



# Moving London forward safely, inclusively and sustainably

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

MAYOR OF LONDON



**TRANSPORT  
FOR LONDON**  
EVERY JOURNEY MATTERS

# My year at TfL

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

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



## Our people on the front cover

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

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# Mayor's foreword

## As TfL remains crucial to London's recovery, I've been fighting to protect our transport network

As the pandemic recedes, London is taking firm steps towards recovery. As ever, the dedication of our transport workers has not wavered. My sincere thanks go to them all for keeping our city moving. However, we sadly lost 105 colleagues from TfL and its partner organisations to COVID-19 and I pay tribute to every single one of them. We will remember them. Last autumn, TfL announced that it would build a permanent memorial and we have this year submitted planning permission for a site in Aldgate.

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

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

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

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

TfL celebrated 11 years of successful partnership with the Santander Cycles hire scheme with 500 new electric bikes joining the fleet, while NHS staff and key workers made good use of free cycle hire. I want to thank Heidi Alexander, who stepped down as Deputy Mayor for Transport, for everything she has done for London since 2018. I am delighted to welcome my new

'TfL's short-term funding agreements from the Government enabled London to keep moving. We now have funding confirmed to March 2024'

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

TfL's short-term funding agreements from the Government enabled London to keep moving. Following more than a month of tough negotiations we now have funding confirmed to March 2024. However, I want to be frank with Londoners – the deal is far from ideal. The Government left TfL with a significant funding gap so there are more challenges ahead. We will now be working flat out to maintain our world-class

transport network, which is so crucial as we strive to continue building a greener, fairer and more prosperous London for everyone.

SIGNATURE

**Sadiq Khan**  
Mayor of London

# Commissioner's foreword

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

London's transport system is at the heart of our road to recovery from the pandemic. I'm delighted to see both Londoners and visitors returning to the transport network in ever-greater numbers, and I would like to thank all our colleagues for the hard work and dedication they have shown to make this a reality.

Around 70 per cent of the customers that we served pre-pandemic are now travelling again. We continue work to welcome them back to the network, providing assurance that it is safe, accessible, clean and well-managed, so that everyone has the confidence to travel. At the same time, we cannot forget the hardships of the pandemic, above all the deaths of 105 transport workers across London who lost their lives to coronavirus.

Our plans to remember our colleagues with a permanent memorial will ensure that we never forget them. We continue to make progress on the five priorities I set for the organisation: completing transformative projects; recovering from the pandemic; creating a new vision for our people with greater diversity and inclusion, delivering a green and sustainable future and fifth, securing long-term funding from the Government.

This year, we together created our new Vision and Values to unite us all. We have also published our first ever Sustainability Report and Corporate Environment Plan.

Meanwhile we will soon release our action plan for diversity and inclusion.

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

The Mayor's Transport Strategy has a target of 80 per cent of London journeys being made in 2041 by cycling, walking or public transport. In 2021, we added or improved 21.5 kilometres of high-quality cycle lanes, as well as creating more temporary space for walking and cycling during the pandemic. TfL was also closely involved in the creation of hundreds of low traffic neighbourhoods by boroughs, which have had a transformative effect across the city. We want to create an environment where cycling and walking is a safe and pleasant transport option for everyone. All this costs money: we continue to work with Government to find a long-term financial agreement to support more improvement works and new projects for the capital.

'I'm delighted we were able to get a longer-term financial agreement with the Government on 30 August 2022, which means we can get on with the business of supporting London and its visitors'

Following a number of short-term funding support packages, I'm delighted we were able to get a longer-term financial agreement with the Government on 30 August 2022, which means we can get on with the business of supporting London and its visitors – and to plan for a brighter future for this great city.

SIGNATURE

**Andy Byford**  
Commissioner



# Background of this report

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

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

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

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

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



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



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



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

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

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

### Healthy Streets and healthy people

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

### A good public transport experience

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

### New homes and jobs

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

# Emerging from the pandemic

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

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

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

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

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

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

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



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

# Our year at a glance

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



## April 2021

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



## May

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



## June

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



## July

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



## August

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



## September

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



## October

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



## November

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



## December

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



## January 2022

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



## February

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



## March

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

# Financial review

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



**Patrick Doig**  
Group Finance Director



# A message on our finances

## We continue to support London's growth, but still need long-term funding for major projects

This year, we have been completely focused on helping to drive London's recovery from the pandemic by getting people moving again, building our ridership and working our way towards financial sustainability. From the day-to-day service provided by our people to delivering major projects that attract new riders and energise our city, we always strive to do this in a safe, sustainable and inclusive way.


We have had to do this with the support of Government funding, which was essential due to the devastating impact of the pandemic on our ridership. We are grateful to have received £5bn, which has enabled us to keep our services running. However, our goal is to be financially self-sufficient for day-to-day expenditure by April 2023 and to secure a genuine long-term funding agreement for investment so we can plan the future of London's transport network effectively, deliver efficiently and offer certainty for our people, customers and supply chain.

We have continued our enhanced cleaning regime and promoted our safety messages throughout the recovery phase to help rebuild people's confidence to travel. Passenger demand increased from around 25 per cent of pre-pandemic levels at the start of 2021/22 to around 70 per cent by the end of 2021/22.

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

We have worked closely with Government to fulfil the strict conditions attached to the short-term agreements. Our last short-term agreement ended on the 24 June 2022, and we had a series of extensions until 3 August 2022. On 30 August 2022 we reached agreement with the Government on funding until 31 March 2024, which keeps us on track to reach operational financial sustainability by April 2023.

A key condition of our funding agreements was to review new income sources that could generate between £0.5bn and £1bn of additional net revenue per annum from April 2023. However, even with these potential new income sources, and like other transport organisations, we will still require Government commitment to ongoing additional capital funding for major asset replacements and major projects.



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

This new funding agreement of an additional £1.2bn will ensure London's transport network remains reliable and efficient. With this settlement we can support the jobs and new homes that rely upon it, and can support the economic recovery of the capital and the country as a whole. This helps us avoid large scale cuts to services and will also enable us to move away from the managed decline of the transport network and enable us to deliver our committed investment, including new

Piccadilly line trains and DLR rolling stock, Four Lines Modernisation, Bank station upgrade, Old Street Roundabout and finalising the Elizabeth line.

SIGNATURE

**Patrick Doig**  
Group Finance Director

# Financial sustainability

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

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

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

Our latest Budget, published in March 2022, showed we required around £1.2bn of emergency Government support in 2022/23, although this is on a clear declining

trajectory compared to the level of support required in previous years. Crucially, it also shows a balanced budget from 2023/24 onwards and the rebuilding of our cash reserves, which have been drawn down to our minimum of £1.2bn due to the impact of the pandemic.

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

However, at the time of preparation, due to the lack of capital funding certainty from Government, the Budget did not assume any funding from Government from April 2023 onwards. Therefore, even with the cost savings and additional income proposals, the Budget had to assume a 'managed decline' scenario to be financially balanced. This scenario involved deteriorating asset conditions, no new enhancement schemes and very significant service reductions of 18 per cent reduction overall in bus services and a nine per cent reduction in Tube and rail services.

This would have been disastrous for London and the wider UK, and it was critical that we were able to secure a long-term capital funding settlement with the Government on 30 August 2022, for major enhancements and renewals. Having secured Government capital funding for committed major asset replacements, such as the Piccadilly line rolling stock, this enables us to use our operating income to support our services and avoid the drastic level of service reductions that the Budget had to assume. Government remains committed to supporting London and the transport network on which it depends via this funding settlement.

Our preferred scenario was the 'Decarbonise by 2030' one outlined in our Financial Sustainability Plan. This scenario, with sufficient Government capital funding, would also deliver significant benefits for London and the UK economy – meeting the Government's stated objectives of economic recovery, decarbonisation, improved air quality and making transport better for users.

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

**£68m**

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

**1.6%▼**

reduction in bus services we operate

**£15▲**

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

**RPI+1%▲**

increase in fares in March 2021 and March 2022

**1st**

Capital Efficiency Plan submitted



















# Our scorecard

## We assess our progress against a range of agreed measures

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

### Key

|                    |   |
|--------------------|---|
| Achieved           |  |
| Partially achieved |  |
| Not achieved       |  |

