment properties	15	-	-	-	(34.4)	(34.4)
Transfers between asset classes		-	907.7	27.2	(934.9)	-
Disposals (restated)		-	(44.1)	(75.9)	(2.9)	(122.9)
Write offs		(9.5)	-	-	-	(9.5)
Revaluation		0.1	-	-	-	0.1
At 31 March 2022		0.8	6,060.4	248.5	410.0	6,719.7
Depreciation						
At 1 April 2021		-	2,662.0	201.4	-	2,863.4
Prior period adjustment*		-	(351.1)	(16.4)	-	(367.5)
At 1 April 2021 (restated)		-	2,310.9	185.0	-	2,495.9
Depreciation charge for the year	4	-	118.1	23.9	-	142.0
Impairment charge for the year	4	-	-	-	20.7	20.7
Transfers to intangible assets	12	-	(0.4)	-	-	(0.4)
Disposals (restated)*		-	(44.3)	(75.9)	-	(120.2)
At 31 March 2022		-	2,384.3	133.0	20.7	2,538.0

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 (2022 £nil). The cumulative borrowing costs capitalised are also £nil (2022 £nil).

At 31 March 2023, the Corporation had capital commitments which are contracted for but not provided for in the financial statements amounting to £64.4m (2022 £43.2m).

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

* During the year, management identified £4.4bn of fully depreciated assets that were not derecognised from gross cost and accumulated depreciation in line with the pooled assets accounting policy of the Group (£nil net book value). As this is a prior period error, opening balances as at 1 April 2021 and 1 April 2022 have been restated for infrastructure assets and plant and equipment. There is no impact on the primary statements or other notes to the accounts.

1 April 2021 – £367.5m gross cost and accumulated depreciation adjusted to the opening balance. Made up of £351.1m infrastructure assets and £16.4m plant and equipment.

1 April 2022 – £49.8m gross cost and accumulated depreciation adjusted to disposals in 2021/22. Made up of £44.2m infrastructure assets and £5.6m plant and equipment.

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 £m	Plant and equipment £m	Total £m
Gross cost	**209.1**	**16.7**	**225.8**
Depreciation	**(101.5)**	**(16.7)**	**(118.2)**
Net book value at 31 March 2023	**107.6**	**-**	**107.6**
Net book value at 31 March 2022	110.1	-	110.1

j) Depreciation charge
The total depreciation charge for the Corporation comprised:

Year ended 31 March	Note	2023 £m	2022 £m
Depreciation of owned assets		**148.5**	139.3
Depreciation of assets held under PFI		**2.7**	2.7
Total depreciation	4	**151.2**	142.0

k) Corporation office buildings and other infrastructure assets held at valuation
The existing use value of owner-occupied office buildings at 31 March 2023 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.

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. This resulted in a remeasurement of the lease liability with a corresponding adjustment to the right-of-use asset.

a) Group right-of-use assets at 31 March 2023 comprised the following elements:

	Note	Infrastructure and office buildings £m	Rolling stock £m	Buses £m	Motor vehicles £m	Other equipment £m	Total £m
Cost or valuation							
At 1 April 2022		**585.3**	**1,546.5**	**1,175.9**	**14.0**	**120.5**	**3,442.2**
Additions		**14.4**	**13.5**	**166.1**	**0.3**	**(1.3)**	**193.0**
Lease terminations		**(1.4)**	**(163.6)**	**-**	**-**	**-**	**(165.0)**
Valuation adjustment		**-**	**(0.9)**	**-**	**-**	**(0.6)**	**(1.5)**
At 31 March 2023		**598.3**	**1,395.5**	**1,342.0**	**14.3**	**118.6**	**3,468.7**
Amortisation							
At 1 April 2022		**116.5**	**405.0**	**650.8**	**8.5**	**51.5**	**1,232.3**
Charge for the year	4	**39.7**	**83.2**	**214.8**	**2.3**	**17.5**	**357.5**
Disposals		**-**	**(75.6)**	**-**	**-**	**-**	**(75.6)**
At 31 March 2023		**156.2**	**412.6**	**865.6**	**10.8**	**69.0**	**1,514.2**
Net book value at 31 March 2023		**442.1**	**982.9**	**476.4**	**3.5**	**49.6**	**1,954.5**
Net book value at 31 March 2022		468.8	1,141.5	525.1	5.5	69.0	2,209.9

b) Group right-of-use assets at 31 March 2022 comprised the following elements:

	Note	Infrastructure and office buildings £m	Rolling stock £m	Buses £m	Motor vehicles £m	Other equipment £m	Total £m
Cost or valuation							
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
At 31 March 2022		585.3	1,546.5	1,175.9	14.0	120.5	3,442.2
Amortisation							
At 1 April 2021		77.4	324.4	438.4	5.5	37.6	883.3
Charge for the year	4	39.1	80.6	219.6	3.0	19.3	361.6
Disposals		-	-	(7.2)	-	(5.4)	(12.6)
At 31 March 2022		116.5	405.0	650.8	8.5	51.5	1,232.3

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	2023 £m	2022 £m
Principal outstanding		
Short-term liabilities	**299.6**	334.1
Long-term liabilities	**1,915.9**	2,102.2
	2,215.5	2,436.3

d) Group maturity analysis of right-of-use lease liabilities

At 31 March	2023 £m	2022 £m
Contractual undiscounted payments due in:		
Not later than one year	**359.5**	365.5
Later than one year but not later than two years	**297.0**	328.4
Later than two years but not later than five years	**555.7**	580.3
Later than five years	**1,898.6**	1,799.6
	3,110.8	3,073.8
Less:		
Present value discount	**(895.3)**	(637.4)
Exempt cashflows	**-**	(0.1)
Present value of minimum lease payments	**2,215.5**	2,436.3

e) Analysis of amounts included in the Group Comprehensive Income and Expenditure Statement

Year ended 31 March	Note	2023 £m	2022 £m
Amortisation of right-of-use assets	4	**357.5**	361.6
Interest payable on right-of-use lease liabilities (before impact of interest rate hedges)		**77.3**	59.5
Expense relating to short-term leases (included in gross expenditure)		**1.5**	3.0
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in gross expenditure)		**0.1**	0.1
Income from sub-leasing right-of-use assets (included in gross income)		**14.8**	12.5

Notes to the Financial Statements

14. Right-of-use assets and related lease liabilities (continued)

f) Analysis of amounts included in the Statement of Cash Flows

The total cash outflow in the Group in respect of leases was £393.4m (2021/22 £376.6m).

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.

Leases not yet commenced to which the TfL Group as a lessee is committed

As at 31 March 2023, for one rolling stock contract, a certain number of units of rolling stock had been accepted and leased, but 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 2023 were £215.6m and £245.3m respectively (2022 £226.5m and £248.6m respectively), out of a total commitment of £259.8m (2022 £268.1m) 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.

i) Corporation right-of-use assets at 31 March 2023 comprised the following elements:

	Note	Infrastructure and office buildings £m	Other equipment £m	Total £m
Cost or valuation				
At 1 April 2022		430.8	22.3	453.1
Additions		3.6	(3.2)	0.4
At 31 March 2023		434.4	19.1	453.5
Amortisation				
At 1 April 2022		75.5	9.1	84.6
Charge for the year	4	25.3	3.8	29.1
At 31 March 2023		100.8	12.9	113.7
Net book value at 31 March 2023		333.6	6.2	339.8
Net book value at 31 March 2022		355.3	13.2	368.5

Notes to the Financial Statements

14. Right-of-use assets and related lease liabilities (continued)

j) Corporation right-of-use assets at 31 March 2022 comprised the following elements:

	Note	Infrastructure and office buildings £m	Other equipment £m	Total £m
Cost or valuation				
A 1 April 2021		430.8	19.1	449.9
Additions		-	7.0	7.0
Disposals		-	(3.8)	(3.8)
At 31 March 2022		430.8	22.3	453.1
Amortisation				
At 1 April 2021		50.4	8.2	58.6
Charge for the year	4	25.1	4.7	29.8
Disposals		-	(3.8)	(3.8)
At 31 March 2022		75.5	9.1	84.6
Net book value at 31 March 2022		355.3	13.2	368.5

k) Corporation lease liabilities in relation to right-of-use assets

At 31 March	2023 £m	2022 £m
Principal outstanding		
Short-term liabilities	**27.0**	27.0
Long-term liabilities	**341.1**	367.1
	368.1	394.1

l) Corporation maturity analysis of right-of-use lease liabilities

At 31 March	2023 £m	2022 £m
Contractual undiscounted payments due in:		
Not later than one year	**36.7**	37.3
Later than one year but not later than two years	**34.6**	37.0
Later than two years but not later than five years	**99.2**	102.9
Later than five years	**278.8**	307.7
	449.3	484.9
Less:		
Present value discount	**(81.2)**	(90.8)
Present value of minimum lease payments	**368.1**	394.1

m) Analysis of amounts included in the Corporation Comprehensive Income and Expenditure Statement

Year ended 31 March	Note	2023 £m	2022 £m
Amortisation of right-of-use assets	4	**29.1**	29.8
Interest payable on right-of-use lease liabilities		**10.4**	11.0
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 service income)		**-**	-

Notes to the Financial Statements

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 2022/23 was £36.7m (2021/22 £37.3m).

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 2023 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 (2022 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.

15. Investment properties

	Note	Group £m	Corporation £m
Valuation			
At 1 April 2021		1,458.7	11.6
Additions		27.2	4.0
Transfers to assets held for sale	22	(10.3)	(0.7)
Transfers from assets held for sale	22	19.5	27.3
Transfers from property, plant and equipment	13	111.3	34.4
Disposals		(18.1)	(9.5)
Fair value adjustments	8	125.0	30.0
At 31 March 2022		1,713.3	97.1
Additions		**20.7**	**1.7**
Transfers to assets held for sale	22	**(3.6)**	**(1.0)**
Net transfers from assets held for sale	22	**4.6**	**1.3**
Transfers from property, plant and equipment	13	**25.8**	**0.4**
Disposals		**(37.3)**	**(0.1)**
Fair value adjustments	8	**(148.9)**	**(12.5)**
At 31 March 2023		**1,574.6**	**86.9**

Notes to the Financial Statements

15. Investment properties (continued)

The fair value of the Group's investment properties at 31 March 2023 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 (2021/22 none).

Properties are valued annually in accordance with the Red Book, RICS Valuation – Global Standards published by the Royal Institution of Chartered Surveyors.

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 2023, a total net loss of £149.0m (including movements on investment properties held for sale) was recognised for the Group (2021/22 a net revaluation gain of £142.4m). Of this, a gain of £6.0m (2021/22 £49.0m) in relation to the initial valuation of newly created assets was recognised within other comprehensive income. The remaining £155.0m net loss (2021/22 £93.4m net gain) 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 £32.7m for the Group (2021/22 £39.8m).

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 2023

		Estimated value £m Yield shift (0.5)%	% change from baseline Yield shift (0.5)%	Estimated value £m Yield shift (0.25)%	% change from baseline Yield shift (0.25)%	**Estimated value £m Yield shift 0.0%**	**% change from baseline Yield shift 0.0%**	Estimated value £m Yield shift 0.25%	% change from baseline Yield shift 0.25%	Estimated value £m Yield shift 0.5%	% change from baseline Yield shift 0.5%
Estimated rental value	**(10)%**	1,630.5	3.55	1,542.5	(2.04)	**1,464.4**	**(7.00)**	1,436.8	(8.75)	1,354.2	(14.00)
	(5)%	1,693.5	7.55	1,601.4	1.70	**1,519.6**	**(3.49)**	1,491.0	(5.31)	1,404.7	(10.79)
	0%	1,756.0	11.52	1,659.6	5.40	**1,574.6**	**0.00**	1,545.3	(1.86)	1,455.1	(7.59)
	5%	1,818.5	15.49	1,718.7	9.15	**1,630.3**	**3.54**	1,599.3	1.57	1,505.3	(4.40)
	10%	1,881.2	19.47	1,777.3	12.87	**1,685.6**	**7.05**	1,653.6	5.02	1,556.0	(1.18)

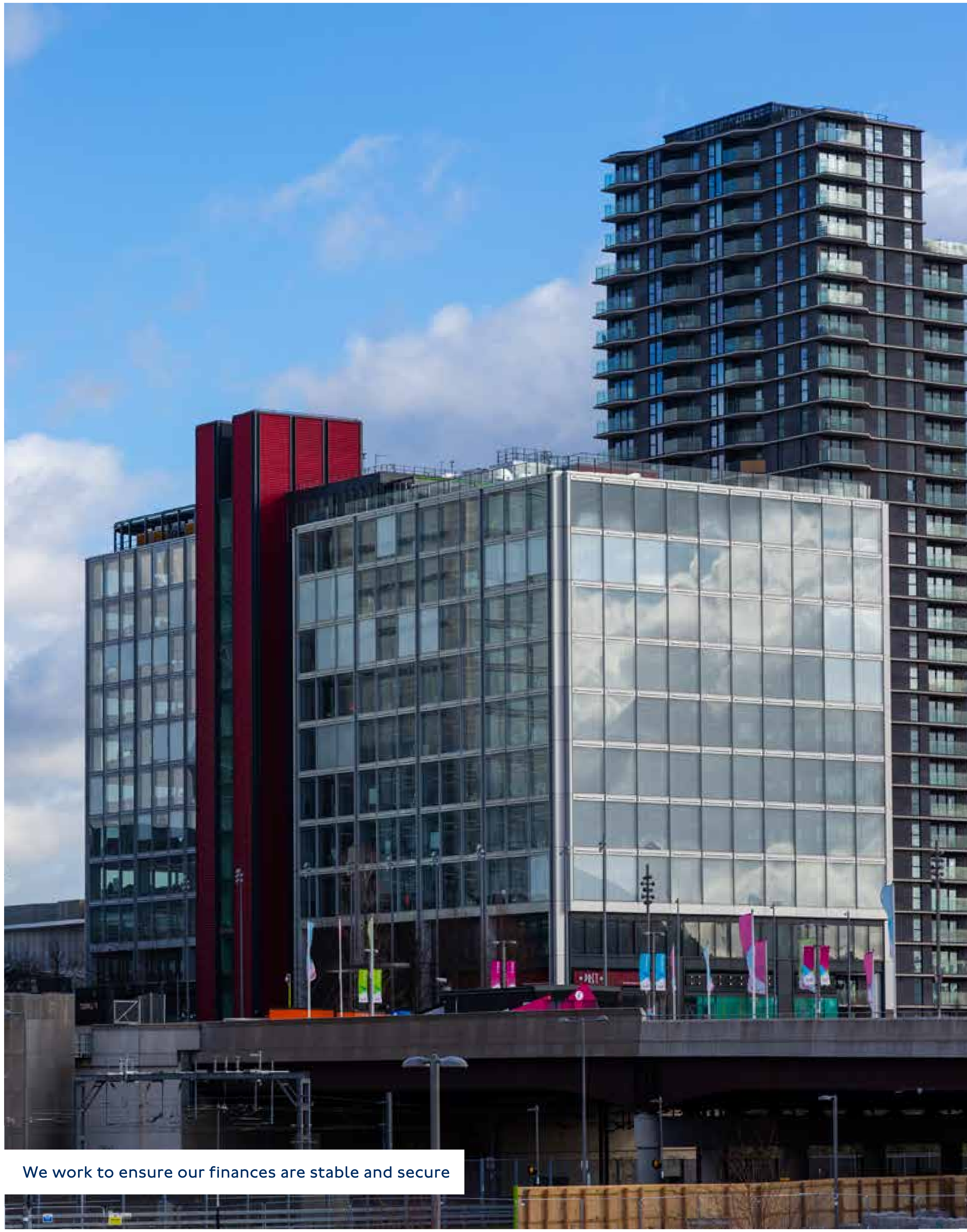
The table above shows the sensitivity of the valuation of the investment property portfolio to a five or 10 per cent increase/(decrease) in estimated rental values, combined with a 0.5 or 0.25 per cent increase/(decrease) in yield from the baseline assumptions used to calculate the values as recorded in these accounts.

Notes to the Financial Statements
16. Investments in subsidiaries

Cost	Corporation 2023 £m	Corporation 2022 £m
At 1 April	12,782.5	12,222.5
Investments in year	280.0	560.0
At 31 March	**13,062.5**	12,782.5

During the year, the Corporation increased its investment in the ordinary share capital of Transport Trading Limited (TTL) by £280m (2021/22 £560m). TTL subsequently increased its investment in the ordinary share capital of Crossrail Limited by £280m.

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.



We work to ensure our finances are stable and secure

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

Subsidiaries	Principal activity
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 Office Properties Limited	Dormant company
TTL Kidbrooke Properties Limited	Holding company
TTL Landmark Court Properties Limited	Holding company
TTL Northwood Properties Limited	Dormant company
Places for London Limited (formerly 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	Holding company
TTL West London Properties Limited *	Holding 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

* Incorporated during the year

Notes to the Financial Statements

17. Investment in joint ventures

a) 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 2022/23, the Group invested a further £53m in the equity of CLL (2021/22 £2.8m). 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

At 31 March	Group 2023 £m	Group 2022 £m
Long-term assets		
Investment property under construction	80.3	17.9
	80.3	17.9
Current assets		
Cash	9.6	4.5
Other short-term assets	0.5	-
	10.1	4.5
Current liabilities		
Other short-term liabilities	(0.1)	(2.9)
	(0.1)	(2.9)
Long-term liabilities		
Borrowings	-	-
Other long-term liabilities	-	-
	-	-

Reconciliation of net assets to amounts included in the consolidated Group accounts

At 31 March	Group 2023 £m	Group 2022 £m
Net assets at 100%	90.3	19.5
Percentage held by the TfL Group	49%	49%
Carrying amount of the Group's equity interest in CLL	44.1	9.6

Notes to the Financial Statements

17. Investment in joint ventures (continued)

Group share of comprehensive income and expenditure of CCL

Year ended 31 March	Group 2023 £m	Group 2022 £m
Group share of loss from continuing operations	**(0.7)**	(1.7)
Group share of other comprehensive income	**-**	-
Total Group share of comprehensive income and expenditure for the year	**(0.7)**	(1.7)

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 2022/23 the Group had no additional investment in the equity of KP LLP (2021/22 £nil). 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

At 31 March	Group 2023 £m	Group 2022 £m
Current assets		
Cash	**2.0**	8.9
Other short-term assets	**39.7**	31.0
	41.7	39.9
Current liabilities		
Other short-term liabilities	**(4.4)**	(2.5)
	(4.4)	(2.5)

Reconciliation of net assets to amounts included in the consolidated Group accounts

At 31 March	Group 2023 £m	Group 2022 £m
Net assets at 100%	**37.3**	37.4
Percentage held by the TfL Group	**49%**	49%
Carrying amount of the Group's equity interest in KP LLP	**18.2**	18.3

Group share of comprehensive income and expenditure of Kidbrooke Partnership LLP

Year ended 31 March	Group 2023 £m	Group 2022 £m
Group share of loss from continuing operations	**(0.1)**	(0.1)
Group share of other comprehensive income	**-**	-
Total Group share of comprehensive income and expenditure for the year	**(0.1)**	(0.1)

Notes to the Financial Statements

17. Investment in joint ventures (continued)

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.

Balance sheet of BRP LLP at the 100 per cent level

At 31 March	Group 2023 £m	Group 2022 £m
Current assets		
Cash	2.5	21.3
Other short-term assets	1.5	21.5
	4.0	42.8
Current liabilities		
Other short-term liabilities	(2.4)	(8.2)
	(2.4)	(8.2)

Reconciliation of net assets to amounts included in the consolidated Group accounts

At 31 March	Group 2023 £m	Group 2022 £m
Net assets at 100%	1.6	34.6
Percentage held by the TfL Group	49%	49%
Carrying amount of the Group's equity interest in BRP LLP	0.8	17.0

Group share of comprehensive income and expenditure of BRP LLP

Year ended 31 March	Group 2023 £m	Group 2022 £m
Group share of profit from continuing operations	7.2	7.3
Group share of other comprehensive income	-	-
Total Group share of comprehensive income and expenditure for the year	7.2	7.3

Notes to the Financial Statements

17. Investment in joint ventures (continued)

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.

Balance sheet of LMCP at the 100 per cent level

At 31 March	Group 2023 £m	Group 2022 £m
Current assets		
Cash	-	1.3
Other short-term assets	24.9	46.5
	24.9	47.8
Current liabilities		
Other short-term liabilities	(15.3)	(38.2)
	(15.3)	(38.2)

Reconciliation of net assets to amounts included in the consolidated Group accounts

At 31 March	Group 2023 £m	Group 2022 £m
Net assets at 100%	9.6	9.6
Percentage held by the TfL Group	49%	49%
Net assets at 49%	4.7	4.7
Adjustment for distribution of land receipt*	-	(2.3)
Carrying amount of the Group's equity interest in BRP LLP	4.7	2.4

Group share of comprehensive income and expenditure of LMCP Limited

Year ended 31 March	Group 2023 £m	Group 2022 £m
Group share of profit from continuing operations adjusted for distribution of land receipt	2.3	2.4
Group share of other comprehensive income	-	-
Total Group share of comprehensive income and expenditure for the year	2.3	2.4

* Available profits in relation to the land receipt are distributed at 25 per cent to TTL Landmark Court Properties Limited

Notes to the Financial Statements

17. Investment in joint ventures (continued)

e) Wembley Park LLP

In 2022/23, the Group acquired a 49 per cent holding in the member's interest of Wembley Park Properties LLP (WPP LLP), a newly created property development partnership, for a cash consideration of £12m. The investment was purchased through a newly incorporated subsidiary of the Group, TTL Wembley Park 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 2022/23, the Group granted a 999 year lease over land at Wembley Park station car park to WPP LLP for a consideration of £16.25m. The financial year end of WPP LLP is 30 June.

Summarised financial information in respect of the Group's investment in WPP LLP is set out below. Amounts presented are taken from unaudited management accounts made up to 31 March.

Balance sheet of Wembley Park Properties LLP at the 100 per cent level

At 31 March	Group 2023 £m	Group 2022 £m
Long-term assets		
Investment property under construction	-	-
	-	-
Current assets		
Cash	7.9	-
Other short-term assets	23.3	-
	31.2	-
Current liabilities		
Other short-term liabilities	(6.7)	-
	(6.7)	-
Long-term liabilities		
Borrowings	-	-
Other long-term liabilities	-	-
	-	-

Reconciliation of net assets to amounts included in the consolidated Group accounts

At 31 March	Group 2023 £m	Group 2022 £m
Net assets at 100%	24.5	-
Percentage held by the TfL Group	49%	-
Carrying amount of the Group's equity interest in Wembley Park	11.9	-

Group share of comprehensive income and expenditure of Wembley Park Properties LLP

Year ended 31 March	Group 2023 £m	Group 2022 £m
Group share of loss from continuing operations	-	-
Group share of other comprehensive income	-	-
Total Group share of comprehensive income and expenditure for the year	-	-

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 2023 the Group had invested £44.4m (2022 £44.4m) in share capital and a further £433.9m (2022 £423m) in loan notes.