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

# London's newest railway

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

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

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

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

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

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

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

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

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



**Mark Wild**  
Crossrail Chief Executive Officer

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

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

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

### The Elizabeth line update this year

#### May 2021

We begin Trial Running of trains, starting with four trains per hour

#### November 2021

Trial Operations begin through the central section of the line

#### December 2021

Series of upgrades take place as we get closer to completing works

#### May 2022

The Elizabeth line opens to customers

# A sustainable future

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

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

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

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

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

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

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



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

# Our financial disclosure on climate change

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

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

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

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

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

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



We are planning for the impacts of risks, including flooding

**Governance**

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

**Strategy**

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

**Risk management**

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

**Climate change risks**

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

**Acute physical risk**

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

**Chronic physical risk**

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

**Transition risk**

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

**Assessing the risks**

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

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

**Severe risks**



**High rainfall over a season or longer**

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



**Flooding**

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



**Extreme high rainfall in a single event**

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



**Extreme short-term high temperatures**

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



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



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



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

# Safety

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



**Lilli Matson**  
Chief Safety, Health & Environment Officer





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

## Tackling work-related violence

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

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

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



## Zero tolerance towards violence against women and girls

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

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

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

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



# Making our roads safer

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

## Work to improve safety on Battersea Bridge

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

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

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

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

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

## Safety-critical work in the Blackwall Tunnel

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

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

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



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



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

## A vision for reducing road danger

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

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

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

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



**117,000**

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



We have worked to lower speed limits across certain roads

## 20 is plenty on our roads

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

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

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

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

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

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

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

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

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



# Our progress to achieving Vision Zero

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

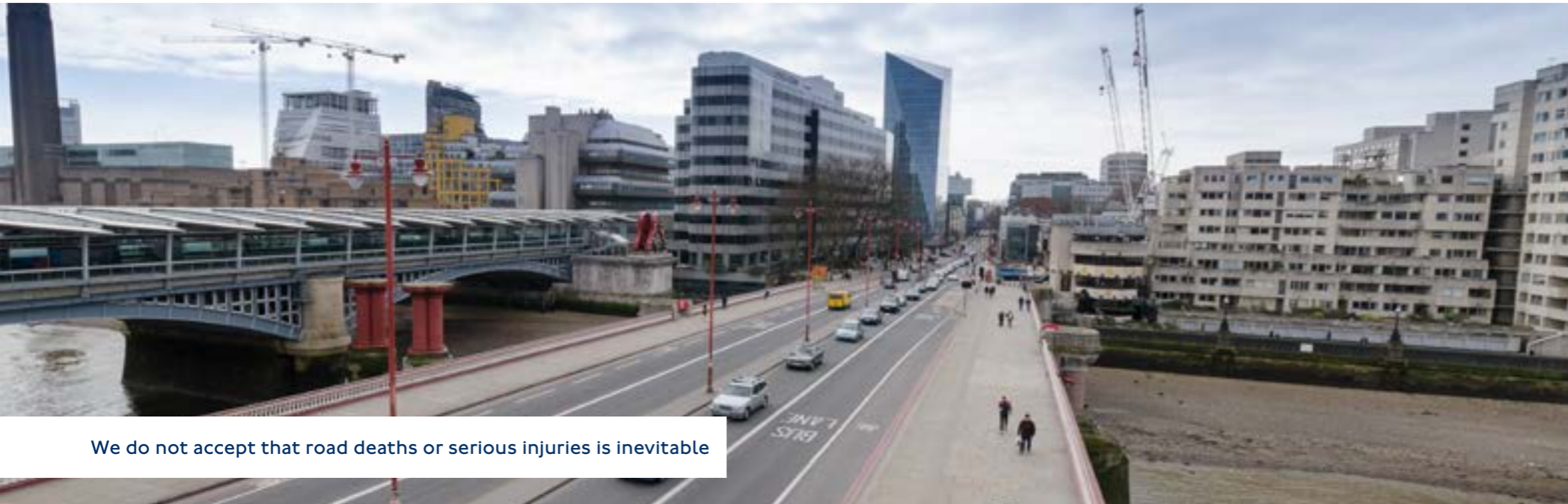
London has made huge strides in reducing road deaths since we launched the first Vision Zero action plan in 2018, which set out new tougher measures for eliminating deaths and serious injuries from our roads by 2041. Our activities so far include rolling out the world-first Direct Vision Standard on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

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

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

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

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



## Tackling workplace violence

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

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

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

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

# Healthy Streets and healthy people

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



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



# Cycling success stories

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



## More people choosing to cycle and walk

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

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

## Milestone for Santander Cycles

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

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

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



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

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

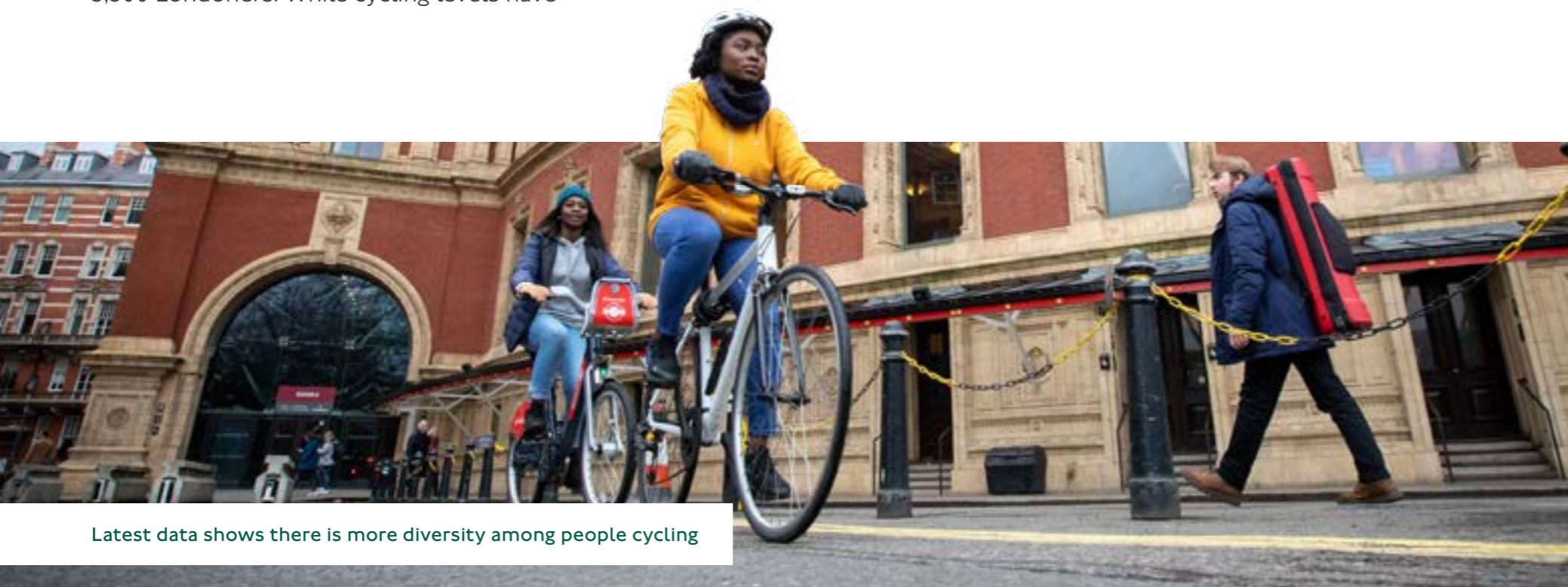
In October, we published new data showing that long-term trends in the people cycling in London has changed, with participation much more representative of Londoners than previous years.

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

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

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

For the first time  
Black, Asian and  
minority ethnic  
Londoners are  
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White Londoners



Latest data shows there is more diversity among people cycling

## My year at TfL



### Promoting the roles of women in transport

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

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

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

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



We created more space for walking and cycling during the pandemic

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

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

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

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

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

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

## Cycleway 4 to south London

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

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



# Clearing the air

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

## Expanding the Ultra Low Emission Zone

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

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

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

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

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

## Congestion Charge consultation

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

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

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





The site at Glass Yard features eight electric rapid charging points

# Charging ahead with electric vehicle infrastructure in London

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

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

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

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

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

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

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



Alex Williams  
Director of City Planning

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

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

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

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

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



# Building a green future

Sustainability is a key focus across our projects



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

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

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

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

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

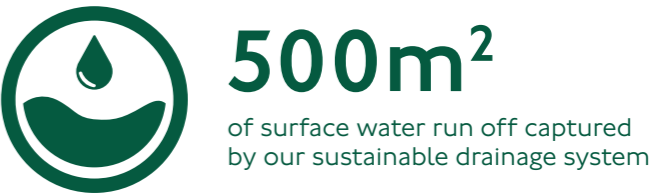
## Our first roadside rain garden

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

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

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

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



## My year at TfL



### Positive thinking

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

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

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

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

## The first step to safer junctions

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

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

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

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

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

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



**Glynn Barton**  
Director of Network Management



The crossings give pedestrians priority over vehicles

## Securing our sustainable future

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

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



## Sustainable freight futures

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

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

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

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

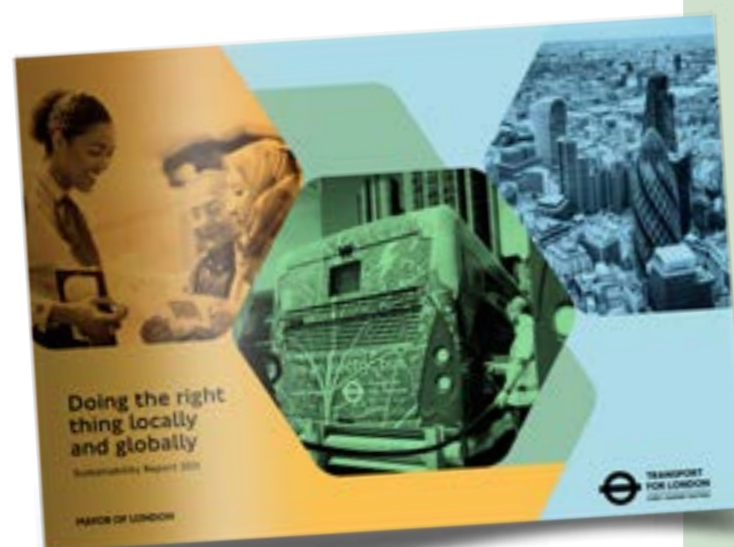
developing a Cycle Freight Strategy to enable the use of cargo bikes as a viable alternative to vans, which would drastically reduce the number of motorised vehicles being used on our roads, improve air quality and reduce congestion. We are also working with retailers to help them adopt sustainable messages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

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



90%

of goods delivered in London are transported by road



# A good public transport experience

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



**Gareth Powell**  
Chief Customer & Strategy Officer





# Northern Line Extension

Sustainability is a key focus across our projects

## Two new stations giving south London a boost

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

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

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

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

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



**Andy Lord**  
Chief Operating Officer

## Battersea Power Station and Nine Elms on Tube map

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

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

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





## Launching London's newest railway

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

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

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

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

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

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

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

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

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

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



## A positive step

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

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

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

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

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



### Step-free stations this year

- 9 April 2021  
Debden
- 27 May  
Ealing Broadway
- 23 June  
Ickenham
- 5 July  
Moorgate
- 21 July  
West Drayton
- 23 August  
Whitechapel
- 25 August  
Wimbledon Park
- 26 August  
Southall
- 14 September  
Hayes & Harlington
- 8 October  
Osterley
- 30 December  
Sudbury Hill
- 11 March 2022  
Harrow-on-the-Hill

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

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

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

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

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

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

We will outline the findings from the consultation this summer.