The financial year end of ECP is 31 December. For the purposes of applying the equity method of accounting, the management accounts of ECP at 31 March 2023 have been used (2021/22: financial statements of ECP for the year ended 31 December 2021). In the prior year, there were no material movements 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

At 31 March (2021/22 31 December)	Group 2023 £m	Group 2022 £m
Current assets	17.6	8.1
Long-term assets	541.2	596.0
Current liabilities	(9.5)	(1.7)
Long-term liabilities	(98.3)	(74.7)

Reconciliation of net assets to amounts included in the consolidated Group accounts

	Group 2023 £m	Group 2022 £m
Net assets at 100% at 31 March (2021/22: 31 December)	451.0	527.7
Percentage held by the TfL Group	37%	37%
TfL Group share of net assets at 31 March (2021/22: 31 December)	166.7	195.3
Investment in equity loan notes between 31 December and 31 March	-	2.2
Carrying amount of the Group's equity interest in Earls Court Partnership Limited at 31 March	166.7	197.5

Group share of comprehensive income and expenditure of Earls Court Partnership Limited

Year ended 31 March	Group 2023 £m	Group 2022 £m
Group share of (loss)/profit from continuing operations	(41.5)	24.0
Group share of other comprehensive income	-	-
Total Group share of comprehensive income and expenditure for the year	(41.5)	24.0

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.

As at 31 March	2023 £m	2022 £m
Principal outstanding		
Short-term	5.2	13.8
Long-term	9.1	23.2
	14.3	37.0

As at 31 March	2023 £m	2022 £m
Principal outstanding		
At 1 April	37.0	44.0
Additions	0.5	8.7
Interest	0.8	(1.9)
Lease terminations	(4.1)	-
Repayments	(19.9)	(13.8)
	14.3	37.0

At 31 March	2023 £m	2022 £m
Minimum cash receipts in:		
Not later than one year	5.2	14.7
Later than one year but not later than five years	10.6	23.7
	15.8	38.4
Less unearned finance income	(1.5)	(1.4)
	14.3	37.0

20. Inventories

As at 31 March	Group 2023 £m	Group 2022 £m
Raw materials and consumables	77.9	57.3
Goods held for resale	0.8	0.8
	78.7	58.1

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 2023 or 31 March 2022.

The movement on inventories was as follows:

	Group £m
Balance at 1 April 2021	51.5
Purchases in the year	78.0
Recognised as an expense in the year:	
Consumed/sold in the year	(70.1)
Goods sold in the year	(1.2)
Net write offs in the year	(0.1)
Balance at 31 March 2022	58.1
Purchases in the year	**120.7**
Recognised as an expense in the year:	
Consumed in the year	**(90.1)**
Goods sold in the year	**(0.5)**
Net write offs in the year	**(9.5)**
Balance at 31 March 2023	**78.7**

Notes to the Financial Statements
21. Debtors

At 31 March	Group 2023 £m	Group 2022 £m
Short-term		
Trade debtors	**133.7**	133.7
Capital debtors	**3.2**	55.3
Other debtors	**39.2**	28.0
Other tax and social security	**200.6**	62.4
Grant debtors	**110.9**	48.2
Interest debtors	**3.2**	2.6
Contract assets: accrued income	**53.0**	40.6
Prepayments for goods and services	**152.5**	152.9
	696.3	523.7
Long-term		
Other debtors	**40.2**	45.1
Prepayments for goods and services	**20.0**	27.1
	60.2	72.2

Trade debtors are non-interest bearing and are generally paid within 28 days.

As at 31 March 2023, £994.7m (2022 £607.8m) 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.

Grant debtors represent grant income where cash has not yet been received.

At 31 March	Corporation 2023 £m	Corporation 2022 £m
Short-term		
Trade debtors	**57.8**	51.5
Amounts due from subsidiary companies	**171.8**	128.7
Capital debtors	**2.3**	0.5
Other debtors	**3.7**	7.3
Other tax and social security	**9.0**	10.8
Grant debtors	**97.6**	30.4
Interest debtors	**2.9**	0.2
Contract assets: accrued income	**18.1**	11.5
Prepayments for goods and services	**26.2**	22.0
	389.4	262.9
Long-term		
Loans made to subsidiary companies	**12,290.9**	12,325.9
Other debtors	**28.4**	26.4
Prepayments for goods and services	**7.6**	8.6
	12,326.9	12,360.9

Trade debtors are non-interest bearing and are generally paid within 28 days. As at 31 March 2023, £965.7m (2022 £580.2m) 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 2023 was 3.5 per cent (2022 3.1 per cent).

Notes to the Financial Statements

22. Assets held for sale

	Note	Group £m	Corporation £m
Balance at 1 April 2021		95.5	17.5
Assets newly classified as held for sale			
Property, plant and equipment	13	83.4	-
Investment properties	15	10.3	0.7
Net assets transferred from held for sale to investment property			
Investment properties	15	(19.5)	(27.3)
Revaluation gains/(losses)			
Investment properties		17.4	21.3
Disposals			
Investment properties		(26.2)	(0.1)
Balance at 31 March 2022		160.9	12.1
Assets newly classified as held for sale			
Investment properties	15	3.6	1.0
Net assets transferred from held for sale to investment property			
Investment properties	15	**(4.6)**	**(1.3)**
Revaluation gains/(losses)			
Investment properties		**(0.1)**	**(1.5)**
Disposals			
Property, plant and equipment		**(83.3)**	**-**
Investment properties		**(22.8)**	**-**
Transfers to subsidiary undertakings			
Investment properties		**-**	**(7.3)**
Balance at 31 March 2023		**53.7**	**3.0**

As at 31 March 2023, 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.

23. Other investments

At 31 March	Group 2023 £m	Group 2022 £m
Short-term		
Investments held at amortised cost	**15.0**	19.0

At 31 March	Corporation 2023 £m	Corporation 2022 £m
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.

Notes to the Financial Statements

24. Cash and cash equivalents

At 31 March	Group 2023 £m	Group 2022 £m
Cash at bank	**285.3**	201.6
Cash equivalents with a maturity of less than three months	**1,090.0**	1,177.6
Cash in hand and in transit	**12.2**	11.0
	1,387.5	1,390.2

At 31 March	Corporation 2023 £m	Corporation 2022 £m
Cash at bank	**41.3**	54.2
Cash equivalents with a maturity of less than three months	**1,090.0**	1,177.6
	1,131.3	1,231.8

Cash and cash equivalents comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. Cash and cash equivalents are classified as financial assets at amortised cost.

Cash equivalents 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.

25. Creditors

a) Group creditors at 31 March comprised:

	Group 2023 £m	Group 2022 £m
Short-term		
Trade creditors	**225.0**	208.6
Accrued interest	**106.4**	111.2
Capital works	**666.4**	555.6
Retentions on capital contracts	**5.5**	5.6
Capital grants received in advance	**43.4**	40.1
Wages and salaries	**161.8**	122.3
Other taxation and social security creditors	**57.5**	47.5
Contract liabilities: receipts in advance for Travelcards, bus passes and Oyster cards	**185.9**	120.9
Contract liabilities representing other deferred income	**54.0**	59.1
Accruals and other payables	**600.4**	576.0
	2,106.3	1,846.9
Long-term		
Capital grants received in advance	**4.1**	10.5
Retentions on capital contracts	**(2.0)**	(0.1)
Contract liabilities representing other deferred income	**29.0**	29.1
Accruals and other payables	**56.5**	42.8
	87.6	82.3

Notes to the Financial Statements
25. Creditors (continued)

The level of outstanding long-term liabilities as at 31 March 2023 are broadly consistent with the prior year.

The performance obligations related to deferred income balances recorded as at 31 March 2023, 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 £22.2m (2022 £21.5m), of which £20.1m (2022 £8.2m) relates to obligations that are to be satisfied within one to three years, and £1.5m (2022 £6.9m) within three to five years and £0.6m (2022 £6.4m) over five years

ii. Maintenance income of £5.2m (2022 £7.5m) expected to be released over 30 years

iii. Other miscellaneous contracts, together totalling £1.5m (2022 £0.1m)

Set out below is the amount of revenue recognised by the Group during the year from:

Year ended 31 March	Group 2023 £m	Group 2022 £m
Amounts included in contract liabilities at 1 April	43.0	163.0
Performance obligations satisfied in previous years	-	-

b) Corporation creditors at 31 March comprised:

At 31 March	Corporation 2023 £m	Corporation 2022 £m
Short term		
Trade creditors	85.6	56.0
Accrued interest	106.4	111.1
Capital works	131.3	91.3
Capital grants received in advance	24.3	30.1
Amounts due to subsidiary companies	266.1	46.3
Wages and salaries	46.5	20.5
Other taxation and social security creditors	4.5	0.7
Contract liabilities representing other deferred income	17.1	23.7
Accruals and other payables	165.8	178.4
	847.6	558.1
Long-term		
Capital grants received in advance	0.9	7.7
Retentions on capital contracts	0.3	(0.1)
Contract liabilities representing other deferred income	16.1	16.7
Accruals and other payables	34.9	30.1
	52.2	54.4

Total long-term contract liabilities balances in the Corporation are broadly consistent with the prior year.

25. Creditors (continued)

At 31 March 2023, the significant balance of remaining performance obligations in relation to contract liabilities expected to be recognised in more than one year, relate to:

i. License revenue totalling £9.4m (2022 £9.2m), of which £9.4m is expected to be satisfied within five years (2022 £8.9m) and £nil (2022 £0.3m) over five years

ii. Maintenance income of £5.2m (2022 £7.5m) is expected to be released over 30 years

iii. Other miscellaneous contracts totalling £1.5m (2022 £nil)

Set out below is the amount of revenue recognised during the year from:

Year ended 31 March	Corporation 2023 £m	Corporation 2022 £m
Amounts included in contract liabilities at 1 April	9.4	11.9
Performance obligations satisfied in previous years	-	-

26. Borrowings and overdrafts

At 31 March	Group 2023 £m	Group 2022 £m
Short-term		
Borrowings	693.7	1,423.0
Long-term		
Borrowings	12,216.6	11,543.3

At 31 March	Corporation 2023 £m	Corporation 2022 £m
Short-term		
Borrowings	693.7	1,423.0
Long-term		
Borrowings	12,221.5	11,547.3

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, of which we repaid £35m during the year.

Notes to the Financial Statements

26. Borrowings and overdrafts (continued)

Changes in liabilities arising from financing activities

	Group 2023 £m	Group 2022 £m
Balance at 1 April		
Short-term	**1,774.1**	1,543.5
Long-term	**13,858.2**	14,179.3
	15,632.3	15,722.8
Borrowings drawn down	**1,661.0**	801.9
Net repayment of other financing liabilities	**(6.4)**	(6.2)
Repayment of borrowings	**(1,720.7)**	(803.7)
Repayment of PFI liabilities	**(10.6)**	(10.0)
Repayment of right-of-use lease liabilities	**(322.9)**	(314.8)
Non-cash increase in right-of-use lease liabilities	**102.1**	242.0
Other movements*	**3.7**	0.3
At 31 March	**15,338.5**	15,632.3
Short term	**1,014.2**	1,774.1
Long term	**14,324.3**	13,858.2
	15,338.5	15,632.3

Changes in liabilities arising from financing activities

	Corporation 2023 £m	Corporation 2022 £m
Balance at 1 April		
Short-term	**1,460.6**	1,234.4
Long-term	**12,005.4**	12,262.5
	13,466.0	13,496.9
Borrowings drawn down	**1,661.0**	801.9
Repayment of borrowings	**(1,720.7)**	(803.7)
Repayment of PFI lease liabilities	**(10.6)**	(9.6)
Repayment of right-of-use lease liabilities	**(26.4)**	(26.4)
Non-cash increase in right-of-use-lease liabilities	**0.4**	7.0
Other movements	**4.6**	(0.1)
At 31 March	**13,374.3**	13,466.0
Short-term	**735.0**	1,460.6
Long-term	**12,639.3**	12,005.4
	13,374.3	13,466.0

During the year, the Group early redeemed bonds with a nominal value of £715.5m for consideration of £669.2m resulting in the recognition of £46.3m premium received on settlement.

* 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	Design and construction of improvements to the A13 infrastructure (including communication and traffic signals systems) and ongoing maintenance and operation of the A13 between Butcher Row and Wennington. The contract requires TfL to make an annual unitary payment, charged monthly and calculated according to the service provided by the concession company and the payment mechanisms defined in the contract.
London Underground Limited (LU)		
British Transport Police (London Underground)	1999 to 2022	Provision and ongoing management and maintenance of operational infrastructure to support efficient policing of the Jubilee Line Extension and the delivery of the long-term policing strategy for LU. The contract requires LU to make a base annual unitary payment which is adjusted for indexation and performance as specified in the contract. The contract expired in March 2022.

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Notes to the Financial Statements

27. Private finance initiative contracts (continued)

PFI finance lease liabilities

	Group 2023 £m	Group 2022 £m	Corporation 2023 £m	Corporation 2022 £m
At 1 April	101.6	111.6	101.6	111.2
Payments	(15.0)	(14.9)	(15.0)	(14.4)
Interest	4.4	4.9	4.4	4.8
At 31 March	**91.0**	101.6	**91.0**	101.6

Group

Amounts payable under the PFI arrangements cover payments for repayment of capital, payments of interest and payment of service charges. The total amount payable breaks down as follows:

	Payments of interest £m	Repayment of capital £m	Payments for service charges £m	Total amount payable under non-cancellable PFI arrangements £m
At 31 March 2023				
Less than 1 year	4.0	14.3	30.2	48.5
Between 1 and 5 years	9.1	64.1	126.0	199.2
Between 6 and 10 years	0.8	12.6	47.3	60.7
	13.9	91.0	203.5	308.4
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

Corporation

Amounts payable under the PFI arrangements cover payments for repayment of capital, payments of interest and payment of service charges. The total amount payable breaks down as follows:

	Payments of interest £m	Repayment of capital £m	Payments for service charges £m	Total amount payable under non-cancellable PFI arrangements £m
At 31 March 2023				
Less than 1 year	4.0	14.3	30.2	48.5
Between 1 and 5 years	9.1	64.1	126.0	199.2
Between 6 and 10 years	0.8	12.6	47.3	60.7
	13.9	91.0	203.5	308.4
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

Notes to the Financial Statements

28. Other financing liabilities

Group other financing liabilities at 31 March comprised:

	Group 2023 £m	Group 2022 £m
Short-term		
Deferred capital payments	**6.6**	6.4
Long-term		
Deferred capital payments	**115.1**	121.7

Other financing liabilities comprise deferred capital payments in respect of the acquisition of property, plant and equipment. Gross payments with a nominal value of £141.3m (2022 £151.7m) fall due over the period to March 2033. These have been discounted back at an effective rate of interest of 3.2 per cent (2022 3.2 per cent) to the present value recorded in the table above.

29. Provisions

a) Group provisions

	At 1 April 2022 £m	Payments in the year £m	Charge for the year £m	Releases in the year £m	At 31 March 2023 £m
Compensation and contractual	70.4	(8.0)	94.7	(15.3)	**141.8**
Capital investment activities	58.5	(10.6)	2.4	(0.5)	**49.8**
Environmental harm	7.8	(1.1)	3.8	(0.4)	**10.1**
Severance and other	49.2	(7.2)	10.7	(29.4)	**23.3**
	185.9	(26.9)	111.6	(45.6)	**225.0**

At 31 March	2023 £m	2022 £m
Due		
Short-term	**175.1**	99.3
Long-term	**49.9**	86.6
	225.0	185.9

Notes to the Financial Statements

29. Provisions (continued)

b) Corporation provisions

	At 1 April 2022 £m	Payments in the year £m	Charge for the year £m	Releases in the year £m	At 31 March 2023 £m
Compensation and contractual	16.5	(2.5)	63.8	5.7	**83.5**
Capital investment activities	58.5	(10.6)	-	(0.5)	**47.4**
Severance and other	19.3	(1.8)	1.7	(16.8)	**2.4**
	94.3	(14.9)	65.5	(11.6)	**133.3**

At 31 March	2023 £m	2022 £m
Due		
Short-term	**113.0**	53.3
Long-term	**20.3**	41.0
	133.3	94.3

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 2023 £m	Notional amount 2023 £m	Fair value 2022 £m	Notional amount 2022 £m
Long-term assets				
Interest rate swaps	26.2	96.0	13.0	215.6
Foreign currency forward contracts	-	14.6	0.2	5.8
	26.2	110.6	13.2	221.4
Current assets				
Foreign currency forward contracts	1.0	41.3	1.4	23.8
	1.0	41.3	1.4	23.8
Current liabilities				
Foreign currency forward contracts	(3.4)	59.8	(4.5)	57.3
	(3.4)	59.8	(4.5)	57.3
Long-term liabilities				
Interest rate swaps	(1.5)	51.0	-	-
Foreign currency forward contracts	(8.6)	144.0	(14.2)	203.4
	(10.1)	195.0	(14.2)	203.4

Group derivatives not in hedge relationships

At 31 March	Fair value 2023 £m	Notional amount 2023 £m	Fair value 2022 £m	Notional amount 2022 £m
Current assets				
Foreign currency forward contracts	0.7	105.6	-	-
	0.7	105.6	-	-
Current liabilities				
Foreign currency forward contracts	-	-	(2.0)	238.9
	-	-	(2.0)	238.9

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 monitored to ensure that, where a possible obligation has become probable or a transfer of economic benefits has become probable, a provision is made.

Red route bay enforcement income on the Group's road network

The Group are in the process of seeking a judicial review at the High Court after on 17 July 2023 the Chief Adjudicator of the London Tribunals refused TfL's application to review a decision by a panel of Parking Adjudicators (the Determination) that red route bay contraventions cannot be enforced remotely using CCTV as currently done on the TfL Road Network.

The Group believes it is applying the regulations correctly. The judicial review is expected to conclude after the signing of these statements. The potential undiscounted amount of the total payments the Group could be required to make is between £40m to £50m for PCNs issued and paid since the 2020 Amendment Regulations. Uncertainties exists with determining the number of PCNs that would form part of any ruling and the proportion of those that would be repaid/reclaimed.

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 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 debt drawn by counterparty at start of contract £m
Agreement with 345 Rail Leasing Limited	1,050
Agreement with London Rail Leasing Ltd	350
Agreements with QW Rail Leasing Ltd	290
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.

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 assets outstanding under derivative contracts at 31 March 2023 is £14.4m (2022 net liability of £6.1m).

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 2023 the fair value of all financial guarantees granted has been recorded as £nil (2022 £nil).

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:

Land and buildings	Group £m	Corporation £m
At 31 March 2023		
Within one year	**62.6**	**0.8**
Between one and two years	**53.7**	**0.7**
Between two and five years	**114.4**	**1.0**
Later than five years	**839.6**	**4.7**
	1,070.3	**7.2**
At 31 March 2022		
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
	845.8	15.2

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Notes to the Financial Statements
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 2022/23 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 (2021 Edition) (the Treasury Management Code) and the Prudential Code for Capital Finance in Local Authorities (2021 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.

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:

(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.

Notes to the Financial Statements

34. Funding and financial risk management (continued)

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 2023 was determined as follows for both trade receivables and contract assets:

Trade debtors and contract assets: Group

	Not overdue £m	Overdue by less than 3 months £m	Overdue by between 3 and 6 months £m	Overdue by between 6 months and 1 year £m	Overdue by more than 1 year £m	Total £m
At 31 March 2023						
Expected credit loss rate	**0.4%**	**55.4%**	**89.5%**	**98.9%**	**99.9%**	**63.0%**
Estimated total gross carrying amount at default	**534.9**	**86.3**	**92.7**	**221.0**	**643.8**	**1,578.7**
Expected credit loss allowance	**(2.2)**	**(47.9)**	**(83.0)**	**(218.7)**	**(642.9)**	**(994.7)**
At 31 March 2022						
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)

Trade debtors and contract assets: Corporation

	Not overdue £m	Overdue by less than 3 months £m	Overdue by between 3 and 6 months £m	Overdue by between 6 months and 1 year £m	Overdue by more than 1 year £m	Total £m
At 31 March 2023						
Expected credit loss rate	**-**	**60.7%**	**89.7%**	**99.2%**	**100.0%**	**7.1%**
Estimated total gross carrying amount at default	**12,641.6**	**75.0**	**92.3**	**214.1**	**625.2**	**13,648.2**
Expected credit loss allowance	**-**	**(45.4)**	**(82.8)**	**(212.3)**	**(625.2)**	**(965.7)**
At 31 March 2022						
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)

Finance lease receivables for the Group and Corporation are not overdue and no allowance has been recognised.

Notes to the Financial Statements

34. Funding and financial risk management (continued)

Expected credit loss allowance

	Group 2023 £m	Corporation 2023 £m	Group 2022 £m	Corporation 2022 £m
At 1 April	**607.8**	**580.2**	488.4	457.9
Provision for expected credit losses	**435.6**	**433.0**	218.7	219.0
Write offs	**(48.7)**	**(47.5)**	(99.3)	(96.7)
At 31 March	**994.7**	**965.7**	607.8	580.2

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 2022/23 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 2023, the fair value of the collateral held amounted to £100m (2022 £100m).

Short-term investments as at 31 March 2023 totalled £1,090.0m (2022 £1,177.6m).

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 £m	Minimum Credit Rating (S&P/ Moody's/ Fitch)	Weighted average days to maturity
At 31 March 2023			
UK Debt Management Office	**371.5**	**P-1/A-1+/F1+**	**20**
Other Government Agencies	**69.7**	**P-1/A-1+/F1+**	**12**
Money Market Funds	**199.0**	**AAA/AAA/AAA**	**1**
Banks (including Gilt backed repos)	**377.0**	**P-1/A-1/F1**	**13**
Corporates	**72.8**	**P-1/A-1/F1**	**46**
Total	**1,090.0**		**15**
At 31 March 2022			
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)	402.7	P-1/A-1/F1	33
Corporates	42.2	P-1/A-1+/F1	48
Total	1,177.6		31

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 2023 and as at 31 March 2022 was immaterial.

(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 2023, the fair value of the Corporation's financial guarantees has been assessed as £nil (2022 £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.

Notes to the Financial Statements

34. Funding and financial risk management (continued)

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For the years ended 31 March 2023 and 2022, all derivatives in designated cash flow 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 2022/23, 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 2023, the Group held foreign exchange contracts to hedge €119.6m future Euro receipts in relation to its Euro investments (2022 €283.3m). 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 £0.7m as at 31 March 2023 (2022 a net loss of £(2.0)m). These derivative instruments mature in the period to June 2023.

For 2022/23, 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 2023, 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 £266.9m (2022 £278.6m). At 31 March 2023, these contracts had a combined net fair value of £(11.1)m (2022 £(17.0)m). The fair value of forward contracts was recognised in equity at 31 March 2023, 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 gain/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.