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



**Esther Sharples**  
Director of Asset Performance and Capital Delivery

## My year at TfL



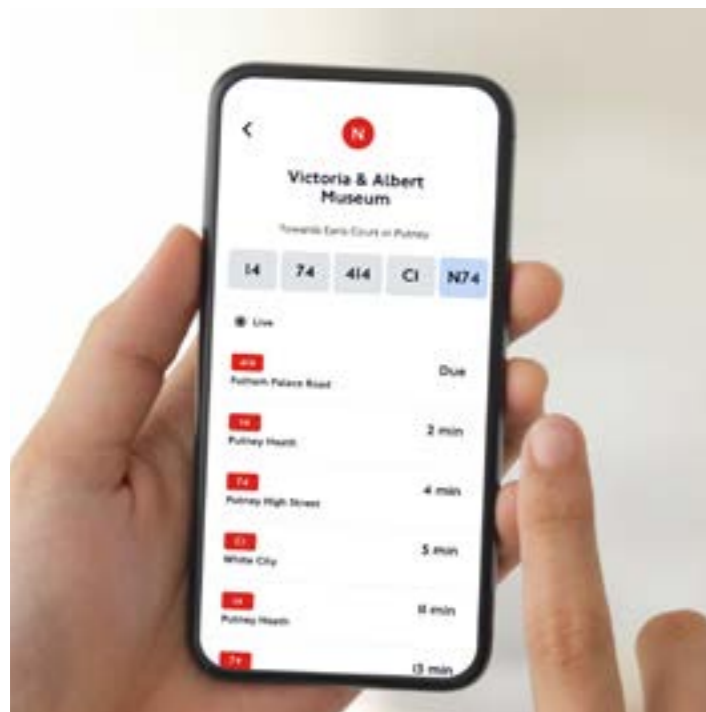
### Innovative thinking

**Oliver Punter, Open Innovation Graduate**

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

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

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



## TfL Go app gets an upgrade

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

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

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

**1.2million**   
times the app has been  
downloaded since its launch

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



**Stuart Harvey**  
Chief Capital Officer

## Improving the experience at Bank station

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

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

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

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

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





# Getting back on track

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



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

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

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

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

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

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

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

## Return of the Night Overground

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

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

## Waterloo & City line returns

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

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

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



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



**Shashi Verma**  
Chief Technology Officer

## Improving mobile connectivity

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

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

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



**£1bn**

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

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

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

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

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

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



The Mayor’s campaign encouraged people to enjoy London



# Tackling crime

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

## Zero tolerance to sexual harassment

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

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

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

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

## Standing together against hate

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

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

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

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

## My year at TfL



### Delivering across all areas

#### Jermaine Harrison, Finance Graduate Scheme

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

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

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

## Ensuring we emerged safely as London opened

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

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

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

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

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

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

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



We adapted and adjusted to the changing regulations



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

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

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

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

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

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



10%

improvement in bus journey times compared with 2015

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

# Sporting success

We have enabled some high profile events across the capital



## Helping to give our Paralympians a heroes homecoming welcome

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

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

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

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

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

## Supporting the return of the London Marathon this year

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

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

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

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





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

## Reducing roadwork disruption

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

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

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

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

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

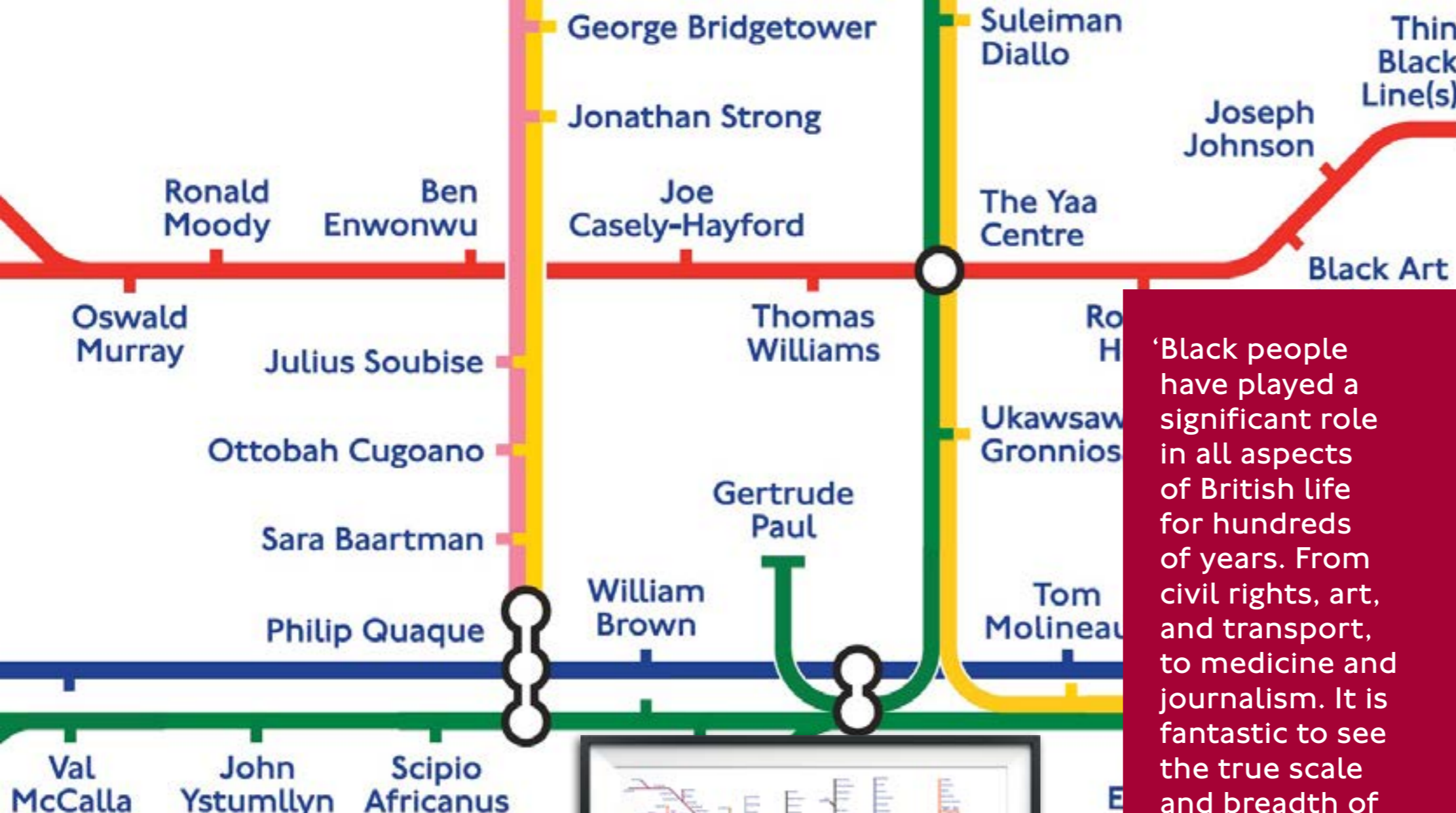
### Works on Hammersmith Bridge

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

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

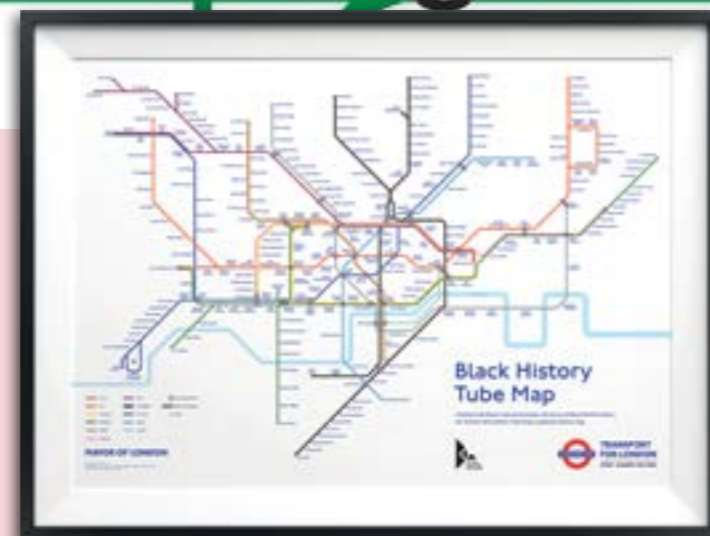
We are working with the DfT and the borough to explore arrangements for how the long-term repairs will be funded.