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 September 2029. 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

	2023 Net nominal value £m	2023 Fair value £m	2023 Fair value after a 10% increase in GBP against other currency £m	2023 Fair value after a 10% decrease in GBP against other currency £m	2022 Net nominal value £m	2022 Fair value £m	2022 Fair value after a 10% increase in GBP against other currency £m	2022 Fair value after a 10% decrease in GBP against other currency £m
Impact on Comprehensive Income and Expenditure								
Net sell								
Euros	(105.6)	0.7	10.3	(11.0)	(238.9)	(2.0)	19.8	(28.5)
	n/a	0.7	10.3	(11.0)	n/a	(2.0)	19.8	(28.5)
Impact on Hedging Reserves								
Net buy								
Euros	217.1	(9.4)	(28.2)	13.6	248.4	(16.4)	(38.9)	11.0
Canadian dollars	15.3	(0.3)	(1.7)	1.4	0.8	-	(0.1)	0.1
Swedish Krona	20.0	(1.4)	(3.2)	0.7	22.0	(1.3)	(3.2)	1.1
Chinese Yuan Renminbi	7.2	-	(0.6)	0.9	7.4	0.6	(0.1)	1.4
	n/a	(11.1)	(33.7)	16.6	n/a	(17.1)	(42.3)	13.6
Total asset/ (liability)	n/a	(10.4)	(23.4)	5.6	n/a	(19.1)	(22.5)	(14.9)

Notes to the Financial Statements

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 2021/22 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 2023, 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 £147.0m (2022 two interest rate swaps at a total notional value of £215.6m).

During the year, one interest rate swap was terminated in March 2023 following the termination of the respective lease the interest rate swap was hedging, and hedge accounting on the interest rate swap discontinued. One additional interest rate swap contract was entered into in December 2022, hedging interest rate risk on lease payments on an existing lease that was already partially hedged. This new swap was designated in a hedge relationship with the lease payments for the respective lease now fully hedged.

The net fair value of outstanding interest rate swap contracts at 31 March 2023 was an asset of £24.7m (2022 £13.0m). The fair value is recognised in equity at 31 March 2023 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 2023, the Group holds interest rate derivative contracts with a combined notional value of £147.0m (2022 £215.6m) 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 £12.5m/£(14.4)m (2022 £30.6m/£(7)m).

(iii) Inflation risk

The Group has a number of exposures to inflation including staff pay awards, operating costs 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, £0.1bn overdraft facility and a further £0.1bn uncommitted money market line 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.

A Long-Term Funding Settlement was agreed in August 2022, as set out in the Narrative report. This has secured receipt of grant funding, allowing TfL to maintain liquidity levels of around 60 days' worth of forecast operating expenditure, on average, which is the main aim of our Liquidity Policy.

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.


Our finances are assessed against a range of risk scenarios

34. Funding and financial risk management (continued)

Maturity profile of derivatives

The Group's foreign currency derivatives have the following maturities:

At 31 March	2023 Average exchange rate	2023 Fair value £m	2023 Notional amount £m	2022 Average exchange rate	2022 Fair value £m	2022 Notional amount £m
Foreign currency forward contracts						
Buy Euro						
Less than one year	0.888	(1.5)	69.6	0.874	(3.2)	68.5
Between one and two years	0.913	(5.0)	85.9	0.889	(2.8)	42.6
Between two and five years	0.917	(2.9)	58.1	0.921	(10.4)	137.3
After five years	0.952	(0.1)	3.5	-	-	-
Sell Euro						
Less than one year	0.886	0.7	(105.6)	0.840	(2.0)	(238.9)
Total Euro	0.910	(8.8)	111.5	0.894	(18.4)	9.5
Buy Canadian Dollars						
Less than one year	0.610	(0.3)	15.3	0.591	-	0.8
Total Canadian Dollars	0.610	(0.3)	15.3	0.591	-	0.8

At 31 March	2023 Average exchange rate	2023 Fair value £m	2023 Notional amount £m	2022 Average exchange rate	2022 Fair value £m	2022 Notional amount £m
Foreign currency forward contracts						
Buy Swedish Krona						
Less than one year	0.084	(0.7)	9.5	0.085	(0.5)	4.8
Between one and two years	0.086	(0.4)	5.5	0.085	(0.4)	6.2
Between two and five years	0.086	(0.3)	5.1	0.086	(0.4)	11.0
Total Swedish Krona	0.085	(1.4)	20.1	0.085	(1.3)	22.0
Buy Chinese Yuan Renminbi						
Less than one year	0.115	0.1	6.7	0.110	0.6	6.9
Between one and two years	0.122	-	0.5	0.107	-	0.5
Total Chinese Yuan Renminbi	0.117	0.1	7.2	0.109	0.6	7.4
Grand total	n/a	(10.4)	154.1	n/a	(19.1)	39.7

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	2023 Average contracted fixed interest rate (%)	2023 Fair value £m	2023 Notional amount £m	2022 Average contracted fixed interest rate (%)	2022 Fair value £m	2022 Notional amount £m
Interest rate hedges						
After five years	1.866	24.7	147.0	1.037	13.0	215.6
Total	1.866	24.7	147.0	1.037	13.0	215.6

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 derivates that hedged variable financing costs within certain lease contracts were replaced with two interest rate swaps.

The following tables detail the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

	Less than one year £m	Between one and two years £m	Between two and five years £m	More than five years £m	Total £m
Group – at 31 March 2023					
Derivatives settled gross					
Foreign exchange forward contracts:					
Amounts receivable	232.7	96.2	70.6	3.5	403.0
Amounts payable	(234.9)	(103.7)	(76.0)	(3.8)	(418.4)
Derivatives settled net					
Interest rate swaps	3.7	2.3	6.7	18.3	31.0
	1.5	(5.2)	1.3	18.0	15.6
Group – at 31 March 2022					
Derivatives settled gross					
Foreign exchange forward contracts:					
Amounts receivable	342.9	67.1	148.4	-	558.4
Amounts payable	(348.2)	(71.8)	(166.0)	-	(586.0)
Derivatives settled net					
Interest rate swaps	0.5	3.0	4.2	5.1	12.8
	(4.8)	(1.7)	(13.4)	5.1	(14.8)

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 2023, the fair value of the interest rate derivatives was a net asset of £24.7m (2022 £13.0m net asset). The fair value of forward exchange derivatives was a net liability of £10.4m (2022 £19.1m net liability).

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 year £m	Between one and two years £m	Between two and five years £m	More than five years £m	Total £m
Group – as at 31 March 2023					
Trade and other creditors	**1,823.0**	**54.5**	**-**	**-**	**1,877.5**
Borrowings – principal	**698.9**	**246.5**	**1,019.2**	**10,972.4**	**12,937.0**
Borrowings – interest	**362.3**	**512.0**	**1,241.3**	**6,803.7**	**8,919.3**
Right-of-use lease liabilities	**359.5**	**297.0**	**555.7**	**1,898.6**	**3,110.8**
PFI liabilities	**18.3**	**18.8**	**54.4**	**13.4**	**104.9**
Other financing liabilities	**20.9**	**13.4**	**40.1**	**66.9**	**141.3**
	3,282.9	**1,142.2**	**2,910.7**	**19,755.0**	**27,090.8**
Group – as at 31 March 2022					
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
	3,845.4	888.3	3,155.1	17,397.6	25,286.4

	Less than one year £m	Between one and two years £m	Between two and five years £m	More than five years £m	Total £m
Corporation – as at 31 March 2023					
Trade and other creditors	**806.2**	**35.2**	**-**	**-**	**841.4**
Borrowings – principal	**698.9**	**246.5**	**1,019.2**	**10,972.4**	**12,937.0**
Borrowings – interest	**362.3**	**512.0**	**1,241.3**	**6,803.7**	**8,919.3**
Right-of-use lease liabilities	**36.7**	**34.6**	**99.2**	**278.8**	**449.3**
PFI lease liabilities	**18.3**	**18.8**	**54.4**	**13.4**	**104.9**
	1,922.4	**847.1**	**2,414.1**	**18,068.3**	**23,251.9**
Corporation – as at 31 March 2022					
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	307.8	485.0
PFI lease liabilities	15.0	18.3	58.3	28.2	119.8
	2,384.3	563.3	2,637.6	15,825.5	21,410.7

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:

    i. Forward exchange contracts – based on market data and exchange rates at the balance sheet date

    ii. 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

We are always looking to ensure our network is fit for the future

Notes to the Financial Statements

34. Funding and financial risk management (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:

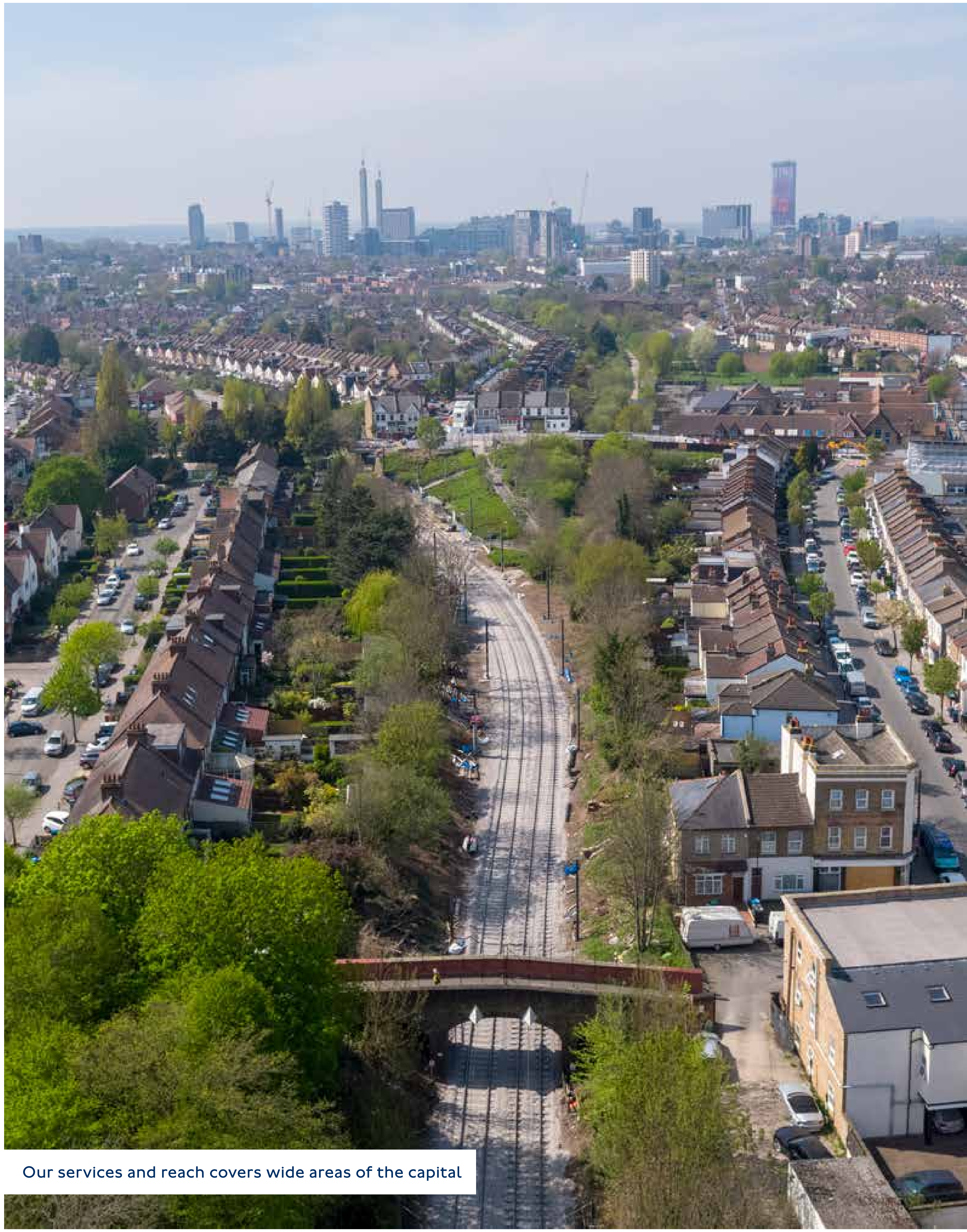
At 31 March	**2023 Carrying value £m**	**2023 Fair value £m**	2022 Carrying value £m	2022 Fair value £m
Long term				
Financial assets measured at amortised cost				
Finance lease receivables	**9.1**	**9.1**	23.2	23.2
Debtors	**40.1**	**40.1**	45.1	45.1
Financial assets measured at fair value				
Derivative in cash flow hedge relationship	**26.2**	**26.2**	13.2	13.2
Derivatives not in a hedge relationship	**-**	**-**	-	-
Current				
Financial assets measured at amortised cost				
Cash and cash equivalents	**1,387.5**	**1,387.5**	1,390.2	1,390.2
Short-term investments	**15.0**	**15.0**	19.0	19.0
Debtors	**520.9**	**520.9**	370.8	370.8
Finance lease receivables	**5.2**	**5.2**	13.8	13.8
Financial assets measured at fair value				
Derivative in cash flow hedge relationship	**1.0**	**1.0**	1.4	1.4
Derivatives not in a hedge relationship	**0.7**	**0.7**	-	-
Total financial assets	**2,005.7**	**2,005.7**	1,876.7	1,876.7

At 31 March	**2023 Carrying value £m**	**2023 Fair value £m**	2022 Carrying value £m	2022 Fair value £m
Long term				
Financial liabilities measured at amortised cost				
Creditors	**(1,823.0)**	**(1,823.0)**	(1,626.8)	(1,626.8)
Borrowings	**(12,216.6)**	**(12,561.5)**	(11,543.3)	(14,324.3)
Right-of-use lease liabilities	**(1,915.9)**	**(1,915.9)**	(2,102.2)	(2,102.2)
PFI liabilities	**(76.7)**	**(76.7)**	(91.0)	(91.0)
Other financing liabilities	**(115.1)**	**(115.1)**	(121.7)	(121.7)
Financial liabilities measured at fair value				
Derivatives in a cash flow hedge relationship	**(10.1)**	**(10.1)**	(14.2)	(14.2)
Derivatives not in a hedge relationship	**-**	**-**	-	-
Current				
Financial liabilities measured at amortised cost				
Creditors	**(54.5)**	**(54.5)**	(42.7)	(42.7)
Borrowings	**(693.7)**	**(719.3)**	(1,423.0)	(1,419.0)
Right-of-use lease liabilities	**(299.6)**	**(299.6)**	(334.1)	(334.1)
PFI liabilities	**(14.3)**	**(14.3)**	(10.6)	(10.6)
Other financing liabilities	**(6.6)**	**(6.6)**	(6.4)	(6.4)
Financial liabilities measured at fair value				
Derivatives in a cash flow hedge relationship	**(3.4)**	**(3.4)**	(4.5)	(4.5)
Derivatives not in a hedge relationship	**-**	**-**	(2.0)	(2.0)
Total financial liabilities	**(17,299.5)**	**(17,600.0)**	(17,322.5)	(20,099.5)
Net financial assets/(liabilities)	**(15,223.8)**	**(15,594.3)**	(15,445.8)	(18,222.8)

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	2023 Carrying value £m	2023 Fair value £m	2022 Carrying value £m	2022 Fair value £m
Long term				
Financial assets measured at amortised cost				
Debtors	12,319.2	12,319.2	12,352.3	12,352.3
Current				
Financial assets measured at amortised cost				
Cash and cash equivalents	1,131.3	1,131.3	1,231.8	1,231.8
Debtors	351.9	351.9	240.9	240.9
Total financial assets	13,802.4	13,802.4	13,825.0	13,825.0
Long term				
Financial liabilities measured at amortised cost				
Creditors	(35.2)	(35.2)	(30.0)	(30.0)
Borrowings	(12,221.5)	(12,561.5)	(11,547.3)	(14,324.3)
Right-of-use lease liabilities	(341.1)	(341.1)	(367.1)	(367.1)
PFI liabilities	(76.7)	(76.7)	(91.0)	(91.0)
Current				
Financial liabilities measured at amortised cost				
Creditors	(806.2)	(806.2)	(504.3)	(504.3)
Borrowings	(693.7)	(719.4)	(1,423.0)	(1,419.0)
Right-of-use lease liabilities	(27.0)	(27.0)	(27.0)	(27.0)
PFI liabilities	(14.3)	(14.3)	(10.6)	(10.6)
Total financial liabilities	(14,215.7)	(14,581.4)	(14,000.3)	(16,773.3)
Net financial assets/(liabilities)	(413.3)	(779.0)	(175.3)	(2,948.3)



Our services and reach covers wide areas of the capital

Notes to the Financial Statements
34. Funding and financial risk management (continued)

Income, Expense, Gains and Losses – Group

At 31 March	2023 Financial liabilities measured at amortised cost £m	2023 Financial assets at amortised cost £m	2023 Financial assets at FVOCI £m	2023 Financial assets FVTPL £m	2023 Financial liabilities FVTPL £m	2023 Total £m	2022 Financial liabilities measured at amortised cost £m	2022 Financial assets at amortised cost £m	2022 Financial assets at FVOCI £m	2022 Financial assets FVTPL £m	2022 Financial liabilities FVTPL £m	2022 Total £m
Interest expense	411.9	-	-	-	-	411.9	318.7	-	-	-	-	318.7
Interest on defined benefit pension	-	-	79.3	-	-	79.3	-	-	105.9	-	-	105.9
Interest on right of use lease and PFI liabilities	81.7	-	-	-	-	81.7	60.4	-	-	-	-	60.4
Reduction in fair value	-	-	155.0	-	-	155.0	-	-	-	-	10.2	10.2
Expected and actual credit losses	-	445.3	-	-	-	445.3	-	184.8	-	-	-	184.8
Unwind of discount on non-current creditors	-	-	-	-	-	-	0.3	-	-	-	-	0.3
Impairment losses	(27.8)	-	-	-	-	(27.8)	-	-	-	-	-	-
Fee expense	16.6	-	-	-	-	16.6	-	-	-	-	-	-
Other financing and investment expenditure	10.5	-	-	-	-	10.5	-	-	6.3	-	-	6.3
Total expense in Deficit on the Provision of Services	492.9	445.3	234.3	-	-	1,172.5	379.4	184.8	112.2	-	10.2	686.6
Interest income	-	-	-	(27.9)	-	(27.9)	-	(1.6)	-	-	-	(1.6)
Finance lease interest	(0.8)	-	-	-	-	(0.8)	-	(1.1)	-	-	-	(1.1)
Increase in fair value	-	-	-	-	-	-	-	-	(51.9)	-	-	(51.9)
Other investment income	-	-	-	(4.4)	-	(4.4)	-	-	(1.3)	-	-	(1.3)
Total income in (Surplus) or Deficit on the provision of services	(0.8)	-	-	(32.3)	-	(33.1)	-	(2.7)	(53.2)	-	-	(55.9)
Net loss for the year	492.1	445.3	234.3	(32.3)	-	1,139.4	379.4	182.1	59.0	-	10.2	630.7

Notes to the Financial Statements

34. Funding and financial risk management (continued)

Income, Expense, Gains and Losses – Corporation

At 31 March	2023 Financial liabilities measured at amortised cost £m	2023 Financial assets at amortised cost £m	2023 Financial assets at FVOCI £m	2023 Financial assets FVTPL £m	2023 Total £m	2022 Financial liabilities measured at amortised cost £m	2022 Financial assets at amortised cost £m	2022 Financial assets at FVOCI £m	2022 Financial assets FVTPL £m	2022 Total £m
Interest expense	435.6	-	-	-	435.6	414.5	–	–	–	414.5
Interest on defined benefit pension	-	-	78.2	-	78.2	–	–	104.8	–	104.8
Interest on right of use lease and PFI liabilities	14.8	-	-	-	14.8	15.8	–	–	–	15.8
Reduction in fair value	-	-	14.0	-	14.0	–	–	–	–	–
Expected and actual credit losses/(reversals)	-	432.9	-	-	432.9	–	171.7	–	–	171.7
Unwind of discount on non-current creditors	-	-	-	-	-	(0.1)	–	–	–	(0.1)
Impairment losses	(9.6)	-	-	-	(9.6)	–	–	–	–	–
Fee expense	11.2	-	-	-	11.2	–	–	–	–	–
Other financing and investment expenditure	5.4	-	-	-	5.4	–	–	1.7	–	1.7
Total expense in (Surplus) or Deficit on the Provision of Services	**457.4**	**432.9**	**92.2**	**-**	**982.5**	430.2	171.7	106.5	–	708.4
Interest income	-	(430.1)	-	-	(430.1)	–	(404.8)	–	–	(404.8)
Other investment income	-	-	-	(1.9)	(1.9)	–	–	(0.1)	–	(0.1)
Total income in (Surplus) or Deficit on the provision of services	**-**	**(430.1)**	**-**	**(1.9)**	**(432.0)**	–	(404.8)	(0.1)	–	(404.9)
Net (gain)/loss for the year	**457.4**	**2.8**	**92.2**	**(1.9)**	**550.5**	430.2	(233.1)	106.4	–	303.5

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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) Reconciliation of amounts included in net cost of services and amounts included in staff costs

For the year ended 31 March	Note	Group 2023 £m	Group 2022 £m	Corporation 2023 £m	Corporation 2022 £m
TfL Pension Fund		**578.5**	645.6	**351.7**	379.0
Local Government Pension Fund		**1.5**	11.4	**1.5**	11.4
Crossrail Section of the Railways Pension Scheme		**1.9**	3.7	**-**	-
Unfunded schemes provision		**0.8**	0.6	**0.8**	0.6
Total for schemes accounted for as defined benefit		**582.7**	661.3	**354.0**	391.0
Principal Civil Service Pension Scheme		**0.6**	0.6	**0.6**	0.6
Other schemes		**0.9**	5.1	**0.3**	1.7
Less: pension costs capitalised		**-**	(3.7)	**-**	-
Amounts included in net cost of services		**584.2**	663.3	**354.9**	393.3
Less: scheme expenses		**(19.7)**	(14.1)	**(19.4)**	(13.7)
Add: current service costs capitalised		**-**	3.3	**-**	-
Amount included in staff costs	4	**564.5**	652.5	**335.5**	379.6

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 2023. 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. Management has assessed that TfL has an unconditional right to a refund of surplus assets for accounting purposes under IAS 19, assuming the gradual settlement of plan liabilities after consideration of the Trust Deed and Rules. Therefore, any net surplus is recognised in full.

Notes to the Financial Statements

35. Pensions (continued)

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 16 years.

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 2022/23 (2021/22 15.6 per cent) of pensionable pay, plus a lump sum deficit reduction payment of £nil (2021/22 £0.9m). The Corporation's share of the underlying assets and defined benefit obligation resulted in an IAS 19 deficit as at 31 March 2023 of £0.5m (2022 £54.4m). The discounted scheme liabilities have an average duration of 17 years.

The last full actuarial valuation available was carried out at 31 March 2022. The report showed a funding surplus of £1.63bn 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). A separate valuation as at 31 March 2023 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 2023 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 surplus, as at 31 March 2023, of £1.4m (2022 deficit of £42.7m). The discounted Crossrail Section liabilities have a duration of approximately 19 years.

Management has assessed that TfL has an unconditional right to a refund of surplus assets for accounting purposes under IAS 19, assuming the gradual settlement of plan liabilities after consideration of the deed of the established section together with the Adopted Rules. Therefore, any net surplus is recognised in full.

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.