## Celebrating the contributions of Black people in London

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



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

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



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

## Showing our Pride for London

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

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

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

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



# E-scooter hires on the rise

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

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

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

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

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

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



800,000

rental e-scooter trips have been made



500

designated parking locations across the e-scooter trial area



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

## My year at TfL



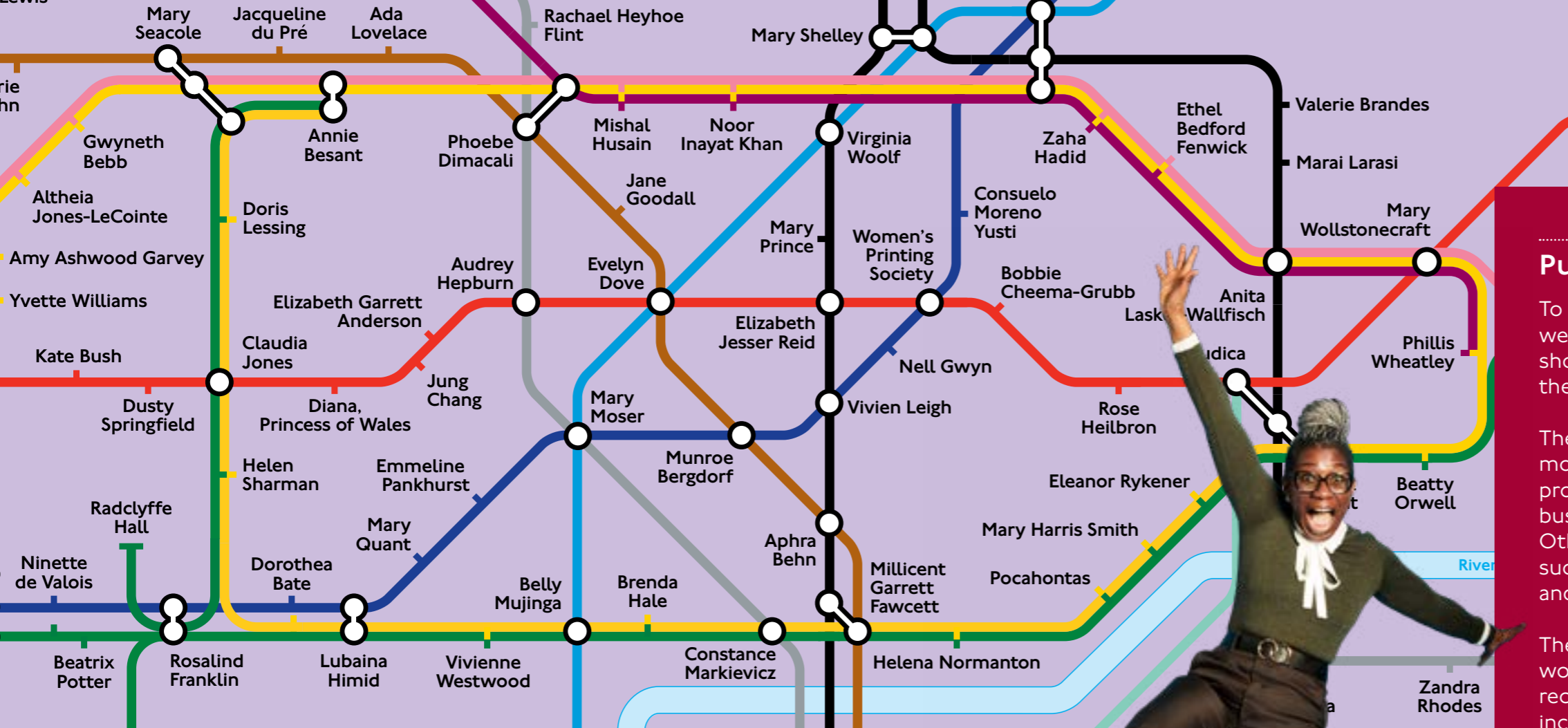
### Stepping up the plate

Brooke Knight, Network Sponsorship, Investment Delivery Planning

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

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

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



# Our women at work

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

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

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

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

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

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

Afe Komolafe,  
Engagement Officer

## Putting our women in the frame

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

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

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

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





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

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

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

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

## Northern line station advertising

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

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

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



**Julie Dixon**  
Interim Customer and Revenue Director

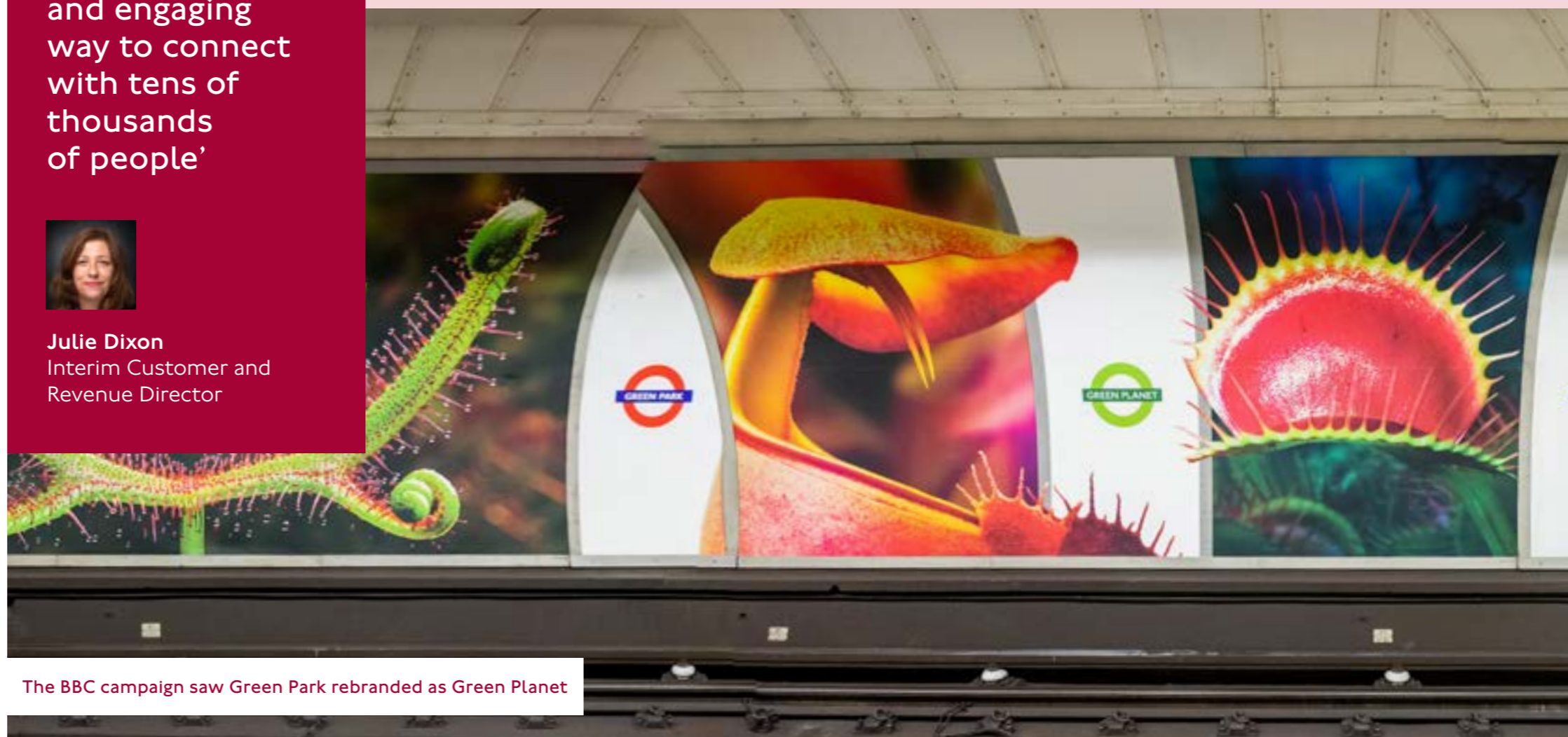
# Commercial thinking

## Supporting business and driving revenue

### Green Planet take over

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

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



The BBC campaign saw Green Park rebranded as Green Planet

# New homes and jobs

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



**Graeme Craig**  
Director of Commercial Development



# Eyes down for a full house

Our housing developments are delivering the new homes that London needs



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

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

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

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

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

## New homes at Arnos Grove

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

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

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

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





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

# Under the arches

## Supporting our tenants as we celebrated Arches Day together

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

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

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

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



800

arches that we own and manage across London

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

## My year at TfL



### Making a difference in all areas

**Jenita Treacy, Analytics Product Manager in Technology and Data**

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

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

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

## Celebrating our in-station retail

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

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

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

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

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

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





## On the property ladder

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

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



## Launching our innovative Sustainable Development Framework

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

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

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

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

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

# Our people

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



**Tricia Wright**  
Chief People Officer





## Remembering our colleagues

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

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

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



## Showing support for our Armed Forces on Remembrance Day

### Our poppy tributes to service men and women

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

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

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

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



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

## Royal honour for a pioneer of bus accessibility

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

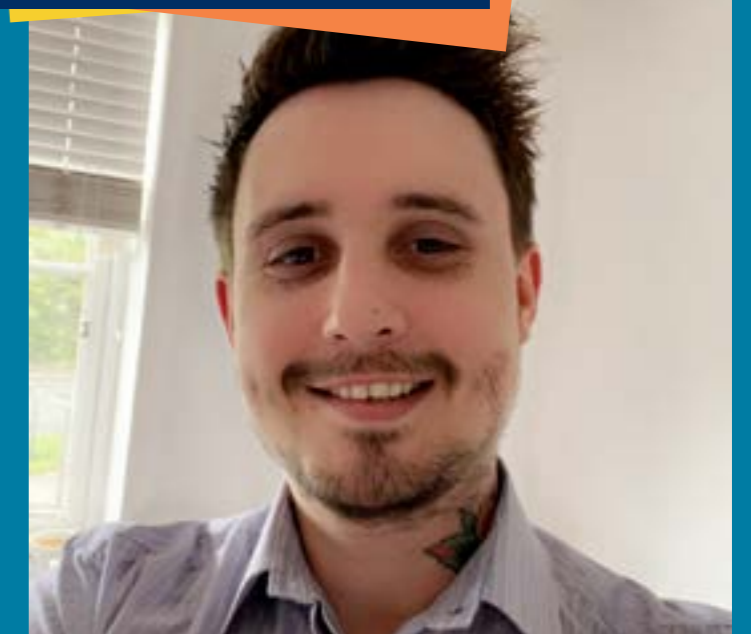
He has also made great strides in raising awareness of those with hidden disabilities, such as dementia and autism. During his years of campaigning, he also developed the Big Red Book – a guidebook with detailed information used to help and guide London's 25,000 bus drivers. George was also recognised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



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

**George Marcar MBE**  
Bus Driver Policy  
Implementation Manager

## My year at TfL



## Positive promotion

**Chris Eller, Customer Services Manager**

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

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

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

# Working together for all

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



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

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

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

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

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



## Leading the way forward

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

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

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

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

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



Our work will ensure London is inclusive and accessible

# Our equality objectives

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

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

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

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

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

## Working together with our trade union colleagues

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

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



Our apprenticeship scheme offers people a pathway into work

# Offering a route into the transport sector

## Celebrating National Apprenticeship Week for the next generation

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

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

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

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



143

apprenticeships that are available each September

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

# Remuneration report 2021/22

‘The Remuneration Committee is responsible for setting a policy that enables TfL to be competitive in line with peer organisations to attract the right talent’



**Kay Carberry**  
Chair of TfL Remuneration Committee



# Message from the Chair

I took over as chair of TfL’s Remuneration Committee in January 2022, having been Vice Chair until then. 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. This year’s Annual Report shows the progress TfL has made in winning back customers while continuing to face significant financial challenges. This is down to the hard-working employees across the organisation and good leadership.

Over the last year, the Committee recognised that the decision to defer pay-out of the 2019/20 performance awards, although the right thing to do given TfL’s financial circumstance, had a negative impact on staff. These are most of the same staff that have been subject to a pay freeze since 2016. At our meeting in July 2021, members of the Committee acknowledged that the performance scheme is an integral part of the remuneration package for senior staff and the pay freeze and withdrawal of performance awards from 2020/21 meant there was significant competitive external pressure for TfL’s people.

In November, we approved the revised performance awards scheme for financial years 2021/22 and 2022/23. The awards are subject to a financial overlay trigger, which means TfL must achieve financial sustainability by April 2023 and run its operations free of extraordinary Government funding for revenue support to trigger payment of any awards from the schemes.

TfL’s people are at the heart of how it works and we very much value their effort every day. 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 sustainability by April 2023.

It remains imperative that TfL has the right leadership to navigate the organisation through funding discussions with the Government. We need 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 senior staff whose talents are essential to TfL achieving its long-term plans.

SIGNATURE

**Kay Carberry CBE**  
Chair, TfL Remuneration Committee



‘TfL’s people are at the heart of how it works and we very much value their effort every day’

# Governance

## Our Remuneration Committee



**Kay Carberry CBE\***  
Chair



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



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



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

## Former Committee members

- Ben Story – Chair until 31 December 2021
- Heidi Alexander – Member until 2 February 2022
- Ron Kalifa OBE – Member until 6 May 2021

## 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 7 July 2021 and 10 November 2021.

## Committee activities

At the meeting on 7 July 2021, the Committee considered what should happen for the performance years 2021/22 onwards and whether performance award schemes should be reinstated. Members recognised that the scheme was integral to the remuneration package for senior staff and supported our goals by being linked to scorecards.

The Committee recognised the need for pay restraint given our financial position. However, benchmarking showed that pay for many staff was significantly below our competitors. Attraction and retention would continue to be a significant issue if staff were going above and beyond to deliver but were again asked to forgo part of their remuneration package.

TfL was asked to develop options for the performance award scheme for 2021/22. All options would be linked to performance against the scorecard and attaining financial sustainability, with payments only made when we no longer require support from the Government for our operational costs.

The Committee approved performance award schemes for 2021/22 and 2022/23 at the November meeting. These are subject to the additional condition that payment can only be considered if TfL has achieved the financial overlay trigger, which is to achieve financial sustainability by April 2023. By this, we mean that we can run our operations free of extraordinary Government funding for revenue support.

Whether TfL has achieved that trigger of financial sustainability will be seen in the Budget and Business Plan for 2023/24. TfL would therefore expect to be able to confirm whether performance awards will be paid out in respect of 2021/22 and 2022/23 in early 2023/24.

Also at the November meeting, the Committee noted the proposed methodology for strategic workforce planning, short- and medium-term risks to our ability to recruit and retain key skills, and the mitigating actions being put in place to ensure we can effectively plan our resourcing strategy. These actions focus on succession planning and identification of critical roles, the graduate and apprentice pipeline, managing talent and reward.

The Committee noted an update on the Gender and Ethnicity Pay Gap reports from 2020 and the work taking place to reduce these, including the development of a four-year Pay Gap action plan. This will cover three key areas: Governance and data; policies, systems and processes; and leadership, culture and behaviour. It will be developed in discussion with our Staff Network Groups and trade unions, and be underpinned by local diversity and inclusion plans.

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

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

\*\* Appointed 1 January 2022

\*\*\* Appointed 3 February 2022

# 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 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 our network, but no allowances are paid to members.

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

The remuneration for each member for the year ended 31 March 2022 is shown in Appendix 5. No fee is paid to the Chair or Deputy Chair of TfL.

## General remuneration

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

The reward structure we have developed is commensurate with this policy. It includes a base salary and a performance award scheme against 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 the overall 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:

| 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: <ul style="list-style-type: none"><li>• 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</li><li>• The scope and responsibility of the role</li><li>• The individual's skill, experience and performance against targets</li><li>• Affordability for us</li></ul> | There is no prescribed maximum salary. There will be no increases to base pay, where the accountabilities for the role remain unchanged, for the Commissioner, chief officers and directors during the Mayor's current term in office. |

| Component               | Purpose  | Operation   | Maximum   |
|-------------------------|--|---|---|
| Performance-related pay | <p>To incentivise delivery of stretching one-year key performance targets, both individual and collective, as measured through individual performance rating and scorecard results.</p> <p>The payment of senior management performance awards for 2019/20 were deferred to 2021/22 and paid in June 2021. There was no performance award scheme for the 2020/21 performance year.</p> <p>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.</p> | <p>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.</p> <p>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.</p> <p>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.</p> <p>Awards are paid in the following financial year.</p> | <p>The maximum award for the Commissioner is 50 per cent of base pay.</p> <p>The maximum award for chief officers is 30 per cent of base pay.</p> |

| Component | Purpose   | Operation  | Maximum   |
|-----------|---|--|---|
| Benefits  | To provide a competitive total reward package that supports attraction, retention and motivation. | <p>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.</p> <p>Membership of the TfL Pension Fund, a 'defined benefit' scheme that provides for a pension payable from the age of 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.</p> <p>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.</p> | <p>Pensionable salary is capped at:</p> <ul style="list-style-type: none"> <li>• £170,400 from 6 April 2020 to 5 April 2021</li> <li>• £172,800 from 6 April 2021 to 5 April 2022 for members who joined after 31 May 1989</li> </ul> |

The remuneration received by the Commissioner and chief officers for 2021/22 is shown in Appendix 2.

**Performance-related pay**

Our 2021/22 scorecard was developed to support the continued recovery of the organisation and London from the pandemic. The measures focused on our key priorities, which are prioritising safety and working towards financial sustainability. We are determined to do this while continuing to provide travel services to support London’s public health and economic recovery, encouraging customers back to our network and pivoting our capital investment to a green recovery.

The scorecard was updated during the year to align to the Revised Budget, which was approved by our Board in July 2021, and the measures will be used to determine any performance-related pay. These payments will be made in 2023/24, if we achieve financial sustainability. The scorecard results for 2021/22 are set out on page 12 of our Annual Report.

**Severance policy**

Most employees who leave through 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
- Outplacement support or an equivalent cash payment
- Enhanced pension provision

There are minimum service requirements for some of these terms and some elements vary if people 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. These arrangements are considered on a case by case basis.



Our specialist teams have worked on some of our key projects

# 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, in terms of scale, complexity and sector, private and public sector companies. The data is mainly derived from Aon's Executive Total Reward Survey (ETRS). This survey peer group comprises of 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.