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 2023 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 2023 was £87.6m (2022 £107.4m) 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 valuation at 31 March 2023 %	IAS 19 valuation at 31 March 2022 %
RPI Inflation	**3.20**	3.50
CPI Inflation	**2.70-2.95**	3.00-3.25
Rate of increase in salaries	**2.95-3.95**	3.25-4.25
Rate of increase in pensions in payment and deferred pensions	**2.70-3.15**	3.00-3.43
Discount rate	**4.75-4.80**	2.60

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 £200.2m/(increase by £204.2m)
- If the expected salary growth were increased/(decreased) by 0.1 per cent, the defined benefit obligation would increase by £54.4m/(decrease by £55.5m)
- If life expectancy were increased/(decreased) by one year, the defined benefit obligation would increase by £406.7m/(decrease by £419.6m)
- If the inflation rate were 0.1 per cent higher/(lower), the defined benefit obligation would increase by £200.8m/(decrease by £151.8m)

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.

c) Accounting for defined benefit schemes

The total assets in the schemes were:

At 31 March	**Value 2023 £m**	Value 2022 £m
Equities and alternatives	**13,914.3**	11,041.6
Bonds	**254.6**	3,213.8
Cash and other	**24.3**	188.1
Total fair value of assets	**14,193.2**	14,443.5

The TfL Pension Fund, the Crossrail Shared Cost Section of the Railways Pension Scheme and the Local Government Pension Scheme assets consist of the following categories, by proportion of the total assets held:

At 31 March	**2023 %**	2022 %
Equities	**90**	77
Bonds	**10**	22
Cash and other assets	**-**	1
	100	100

The unfunded pension schemes have no assets to cover their defined benefit obligation.

Notes to the Financial Statements
35. Pensions (continued)

Total pension surplus/(deficit) at 31 March

Group	2023 £m	2022 £m
Fair value of scheme assets	**14,193.2**	14,443.5
Actuarial valuation of defined benefit obligation	**(12,649.9)**	(17,645.0)
Net surplus/(deficit) recognised in the Balance Sheet	**1,543.3**	(3,201.5)

Group	2023 £m	2022 £m
TfL Pension Fund	**1,630.0**	(2,997.0)
Local Government Pension Fund	**(0.5)**	(54.4)
Crossrail Section of the Railways Pension Scheme	**1.4**	(42.7)
Unfunded schemes provision	**(87.6)**	(107.4)
Net surplus/(deficit) recognised in the Balance Sheet	**1,543.3**	(3,201.5)

Corporation	2023 £m	2022 £m
Fair value of scheme assets	**14,101.6**	14,348.1
Actuarial valuation of defined benefit obligation	**(12,559.7)**	(17,506.9)
Net surplus/(deficit) recognised in the Balance Sheet	**1,541.9**	(3,158.8)

Corporation	2023 £m	2022 £m
TfL Pension Fund	**1,630.0**	(2,997.0)
Local Government Pension Fund	**(0.5)**	(54.4)
Unfunded schemes provision	**(87.6)**	(107.4)
Net surplus/(deficit) recognised in the Balance Sheet	**1,541.9**	(3,158.8)

Analysis of amounts included in the Comprehensive Income and Expenditure Statement

Analysis of amounts charged to net cost of services

Year ended 31 March	Group 2023 £m	Group 2022 £m	Corporation 2023 £m	Corporation 2022 £m
Current service cost	**562.6**	637.7	**561.1**	634.4
Less contributions paid by subsidiaries	**-**	-	**(226.8)**	(266.6)
Past service cost	**0.4**	0.1	**0.4**	0.1
Settlements	**-**	9.4	**-**	9.4
Total included in staff costs	**563.0**	647.2	**334.7**	377.3
Scheme expenses	**19.7**	14.1	**19.3**	13.7
Total amount charged to net cost of services	**582.7**	661.3	**354.0**	391.0

Amounts charged to financing and investment expenditure

Year ended 31 March	Group 2023 £m	Group 2022 £m	Corporation 2023 £m	Corporation 2022 £m
Net interest expense on scheme defined benefit obligation	**79.3**	105.9	**78.2**	104.8

Amount recognised in other comprehensive income and expenditure

Year ended 31 March	Group 2023 £m	Group 2022 £m	Corporation 2023 £m	Corporation 2022 £m
Net remeasurement losses recognised in the year	**(5,087.3)**	(2,790.9)	**(5,040.8)**	(2,773.2)

Notes to the Financial Statements

35. Pensions (continued)

Analysis of scheme defined benefit obligation into amounts arising from schemes that are wholly or partly funded and wholly unfunded

At 31 March	Group 2023 £m	Group 2022 £m	Corporation 2023 £m	Corporation 2022 £m
Wholly unfunded schemes	**87.6**	107.4	**87.6**	107.4
Wholly or partly funded schemes	**12,562.3**	17,537.6	**12,472.1**	17,399.5
Total scheme defined benefit obligation	**12,649.9**	17,645.0	**12,559.7**	17,506.9

Reconciliation of defined benefit obligation

	Group 2023 £m	Group 2022 £m	Corporation 2023 £m	Corporation 2022 £m
Actuarial value of defined benefit obligation at 1 April	**17,645.0**	18,664.1	**17,506.9**	18,520.2
Current service cost	**562.6**	637.7	**561.1**	634.4
Interest cost	**454.0**	361.3	**450.4**	358.5
Employee contributions	**56.7**	55.9	**56.5**	55.6
Remeasurement losses/(gains) on scheme liabilities:				
Net remeasurement – financial	**(6,679.0)**	(1,566.5)	**(6,619.3)**	(1,556.0)
Net remeasurement – experience	**1,058.9**	104.0	**1,050.6**	104.0
Net remeasurement – demographic	**(3.6)**	(206.4)	**(3.6)**	(206.2)
Actual benefit payments	**(445.1)**	(431.0)	**(443.3)**	(429.5)
Liabilities assumed on settlements	**-**	25.8	**-**	25.8
Past service cost	**0.4**	0.1	**0.4**	0.1
Actuarial value of defined benefit obligation at 31 March	**12,649.9**	17,645.0	**12,559.7**	17,506.9

Reconciliation of fair value of the scheme assets

	Group 2023 £m	Group 2022 £m	Corporation 2023 £m	Corporation 2022 £m
Fair value of assets at 1 April	**14,443.5**	13,061.0	**14,348.1**	12,973.9
Expected return on assets net of expenses	**374.7**	255.4	**372.2**	253.7
Other actuarial gains and losses	**2.8**	-	**2.8**	-
Scheme expenses	**(19.7)**	(14.1)	**(19.3)**	(13.7)
Return on assets excluding interest income	**(539.2)**	1,122.0	**(534.3)**	1,115.0
Actual employer contributions	**314.1**	372.6	**86.6**	104.7
Contributions paid by subsidiaries	**-**	-	**226.8**	266.6
Employee contributions	**56.7**	55.9	**56.5**	55.6
Settlement prices received	**-**	16.4	**-**	16.4
Actual benefits paid	**(439.7)**	(425.7)	**(437.8)**	(424.1)
Fair value of assets at 31 March	**14,193.2**	14,443.5	**14,101.6**	14,348.1

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 loss of £164.5m (2021/22 a gain of £1,377.4m).

Total contributions of £320.4m are expected to be made to the schemes in the year ending 31 March 2024.

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 2022. Details can be found in the Civil Service Superannuation Resource Accounts (www.civilservicepensionscheme.org.uk/).

During 2022/23 minimum employers' contributions represented an average of 27.3 per cent of pensionable pay (2021/22 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 2021.

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.

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 2021 valuation, it was agreed that DLR would pay 22.6 per cent per annum of Pensionable Salaries towards future benefit accrual from 1 April 2020 to 31 March 2022, amounting to £3.3m in respect of 2020/21, which was paid on 30 July 2021 and £3.1m, which was paid on 28 July 2022: plus in respect of subsequent Scheme Years, commencing 1 April 2022:

- 21.7 per cent per annum of Pensionable Salaries in respect of the cost of accrual for active members payable within four months of the end of the relevant Scheme Year;
- £957,000 per annum in respect of administration expenses and the cost of death in service benefit for active members payable on or before each 10 April, from 10 April 2023 onwards;
- £800,000 per annum payable on or before each 10 April from 2023 to 2025 inclusive (£800,000 per annum in respect of 2021 and 2022 were paid on 30 April 2021 and 12 April 2022 respectively)

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 a maximum of RPI inflation + 1.5 per cent per annum).

Over the year beginning 1 April 2023 the contributions payable to the DLR Scheme are expected to be around £5.1m from KAD and £4.8m 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.

A valuation of the DLR Scheme has been prepared for accounting purposes on an IAS 19 basis as at 31 March 2023. This gave a valuation for the net surplus as at 31 March 2023 of £30.5m (2022 £3.9m deficit). 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 18 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 £3.1m were paid by DLR in 2022/23. 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.

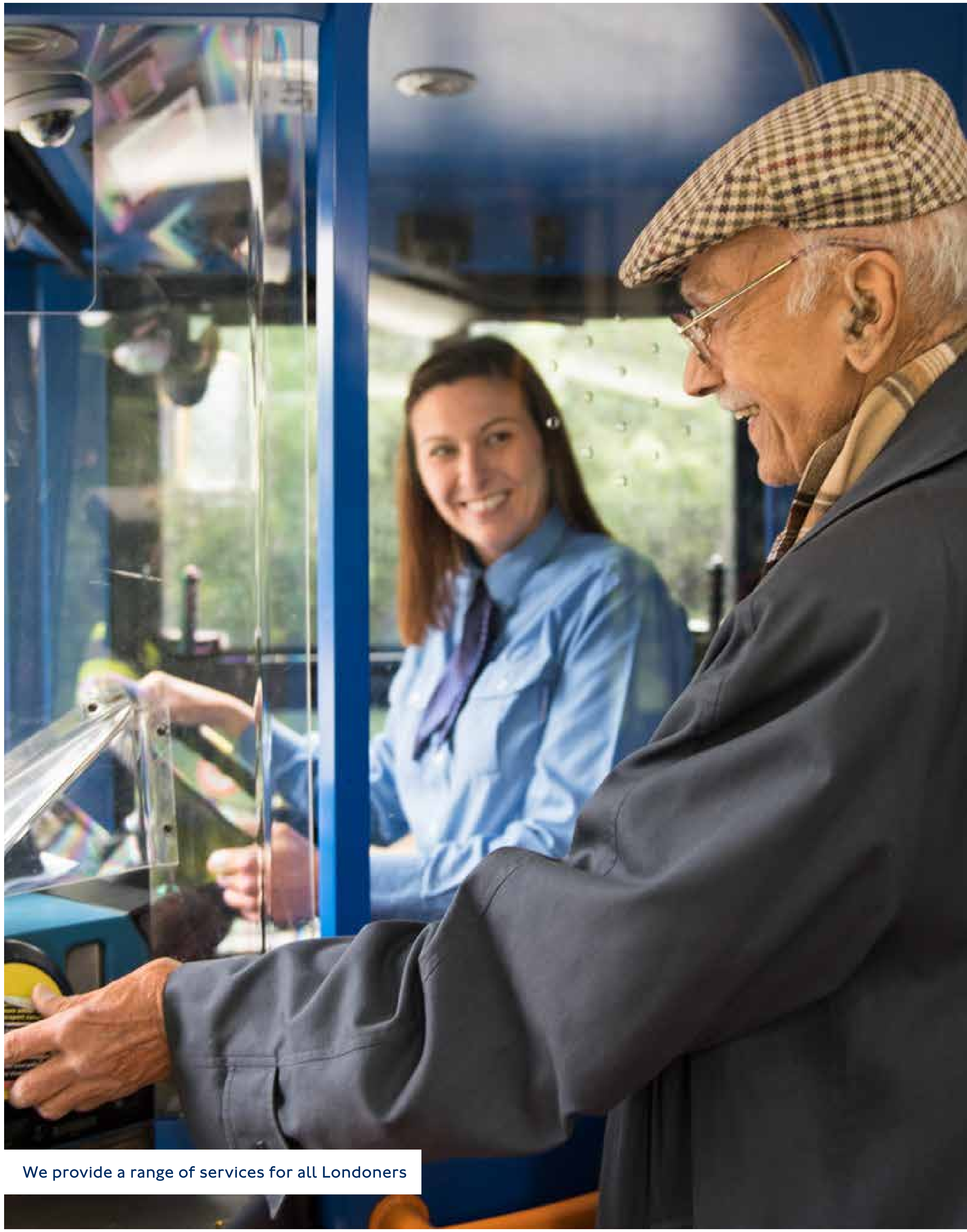
Notes to the Financial Statements
35. Pensions (continued)

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 £1.1m (2021/22 £5.7m).

e) Type of pension assets per the TfL Pension Fund accounts

	Group 2023 quoted %	Group 2023 unquoted %	Group 2022 quoted %	Group 2022 unquoted %
Bonds	5	0	5	0
Equities	19	3	20	2
Loans	0	2	0	3
Pooled investment vehicles	27	38	31	32
Derivatives	1	0	0	0
Liquidity funds	3	0	3	0
AVC investments	1	0	1	0
Cash	1	0	3	0
	57	43	63	37

Quoted assets represent unadjusted quoted prices in an active market and inputs other than quoted prices, which are observable.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Notes to the Financial Statements
36. Cash flow notes

a) The cash flows for operating activities include the following items:

	Group 2023 £m	Group 2022 £m	Corporation 2023 £m	Corporation 2022 £m
Interest and other investment income received	**78.8**	2.6	**475.6**	404.7
Interest paid	**(507.0)**	(385.9)	**(467.1)**	(440.4)
	(428.2)	(383.3)	**8.5**	(35.7)

b) Adjustments to the surplus on the provision of services for non-cash movements

	Group 2023 £m	Group 2022 £m	Corporation 2023 £m	Corporation 2022 £m
Depreciation, amortisation and impairment of property, plant and equipment, intangibles and right-of-use assets	**1,523.5**	1,410.0	**205.4**	219.1
Reversal of movements in the value of investment properties	**155.0**	(93.4)	**14.0**	(51.3)
Increase in interest receivable	**(0.6)**	(1.4)	**(2.7)**	(0.2)
Increase in interest payable	**87.6**	115.9	**78.1**	106.6
Movement in pensions liability	**263.2**	283.4	**261.9**	280.9
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	**89.2**	80.8	**7.7**	21.7
Adjustments to net deficit/surplus for non-cash movements before movements in working capital	**2,117.9**	1,795.3	**564.4**	576.8
Increase/(decrease) in creditors	**163.7**	(103.7)	**264.2**	(297.7)
(Increase)/decrease in debtors	**(149.4)**	(19.7)	**(55.8)**	162.8
Increase in inventories	**(20.6)**	(6.6)	**-**	-
(Decrease)/increase in provisions	**47.8**	23.9	**50.3**	7.8
Adjustments to net surplus for total non-cash movements	**2,159.4**	1,689.2	**823.1**	449.7

c) Adjustments to the surplus on the provision of services for investing or financing items

	Group 2023 £m	Group 2022 £m	Corporation 2023 £m	Corporation 2022 £m
Proceeds from the sale of property, plant and equipment, intangibles and investment properties	**(25.2)**	(149.8)	**(18.9)**	(104.0)
Reversal of capital grants receivable	**(2,122.7)**	(2,014.3)	**(2,076.6)**	(1,954.6)
Reversal of finance lease receivables for deferred payments	**-**	(6.5)	**-**	-
Adjustments for items included in the net deficit that are investing or financing activities	**(2,147.9)**	(2,170.6)	**(2,095.5)**	(2,058.6)

Notes to the Financial Statements

36. Cash flow notes (continued)

d) Investing activities

Year ended 31 March	**Group 2023 £m**	Group 2022 £m	**Corporation 2023 £m**	Corporation 2022 £m
Capital grants received	**2,056.9**	2,041.9	**1,996.8**	1,956.9
Purchase of property, plant and equipment and investment property	**(1,846.2)**	(2,196.5)	**(317.9)**	(270.9)
Purchase of intangible assets	**(40.4)**	(58.6)	**(15.3)**	(40.9)
Proceeds from the sale of property, plant and equipment and intangible assets	**27.9**	0.3	**(0.1)**	10.1
Net sales/(purchases) of other investments	**14.6**	(9.6)	**-**	-
Issue of loans to subsidiaries	**-**	-	**19.1**	(89.9)
Repayments of loans to subsidiaries	**-**	-	**15.9**	15.9
Finance leases granted in year	**(1.3)**	(0.3)	**-**	-
Finance leases repaid in year	**24.0**	13.8	**-**	-
Proceeds from sale of investment property	**82.5**	149.5	**18.9**	94.6
Investment in equity of associates and joint ventures	**(34.3)**	(4.7)	**-**	-
Investment in share capital of subsidiaries	**-**	-	**(280.0)**	(560.0)
Net cash flows from investing activities	**283.7**	(64.2)	**1,437.4**	1,115.8

e) Financing activities

Year ended 31 March	**Group 2023 £m**	Group 2022 £m	**Corporation 2023 £m**	Corporation 2022 £m
Cash payments for reduction of the outstanding liabilities relating to lease and PFI arrangements	**(333.5)**	(324.8)	**(37.0)**	(36.0)
Cash payments for reduction of other financing liabilities	**(6.4)**	(6.2)	**-**	-
Net proceeds from new borrowing	**1,661.0**	801.9	**1,661.0**	801.9
Repayments of borrowings	**(1,720.7)**	(803.7)	**(1,720.7)**	(803.8)
Net cash flows from financing activities	**(399.6)**	(332.8)	**(96.7)**	(37.9)

Notes to the Financial Statements
37. Unusable reserves

At 31 March	2023 £m	2022 restated* £m
Group		
Capital Adjustment Account	**30,924.4**	29,680.3
Pension Reserve	**1,541.9**	(3,158.8)
Accumulated Absences Reserve	**(13.2)**	(14.6)
Retained Earnings Reserve in Subsidiaries	**1,034.3**	1,483.6
Revaluation Reserve	**216.2**	241.1
Hedging Reserve	**(17.4)**	(57.9)
Cost of Hedging Reserve	**(2.4)**	(3.0)
Financial Instruments Adjustment Account	**(112.3)**	(124.0)
Merger reserve	**466.1**	466.1
	34,037.6	28,512.8

At 31 March	2023 £m	2022 restated* £m
Corporation		
Capital Adjustment Account	**17,263.6**	16,787.3
Pension Reserve	**1,541.9**	(3,158.8)
Accumulated Absences Reserve	**(13.2)**	(14.6)
Revaluation Reserve	**22.4**	26.5
Financial Instruments Adjustment Account	**(112.3)**	(124.0)
	18,702.4	13,516.4

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 Corporation Capital Adjustment Account remains unchanged at Group level. The adjustments for the Group financial statements arise due to an alignment of accounting policies between the Group and it's subsidiaries for assets not held in the Corporation. 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.

* Details of the restatement are included within Note 40

Notes to the Financial Statements

37. Unusable reserves (continued)

Capital Adjustment Account (continued)

	Note	Group 2023 £m	Group 2022 £m	Corporation 2023 £m	Corporation 2022 £m
Balance at 1 April (as previously reported)		**29,680.3**	28,165.1	**16,787.3**	16,023.5
Prior period correction in respect of MRP*		**-**	46.4	**-**	46.4
Balance at 1 April (restated)		**29,680.3**	28,211.5	**16,787.3**	16,069.9
Amounts attributable to the Corporation					
Charges for depreciation and impairment of non-current assets		**(205.4)**	(219.1)	**(205.4)**	(219.1)
Capital proceeds from disposals of investment properties		**18.9**	94.6	**18.9**	94.6
Net book value of disposals of investment properties		**(7.4)**	(9.6)	**(7.3)**	(9.6)
Release of Revaluation Reserve relating to historical revaluation gains recognised in respect of properties disposed during the year		**3.2**	3.1	**3.2**	3.1
Release of Revaluation Reserve relating to the difference between fair value depreciation and historical cost depreciation		**-**	0.3	**-**	0.3
Movements in the market value of investment properties recognised in the deficit/surplus on the provision of services after tax		**(14.3)**	50.5	**(14.3)**	50.5
Movements in the market value of investment properties recognised directly in other comprehensive income		**-**	0.8	**-**	0.8
Capital grants and contributions	10	**1,974.4**	1,954.6	**1,974.4**	1,954.6
REFCUS	10	**(1,342.3)**	(1,216.0)	**(1,342.3)**	(1,216.0)
Minimum Revenue provision		**49.3**	60.9	**49.3**	60.9
Loss on disposal of property, plant and equipment		**(0.2)**	(2.7)	**(0.2)**	(2.7)
Adjustments for the alignment of Group accounting policies for assets not held in the Corporation					
Charges for depreciation, impairment and disposals for assets not held in the Corporation		**(620.5)**	(524.3)	**-**	-
Capital grants and contributions applied to assets not held in the Corporation	10	**1,388.4**	1,275.7	**-**	-
Balance at 31 March		**30,924.4**	29,680.3	**17,263.6**	16,787.63

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 2023 £m	Group 2022 £m	Corporation 2023 £m	Corporation 2022 £m
Balance at 1 April	**(3,158.8)**	(5,546.3)	**(3,158.8)**	(5,546.3)
Net remeasurement losses on pension assets and defined benefit obligations	**5,040.8**	2,773.2	**5,040.8**	2,773.2
Reversal of charges relating to retirement benefits	**(659.0)**	(762.4)	**(432.2)**	(495.8)
Employer's pension contributions, contributions from subsidiaries and direct payments to pensioners payable in the year	**318.9**	376.7	**92.1**	110.1
Balance at 31 March	**1,541.9**	(3,158.8)	**1,541.9**	(3,158.8)

* Details of the restatement are included within Note 40

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 2023 £m	Group 2022 £m	**Corporation 2023 £m**	Corporation 2022 £m
Balance at 1 April	**(14.6)**	(16.2)	**(14.6)**	(16.2)
Settlement or cancellation of accrual made at the end of the preceding year	**14.6**	16.2	**14.6**	16.2
Amounts accrued at the end of the current year	**(13.2)**	(14.6)	**(13.2)**	(14.6)
Balance at 31 March	**(13.2)**	(14.6)	**(13.2)**	(14.6)

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 unless the subsidiary declares a dividend to the Corporation, and they are able to fund these via their own cash reserves. The majority of assets held in subsidiaries are related to transport infrastructure and are not readily convertible to cash.

	Group 2023 £m	Group 2022 £m
Balance at 1 April	**1,483.6**	1,737.3
Surplus on the provision of services after tax in subsidiaries	**242.8**	369.8
Surplus on valuation of newly created investment properties (net of tax)	**6.0**	(6.5)
Transfer of current year capital grants and contributions to the Capital Adjustment Account	**(1,388.4)**	(1,275.7)
Transfer of adjustments between Group and Corporation financial statements to the Capital Adjustment Account	**620.5**	524.3
Remeasurement gains on defined benefit pension plan assets and liabilities	**46.5**	17.7
Release of Revaluation Reserve relating to historical revaluation gains recognised in respect of properties disposed	**22.6**	114.3
Release of Revaluation Reserve relating to the difference between fair value depreciation and historical cost depreciation	**0.7**	2.4
Balance at 31 March	**1,034.3**	1,483.6

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 2023 £m	Group 2022 £m	Corporation 2023 £m	Corporation 2022 £m
Balance at 1 April		**241.2**	339.5	**26.6**	29.9
Revaluation of assets	13	**1.6**	21.9	**(1.1)**	0.1
Release of Revaluation Reserve relating to historical revaluation gains recognised in respect of properties disposed		**(25.8)**	(117.5)	**(3.1)**	(3.1)
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		**(0.8)**	(2.8)	**-**	(0.3)
Balance at 31 March		**216.2**	241.1	**22.4**	26.6

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, or recognised as an adjustment to the cost of a capital asset where capital expenditure is hedged.