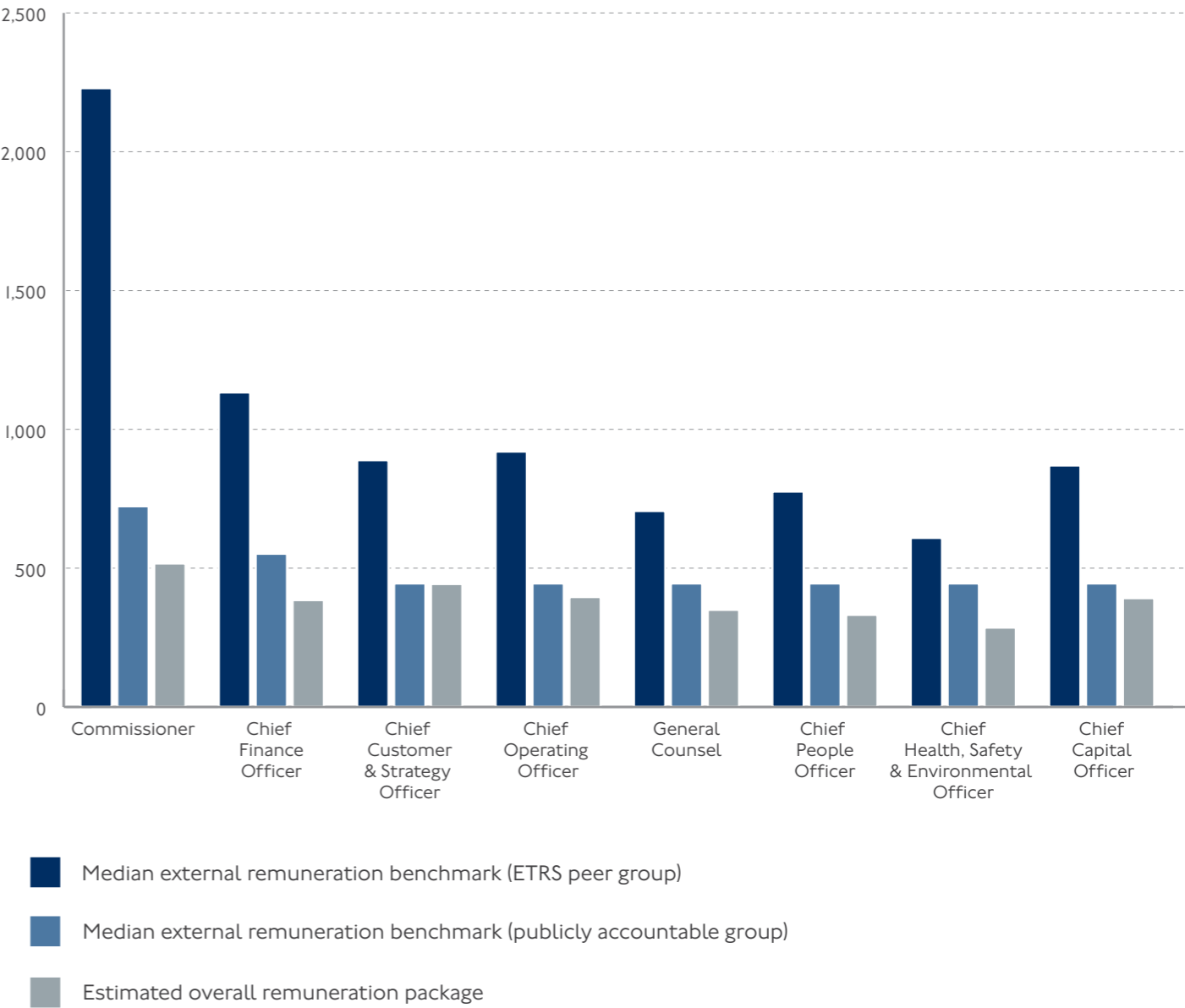
Job Link levels are assigned to market data based on the scope and responsibilities of individual roles, as well as their seniority within their organisation and the scope of the organisation itself, typically with reference to group or divisional revenue. Therefore, role matching based on Job Link ensures 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 for performance-related pay and pension provision.

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

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 79 per cent of the publicly accountable group market benchmark levels.

Benchmarking for Commissioner and chief officers (£000s)



Commissioner remuneration ratio

In total remuneration terms, the Commissioner earns 6.3 times that of the median employee, excluding Crossrail. This ratio has dropped since 2019/20 as the current Commissioner has not received any performance-related pay since joining in June 2020.

|         | 25th percentile pay ratio | Median pay ratio | 75th percentile pay ratio |
|---------|---------------------------|------------------|---------------------------|
| 2019/20 | 12.9:1                    | 9.6:1            | 8.5:1                     |
| 2020/21 | 8.7:1                     | 6.3:1            | 5.6:1                     |
| 2021/22 | 8.5:1                     | 6.3:1            | 5.5:1                     |

The Commissioner’s base salary in 2021/22 was £355,000. This compares with the median base salary of £54,000 and the lowest base salary, excluding apprentices, of £20,181.

Employees’ remuneration is consistent with the definition in Appendix I, and includes salaries, fees, performance-related pay, benefits in kind, lump sums and termination payments. It excludes employer pension contributions and employer national insurance contributions and is based on remuneration received by employees during the relevant year.

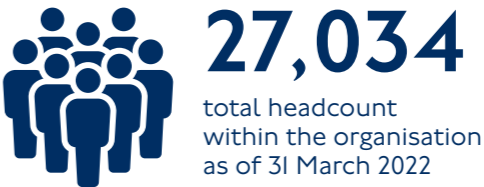
Employee information (audited)

The average headcount, including permanent and fixed-term contract employees, reduced by 284 since last year.

Total remuneration costs increased by £220.3m compared to 2020/21, which includes IAS 19 pension charges of £652.5m in 2021/22 (£442.4m in 2020/21).

| Year    | Average headcount audited | Total remuneration costs audited (£m) |
|---------|---------------------------|---------------------------------------|
| 2017/18 | 26,994                    | 2,250.6                               |
| 2018/19 | 26,372                    | 2,176.8                               |
| 2019/20 | 25,814                    | 2,172.9                               |
| 2020/21 | 25,692                    | 2,029.1                               |
| 2021/22 | 25,408                    | 2,249.4                               |

Average headcount and total remuneration costs include permanent and fixed-term contracts.



**Other employees’ remuneration (audited)**

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 I.

The impact of the transfer of employees into and out of the Corporation, which is made 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 202 in 2020/21 to 191 in 2021/22. The corresponding figures for those receiving total remuneration of more than £100,000 per year increased from 35 in 2020/21 to 40 in 2021/22, owing to an increase in the number of employees leaving with voluntary severance as the project nears completion.

**Total remuneration of more than £100,000 (audited)**

Throughout 2021/22, 161 people earned total remuneration of more than £100,000 and had a base salary of £100,000 or more per year, compared with 162 in 2020/21. As of 31 March 2022, 151 people were on a base salary of more than £100,000 compared to 155 people the previous year. This is a reduction of 19.7 per cent compared to 31 March 2016 when there were 188 employees on a base salary of more than £100,000.

In 2021/22, we made payment of all 2019/20 performance-related pay awards that had been deferred for 12 months due to the impact of the pandemic on our revenue. A total of 184 people, compared with 73 in 2020/21, who were on a base salary of less than £100,000 per year, received a performance-related award that took their total remuneration above this threshold.

No performance-related pay awards will be made in respect of 2020/21 and any performance award for any future years will only be made when TfL achieves financial sustainability.

Among our specialist engineers and highly skilled project employees, 190 earn a base salary of less than £100,000 per year, but the overtime they worked took their total remuneration above the threshold, compared with 161 in 2020/21. Many of these people are specialist engineers working overnight and at weekends on major projects, such as the Northern Line Extension, Bank station upgrade and installing new signalling on the Circle, District, Hammersmith & City and Metropolitan lines, which were either completed or substantially progressed throughout the last year.

There were 22 people, compared with 24 in 2020/21, 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 557 in 2021/22 compared with 420 in 2020/21.

|   | 2021/22 audited | 2020/21 audited |
|---|-----------------|-----------------|
| Base salary of £100k or more                            | 161             | 162             |
| Base salary between £80k and £100k                      | 184             | 73              |
| Voluntary severance payments taking earnings over £100k | 22              | 24              |
| Level of overtime worked taking earnings over £100k     | 190             | 161             |
| <b>Total TfL</b>  | <b>557</b>      | <b>420</b>      |
| Crossrail   | 40              | 35              |
| <b>Total (including Crossrail)</b>                      | <b>597</b>      | <b>455</b>      |

# Appendix I

## Number of employees receiving total remuneration of more than £50,000 (audited)

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 2022 audited | Group 2021 audited | Corporation 2022 audited | Corporation 2021 audited* |
|-------------------|--------------------|--------------------|--------------------------|---------------------------|
| 50,000 - 54,999   | 2,550              | 2,512              | 879                      | 853                       |
| 55,000 - 59,999   | 4,725              | 4,691              | 689                      | 745                       |
| 60,000 - 64,999   | 2,398              | 2,603              | 530                      | 532                       |
| 65,000 - 69,999   | 1,517              | 1,730              | 465                      | 597                       |
| 70,000 - 74,999   | 1,161              | 1,248              | 285                      | 405                       |
| 75,000 - 79,999   | 884                | 840                | 257                      | 244                       |
| 80,000 - 84,999   | 622                | 652                | 162                      | 192                       |
| 85,000 - 89,999   | 447                | 456                | 123                      | 112                       |
| 90,000 - 94,999   | 340                | 329                | 81                       | 68                        |
| 95,000 - 99,999   | 284                | 229                | 80                       | 55                        |
| 100,000 - 104,999 | 182                | 120                | 40                       | 29                        |
| 105,000 - 109,999 | 98                 | 83                 | 33                       | 22                        |
| 110,000 - 114,999 | 73                 | 49                 | 23                       | 14                        |
| 115,000 - 119,999 | 49                 | 33                 | 13                       | 10                        |
| 120,000 - 124,999 | 34                 | 32                 | 12                       | 10                        |
| 125,000 - 129,999 | 23                 | 25                 | 7                        | 16                        |
| 130,000 - 134,999 | 23                 | 19                 | 7                        | 10                        |

\* restated to reflect employees not deemed to have transferred to TTL Properties Limited from 1 April 2020

| Remuneration (£)  | Group 2022 audited | Group 2021 audited | Corporation 2022 audited | Corporation 2021 audited* |
|-------------------|--------------------|--------------------|--------------------------|---------------------------|
| 135,000 - 139,999 | 18                 | 7                  | 13                       | 2                         |
| 140,000 - 144,999 | 15                 | 14                 | 9                        | 9                         |
| 145,000 - 149,999 | 7                  | 7                  | 3                        | 4                         |
| 150,000 - 154,999 | 4                  | 13                 | 1                        | 6                         |
| 155,000 - 159,999 | 7                  | 4                  | 3                        | 3                         |
| 160,000 - 164,999 | 9                  | 4                  | 7                        | 2                         |
| 165,000 - 169,999 | 6                  | 6                  | 4                        | 4                         |
| 170,000 - 174,999 | 4                  | 2                  | 3                        | 1                         |
| 175,000 - 179,999 | 4                  | 4                  | 3                        | 1                         |
| 180,000 - 184,999 | 3                  | 6                  | 2                        | 4                         |
| 185,000 - 189,999 | 1                  | 2                  | -                        | 2                         |
| 190,000 - 194,999 | 1                  | 1                  | 1                        | 1                         |
| 195,000 - 199,999 | 2                  | -                  | 1                        | -                         |
| 200,000 - 204,999 | 2                  | 2                  | 1                        | 1                         |
| 205,000 - 209,999 | 2                  | 2                  | -                        | 2                         |
| 210,000 - 214,999 | 1                  | -                  | -                        | -                         |
| 215,000 - 219,999 | 1                  | -                  | 1                        | -                         |
| 220,000 - 224,999 | 1                  | 2                  | 1                        | 1                         |
| 225,000 - 229,999 | 1                  | 1                  | 1                        | 1                         |
| 230,000 - 234,999 | 1                  | 4                  | -                        | 3                         |
| 235,000 - 239,999 | 3                  | -                  | 2                        | -                         |
| 240,000 - 244,999 | 2                  | 3                  | 2                        | 3                         |
| 245,000 - 249,999 | 3                  | 1                  | 1                        | -                         |
| 250,000 - 254,999 | 1                  | -                  | 1                        | -                         |

| Remuneration (£)  | Group 2022 audited | Group 2021 audited | Corporation 2022 audited | Corporation 2021 audited* |
|-------------------|--------------------|--------------------|--------------------------|---------------------------|
| 255,000 - 259,999 | 2                  | -                  | 1                        | -                         |
| 265,000 - 269,999 | -                  | 1                  | -                        | 1                         |
| 275,000 - 279,999 | 1                  | 1                  | 1                        | 1                         |
| 285,000 - 289,999 | -                  | 1                  | -                        | -                         |
| 290,000 - 294,999 | -                  | 1                  | -                        | 1                         |
| 295,000 - 299,999 | 1                  | -                  | 1                        | -                         |
| 305,000 - 309,999 | -                  | 1                  | -                        | 1                         |
| 310,000 - 314,999 | -                  | 1                  | -                        | 1                         |
| 315,000 - 319,999 | 2                  | 1                  | 2                        | 1                         |
| 330,000 - 334,999 | 1                  | -                  | -                        | -                         |
| 340,000 - 344,999 | 1                  | -                  | 1                        | -                         |
| 350,000 - 354,999 | 1                  | -                  | 1                        | -                         |
| 360,000 - 364,999 | 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                  | 1                  | -                        | -                         |
| 625,000 - 629,999 | 1                  | -                  | 1                        | -                         |
| <b>Total</b>      | <b>15,525</b>      | <b>15,745</b>      | <b>3,758</b>             | <b>3,970</b>              |

#### Remuneration for senior employees

The Accounts and Audit Regulations 2015 require us to disclose 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.

\* restated to reflect employees not deemed to have transferred to TTL Properties Limited from 1 April 2020

## Appendix 2

### Employees receiving a base annual salary of £150,000 or more (audited) (£)

| Name   | Notes | Salary<br>(including fees<br>& allowances)<br>2021/22<br>audited | Performance-<br>related pay<br>and retention<br>payments paid<br>in the year<br>2021/22<br>audited** | Compensation<br>for loss of<br>employment<br>2021/22<br>audited | Benefits in kind<br>2021/22<br>audited | Total<br>remuneration<br>excluding<br>pension<br>contributions<br>2021/22<br>audited | Employer's<br>contribution<br>to pension<br>2021/22<br>audited*** | Salary<br>(including fees<br>& allowances)<br>2020/21<br>audited | Performance-<br>related pay<br>and retention<br>payments paid<br>in the year<br>2020/21<br>audited** | Total<br>remuneration<br>excluding<br>pension<br>contributions<br>2020/21<br>audited**** |
|--|-------|--|--|---|--|--|---|--|--|--|
| Andy Byford, Commissioner                                    | a     | 355,000  | -  | -   | 792                                    | 355,792  | 46,474  | 268,438  | -  | 269,018  |
| Howard Carter, General Counsel                               | b     | *248,373   | 67,291   | -   | 2,227                                  | 317,891  | -   | *247,782   | -  | 249,968  |
| Stuart Harvey, Chief Capital Officer                         | c     | *289,171   | 84,365   | -   | 1,740                                  | 375,276  | -   | *277,136   | -  | 278,842  |
| Simon Kilonback, Chief Finance Officer                       |       | *327,409   | 77,825   | -   | 2,227                                  | 407,461  | -   | *312,733   | -  | 314,919  |
| Andy Lord, Chief Operating Officer                           | d     | *320,032   | 23,711   | -   | 2,227                                  | 345,970  | -   | *315,717   | -  | 317,903  |
| Lilli Matson, Chief Safety, Health and Environmental Officer | e     | 180,068  | 22,518   | -   | 1,740                                  | 204,326  | 45,391  | 168,910  | -  | 170,616  |
| Gareth Powell, Chief Customer & Strategy Officer             | f     | *323,935   | 54,132   | -   | 2,227                                  | 380,294  | 7,836   | *306,954   | -  | 309,140  |
| Tricia Wright, Chief People Officer                          | g     | *232,780   | 63,675   | -   | 876                                    | 297,331  | -   | *231,860   | -  | 232,629  |
| Matt Brown, Director of Communications & Corporate Affairs   | h     | 138,041  | 25,515   | -   | -                                      | 163,556  | 34,631  | 135,000  | -  | 135,000  |
| Fiona Brunskill, Director of People & Cultural Change        | i     | 176,104  | -  | -   | 2,227                                  | 178,331  | 41,323  | 155,142  | -  | 157,328  |
| Louise Cheeseman, Director of Bus                            | j     | 139,233  | -  | -   | 1,133                                  | 140,366  | 30,945  | -  | -  | -  |
| George Clark, Chief Engineer, TfL                            |       | 165,000  | 8,910  | -   | 1,740                                  | 175,650  | -   | 165,000  | -  | 166,706  |

\* 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 2019/20 performance-related pay awards was deferred until 2021/22 and no awards will be made in respect of the 2020/21 financial year

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

\*\*\*\* total remuneration for 2020/21 also includes benefits in kind as reported in last year's Statement of Accounts

a entered service 29 June 2020

b salary sacrificed for pension of £8,638 (2020/21 £8,517)

c changed role in 2021/22

d changed role in 2021/22

e changed role in 2021/22

f changed role in 2021/22

g salary sacrificed for pension of £8,638 (2020/21 £8,517)

h changed role in 2021/22

i changed role in 2021/22

j entered service 2 August 2021

| Name  | Notes | Salary<br>(including fees<br>& allowances)<br>2021/22<br>audited | Performance-<br>related pay<br>and retention<br>payments paid<br>in the year<br>2021/22<br>audited** | Compensation<br>for loss of<br>employment<br>2021/22<br>audited | Benefits in kind<br>2021/22<br>audited | Total<br>remuneration<br>excluding<br>pension<br>contributions<br>2021/22<br>audited | Employer's<br>contribution<br>to pension<br>2021/22<br>audited*** | Salary<br>(including fees<br>& allowances)<br>2020/21<br>audited | Performance-<br>related pay<br>and retention<br>payments paid<br>in the year<br>2020/21<br>audited** | Total<br>remuneration<br>excluding<br>pension<br>contributions<br>2020/21<br>audited**** |
|---|-------|--|--|---|--|--|---|--|--|--|
| Andrea Clarke, Director of Legal                                  | k     | 183,000  | 60,524   | -   | 1,740                                  | 245,264  | 43,698  | 165,369  | 24,805   | 191,880  |
| Graeme Craig, Director of Commercial Development                  |       | 185,000  | 9,398  | -   | 1,740                                  | 196,138  | 46,474  | 185,000  | -  | 186,706  |
| Nick Dent, Director of Customer Operations                        | l     | 180,000  | 26,651   | -   | 1,740                                  | 208,391  | 39,555  | 150,658  | -  | 152,364  |
| Patrick Doig, Group Finance Director                              | m     | 185,589  | 34,020   | -   | 1,740                                  | 221,349  | 46,474  | 180,000  | -  | 181,706  |
| Stephen Field, Director of Compensation and Benefits              | n     | *189,908   | 50,575   | -   | 1,740                                  | 242,222  | -   | *189,906   | -  | 191,612  |
| Lester Hampson, Property Development Director                     |       | 175,807  | 79,352   | -   | 1,740                                  | 256,899  | 45,391  | 176,135  | -  | 177,841  |
| Michael Hardaker, Director, Network Extensions                    |       | 183,310  | 34,020   | -   | 2,227                                  | 219,557  | 46,474  | 180,000  | -  | 182,186  |
| Joanna Hawkes, Corporate Finance Director                         | o     | *210,977   | 27,000   | -   | -                                      | 237,977  | -   | *210,542   | 18,000   | 228,542  |
| Chris Hobden, Project Director, Four Lines Modernisation          |       | 150,000  | 10,500   | -   | 1,740                                  | 162,240  | 38,666  | 150,000  | -  | 151,706  |
| Lorraine Humphrey, Director of Risk & Assurance                   | p     | 134,561  | 9,016  | -   | 784                                    | 144,361  | 23,064  | 90,890   | -  | 91,659   |
| Peter McNaught, Director of Operational Readiness                 | q     | 188,510  | 51,372   | -   | 784                                    | 240,666  | 35,140  | 180,988  | -  | 182,012  |
| Helen Murphy, Director of Consulting and International Operations |       | 151,000  | 19,660   | -   | 1,740                                  | 172,400  | 38,935  | 151,000  | -  | 152,706  |
| Gabriella Neudecker, Customer and Revenue Director                | r     | 74,589   | -  | -   | 263                                    | 74,852   | 19,303  | -  | -  | -  |

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\*\* the payment of all 2019/20 performance-related pay awards was deferred until 2021/22 and no awards will be made in respect of the 2020/21 financial year