	Group 2023 £m	Group 2022 £m
Balance at 1 April	**(57.9)**	(105.0)
Net change in fair value of cash flow interest rate hedges	**11.6**	43.9
Net change in fair value of cash flow foreign exchange hedges	**6.0**	8.0
Reclassification of interest rate fair value losses to profit and loss	**9.4**	10.2
Discontinued hedging relationship	**13.5**	(15.0)
Balance at 31 March	**(17.4)**	(57.9)

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 2023 £m	Group 2022 £m
Balance at 1 April	(3.0)	(3.9)
Reclassification of cashflow foreign exchange hedge losses to the Balance Sheet	0.6	0.9
Balance at 31 March	(2.4)	(3.0)

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 2023 £m	Group 2022 £m	Corporation 2023 £m	Corporation 2022 £m
Balance at 1 April	(124.0)	(135.8)	(124.0)	(135.8)
Release of premium	11.7	11.8	11.7	11.8
Balance at 31 March	(112.3)	(124.0)	(112.3)	(124.0)

Merger Reserve

The Merger Reserve of £466.1m arose as a result of the transfer of the net assets of London Regional Transport, including the share capital of London Underground Limited (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 2023 £m	Group 2022 £m	Corporation 2023 £m	Corporation 2022 £m
Balance at 1 April and 31 March	466.1	466.1	-	-

Notes to the Financial Statements
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.

Corporation

Year ended 31 March 2023	Note	General Fund £m	Capital Adjustment Account £m	Capital receipts reserve £m	Pension Reserve £m	Street Works Reserve £m	Capital Grants Unapplied Account £m	Financial Instruments Adjustment Account £m	Accumulated Absences Reserve £m
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement									
Charges for depreciation, amortisation and impairment of non-current assets	4	205.4	(205.4)	-	-	-	-	-	-
Net book value of disposals		7.7	(7.7)	-	-	-	-	-	-
Capital proceeds from disposals	39	(18.9)	-	18.9					
Capital receipts applied		-	18.9	(18.9)					
Movements in the market value of investment properties	9	14.0	(14.0)	-	-	-	-	-	-
Capital grants and contributions	10	(632.1)	632.1	-	-	-	-	-	-
Capital grants and contributions applied to REFCUS		(1,342.3)	1,342.3						
REFCUS		1,342.3	(1,342.3)						
Unapplied capital grants	10	(102.2)	-	-	-	-	102.2	-	-
Loss on disposal of non-current assets	7	0.2	(0.2)	-	-	-	-	-	-
Reversal of items relating to retirement benefits		432.2	-	-	(432.2)	-	-	-	-
Transfers to/from Street Works Reserve		(2.0)	-	-	-	2.0	-	-	-
Difference between the remuneration charged on an accruals basis and the remuneration chargeable in accordance with statutory requirements		(1.4)	-	-	-	-	-	-	1.4
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		(92.1)	-	-	92.1	-	-	-	-
Minimum Revenue provision	40	(49.3)	49.3	-	-	-	-	-	-
Amortisation of premium on financing		(11.7)	-	-	-	-	-	11.7	-
		(250.2)	473.0	-	(340.1)	2.0	102.2	11.7	1.4

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Notes to the Financial Statements

38. Adjustments between accounting basis and funding basis under regulations (continued)

Corporation

Year ended 31 March 2022 (restated)*	Note	General fund restated* £m	Capital Adjustment Account restated* £m	Capital receipts reserve £m	Pension Reserve £m	Street Works Reserve £m	Financial Instruments Adjustment Account £m	Accumulated Absences Reserve £m
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement								
Charges for depreciation, amortisation and impairment of non-current assets	4	219.1	(219.1)	–	–	–	–	–
Net book value of disposals		9.6	(9.6)	–	–	–	–	–
Capital proceeds from disposals	39	(94.6)	–	94.6				
Capital receipts applied		–	94.6	(94.6)				
Movements in the market value of investment properties	8	(50.5)	50.5	–	–	–	–	–
Capital grants and contributions	10	(738.6)	738.6	–	–	–	–	–
Capital grants and contributions applied to REFCUS		(1,216.0)	1,216.0	–	–	–	–	–
REFCUS		1,216.0	(1,216.0)	–	–	–	–	–
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	(60.9)	60.9	–	–	–	–	–
Amortisation of premium on financing		(11.8)	–	–	–	–	11.8	–
		(341.3)	713.2	–	(385.7)	0.4	11.8	1.6

* Details of the restatement are included within Note 40

Notes to the Financial Statements

39. Sources of finance

Capital expenditure analysed by source of finance:

Year ended 31 March	Note	Corporation 2023 £m	Corporation 2022 £m
Capital expenditure			
Intangible asset additions	12	**15.3**	40.9
Property, plant and equipment additions	13	**343.5**	220.5
Investment property	15	**1.7**	4.0
Investments in year	16	**280.0**	560.0
Loans made to subsidiaries in year for capital purposes		**-**	89.9
Capital grants allocated to subsidiaries in year	10	**1,342.3**	1,216.0
Total capital expenditure		**1,982.8**	2,131.3
Sources of finance			
Business Rates Retention used to fund capital	10	**1,613.7**	1,350.2
Community infrastructure levy and other third party contributions	10	**191.9**	50.4
Crossrail specific grant	10	**271.0**	554.0
Adjusted by amounts transferred to Capital Grants Unapplied Account	10	**(102.2)**	-
Prudential borrowing		**-**	74.0
Repayment of loans from subsidiaries		**-**	15.9
Capital receipts		**18.9**	94.6
Working capital		**(10.5)**	(7.8)
Total sources of finance		**1,982.8**	2,131.3

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 2023 this stood at £13,085.6m (2022 (restated) £13,185.6m) for the Corporation.

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 2022/23, 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 £49.3m (2021/22 restated: £60.9m). Further details in respect of the restatement have been included below.

During the year it was identified that MRP on a PFI agreement had been provided only from 2019/20 rather than from when the asset was available for use in 2006/07.

The total impact of the retrospective restatement is £46.4m to the MRP reserve as at 1 April 2021 and £47.1m to the MRP reserve as at 31 March 2022.

	At 31 March 2022 restated (£m	Cumulative adjustment (£m)	At 31 March 2022 as previously reported (£m)	At 1 April 2021 restated (£m)	Adjustment (£m)	At 1 April 2021 as previously reported (£m)
Usable reserves	634.1	(47.1)	681.2	840.5	(46.4)	886.9
Unusable reserves	28,512.8	47.1	28,465.7	24,947.2	46.4	24,900.8
Total reserves	**29,146.9**	-	29,146.9	25,787.7	-	25,787.7

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 2023 £m**	Corporation 2022 £m
Financial assistance to subsidiaries		
Transport Trading Limited	**364.2**	25.4
London Underground Limited	**967.1**	1,741.0
London Bus Services Limited	**865.0**	1,031.6
London River Services Limited	**5.3**	5.5
Victoria Coach Station	**-**	3.0
London Buses Limited	**-**	0.1
London Transport Museum Limited	**3.4**	3.4
Docklands Light Railway Limited	**149.1**	199.8
Rail for London Limited	**204.1**	404.0
Crossrail Limited	**238.8**	88.8
Tramtrack Croydon Limited	**41.1**	40.4
Rail for London (Infrastructure) Limited	**71.3**	57.5
	2,909.4	3,600.5

Year ended 31 March	Note	**Corporation 2023 £m**	Corporation 2022 £m
Financial assistance to London Boroughs and other third parties			
Local Implementation Plan		**41.2**	40.4
Taxicard		**7.1**	8.2
London Streetspace		**1.1**	11.5
Cycling		**11.3**	8.0
Bus priority		**3.2**	8.7
Other		**7.4**	5.1
	4	**71.3**	81.9

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 the Commissioner, Chief Officers 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 2022/23, TfL had the following other transactions with the GLA and functional bodies:

	Total income during the year £m	Total expenditure during the year £m	Outstanding balance at 31 March 2023 £m
GLA	21.0	(4.6)	13.2
Mayor's Office for Policing and Crime (MOPAC)	0.4	(121.3)	(25.2)
London Legacy Development Corporation (LLDC)	1.1	-	-
London Fire Commissioner	0.1	-	-

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 (2021/22 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 6).

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 2022/23 the DfT contributed grant funding to TfL totalling £942.6m (2021/22 £1,716.8m) under a series of Extraordinary Funding and Financing Agreements.

In the year to 31 March 2023, the GLA paid grants totalling £271.0m to TfL in relation to the Crossrail project (2022 £554m). And as at 31 March 2023 £715m of the Crossrail loan facility provided by the DfT in relation to the Crossrail project remained drawn down (2022 £750m).

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 £m	Expenditure £m	Assets £m	Liabilities £m
At 31 March 2023				
TfL Healthcare Trust	**1.2**	**(3.8)**	**2.5**	**-**
At 31 March 2022				
TfL Healthcare Trust	4.8	(3.8)	5.1	-

Notes to the Financial Statements
44. Events after the Balance Sheet date

Management do not consider that there has been any post Balance Sheet event that would require an adjustment being made to the carrying values at 31 March 2023 as reported in these financial statements.

Annual Governance Statement

The CIPFA/SOLACE Delivering Good Governance in Local Government Framework (the Framework) requires local authorities, which includes TfL, to publish an Annual Governance Statement, and to be responsible for ensuring that:

- Its business is conducted in accordance with all relevant laws and regulations;
- Public money is safeguarded and properly accounted for; and
- Resources are used economically, efficiently, and effectively to achieve agreed priorities which benefit local people

As a functional body of the Greater London Authority (GLA), TfL is a signatory to the GLA Group Corporate Governance Framework Agreement (the Agreement), which was updated in March 2022. The Agreement is an overarching commitment in relation to the culture and individual behaviours of the GLA Group and contains specific corporate governance commitments. The Board agreed TfL has in place protocols and processes that address all the requirements of the Agreement.

TfL has approved and adopted a Code of Governance (the Code), which is consistent with the Framework and is published online at tfl.gov.uk. This statement explains how TfL complies with the Code and meets the requirements of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

TfL's governance framework has been in place since the year ended 31 March 2001 and remains in place at the date of approval of the 2022/23 Statement of Accounts. The key elements of the governance framework are set out opposite:

Key Elements of TfL's Governance Framework

Chair, Board, Committees and Panels	The Mayor appoints the Board and is the Chair. The Board provides leadership and determines and agrees TfL's strategic direction and oversees the performance of the Executive Committee to deliver the Mayor's Transport Strategy. The Budget, Business Plan and Capital Strategy set out how the Mayor's Transport Strategy will be delivered and are supported by TfL's Group and individual business area Scorecards. The Board's effectiveness is reviewed annually.
Decision Making	Standing Orders set out TfL's decision-making process and are regularly reviewed. The roles of Members and the executive are clearly defined. The Board, its Committees and Panels meet in public and all decisions taken are published. The approval of Financial, Programme and Project, Procurement and Land Authority by the Commissioner and Chief Finance Officer is also reported to Committees along with any Mayoral Directions to TfL.
Audit and Assurance Committee	The Committee reviews the effectiveness of the system of internal controls, including the integrated assurance framework and considers fraud and risk management issues. It also reviews the Annual Accounts prior to submission to the Board and TfL's compliance with the UK Corporate Governance Code (where applicable). The Risk and Assurance Directorate and External Auditors support the work of the Committee.
Risk Management	TfL has an Enterprise Risk management system that sets out TfL's Enterprise and Strategic Risks, supported by local risk registers throughout TfL, which are monitored by the appropriate senior manager. The Audit and Assurance Committee oversees the implementation of the risk management system, with individual Committees and Panels reviewing each Enterprise Risk within their remit as per the 12-month rolling schedule. The Executive Committee also regularly reviews all the Enterprise Risks.
Scrutiny and Review	The Board, Committees and Panels each receive regular quarterly reports on TfL's performance. These reports cover: performance against the Scorecard; financial performance; customer and operational performance; safety, health and environment; and human resources. The Audit and Assurance Committee reviews TfL's overall audit and assurance arrangements.
The Commissioner and the Executive Committee	The Commissioner and Executive Committee are responsible for the delivery of day-to-day operations. The statutory Chief Finance Officer (TfL's appointed officer under section 127 of the GLA Act 1999) is responsible for safeguarding TfL's financial position. The postholder reports directly to TfL's managing Chief Finance Officer and, while not on the Executive Committee, plays an active part in TfL strategic decision-making through involvement in all key decisions with a significant financial implication and has management responsibility to produce the Business Plan and statutory accounts. The General Counsel, along with the Commissioner, is responsible for ensuring compliance with the law and promoting good corporate governance and high standards of public conduct. The Director of Risk and Assurance annually comments on the effectiveness of the Code.

Applying the Framework Principles

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law: TfL's Code of Conduct for Members and staff reinforces a public service ethos and high standards of behaviour. It is supported by more detailed guidance, including a Modern Slavery Statement, TfL's whistleblowing procedures and guidance on conflicts of interest. The General Counsel and Commissioner have specific responsibilities to ensure that TfL's decisions meet legal requirements. Inductions for new senior staff and the one new Member of the Board appointed in 2022/23 explicitly covered the importance of behaviours and ethical values. Declarations of interests for Members and the most senior staff are published on tfl.gov.uk and declared at meetings.

Principle B: Ensuring openness and comprehensive stakeholder engagement: TfL has a transparency strategy and publishes a substantial amount of information. It engages with stakeholders and partners through consultation and its work with London Councils and individual boroughs. It cooperates with appropriate organisations to ensure there is independent scrutiny of its financial and operational reporting processes. Board, Committee and Panel meetings are held in public and are routinely webcast contemporaneously on TfL's YouTube channel to further enhance transparency in decision-making. TfL has an active social media presence including Facebook, Twitter and YouTube.

Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits: TfL meets this objective through its delivery of the Mayor's Transport Strategy, supported by its Vision and Values, Business Plan and the annual Scorecard process. The Business Plan and Scorecard measures flow through to team and individual staff objectives. The quarterly reports to the Board, Committees and Panels, as well as papers seeking authority for projects, provide commentary on how they support the objective of delivering the Mayor's Transport Strategy.

In September 2021, following a bottom-up staff engagement process, TfL's Vision and Values were launched. These defined TfL's purpose as "To move London forward safely, inclusively and sustainability" and its vision as "We'll be a strong, green heartbeat for London". TfL established five roadmaps to deliver the Vision and Values and these are reviewed annually. They guide planning and decision-making, provide direction while maintaining flexibility for different areas of the business to develop their own plans to contribute and support frequent, open reporting on how we are doing. The roadmaps cover:

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

Principle D: Determining the intervention necessary to achieve intended outcomes. The Quarterly Performance Report and other key quarterly reports submitted to Committees and Panels track TfL's activities in terms of key performance indicators and delivery of the Mayor's Transport Strategy. These also highlight remedial actions taken where slippage occurs. TfL's intervention in the governance of the Crossrail project in 2020, enabled the Elizabeth Line Delivery Group and Elizabeth Line Committee to drive the project forward, with the line opening on 24 May 2022, through running and Sunday services introduced on 6 November 2022 and the final integration of the railway on 21 May 2023. TfL has also recognised the need to enhance the governance and controls around its property programme to drive forward schemes that will deliver affordable housing for the Mayor and revenue for TfL. Its property subsidiary company, Places for London Limited (Places) formerly TTL Properties Limited has been given greater financial and governance autonomy and the Land and Property Committee was established, from 1 April 2022 to oversee the operation and delivery of TfL's property programme through Places. The Committee has actively reviewed and overseen the governance of Places.

Principle E: Developing TfL's capacity, including the capability of its leadership and individuals within it: The structure of the Executive Committee and the roles and responsibilities of its members were refreshed in February 2022 and revised governance arrangements below this level have been reviewed and implemented. TfL undertakes a wide range of human resources activities to develop the capacity of its people. Regular reports are submitted to the Safety, Sustainability and Human Resources Panel and the Remuneration Committee on this and key initiatives including the leadership programme, succession planning and TfL's graduate and apprenticeship programmes. During the year, the Remuneration Committee reviewed and supported proposals in relation to resourcing at TfL, including the launch of a Strategic Resourcing Group and Our People Leaders programme in January 2023. TfL's Vision and Values are also intended to develop capacity (see Principle C above). Board Members are developed through induction, briefings and site visits. One new Board Member was appointed and inducted during the year.

Principle F: Managing risks and performance through strong internal control and financial management: TfL's Enterprise Risk management system sets out TfL's main strategic risks and mitigations, with more detailed risk registers held throughout TfL. Following a review with the Board and the Executive Committee in May 2022, the Enterprise Risks were updated and the Enterprise Risk Management Framework was changed to reflect TfL's Vision and Values roadmaps. A 12-month rolling schedule of reviews for the Level 0 Enterprise Risks was also put in place, with risks reviewed and updates provided to the Executive Committee and the relevant Committees and Panels following the schedule. The Audit and Assurance Committee maintains overall responsibility for scrutinising TfL's approach to risk and receives reports to each meeting. The Finance Committee scrutinises TfL's financial performance and reports on this to the Board. It monitors the effectiveness of rigorous cost control and scrutiny measures introduced as a result of the impact of the coronavirus pandemic on TfL's funding and TfL's progress in meeting the conditions attached to the Government's funding settlements. TfL has also continued to embed the TfL Health, Safety and Environment Management System and has continuous improvement plans in place to enhance the system and strengthen the maturity of compliance.

Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability: TfL follows the Government Communication Service guidance on providing clear and accurate information. It has a published transparency strategy and has developed its website and the format of its reports to improve transparency and accessibility. Minutes of meetings, key decisions taken outside of meetings, the registers of Members and the most senior staff's interests and acceptance of gifts and hospitality, along with details of contracts awarded over £5,000 are published on tfl.gov.uk.

Review of Effectiveness

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.

TfL continually reviews the effectiveness of its governance arrangements, including all aspects of TfL's operations including its relationships with its group entities. The Risk and Assurance Annual Report and Assurance Statement includes the opinion of the Head of Internal Audit on the overall framework of TfL's governance, risk management and internal control in the year. The opinion for the year ending 31 March 2023 concluded that the overall framework of TfL's governance, risk management and internal control is generally adequate for TfL's business needs and operated in an effective manner. There were no matters raised for the attention of the Board. The scope of an externally led Board Effectiveness Review was agreed in 2022 and that review is underway and due to report in July 2023.

The significant impact of the coronavirus pandemic on TfL's operational activities and its finances continues to be felt. A 19-month funding settlement was agreed with Government on 30 August 2022 to 31 March 2024 and discussions are ongoing in relation to securing long-term capital funding to enable TfL to plan effectively.

Conclusion

TfL is satisfied that appropriate governance arrangements are in place. It recognises that there is always more that can be done and remains committed to maintaining and where possible improving these arrangements. The key ways of doing this are:

- Keeping its governance arrangements under continuous review, including through the Board Effectiveness Review;
- Addressing issues identified by Internal Audit as requiring improvement;
- Reviewing and enhancing performance reporting to focus on key risks and areas for improvement; and
- Listening to feedback from key stakeholders

SIGNATURE

Sadiq Khan
Chair of TfL
XX Date 2023

SIGNATURE

Andy Lord
Commissioner
XX Date 2023

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

Sadiq Khan
Chair

Seb Dance
Deputy Chair

Heidi Alexander

Kay Carberry CBE

Cllr Julian Bell*

Professor Greg Clark CBE

Anurag Gupta

Bronwen Handyside

Anne McMeel

Dr Mee Ling Ng OBE

Dr Nelson Ogunshakin OBE

Mark Phillips

Marie Pye

Dr Nina Skorupska CBE FEI

Dr Lynn Sloman MBE

Ben Story

Peter Strachan

Cllr Kieron Williams**

* Cllr Bell left the Board on 4 September 2022
** Cllr Williams appointed from 10 October 2022

Membership of TfL Committees and Panels

Audit and Assurance Committee

Mark Phillips
Chair

Anurag Gupta
Vice Chair

Kay Carberry CBE

Dr Mee Ling Ng OBE

Elizabeth line Committee

Heidi Alexander
Chair

Anne McMeel
Vice Chair

Prof Greg Clark CBE*

Dr Nelson Ogunshakin OBE

Mark Phillips

* Professor Greg Clark CBE stood down on 23 November 2022

Finance Committee

Anne McMeel
Chair

Ben Story
Vice Chair

Prof Greg Clark CBE

Seb Dance

Anurag Gupta

Dr Nina Skorupska CBE FEI

Land and Property Committee

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

Dr Lynn Sloman MBE

Peter Strachan

Cllr Kieron Williams*

* Cllr Williams appointed from 23 November 2022

Remuneration Committee

Kay Carberry CBE
Chair

Peter Strachan
Vice Chair

Seb Dance

Dr Nelson Ogunshakin OBE

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

Cllr Kieron Williams*

* Cllr Williams appointed from 23 November 2022

Safety, Sustainability and Human Resources 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

TfL Board & Committee Member Remuneration

Current Board Member	For the year ended 31 March 2023 (£)
Sadiq Khan	Not remunerated by TfL
Seb Dance	Not remunerated by TfL
Heidi Alexander•	19,000
Cllr Julian Bell**	7,636
Kay Carberry CBE	20,000
Professor Greg Clark CBE***	20,000
Anurag Gupta	18,000
Bronwen Handyside	18,000
Anne McMeel	20,000
Dr Mee Ling Ng OBE	20,000
Dr Nelson Ogunshakin OBE	19,000
Mark Phillips	20,000
Marie Pye	18,000
Dr Nina Skorpuska CBE FEI	19,000
Dr Lynn Sloman MBE	20,000
Ben Story	20,000
Peter Strachan	20,000
Cllr Kieron Williams****	7,682

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Non-Voting meeting attendees: Elizabeth Line Committee	For the year ended 31 March 2023 (£)
Sarah Atkins	16,000
Kathryn Cearns OBE (Government)^	Not remunerated by TfL
Matt Lodge (Government)^^	Not remunerated by TfL

Non-Voting meeting attendees: Government Special Representatives	For the year ended 31 March 2023 (£)
Andrew Gilligan^^^	Not remunerated by TfL
Becky Wood	Not remunerated by TfL
John Hall^^^^	Not remunerated by TfL

Members whose remuneration changed during the year

* Heidi Alexander become a member of the Land and Property Committee

** Cllr Julian Bell's appointment as a TfL Board Member expired on 4 September 2022

*** Professor Greg Clark CBE stood down from the Elizabeth Line Committee on 23 November 2022

****Cllr Kieron Williams was appointed as a TfL Board Member on 10 October 2022. He was appointed to the Programmes and Investment Committee and Customer Services and Operational Performance Panel from 23 November 2022

Elizabeth Line Committee Government Observers

^ Kathryn Cearns OBE stood down as the Government observer to the Elizabeth Line Committee on 14 July 2022

^^ Matt Lodge was appointed as the Government observer to the Elizabeth Line Committee from 14 July 2022

Government Special Representatives to TfL Board

^^^ Andrew Gilligan, Strategic Special Representative, stood down in September 2022

^^^^John Hall, Strategic Special Representative, appointed on 28 November 2022

TfL Members Attendance 2022/23[1]

Member	Board (8)[2]	Audit and Assurance Committee (4)	Customer Service and Operational Performance Panel (4)	Elizabeth line Committee (6)	Finance Committee (4)	Land and Property Committee (4)	Programmes and Investment Committee (5)	Remuneration Committee (3)	Safety, Sustainability and Human Resources Panel (3)
Sadiq Khan	8	–	–	–	–	–	–	–	–
Cllr Julian Bell[3]	4 (4)	1 (1)	–	–	–	–	2 (2)	–	–
Seb Dance	8	–	–	5	4	4	5	3	–
Heidi Alexander	5	–	–	5	–	2	–	–	–
Kay Carberry CBE	8	4	–	–	–	–	–	3	3
Professor Greg Clark CBE[4]	5	–	–	2 (3)	4	4	–	–	–
Anurag Gupta	6	4	–	–	3	–	–	–	–
Bronwen Handyside[5]	4	–	2	–	–	–	–	–	2
Anne McMeel	8	–	4	5	4	3	–	–	–
Dr Mee Ling Ng OBE	7	4	3	–	–	–	–	–	2
Dr Nelson Ogunshakin OBE	8	–	–	4	–	–	2	1	–
Marie Pye	8	–	4	–	–	–	–	–	3
Mark Phillips	8	4	–	3	–	–	–	–	3
Dr Nina Skorupska CBE FEI	8	–	–	–	3	4	–	–	2
Dr Lynn Sloman MBE	8	–	3	–	–	–	3	–	3
Ben Story	8	–	–	–	3	4	4	–	–
Peter Strachan	7	–	4	–	–	–	5	3	–
Cllr Kieron Williams[6]	3 (4)	–	1 (2)	–	–	–	0 (2)	–	–

1 Number of total meetings includes those held entirely online, but live streamed for the public. Member attendance includes virtual attendance

2 Includes meetings held on 9 and 30 August 2023, called with less than five clear days' notice, to discuss TfL's funding. This impacted Member availability

3 Cllr Bell left the Board on 4 September 2022

4 Prof Greg Clark CBE stood down from the Elizabeth Line Committee on 23 November 2022

5 Bronwen Handyside's attendance was impacted by ill-health

6 Cllr Williams joined the Board on 10 October 2022 and was appointed to serve on Committees and Panels from 23 November 2022

About us

Part of the Greater London Authority family led by Mayor of London Sadiq Khan, we are the integrated transport authority responsible for delivering the Mayor's aims for transport. We have a key role in shaping what life is like in London, helping to realise the Mayor's vision for a 'City for All Londoners' and helping to create a safer, fairer, greener, healthier and more prosperous city. The Mayor's Transport Strategy sets a target for 80 per cent of all journeys to be made by walking, cycling or using public transport by 2041. To make this a reality, we prioritise safety, sustainability, health and the quality of people's experience in everything we do.

We run most of London's public transport services, including the London Underground, London Buses, the DLR, London Overground, Elizabeth line, London Trams, London River Services, London Dial-a-Ride, Victoria Coach Station, Santander Cycles and the IFS Cloud Cable Car.

We manage the city's red route strategic roads and are responsible for the maintenance, management and operation of more than 6,000 sets of traffic lights across the capital. The London boroughs are responsible for all the remaining roads within their boundaries. The experience, reliability and accessibility of our services are fundamental to Londoners' quality of life. Safety remains our number one priority and we continue to work tirelessly to improve safety across the network for both colleagues and customers.

Our vision is to be a strong, green heartbeat for London. We are investing in green infrastructure, improving walking and cycling, reducing carbon emissions, and making the city's air cleaner. The Ultra Low Emission Zone, and fleets of increasingly environmentally friendly and zero-emission buses, are helping to tackle London's toxic air. We are also improving public transport options, particularly in outer London, to ensure that more people can choose public transport or active travel over using their vehicles.

That is why we are introducing the outer London Superloop bus network, providing express bus routes circling the entire capital, connecting outer London town centres, railway stations, hospitals and transport hubs.

We have constructed many of London's most significant infrastructure projects in recent years, using transport to unlock economic growth and improve connectivity. This includes major projects like the extension of the Northern line to Battersea Power Station and Nine Elms in south London, as well as the completion of the London Overground extension to Barking Riverside and the Bank station upgrade.

The Elizabeth line, which opened in 2022, has quickly become one of the country's most popular railways, adding 10 per cent to central London's rail capacity and supporting new jobs, homes and economic growth. We also use our own land to provide thousands of new affordable homes and our own supply chain creates tens of thousands of jobs and apprenticeships across the country.

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

We are constantly working to improve the city for everyone. This means using information, data and technology to make services intuitive and easy to use and doing all we can to make streets and transport services accessible and safe to all. We reinvest every penny of our income to continually improve transport networks for the people who use them every day. None of this would be possible without the support of boroughs, communities and other partners who we work with to improve our services. By working together, we are creating brighter journeys and a better city.

DRAFT

September 2023

tfl.gov.uk

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Audit and Assurance Committee

Date: 20 September 2023

Item: Annual Audit Report (EY Annual Audit Letter)

This paper will be considered in public

1 Summary

1.1 This report informs the Committee of the status of the Annual Audit Report (previously the Annual Audit Letter) issued by Ernst & Young LLP (EY). As the audit has not yet concluded, EY have issued an Audit Results Report that summarises the findings of their work for the year ended 31 March 2023.

1.2 A report is included on the Part 2 agenda which contains supplementary information that is exempt from publication by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the business affairs of TfL. Any discussion of that exempt information must take place after the press and public have been excluded from this meeting.

2 Recommendation

2.1 **The Committee is asked to note the report.**

3 Background

3.1 The Audit Results Report summarises the findings of EY's audit work on the financial statements for 31 March 2023. The report contains findings related to the areas of audit emphasis and their views on TfL Group accounting policies and judgements and material internal control findings.

3.2 The Annual Audit Report will be issued at the next Committee meeting following the issuance of the final audit opinion.

List of appendices to this report:

Appendix 1: EY's Audit Results Report 2022/23

Exempt supplementary information is contained in a report on Part 2 of the agenda.

List of Background Papers:
None

Contact: Patrick Doig, Group Finance Director and Statutory Chief Finance Officer
Email: Patrick.Doig@tfL.gov.uk

Appendix 1

Transport for London
Audit results report

Year ended 31 March 2023

14 September 2023

Building a better working world

Private and Confidential

14 September 2023

Transport for London
Palestra
197 Blackfriars Road
UK SW1H 0BD

Dear Members of the Audit and Assurance Committee,

2022/23 Audit results report

We are pleased to attach our audit results report, summarising the findings of our work on the financial statements for the year ended 31 March 2023.

The audit is designed to express an opinion on the 2023 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 judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge, the exercise of professional judgement 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), 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 International Standards on Auditing in the UK (ISA's UK).

This report is intended solely for the information and use of the Audit and 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

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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.psaa.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.

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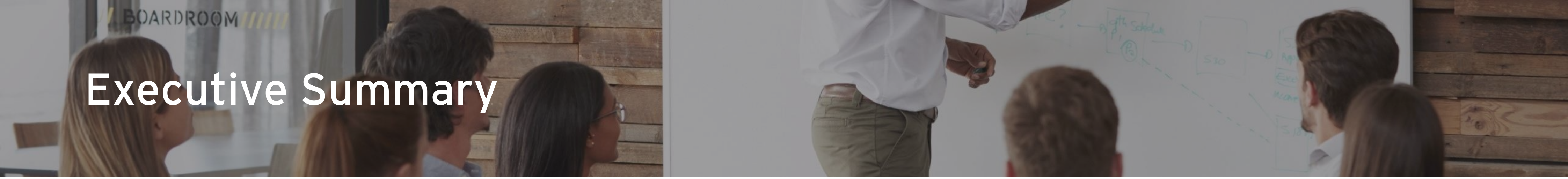
01 Executive Summary



Executive Summary

Scope update

In our audit planning report presented at the 30 November 2022 Audit and Assurance Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

- Changes in materiality

We updated our planning materiality assessment using the draft consolidated results. Based on our materiality measure of 1% of gross expenditure, we have updated our overall materiality assessment to £87m (Audit Planning Report – £84m). This results in updated performance materiality, at 50% of overall materiality, of £43m ((Audit Planning Report – £42m) and an updated threshold for reporting misstatements of £4.3m (Audit Planning Report – £4.2m).

- VFM Risks

In our audit planning report we communicated that we had not completed our VFM planning. Having completed our VFM planning work we identified two risks of significant weakness, namely Financial Sustainability and Resource Capacity. Section 04 of this report provides further detail.

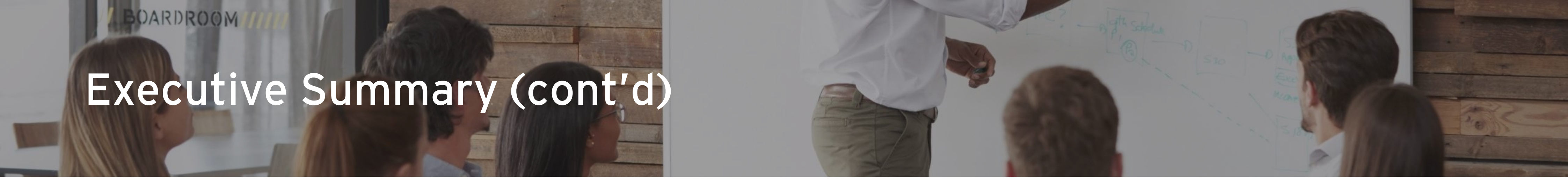
Significant risks identified in the audit plan included the following:

- Management override of controls
- Revenue recognition with particular focus on fares revenue
- Inappropriate capitalisation of capital projects including capital accruals
- Complexity of accounting for TfL and TTL property portfolios
- Going Concern

In our Audit Status Report presented to the Audit & Assurance Committee on the 05 June 2023 we explained that there was some 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, that could impact on our audit opinion. Having completed this work we have concluded that no material uncertainty exists over the going concern period to 31 March 2025 and our opinion is therefore not modified in respect of this matter.

Since the date of our last report to the Audit & Assurance Committee we have included TfL's Minimum Revenue Provision (MRP) as an area of audit focus following scrutiny within the wider sector. The work we have completed to address this risk is outlined in Section 02 of this report.

During the course of the audit we also became aware of five potential instances of non-compliance with laws and regulations. We have provided an summary of these instances and the procedures we have performed in response in Section 02 of this report.



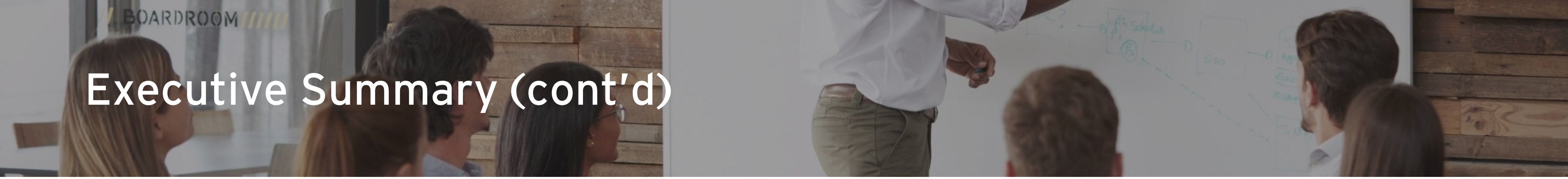
Executive Summary (cont'd)

Status of the Audit

Our audit work in respect of the group opinion largely complete. The following key matters relating to the completion of our audit procedures were outstanding at the date of this report :

- Conclusion of Minimum Revenue Provision work;
- Conclusion of consultation procedures in respect of non-compliance events;
- Internal review processes;
- Final checks on the financial statements;
- Post balance sheet events up to the date of approval of the financial statements;
- Receipt of signed letter of representation.

Until the above procedures are completed, we cannot reach our overall conclusion.



Executive Summary (cont'd)

Audit differences

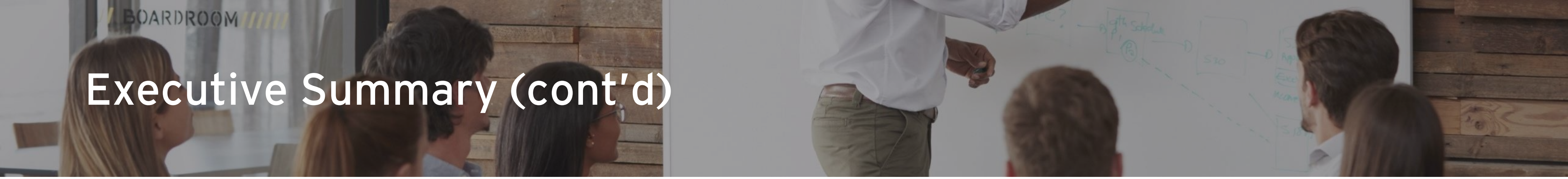
At the date of this report we have identified the following misstatements which management have chosen not to adjust:

- Revenue – Oyster revenue of £8.0m was not included in the year end accrual;
- PPE – there were 5 additional leases for land and buildings not recognised as part of close down procedures totalling £9m.
- Continued unwind of difference in accounting treatment noted in prior years relating to certain contract incentive payments amounting leading to an understatement of £46m to non-current assets.
- Leases – we disagree with the rate used in the calculation of the lease liability for rolling stock which gives rise to a £7m understatement of expenditure recognised in the Comprehensive income and expenditure statement.
- Pension assets – the auditor of TfL Pension Fund identified differences in the valuation of pension assets which gives rise to a difference of £48m in the pension surplus recognised in the balance sheet.
- Provisions – Management has recognised an additional provision for £59.2m. Our assessment based on a review of the assumptions is that this provision is understated by £24m.

Our overall assessment is that the cumulative impact of these unadjusted misstatements does not materially impact the reader's understanding of TfL's assets and liabilities.

Adjustments

- Two adjustments were made by management to provisions: one for £2m and the other for £59.2m representing legal liabilities that management determined met the requirements under IAS 37.
- Following increased scrutiny of the accounting for infrastructure assets within the public sector, Management have performed a detailed review of the infrastructure balance and corrected two misstatements:
  - The first misstatement amounts to £4,400m in respect of pooled infrastructure assets which had not been written off once they had reached the end of their useful economic lives in line with management's policy. This adjustment does not impact the net book value of PPE and therefore has no impact on the balance sheet or CIES and only impacts the PPE disclosure. There is also a prior year impact which management have adjusted for.
  - The second misstatement amounts to £28.8m in respect of non-pooled assets which had incurred partial replacement but the original assets had not been written out of the fixed asset register.
- Our review of management's Minimum Revenue Provision (MRP) calculation identified that the provision made in respect of PFI had not been calculated from the date at which the PFI asset was bought into operational use. The impact of this is a £47m increase to the MRP charge (and subsequent decrease to the General Fund reserves). This represents an error in previous financial statements and has been adjusted as a prior period correction.
- We identified an error in the prior year disclosure for the Capital Financing Requirement (CFR). The CFR should be calculated directly from the local authority's balance sheet. When we completed this reconciliation an overstatement of £220m in the prior year CFR disclosure was identified.
- Management identified an error in the share capital disclosure in the TTL financial statements which has been restated.



Executive Summary (cont'd)

Whole of government accounts

- We have not yet initiated our audit for Whole of Government (WGA) requirements. Our audit work on WGA for 2021/22 is completed and our WGA for 2022/23 is on-going at the date of this report.

Audit Certificate

- The Audit Certificate is issued to demonstrate that the full requirements of the National Audit Office's 2020 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 meeting held in June. There are no changes to our independence assessment since this date.

Value for Money

Under the 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 - Longer term funding impacts
We have identified a risk of 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. Having completed our planned procedures in respect of financial sustainability we found that arrangements were in place throughout 2022/23 to address financial sustainability including mitigated budget modelling, scenario planning and positive engagement with DfT. Having completed our procedures we did not identify a significant weakness and our opinion is not modified in respect of this matter.

Governance – Resource capacity
We identified a risk of significant weaknesses as defined by AGN03 with regards to how the authority ensures it has sufficient resource capacity in key roles to allow it to make properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This risk was identified as a result of issues raised with us during our management meetings and from our review of internal audit findings. The risk relates specifically to areas in the business where roles and responsibilities have been transformed during the financial year. Having completed our procedures we did not identify any instances where a lack of records has impacted the quality or effectiveness of services for the year ended 31 March 2023. As a result we have not identified a significant weakness in how the authority ensures it makes properly informed decisions and we have no matters to report by exception in the auditor's report in respect of this risk of significant weakness.

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02 Areas of Audit Focus

Areas of Audit Focus

Management override of controls, required by ISA (UK and Ireland) 240

Significant Risk

What is the risk, and the key judgements and estimates?

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly 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 audit engagement.

In our audit plan we explained that we would test procurement transactions in response to this risk. However we have reassessed the risk associated with procurement such that we have we not completed specific testing of this nature.

What are our conclusions?

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.

As part of the journal entry testing we noted that evidence of authorisation of journals was not available as the management's current journal process does not specifically require a formal authorisation. Management explained that all journals are posted by a separate team which provide assurance that appropriate segregation of duties exists, and there is also a robust year end review of accounts and reconciliations to mitigate the risk of inappropriate journal postings. We agree with these mitigations however we recommend that a robust authorisation and approval process for journals is implemented considering the value and volume of manual journals that are processed.

Our response to the key areas of challenge and professional judgement

In our professional judgement, the following were the key areas of challenge related to responding to this risk.

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 11;
- Applied professional scepticism by assessing whether management's explanations are logical, reasonable and in line with relevant historic trends supported by sufficient appropriate evidence;
- Evaluated the business rationale for unusual transactions;
- Assessed accounting estimates for evidence of management bias;
- 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 unusual descriptions, etc.);
- Evaluated the effectiveness of management's controls designed to address the risk of fraud and the oversight given by those charged with governance of management's processes over fraud.

Areas of Audit Focus

Inappropriate Revenue recognition, required by ISA (UK & Ireland) 240

Key Audit Matter | Significant Risk

What is the risk, and the key judgements and estimates?

TfL needs to have robust controls in place to forecast and accurately recognise and report revenue in its financial statements. As at 31 March 2023 fares revenue amounted to £4,046.6m.

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.

A matrix is in place which determines the allocation of fares revenue based on various apportionment factors which is agreed with the TOCs. The apportionment is automatically calculated within TFL's Central System.

In our audit plan we explained our procedures in relation to the Oyster write back policy. We have reassessed our risk and downgraded this element of fares revenue as a result of previous audit conclusions and materiality.

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What are our conclusions?

We have completed our procedures in respect of the Oyster Write back policy and consider management's assumptions over the write-off period to be supportable.

We have completed our controls testing and our transaction testing over invoices and JFT reports and have not identified any misstatements.

We have obtained and reviewed KPMGs ISAE3402 report and agreed procedures report as part of our procedures over contactless ticketing and Oyster pay as you go. No significant findings were identified from this work,

We have completed our substantive testing of fares and agree that the amount recorded in the financial statements is consistent with underlying supporting documents. In our testing we identified one misstatement for £8.1m of Oyster revenue that was not included in the P13 accrual. Management has chosen not to adjust the financial statements for this item.

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Our response to the key areas of challenge and professional judgement

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;
- Substantively tested revenue relating to Oyster Pay as You Go, Contactless Pay, Travelcard and Tickets by selecting a sample of sales included in the sales database and agreeing the information to sales returns received. For each return we have then re-performed the calculation of the amount to be recognised as revenue based on the product type and agreed it to the revenue recorded for that period. This calculation also includes the apportionment of revenue between TfL and the Train Operating Companies, which was tested for this sample;
- Agreed the values reported as revenue in advance to the revenue system reports identifying the proportion of revenue relating to future periods for annual or periodic tickets and travel cards purchased in the 2022/23 year. We tested the parameters used in the report to confirm the appropriate calculation of this amount as payments received in advance;
- Compared the assessment of fares apportioned to the Train Operating Companies for reasonableness against latest agreements, settlements in year and correspondence with the Train Operating Companies;
- Reviewed the minutes of meetings held between TfL and TOCs during FY22/23 to understand whether there were any issues in regards to information communicated by TOCs and settlement between the parties;
- Reviewed the 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; and
- Reviewed journal entries for unusual postings related to adjustments to revenue.

Areas of Audit Focus

Going Concern

Key Audit Matter | Significant Risk

What is the risk, and the key judgements and estimates?

The going concern period to be considered is of at least 12 months from the approval of the financial statements however the current funding agreement in place only covers the period up to the 31 March 2024. There is a risk that, for the remainder of the going concern period where funding is not in place, TfL will have to make decisions over the current level of services or capital spending if it unable to achieve financial sustainability without any further funding agreements.

What are our conclusions?

In auditing the financial statements, we have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Management have concluded that there are no material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on TfL's ability to continue as a going concern for a period and they have disclosed the key risks, uncertainties and mitigations available over the going concern period to the 31 March 2025 within their basis of preparation disclosure in the financial statements.

Based on the work we have performed we agree with management's assessment and have not identified any material uncertainties that may cast significant doubt on TfL's ability to continue as a going concern and the financial statement disclosures are appropriate. Our audit opinion is not modified in respect of this matter.

Our response to the key areas of challenge and professional judgement

Our evaluation of Management's assessment included the following procedures:

- We understood management's assessment of funding requirements and commitments for the going concern period by reconciling 2023/24 and 2024/25 budget, and Q1 forecast back to supporting evidence.
- We considered the historical accuracy of management's budgets and forecasting by comparing the last two years variances in actual outturn, to assess the risk of the budgets used in the funding discussions omitting material commitments.
- We validated performance to date on efficiency savings programmes, to determine the potential risk of non-delivery of the savings assumed within the budget,
- We understood the nature of the conditions set out in the agreement with the DfT dated 30 August 2022. In particular, we understood the terms and availability of funding related to inflation, cost savings, the dispute mechanism and the utilisation of funding for the planned operating services or capital purposes.
- We validated the performance against conditions set out in DfT funding agreement dated 30 August 2022 and the control mechanisms in place at TfL to monitor performance, to assess the risk of noncompliance with conditions which could therefore result in a reduction in funding in the going concern period to 31 March 2025.
- We reviewed and challenged the detailed cashflow forecast to the 31 March 2024 and the higher level cashflow forecast to the 31 March 2025 and considered the accuracy of historical cash flow forecasting.
- We challenged each material element of downside risk identified by management, including those related to inflation and cost savings and tested to supporting evidence to assess the underlying assumptions and the appropriateness of TfL calculations.
- We stress tested the downside risk, using worst case parameters, considered completeness of downside risks and calculated a "worst case" downside risk– this included using increased inflation rates, reduced cost savings, changes to passenger fares and other reductions to revenue.
- We considered the mitigations available to TfL, challenged the assumptions over access to further borrowing and other potential mitigations to determine the reasonableness of those options.
- We assessed the adequacy of the going concern disclosures relating to the ability to deliver current planned operational services within available sources of funding in the financial statements.

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Areas of Audit Focus

Inappropriate capitalisation of capital projects including capital accruals

Key Audit Matter

Significant Risk

What is the risk, and the key judgements and estimates?

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 2022/23 financial year, TfL's capital expenditure is £1.8bn including £201m related to Crossrail projects.

Under the current funding agreement with the Department for Transport, TfL has a capital funding envelope and an agreed level of expected capital expenditure. TfL is expected to deliver 10 Major projects by 2023/24 within the budget of £3.5bn.

There is a risk of misstating the capital expenditure in order to maximise capital funding receipts.

What are our conclusions?

We selected 38 capital projects in our sample including 11 for Crossrail. Of these 38 projects 26 were allocated full scope and the remaining 12 were limited scope.

Procedures have been completed for TfL and TTL groups with no material issues identified.

Our response to the key areas of challenge and professional judgement

For TfL, TTL groups and subsidiaries we have:

- Gained an understanding of key controls and governance surrounding capital project accounting and management;
- Tested controls focused on the effectiveness of the approval process for expenditure and for capitalisation;
- We selected a sample of major projects and tested expenditure capitalised during the financial period to supporting project documentation, including third party reports and valuations and assessed whether the expenditure met the criteria for capitalisation;
- We visited a sample of project sites, and met with project managers to further understand the scope and the progress on projects for a sample of projects, to enable us to consider whether the accounting amounts recorded were consistent with the understanding gained of any delivery challenges encountered, or disputes with contractors and to consider whether this indicated any expenditure did not meet the criteria for capitalisation;
- Compared the latest positions of the projects recorded in respect of "pain or gain" arrangements to contract terms and conditions and to the latest project outturn forecasts to assess the related value recorded in accruals;
- Performed detailed testing on a sample of capital accruals to source documentation to test completeness of costs recognised at 31 March 2023;
- Evaluated whether, at any stage, assets need to be impaired or written off to reflect any aborted or higher risk projects and assessed whether management has reasonably estimated the cost to complete the capital projects; and
- Reviewed claims and contracts for existence of additional obligations or expenditure that is inappropriate to capitalise.

Areas of Audit Focus

Complexity of accounting for TfL and TTL property portfolios

Key Audit Matter

Significant Risk

What is the risk, and the key judgements and estimates?

TfL has an extensive property portfolio, with a net book value of investment property and assets held for sale amounting to £1.7bn and £54m respectively as at 31 March 2023.

To determine fair value, management utilises the net income method and discounting of future cash flows to their present value through engaging an external valuer. This uses 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.

What are our conclusions?

We selected 51 investment properties for review. Of these 30 samples were tested by EY Real Estate valuation team and the remaining 21 samples were tested by EY Audit team.

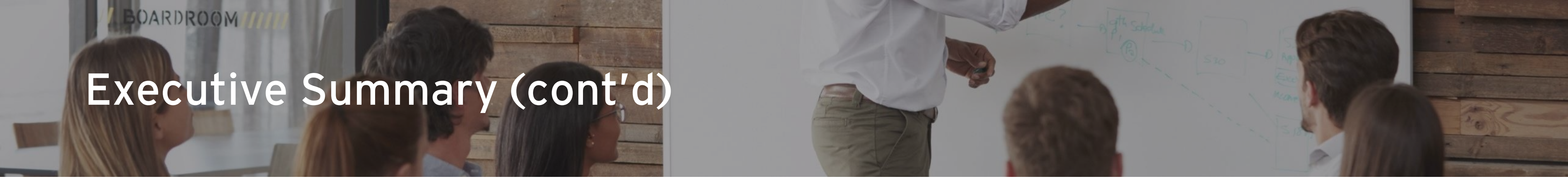
Procedures have been completed for TfL and TTL groups with no material issues identified on the valuation amount.

(continued on next slide)

Our response to the key areas of challenge and professional judgement

For TfL, TTL groups and subsidiaries we have:

- Obtained an understanding of management's process and controls around the valuation of properties;
- Reviewed 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;
- Assessed the classification of TfL and TTL properties and any material increases or impairments that arise during 2022/23;
- Met with TfL's external valuers and discussed the methodology applied and key judgements used in the valuation. Such judgements included the estimated rental value, yield profile and other assumptions that impact the value;
- Selected a sample of investment properties based on a number of factors including size, risk, representation across asset classes and segments and including a further random selection. For this sample of properties, we tested source documentation provided by the management to the external valuer. This included agreeing a sample back to underlying lease data.
- Our sample selections included property that is valued at an estate level. In these instances we have reviewed the valuation model, tested source documentation provided by management to the external valuer and agreed the information back to underlying lease data.
- We used our internal valuation experts to assist in our testing of valuations. Our valuation experts reviewed and challenged the valuation approach and assumptions for a sample of properties. They compared the yields applied to each property to an expected range of yields taking into account available market data and asset specific considerations. They assessed whether the other assumptions applied by the external valuers, such as the estimated rental values, voids and tenant incentives were supported by available data. They also considered whether other market transactions contradict the assumptions used in the valuation;
- Reviewed the accounting treatment of valuation movements for non-core assets and ensure it is appropriately disclosed; and
- Assessed whether the classification of assets between investment properties, property, plant and equipment and assets held for sale is appropriate and in accordance with IFRS.



Executive Summary (cont'd)

Our response to the key areas of challenge and professional judgement

Through the course of the work performed so far we identified 12 investment properties that had not been valued externally as at the 31 March 2023 in accordance with management's accounting policy. The total value of these 12 properties is £8.6m and management has taken the prior year valuation and indexed this using indices provide by the valuer. We have challenged the valuation and indexation procedures and concluded that there is not a risk of material misstatement but we recommend that the policy is followed in future.

We also challenged management's decision to hold 3 properties from the platinum portfolio at their previous valuation rather than at market offers. Management has decided to maintain the fair value at the previous value of £97.8m. We challenged management's decision not to recognise the asset at the fair value, being the offer received, and concluded that it is reasonable as the sales and purchase agreement has not been finalised and there are a number of conditions that need to be met before the offer can be accepted.

We also identified 2 assets which have been classified as assets held for sale for longer than one year. We have challenged the classification of these assets against the requirements of IFRS 5 in particular, the level of commitment to the sale of these properties and whether timely action is taken to address conditions of the sale. Based on the evidence provided by management, the classification of assets held for sale is considered appropriate.

Areas of Audit Focus (cont'd)

Significant accounting estimates – including complexity of provisions

What is the risk?	What did we do?
TfL, TTL and subsidiaries have complex capital contracts and commercial arrangements. A large proportion of TfL's provisions come from its compensating and contractual and capital investment activities. These provisions are subject to significant estimation and include uncertainty around negotiations. The total value of provisions held by the Group as at 31/03/2023 is £225m.	For a sample of provisions, selected based on risk, we have ▸ Critically assessed and challenged management's assessment of judgements and estimates. This is by comparing all provisions through to the 3 criteria: is there a present obligation based on past event, a reliable estimate of amount for the obligation and a probable economic outflow is expected. ▸ Evaluated the accuracy and completeness of the estimation amount made by third party relating to insurances claims. This is when a specialist e.g. Gallagher Bassett is used, we perform appropriate IPE checks via direct confirmation and understand their process via completion of a questionnaire created by EY. ▸ Performed unrecorded liabilities testing to identify any omitted provisions via obtaining support to third party e.g. invoice. If a transfer occurred, we will query the nature and observe this in the corresponding bank statement. See the next page for detail on the provisions included in our sample testing and the key judgements that we focussed on during our audit work.

Areas of Audit Focus (cont'd)

Significant accounting estimates – including complexity of provisions

The below table (continued on the next page) includes each of the provisions that we have selected in our sample and the key judgments involved in each of the provisions.

Provision	22-23	21-22	What Judgements are we focused on?
Sandilands provision	£10.0m	£8.0m	The key judgement is the value of the liability, since a court decision was made on the 27 July 2023, the provision was adjusted to reflect the outcome.
Compensation and contractual provision	£59.2m	Nil	More details discussed in part 2 of this paper. Based on the audit procedures performed our audit team assessment is that the provision is understated by £24m and we have included this as an unadjusted audit difference in Section 03 of this report.
PFP Awards	Nil	£7.5m	Management has chosen to recognise the liability as a short term accrual rather than a provision in 2022/23. We have validated to the relevant supporting document and review the estimation model. Based on the assessment performed, the provision amount is reasonable.
Insurance Claims	£11.7m	£14.6m	We have reviewed the estimation model and review the key assumption used in estimating the value of insurance claims. Based on the assessment performed, the provision amount is reasonable.
Holiday pay on overtime provision	£10.9m	£13.3m	We have reviewed the estimation model and significant assumption used in determining the employment tribunal estimate timeline. Based on the assessment performed, the provision amount is reasonable.
Provision for Crossrail Property Claims	£45.4m	£56.0m	We have reviewed the estimation model and significant assumption used in determining the amount claim relating to Crossrail Property. Based on the assessment performed, the provision amount is reasonable.
Dilapidation	£5.1m	£3.5m	We have reviewed the assumption used in estimating the timing of pay-out for dilapidation in determine the classification of the provision, whether as current or non-current liabilities.
Major stations	£6.3m	£11.4m	We have obtained evidence to support management's judgement's over the estimate of the value of the provision and concluded that here is no misstatement to the balance.
Legal provision	£8.0m	£6.0m	The key assumption is the estimation of the value and the uncertainty of the legal proceeding conclusion.

(continued on next page)

Areas of Audit Focus (cont'd)

Significant accounting estimates – including complexity of provisions

Provision	22-23	21-22	What Judgements are we focused on?
Voluntary Severance	£4.8m	£2.4m	We have reviewed the estimation model and assumption used in determining the number of personnel that will be in a grade will volunteer for severance. Based on the assessment performed, the provision amount is reasonable.
Senior management performance award	Nil	£10.8m	Management has chosen to recognise the liability as a short term accrual rather than a provision in 2022/23. We have validated to the relevant supporting document and review the estimation model. Based on the assessment performed, the provision amount is reasonable.
Commercial dispute provisions	£21.4m	£9m	We have reviewed management's assessment and obtained evidence to support the judgements and assumptions made. We concluded that the provision amount is reasonable.

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What are our conclusions?

Overall we are satisfied that the provisions balances are fairly stated and the assumptions are supportable.

We identified one unadjusted misstatement of £24m as described on the previous page which leads to an understatement of the liability. This item is included as an unadjusted difference in our letter of representation.

Areas of Audit Focus (cont'd)

IFRS 16 Leases - Lease accounting, including the complexity of the estimating the Incremental borrowing rate (IBR)

What is the risk?

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. There are a number of judgements relating to accounting for IFRS16 assets and liabilities and an unadjusted audit difference was identified in the prior year audit which affect our risk assessment of the lease accounting in the current year. These matters will be re-assessed in the current year and any changes to contracts assessed for IFS16 accounting.

What did we do?

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.

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 2022/23 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.

In respect of the first point above, the interest rate 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 previous years, is that the rate should be determined at each delivery date for each batch of units.

We have calculated that this difference in judgement leads to an overstatement of the non-current asset balance of £29m with a corresponding overstatement of £20m to retained earnings, a £2m understatement of the operating lease liability and an understatement of £7m to expenditure. This is reported as an unadjusted audit difference in Section 03 of this report.

Areas of Audit Focus (cont’d)

Complexity of accounting for infrastructure assets

What is the risk?

An issue has been raised via the NAO’s Local Government Technical Group that local authorities may not be writing out the gross cost and accumulated depreciation on infrastructure assets when a major part or component has been replaced or decommissioned.

TfL incurs extensive capital spend on infrastructure assets and continuous improvement and upgrades are made to the existing infrastructure assets on an annual basis.

There is a risk that parts or components have not been derecognised when replaced or decommissioned. If this is the case then:

- For assets that have been fully depreciated, the gross cost of the asset and accumulated depreciation will be overstated in the property, plant and equipment note to the balance sheet. This would be a matching error, so no impact on the net book value reported on the balance sheet.
- For assets replaced or decommissioned ahead of their useful economic life (UEL), i.e. The asset is not fully depreciated and has a positive net book value at year end, the error would also impact the balance sheet, where asset values will be overstated.

What did we do?

There are two methods of recording fixed assets in TfL’s fixed assets register.

- Pooled Assets (Gross Book Value £32,800m)
- Non-Pooled Assets (Gross Book Value £2,000m)

Pooled Assets:

Pooled assets are assets where costs incurred on certain categories of different asset classes during a financial year are recorded in one asset with an average useful economic life (UEL).

TfL’s policy in relation to pooled assets is that, when a pooled asset completes its useful life, the asset is derecognised as it is assumed the asset is no longer used. Any subsequent costs are recorded in a separate pool created in future years.

Following the increased focus on the accounting treatment of infrastructure assets within the public sector, management have performed a detailed review of the infrastructure balance and identified that the asset disposals of pooled assets which had reached the end of their UEL’s had not been actioned. In total it was identified that £4.4bn of gross acquisition pooled assets had not been disposed of in line with TfL's policy.

In response to this assessment we:

- Confirmed that the policy applied was consistent with detailed work performed in previous years under the rationalisation asset approach;
- reviewed the UELs of the asset pools included in the adjustment to confirm the accuracy of the adjustment proposed and the impact on the prior year; and
- challenged management’s assessment of the total impact including assessing the completeness of the adjustment by evaluating whether any other pools had reached the end of their UEL.

Having completed this work, we agreed with management’s assessment that an adjustment was required to the gross acquisition value of pooled assets of £4,408m, £552m relating to FY23 assets and £3,856m relating to prior years. This results in a prior period restatement to the Property, Plant and Equipment disclosure within the financial statements. There is no impact to the net book value and therefore no impact on the balance sheet or other primary statements.

We have also confirmed with management that the accounting policy within the financial statements will be updated to make it clear that when pooled items are fully depreciated the gross acquisition value and accumulated depreciation are derecognised.

(continued on next slide)

Areas of Audit Focus (cont'd)

Complexity of accounting for infrastructure assets

What did we do?

Non-Pooled Assets:

Non-pooled infrastructure assets are mainly comprised of land, lifts and escalators and other infrastructure assets. Following audit challenge, management completed a detailed assessment of the non-pooled assets balance to assess whether replacements had occurred but had not resulted in de-recognition of old components. The at risk population from this review was considered to be the Lifts and Escalators population totalling £1.4bn. As part of this review of the Lifts and Escalators balance, management held discussions with the project team to understand an asset's lifecycle and the percentage of replacement an asset may incur at set stages. The selected samples were discussed with delivery leads within the Lifts and Escalators projects team to identify if any part of the assets were replaced as a result of the renewals activity, and if so, to what extent. Judgements have been made through this process to determine the percentage replacement of assets at different stages of replacement.

As a result of this exercise management identified a misstatement of £28.8m to the Net Book Value of the Lifts and Escalators balance within non-pooled assets.

In response to this assessment we:

- Challenged the completeness of the review performed to ensure that there was an appropriate rationale for no detailed review being performed over the remaining non-pooled assets balance. Management were able to demonstrate that the remaining balance related to land and other immaterial asset classes and therefore we agree with management's assessment of the at risk population;
- Tested a sample of assets included in the adjustment and challenged the assumptions made over the replacement percentage applied and corroborated this to external evidence where possible.

Having completed this work we agree that a total NBV adjustment of £28.8m is required to be disposed of from lifts and escalators as at 01 April 2022 as a result of renewals expenditure incurred. Management has chosen to record the full adjustment in FY23 on the basis of materiality.

We recommend that going forwards a review of pooled asset remaining useful lives is incorporated into closedown processes to ensure that any pools that have reached the end of their useful life are written off in line with TfL's accounting policy. We also recommend that TfL revisits its processes to ensure that the capital team are clearly highlighting when expenditure is a replacement to their Finance Business Partners. This will help the finance team to identify assets to be written out of the fixed asset register at the date of replacement rather than having to work through the complexities during closedown which could lead to this check being missed again in the future.

Areas of Audit Focus (cont'd)

Complexity of accounting and disclosures for TfL's borrowing and treasury management

What is the risk?	What did we do?
TfL holds a number of derivative balances including FX forwards and interest rate swaps. Whilst the recalculation of derivative fair values is relatively complex the type of derivatives held by TfL (FX and Interest rate swaps) are not the most complex investment vehicles. The balances held are also not highly material and therefore the risk has been designated as a higher inherent risk.	TfL is required to disclose the fair value amount of these derivatives. The fair value amount of this derivative is not included in the bank confirmation. The closing balance of the derivative positions held as at 31 March 2023 year end is £14.4m. In order to evaluate the accuracy of the fair value amount computed using Quantum system, we randomly select a of sample of 8 derivatives (2 FX Swaps , 2 FX forwards and 4 cashflow hedge relationships) and requested EY Global Treasury & Commodity Advisory Services team to assist us recomputing an independent fair value amount. Based on the work performed by EY Global Treasury & Commodity Advisory Services team there is no material variance noted. The closing balance of borrowings held as at 31 March 2023 is £15,562m. The engagement team, using independent valuation agency risk spreads obtained by our EY Global Treasury & Commodity Advisory Services team, has assessed the reasonableness of managements fair value assessment of Bonds and Borrowings. The assessment has found management's calculations to be appropriate. Additionally in terms of new agreements entered into in the current period, the engagement team has obtained and inspected the agreements agreeing them to managements quantum reports ensuring the accuracy of the recorded information inputted into the system as well as assessing the existence and rights and obligations of each agreement. The engagement team has also obtained 3rd party confirmations confirming the nominal amounts of borrowings provided. Per our inspections there have been no matters of concern identified.

Areas of Audit Focus (cont'd)

Judgemental assumptions impacting TfL's pension position

What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require TfL to make extensive disclosures within its financial statements regarding its membership to the various pension schemes.

TfL's pension position is a material estimated balance and the Code requires that this is disclosed on TfL's balance sheet.

The Group's balance sheet reflects the pension position from:

- Public Sector Section of the TfL Pension Fund Scheme;
- Local Government Pension Fund Scheme;
- Crossrail section of the Railways Pension Scheme; and
- Unfunded scheme provisions.

Accounting for these schemes involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates. As in the prior year, we have engaged our EY Pensions specialist to perform a roll forward check of the liabilities of each of these schemes. No significant differences have been identified from this work.

In addition to the procedures described above, the Local Government Pension Scheme has undergone a triennial valuation as at the 31 March 2022, with the impact of this revaluation impacting the liability as at the 31 March 2023 for the first year. In a triennial valuation year we perform additional procedures over the source membership data used in the triennial valuation. We selected a sample of members and agreed the data inputs to source evidence and engaged our EY pensions team to perform a recalculation of the liabilities. Having completed this work we did not identify any misstatements.

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Areas of Audit Focus (cont'd)

Judgemental assumptions impacting TfL's pension position

What is the risk?

In addition, we are aware that two of the schemes (TfL Pension Fund and the Crossrail section of the Railways Pension Scheme) are in a surplus position as at the 31 March 2023.

Under IAS 19, when an entity has a surplus in a defined benefit plan, it shall measure the net defined benefit asset at the lower of:

(a) the surplus in the defined benefit plan; and

(b) the asset ceiling, where the asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Determining the value of the asset ceiling is a complex and subjective calculation which is assessed based on the underlying deeds of the schemes. The complexity of the underlying deeds means that legal advice is required to interpret the requirements in respect of recognising surpluses.

After consideration of the Trust Deed and Rules, the Group has assessed that under IFRIC 14 TfL has an unconditional right to a refund of surplus assets for accounting purposes assuming the gradual settlement of plan liabilities. As a result, the net pensions surplus has been recognised in full. We have considered this assessment and consulted internally with our technical specialist and EY Pensions Specialists and agree with this judgement which has also been disclosed separately within the accounts.

Areas of Audit Focus (cont'd)

Minimum Revenue Provision (MRP)

What is the risk?

Under the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 [as amended], TfL has a duty to make a revenue provision in respect of the financing of capital expenditure incurred by the local authority in that year or in any financial year prior to that year.

Since 2008 the regulations (paragraph 28) have stated:

A local authority shall determine for the current financial year an amount of minimum revenue provision which it considers to be prudent.

Recent public cases have come to our attention whereby local authorities have not charged sufficient MRP which has then resulted in financial sustainability issues and impacts on service delivery. There is a risk that TfL has not complied with the legislative requirements in relation to MRP in assessing is provision and setting aside a prudent amount.

Through our review of this issue we have also considered the robustness of the arrangements in place to review the annual MRP policy and considered whether or the current policy provides sufficient detail and information on how the provision is calculated. The MRP policy is approved each year by the Board and it is therefore important that sufficient detail is included to enable the Board to fulfil their responsibilities to assess the provision, having consideration of the current guidance, to ensure that management is prudent in its provisioning and is therefore managing risks to financial sustainability.

What did we do?

We:

- Evaluated TfL's MRP accounting treatment for appropriateness and compliance with the CIPFA accounting standards and the Local Authorities Regulations 2003;
- Engaged team members with specialist knowledge in MRP and the underlying regulations and CIPFA guidance to review the appropriateness of the accounting treatment;
- Reviewed and challenged management's current MRP policy and considered whether the arrangements in place to ensure a prudent yearly provision are robust;
- Reviewed management's current MRP calculation and challenged the underlying assumptions made;
- Challenged management to evidence how they have had regard to the guidance in their assessment of the prudence of the charge.

What are our conclusions and recommendations?

- Our review of management's MRP model identified that the provision made in respect of PFI had not been calculated from the date at which the PFI asset was bought into operational use. The impact of this is a £47m increase to the MRP charge (and subsequent decrease to the General Fund reserves). This represents an error in previous financial statements and has been adjusted as a prior period correction.
- TfL started charging MRP on prudential borrowing from 2016/17. We challenged whether management had considered the prudence of the provision and how it has regard to the guidance. In particular we noted that there were increases to the CFR from 2008/09 to 2015/16 with no MRP charges being made.
- Although our conclusions are that the nil charge in these historic years does not constitute non-compliance with regulations we do recommend that management consider how its MRP policy aligns with current guidance particularly as the records held by management (upon which historic MRP charges have been made) are not supported by movements in the Capital Financing Requirement (CFR) and considering that the overall aim of MRP is to cover the CFR.

(continued on the next page)

Areas of Audit Focus (cont'd)

Minimum Revenue Provision (MRP) continued

What are our conclusions and recommendations?

‣In addition, we identified a error in the prior year disclosure for the Capital Financing Requirement (CFR). The CFR should be calculated directly from the local authority's balance sheet. This reconciliation had not been completed by management and when we performed this as an audit team we identified an overstatement of £220m in the prior year CFR. This disclosure has been restated in the financial statements. Going forward we recommend that management perform a reconciliation of the CFR to the balance sheet as part of close down procedures.

‣ Our review of the management's MRP policy identified improvements that should be made to ensure that it enables the Board to make an appropriate assessment of whether the provision is prudent. Going forwards we recommend that the policy:

- Explains what average useful economic life is used in the calculation and how this is calculated;
- Specifically explains how MRP is calculated for Right of Use assets and PFI assets as the current policy has been silent on both of these elements of the charge;
- Explains how management intends to cover the Capital Financing Requirement (CFR) created by lending to subsidiaries;
- Explains how management have considered current guidance and provides a rationale for why guidance is not applied where appliable;
- Explains how management intends to cover the remaining balance on the CFR after accounting for the above items;
- Explains how equity investment in subsidiaries is considered for MRP purposes.

Areas of Audit Focus (cont’d)

Climate risk

What is the risk?

In the context of the changing stakeholder expectations, and the increased regulatory focus, we have embedded a response to the risks presented by climate change into our audit procedures.

Whilst it is not mandatory for TFL, nor TTL, to meet the Task Force on Climate-related Financial Disclosures (“TCFD”) disclosure requirements spelled out by the FRC for the year ended 31 March 2023, management has stated their desire to be well placed for mandatory transition in FY24.

We note various physical and transition climate change risks set out in the Task Force on Climate-related Financial Disclosures (“TCFD”) disclosures along with the impact on the financial statements. These include the impact of extreme weather events, as well as shifts in policy, technology, markets and public expectations.

We focused on completeness of these risks and whether our review of this “other information” identified inconsistencies with the financial statements and any information we have obtained during the course of our audit.

What did we do?

Our audit work included input from our Climate Change and Sustainability Specialists (CCaSS). The specific procedures undertaken included:

- Updating our assessment as to how the characteristics and undertakings of the Group may give rise to climate risks
- Understanding and assessing the Group’s external climate-related commitments
- Understanding and evaluating the process and output relating to management’s assessment of the impact of climate change risk
- Assessing changes to transitional and physical risks which may have an impact on the narrative reporting and audited financial information
- Evaluating the impact of climate change on the narrative reporting in the front half, including review of the non-mandatory Task Force on Climate-related Financial Disclosures (“TCFD”) disclosures in light of the requirements
- Assessing the impact of climate change on audited financial information and determining the reasonableness of disclosures
- Including key observations in our audit opinion.

What are our conclusions and recommendations?

We consider the Group’s climate-related disclosures within the narrative report and financial statements to be appropriate given the non-mandatory requirements for FY23.

We have however communicated improvements needed for the narrative reporting to meet the requirements of the four pillars of the Task Force on Climate-related Financial Disclosures (“TCFD”) framework in FY24, when mandatory disclosure is necessary.

Areas of Audit Focus (cont'd)

Non-Compliance with Laws & Regulations

Required Reporting Matters

We are required to communicate, in writing, to those charged with governance matters involving non-compliance with laws and regulations that come to our attention during the audit.

Below is a list of non-compliance matters that we identified during the course of our audit for which we determined they had the potential for having a 'more than inconsequential" on the financial statements.

Non-compliance Matter	Details	What did we do?	Impact on the financial statements
Sandilands	On 9 November 2016, a tram derailed near the Sandilands tram stop in Croydon. Tragically, a number of people lost their lives and more were injured. In July 2023 TfL have been fined for breach in health and safety regulations.	We reviewed the court's sentencing result to identify the financial impact. We confirmed with legal team from TfL of any other related financial impact. We reviewed the appropriateness of the amount recorded in the accounting record and disclosed in the financial statements.	A provision for £10m has been recognised in the financial statements reflecting the fine attributable to TfL.
Cyber	TfL is impacted by two recent Cyber Breaches – Capita and MoveIt. In March 2023 Capita suffered a Cyber attack in which personal data was compromised. In June 2023 one of TfL's Road user charging suppliers was impacted by a Cyber attack through its use of MoveIt software and this included TfL data.	We reviewed communication with both organisations and TfL's report to the ICO along with legal advice received. We considered the completeness of management's investigations. We considered the financial impact to the financial statements through fines and penalties.	We concluded that for the 31March 2023 financial statements the impact of the cyber attacks was not significant as the breach has occurred within suppliers of TfL and therefore any fines are likely to be issued to those suppliers and, even if they are issued to TfL, the ICO significantly reduces fines to public sector organisations.

Continued on next page.

Areas of Audit Focus (cont'd)

Non-Compliance with Laws & Regulations

Non-compliance Matter	Details	What did we do?	Impact on the financial statements
Employee Procurement	Through our review of current fraud cases we identified two instances of employee related procurement fraud which we initially assessed as having a potential for a more than inconsequential impact on the financial statements.	We obtained and review supporting evidence to support management's actions such as investigation reports. We understood the changes to procurement framework and processes and controls that have occurred since these cases and assessed whether the new framework is effective in preventing and detecting the risks of re-occurrence. We assessed whether there are any accounting and disclosure consequences for the financial statements	We concluded that these cases do not lead to a material impact on the financial statements.
Penalty Charge Notices (PCN)	We received a formal objection to the draft financial statements from an elector, that alleges that PCN income derived from CCTV to keepers of vehicles which were in marked bays may be unlawful and, that under Regulations 9 to 11 of the Civil Enforcement of Road Traffic Contraventions Regulations 2022, a PCN can only be served on the basis of a Civil Enforcement Officer, not a CCTV camera.	We have not concluded on the objection, however we have assessed whether there are any accounting and disclosure consequences for the financial statements. We reviewed legal advice taken by management along with management's assessment on the impact to the financial statements We have also considered whether or not the issue raised could give rise to a risk of significant weakness in TfL's arrangements for governance by ensuring compliance with legislative and regulatory requirements. We are satisfied that there is no indication of a significant weakness in those arrangements. We will set out our assessment of the risk and our findings in our Auditors Annual Report.	An application for judicial review has been made but at the date of the approval of the financial statements this has not been held. Management have assessed the impact to the financial statements against the requirements of IAS 37 and concluded that, due to the uncertain outcome of the judicial review, a contingent liability should be recognised in the financial statements. We agree with management's assessment.

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Areas of Audit Focus (cont'd)

Non-Compliance with Laws & Regulations

Non-compliance Matter	Details	What did we do?	Impact on the financial statements
Minimum Revenue Provision (MRP)	Regulation 27 of The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 provides that local authorities must charge to a revenue account a minimum amount ("minimum revenue provision"). TfL has not made a Minimum Revenue Provision (MRP) charge in its financial statements for the years 2008/09 to 2015/16.	We engaged teams members with specialist skills to review and assess the impact of the MRP undercharge on the 2022-23 financial statements. We engaged our EY Law colleagues to perform a review of the underlying regulations and consider whether a nil charge meets the requirements of "prudent". We have also considered whether or not the issue could be indicative of a risk of significant weakness in TfL's arrangements for financial sustainability. We have made a number of recommendations to improve the arrangements concerning the setting of the MRP policy and consideration of the prudence of the provision, but have not identified a significant weakness in arrangements. We will set out our findings and recommendations in more detail in our Auditors Annual Report.	We concluded that nil provision in historic years was not evidence of non-compliance with the regulations. See page 25 and 26 for further details on our work in this area.

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03 Audit Differences

Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as 'known' or 'judgemental'. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

- **Sandilands Provision** – management have increased the provision recognised in the accounts to £10m following conclusion of the court trial.
- **Compensation provision** – management identified an additional provision for £59.2m for potential Compensation and contractual liabilities.
- **Share capital prior year disclosure** – in the financial statements of TTL management identified an error in the share capital disclosure which has been restated.
- **Infrastructure assets** - Following increased scrutiny of the accounting for infrastructure assets within the public sector, Management have performed a detailed review of the infrastructure balance and corrected two misstatements:
    - The first misstatement amounts to £4,400m in respect of pooled infrastructure assets which had not been written off once they had reached the end of their useful economic lives in line with management's policy. This adjustment does not impact the net book value of PPE and therefore has no impact on the balance sheet or CIES and only impacts the PPE disclosure. There is also a prior year impact which management has adjusted for.
    - The second misstatement amounts to £28.8m in respect of non-pooled assets which had incurred partial replacement but the original assets had not been written out of the fixed asset register.
- **MRP -** Our review of management's MRP model identified that the provision made in respect of PFI had not been calculated from the date at which the PFI asset was brought into operational use. The impact of this is a £47m increase to the MRP charge (and subsequent decrease to the General Fund reserves). This represents an error in previous financial statements and has been adjusted as a prior period correction.
- **CFR prior year disclosure** - we identified a error in the prior year disclosure for the Capital Financing Requirement (CFR). The CFR should be calculated directly from the local authority's balance sheet. When we completed this reconciliation an overstatement of £220m in the prior year CFR disclosure was identified.

Audit Differences (cont'd)

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 ask that the Audit & Assurance Committee request of management 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 31 March 2023 (£'000)	Effect on the current period:		Net assets (Decrease)/Increase			
	OCI Debit/(Credit)	Income statement Debit/(Credit)	Assets current Debit/(Credit)	Assets non-current Debit/(Credit)	Liabilities current Debit/(Credit)	Liabilities non-current Debit/(Credit)
Errors						
Known differences:						
► Oyster revenue not included in YE accrual		(8)	8			
► Late lease recognition for 5 additions to land & buildings				9		(9)
► JTC payments- accounting for contractual payments	(48)	2		46		
► IFRS16 – rolling stock – rate used at each delivery date	20	7		(29)		2
Judgemental differences:						
► Pension asset valuation differences	(48)			48		
► Potential liabilities arising from contractual provision		24			(24)	
Balance sheet totals	(76)	25	8	74	(24)	(7)
Income effect of uncorrected misstatements (before tax)	(76)					
Less: tax effect at current year marginal rate	0					
Cumulative effect of uncorrected misstatements before turnaround effect	(76)					
Turnaround effect. See Note 1 below.	5					
Cumulative effect of uncorrected misstatements, after turnaround effect	(71)					

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 reserves brought forward is above our performance materiality which is based on in-year expenditure. However the value is less than 0.5% of reserves and so we have concluded that the impact is not material.

Further reclassification and disclosure misstatements which do not impact reported surplus are shown overleaf

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Audit Differences (cont'd)

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Summary of unadjusted differences

Further to the differences reported on the prior page, below are reclassification and disclosure misstatements which do not impact reported surplus:

Uncorrected misstatements 31 March 2023 (£'000)	Effect on the current period: OCI Debit/(Credit)	Effect on the current period: Income statement Debit/(Credit)	Net assets (Decrease)/Increase: Assets current Debit/(Credit)	Net assets (Decrease)/Increase: Assets non-current Debit/(Credit)	Net assets (Decrease)/Increase: Liabilities current Debit/(Credit)	Net assets (Decrease)/Increase: Liabilities non-current Debit/(Credit)
1. Reclassification of rental income from investment property from cost of services line to financing and investment income						
Dr: Gross income – other segments		77				
Cr: Financing and investment income		(77)				
2. Reclassification of operating expenditure from investment property from the cost of services line to financing and investment expenses						
Dr: Financing and investment expenditure		6				
Cr: Gross expenditure – other segments		(6)				

Unadjusted disclosure differences

- "Grant income" within the Comprehensive and Income Expenditure Statement should be described as "taxation and non-specific grant income" as it includes retained business rates and council tax precept from the GLA.
- Climate change disclosure should include the factors management considered when coming to the conclusion that climate change does not have a material impact on the financial statements.

04 Value for Money

Value for Money

The Authority's responsibilities for value for money (VFM)

The Authority is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with its financial statements, the Authority is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Authority tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the CIPFA code of practice on local authority accounting. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Risk assessment

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.

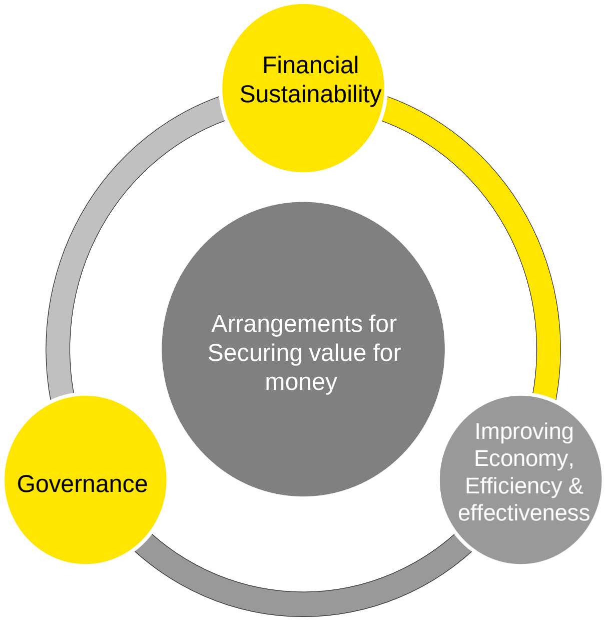
For 2022/23, proper arrangements are defined by 2020 statutory guidance issued by the National Audit Office on 1 April 2020, as:

- **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.

Having completed our VFM planning work we identified two risks of significant weakness:

- Financial sustainability: Longer term funding impact
- Governance: Resource capacity

We have completed of our planned procedures and have not identified significant weaknesses in arrangements to secure value for money. Our opinion is not modified in respect of this matter.



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Value for Money

Responding to a risk of significant weakness in VFM arrangements

What is the risk of significant weakness?	What arrangements did this impact?	What did we do?
Longer term funding impacts TFL provides a vital role in operating and maintaining essential and safe transport services in the capital and contributes to the Government's economic recovery from the pandemic. To continuously carry out this obligation, On 30 August 2022, a long-term Funding Settlement was agreed with the Department for Transport which provides funding until 31 March 2024. The Government recognises that further capital funding beyond this funding deal may be required by TfL should it not be able to generate such resources from its own means however at the date of this report, additional funding has yet to have been secured. 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. As such, we have identified a risk of significant weakness with regards to how TfL plans and manages its resources to ensure it can continue service delivery in its current form.	How the body plans and manages its resources to ensure it can continue to deliver its services	To address this risk we: ▸ Reviewed and challenged management's budgets and consider the impact of uncertain funding on the future financial position; ▸ Considered and assessed the mitigations identified by management should longer term funding not be agreed; and ▸ understood and assessed management's scenario planning depending on future uncertainties over funding levels and sources.

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Value for Money

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Findings

We reviewed and challenged management's budget modelling and found the assumptions to be supportable and prudent. Management had also appropriately considered downside scenario planning in their budget modelling and we reviewed their mitigated budget model which modelled the impact of a number of downside scenarios and their resulting impact on forecast and cashflows. Downside scenarios included reduced funding, reduced passenger demand, fare freezes, increased interest rates and London-wide ULEZ compliance. This analysis had then been used to drive management's assessment of possible mitigations demonstrating appropriate management of financial risks and unplanned changes. Mitigations identified included delaying capital expenditure and increasing borrowing. We note that these mitigations are available options to management should they be required in a 'worst-case' downside scenario and having these mitigations identified is evidence of positive arrangements for ensuring financial stability. We note that if these mitigations were to be employed, then there could be other implications for the organisation for example increased finance costs or, if capital expenditure is delayed, this could result in longer term impacts to service. It is clear that management do not intend to use these mitigations unless required and there is evidence to support increased savings and funding negotiations to prevent these mitigations from being used.

Our work also demonstrated that management has engaged positively with key partners such as the Department for Transport (DfT) and the Greater London Authority (GLA) throughout 2022-23. This has included agreeing funding and longer term solutions to support the organisation including a longer term funding settlement in August 2022 covering the period to 31 March 2024 and a facility agreement with the GLA also covering the same period as well as other funding negotiations. As part of our work we have obtained evidence of regular communication with DfT regarding the conditions within the long term funding agreement including regular updates on status and positive discussions where challenges have been encountered. We also noted positive performance against a large number of the conditions that had been achieved timely following receipt of the funding agreement.

Having completed this work we have not identified a significant weakness in how the authority plans and manages its resources to ensure it can continue to deliver its services and we have no matters to report by exception in the auditor's report in respect of this risk of significant weakness.

Recommendation

We recommend that management continue to engage positively with key stakeholders as well as continue to assess and model the implications of any downside risks as they emerge to ensure that appropriate plans can be put in place to mitigate against risks to service delivery.

Value for Money

Responding to a risk of significant weakness in VFM arrangements

What is the risk of significant weakness?	What arrangements did this impact?	What did we do?
Resource Capacity across the Organisation TfL as an organisation has gone through extensive transformation during 2022/23 and this has resulted in resource capacity issues in a number of key areas. There is a risk that, with insufficient resources in place, controls are not appropriately maintained or evidenced which could reasonably be expected to lead to significant impact on the quality or effectiveness of service.	Governance: How the authority ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee.	To address this risk we: ‣ Performed enquires of key management personnel across the organisation; ‣ Reviewed internal audit reports for the year and assessed the impact of the findings identified.

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Findings

Through our conversations with management we noted a number of instances where resource capacity was raised as an issue across the organisation. This is supported by the number of internal audit reports issued in the year which have received a rating of "Poorly Controlled" or "Requires Improvement". Our assessment of the findings here suggests that capacity constraints across the organisation are impacting the ability of the organisation to retain adequate records and evidence to support that controls are functioning appropriately. Although this could lead to issues should the evidence be required, we did not identify any instances where a lack of records has impacted the quality or effectiveness of services for the year ended 31 March 2023. As a result we have not identified a significant weakness in how the authority ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency and we have no matters to report by exception in the auditor's report in respect of this risk of significant weakness.

Recommendation

We recommend that management assesses the resourcing need across the organisation and ensures that appropriate importance is placed on evidencing the control environment when making this assessment.

05 Appendices

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Appendix A – Audit approach update

Audit approach update

We summarise below our approach to the audit of the balance sheet and any changes to this approach from the prior year audit.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- Existence: An asset, liability and equity interest exists at a given date
- Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework

Our audit approach is designed to place reliance on controls in the following areas:

- Fixed assets (Manual and IT)
- Revenue (Manual)
- Purchase and payable (IT)
- Payroll (Manual and IT)

For all other areas we take a substantive audit approach. This approach is consistent with our audit approach in the prior year.

Appendix B - Summary of communications

Summary of communications

Date	Nature	Summary
19 October 2022	Meeting	The partner in charge of the engagement, accompanied by other senior members of the audit team, met with senior members of the management team to discuss audit planning.
14 November 2022	Meeting	The partner in charge of the engagement, accompanied by other senior members of the audit team, met with senior members of the management team to discuss the Audit Planning Report.
25 November 2022	Meeting	The partner in charge of the engagement, accompanied by other senior members of the audit team, met with the CFO to discuss key audit risk areas.
30 November 2022	Report	The audit planning report, including confirmation of independence, was issued to the audit & assurance committee.
Feb-March 2023	Meetings	The partner in charge of the engagement, accompanied by other senior members of the audit team, met with senior members of the management team to discuss key business plans, budgets, risks and perform mandatory audit enquiries.
15 March 2023	Meeting	The partner in charge of the engagement attended the meeting of the audit & assurance committee.
May 2023	Meetings	Audit close meetings with the management team to discuss the preliminary findings of the audit.
19 May 2023	Letter	A letter issued to the audit & assurance committee confirming and detailing our independence.
19 May 2023	Letter	A letter issued to the audit & assurance committee confirming and detailing our Audit Fees for the year ended 31 March 2023.
05 June 2023	Meeting	The draft audit results report was issued to the audit & assurance committee
June – Sept 2023	Meetings	Regular meetings with management to discuss key findings and non-compliance items.
Sept 2023	Meeting	The final audit results report was issued to the audit & assurance committee

In addition to the above specific meetings and letters the audit team met with the management team multiple times throughout the audit to discuss audit findings.

Appendix C - Required communications with the Audit & Assurance Committee

Required communications with the Audit & Assurance Committee

There are certain communications that we must provide to the Audit & Assurance Committee. 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.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. 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.	Audit planning report in November 2022
Significant findings from the audit	▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process	Audit results report in September 2023 and Auditors Annual Report in December 2023.

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Appendix C - Required communications with the Audit & Assurance Committee (cont'd)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Public Interest Entities	For the audits of financial statements of public interest entities our written communications to the audit and assurance committee include: ▶ A declaration of independence ▶ The identity of each key audit partner ▶ The use of non-member firms or external specialists and confirmation of their independence ▶ The nature and frequency of communications ▶ A description of the scope and timing of the audit ▶ 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 ▶ Materiality ▶ Any going concern issues identified ▶ Any significant deficiencies in internal control identified and whether they have been resolved by management ▶ Subject to compliance with regulations, any actual or suspected non-compliance with laws and regulations identified relevant to the audit committee ▶ 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 ▶ The valuation methods used and any changes to these including first year audits ▶ The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework ▶ The identification of any non-EY component teams used in the group audit ▶ The completeness of documentation and explanations received ▶ Any significant difficulties encountered in the course of the audit ▶ Any significant matters discussed with management ▶ Any other matters considered significant	Audit results report in September 2023 and Auditors Annual Report in December 2023.

Appendix C - Required communications with the Audit & Assurance Committee (cont'd)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▸ Whether the events or conditions constitute a material uncertainty related to going concern ▸ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▸ The appropriateness of related disclosures in the financial statements	Audit results report in September 2023 and Auditors Annual Report in December 2023.
Misstatements	▸ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▸ The effect of uncorrected misstatements related to prior periods ▸ A request that any uncorrected misstatement be corrected ▸ Material misstatements corrected by management	Audit results report in September 2023 and Auditors Annual Report in December 2023.
Fraud	▸ Enquiries of the audit & assurance committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▸ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▸ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▸ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▸ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud ▸ Any other matters related to fraud, relevant to audit & assurance committee responsibility.	Audit results report in September 2023 and Auditors Annual Report in December 2023. Audit planning report in November 2022

Appendix C - Required communications with the Audit & Assurance Committee (cont'd)

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		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Related parties	Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▸ Non-disclosure by management ▸ Inappropriate authorisation and approval of transactions ▸ Disagreement over disclosures ▸ Non-compliance with laws and regulations ▸ Difficulty in identifying the party that ultimately controls the entity	Audit results report in September 2023 and Auditors Annual Report in December 2023.
Consideration of laws and regulations	▸ 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 ▸ 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	Audit results report in September 2023 and Auditors Annual Report in December 2023.
Significant deficiencies in internal controls identified during the audit	▸ Significant deficiencies in internal controls identified during the audit.	Audit results report in September 2023 and Auditors Annual Report in December 2023.
Fee Reporting	▸ Breakdown of fee information when the audit plan is agreed ▸ Breakdown of fee information at the completion of the audit ▸ Any non-audit work	Audit fee letter in May 2023
Value for Money	▸ Risks of significant weakness identified in planning work ▸ Commentary against specified reporting criteria on the VFM arrangements, including any exception report on significant weaknesses.	Audit planning report in November 2022 and Audit results report in September 2023 and Auditors Annual Report in December 2023.

Appendix C - Required communications with the Audit & Assurance Committee (cont'd)

Required communications	What is reported?	Our Reporting to you When and where
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▸ The principal threats ▸ Safeguards adopted and their effectiveness ▸ An overall assessment of threats and safeguards ▸ Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place. For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019: ▸ Relationships between EY, the company and senior management, its affiliates and its connected parties ▸ Services provided by EY that may reasonably bear on the auditors' objectivity and independence ▸ Related safeguards ▸ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees ▸ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit ▸ 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 ▸ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ▸ The audit & assurance committee should also be provided an opportunity to discuss matters affecting auditor independence	Audit planning report in November 2022 and Independence letter in May 2023.
External confirmations	▸ Management's refusal for us to request confirmations ▸ Inability to obtain relevant and reliable audit evidence from other procedures.	Audit results report in September 2023 and Auditors Annual Report in December 2023.

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Appendix C - Required communications with the Audit & Assurance Committee (cont'd)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Group Audits	▶ An overview of the type of work to be performed on the financial information of the components ▶ 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 ▶ 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 ▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▶ 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.	Audit planning report in November 2022 and Audit results report in September 2023 and Auditors Annual Report in December 2023.
Written representations we are requesting from management and/or those charged with governance	▶ Written representations we are requesting from management and/or those charged with governance	Audit results report in September 2023.
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report in September 2023.
Auditors report	▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report	Audit results report in September 2023.

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Agenda Item 18

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