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

\*\*\*\* total remuneration for 2020/21 also includes benefits in kind as reported in last year's Statement of Accounts

k performance-related pay disclosed includes retention payment

l changed role in 2020/21

m changed role in 2021/22

n salary sacrificed for pension of £8,437 (2020/21 £8,439). Performance-related pay disclosed includes retention payment.

o performance-related pay disclosed relates to retention payment only

p changed role in 2021/22

q performance-related pay disclosed includes retention payment

r entered service 18 October 2021

| Name  | Notes | Salary<br>(including fees<br>& allowances)<br>2021/22<br>audited | Performance-<br>related pay<br>and retention<br>payments paid<br>in the year<br>2021/22<br>audited** | Compensation<br>for loss of<br>employment<br>2021/22<br>audited | Benefits in kind<br>2021/22<br>audited | Total<br>remuneration<br>excluding<br>pension<br>contributions<br>2021/22<br>audited | Employer's<br>contribution<br>to pension<br>2021/22<br>audited*** | Salary<br>(including fees<br>& allowances)<br>2020/21<br>audited | Performance-<br>related pay<br>and retention<br>payments paid<br>in the year<br>2020/21<br>audited** | Total<br>remuneration<br>excluding<br>pension<br>contributions<br>2020/21<br>audited**** |
|---|-------|--|--|---|--|--|---|--|--|--|
| Jonathan Patrick, Chief Procurement Officer   | s     | 221,923  | 93,600   | -   | 784                                    | 316,307  | 46,474  | 225,000  | -  | 225,769  |
| Esther Sharples, Director of Asset Performance and Capital Delivery, London Underground | t     | 170,000  | 15,574   | -   | 784                                    | 186,358  | 35,910  | 145,002  | -  | 145,771  |
| Jadon Silva, Supply Chain Director  | u     | 16,977   | -  | -   | 73                                     | 17,050   | 4,131   | -  | -  | -  |
| Howard Smith, Chief Operating Officer, Elizabeth line                                   | v     | *181,391   | 24,325   | -   | 1,740                                  | 207,455  | -   | *181,786   | -  | 183,492  |
| Shashi Verma, Director of Strategy & Chief Technology Officer                           |       | 234,611  | 42,525   | -   | 784                                    | 277,920  | 57,411  | 234,611  | -  | 235,380  |
| Jonathan Wharfe, Supply Chain Director  | w     | 33,034   | -  | -   | 320                                    | 33,354   | 8,423   | -  | -  | -  |
| Alex Williams, Director of City Planning  |       | *206,553   | 34,000   | -   | -                                      | 240,553  | -   | *206,553   | -  | 206,553  |
| Ken Youngman, Divisional Finance Director, Commercial Development                       |       | 155,000  | 89,125   | -   | 1,740                                  | 245,865  | 40,011  | 155,000  | -  | 156,706  |

| Crossrail current office holders/employees |   |          |       |   |       |         |        |          |   |         |
|--|---|----------|-------|---|-------|---------|--------|----------|---|---------|
| Mark Wild, Chief Executive Officer         |   | *445,977 | -     | - | 1,740 | 447,717 | -      | *446,147 | - | 447,853 |
| Susan Beadles, General Counsel             |   | 156,163  | -     | - | 1,740 | 157,903 | 30,463 | 156,163  | - | 157,869 |
| Chris Binns, Chief Engineer                | x | 185,000  | 9,250 | - | 1,740 | 195,990 | 18,500 | 182,010  | - | 183,716 |
| Jim Crawford, Chief Programme Officer      |   | 359,040  | -     | - | 1,740 | 360,780 | -      | 359,040  | - | 360,746 |

\* 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

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

\*\*\*\* total remuneration for 2020/21 also includes benefits in kind as reported in last year's Statement of Accounts

s salary sacrificed for Cycle to Work scheme of £3,077 (2020/21 £nil)  
t changed role in 2021/22  
u entered service 21 February 2022  
v salary sacrificed for pension of £8,437 (2020/21 £8,439)  
w entered service 19 January 2022  
x performance-related pay disclosed relates to retention payment

| Name  | Notes | Salary<br>(including fees<br>& allowances)<br>2021/22<br>audited | Performance-<br>related pay<br>and retention<br>payments paid<br>in the year<br>2021/22<br>audited** | Compensation<br>for loss of<br>employment<br>2021/22<br>audited | Benefits in kind<br>2021/22<br>audited | Total<br>remuneration<br>excluding<br>pension<br>contributions<br>2021/22<br>audited | Employer's<br>contribution<br>to pension<br>2021/22<br>audited*** | Salary<br>(including fees<br>& allowances)<br>2020/21<br>audited | Performance-<br>related pay<br>and retention<br>payments paid<br>in the year<br>2020/21<br>audited** | Total<br>remuneration<br>excluding<br>pension<br>contributions<br>2020/21<br>audited**** |
|---|-------|--|--|---|--|--|---|--|--|--|
| Stacey Kalita, Finance Director   | y     | 131,783  | -  | -   | 784                                    | 132,567  | 18,871  | 100,700  | -  | 101,469  |
| Rachel McLean, Chief Finance Officer, Crossrail & Divisional Finance Director, London Underground | z     | 234,072  | 23,300   | -   | 2,227                                  | 259,599  | 46,474  | 233,000  | 11,650   | 246,836  |
| Andy Weber, Delivery Construction Manager   | aa    | 150,958  | -  | -   | 784                                    | 151,742  | 15,113  | 150,395  | -  | 151,164  |
| <b>Former Employees</b>   |       |  |  |   |  |  |   |  |  |  |
| Carole Bardell-Wise, Health, Safety, Quality and Environment Director, Crossrail                  | ab    | 136,284  | 18,000   | 76,097  | 1,311                                  | 231,692  | 13,500  | 180,639  | 18,000   | 200,345  |
| Mike Brown MVO, Commissioner  | ac    | -  | 168,006  | -   | -                                      | 168,006  | -   | *146,600   | -  | 147,231  |
| Michèle Dix, Managing Director, Crossrail 2   | ad    | *88,504  | 36,784   | -   | 907                                    | 126,195  | -   | *169,027   | -  | 170,733  |
| Vernon Everitt, Managing Director, Customers, Communication and Technology                        | ae    | 200,294  | 71,180   | 352,697   | 1,866                                  | 626,037  | -   | 243,003  | -  | 245,189  |
| Antony King, Group Finance Director   | af    | *36,698  | 36,000   | -   | 296                                    | 72,994   | -   | *230,542   | -  | 232,248  |
| Chris MacLeod, Customer Director  | ag    | *51,711  | 31,185   | -   | -                                      | 82,896   | -   | *207,411   | -  | 207,411  |
| Caroline Sheridan, Director of TfL Engineering & Asset Strategy                                   | ah    | 76,932   | 22,240   | -   | 344                                    | 99,516   | 17,675  | 166,240  | -  | 167,009  |
| Brian Woodhead, Director of Customer Service  | ai    | *40,495  | 40,560   | -   | 325                                    | 81,380   | -   | *230,542   | -  | 232,248  |

\* 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

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

\*\*\*\* total remuneration for 2020/21 also includes benefits in kind as reported in last year's Statement of Accounts

y changed role in 2021/22

z performance related pay disclosed relates to retention payment

aa salary sacrificed for Cycle to Work scheme of £167 (2020/21 £234) and childcare vouchers of £nil (2020/21 £496)

ab left service 31 December 2021. Performance-related pay disclosed relates to retention payment

ac left service 10 July 2020

ad left service 8 October 2021

ae left service 26 January 2022

af left service 28 May 2021

ag left service 30 June 2021

ah left service 3 September 2021

ai left service 3 June 2021

## Appendix 3

### Severance payments (audited)

We have also published the number and cost of compulsory and voluntary severance termination packages agreed during the year. This is in line with the Code and our policy on severance can be seen on page 65.

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 2022<br>audited (number) | Group 2022<br>audited (£m) | Corporation 2022<br>audited (number) | Corporation 2022<br>audited (£m) | Group 2021<br>audited (number) | Group 2021<br>audited (£m) | Corporation 2021<br>audited (number) | Corporation 2021<br>audited (£m) |
|---|--------------------------------|----------------------------|--------------------------------------|----------------------------------|--------------------------------|----------------------------|--------------------------------------|----------------------------------|
| <b>Non-compulsory exit packages (£)</b>   |                                |                            |                                      |                                  |                                |                            |                                      |                                  |
| 0 - 20,000                                | 26                             | 0.3                        | 1                                    | -                                | 15                             | 0.2                        | 4                                    | -                                |
| 20,001 - 40,000                           | 66                             | 2.0                        | 4                                    | 0.1                              | 18                             | 0.6                        | 4                                    | 0.1                              |
| 40,001 - 60,000                           | 96                             | 4.8                        | 8                                    | 0.4                              | 11                             | 0.5                        | 7                                    | 0.4                              |
| 60,001 - 80,000                           | 30                             | 2.0                        | 6                                    | 0.4                              | 8                              | 0.5                        | 4                                    | 0.3                              |
| 80,001 - 100,000                          | 8                              | 0.7                        | 2                                    | 0.2                              | 17                             | 1.5                        | 14                                   | 1.2                              |
| 100,001 - 150,000                         | 9                              | 1.1                        | 5                                    | 0.6                              | 16                             | 2.0                        | 11                                   | 1.3                              |
| 150,001 - 200,000                         | 3                              | 0.5                        | -                                    | -                                | 4                              | 0.7                        | 3                                    | 0.5                              |
| 200,001 - 250,000                         | 2                              | 0.4                        | 1                                    | 0.2                              | 1                              | 0.2                        | 1                                    | 0.2                              |
| 250,001 - 300,000                         | 1                              | 0.3                        | 1                                    | 0.3                              | -                              | -                          | -                                    | -                                |
| 350,001 - 400,000                         | 1                              | 0.4                        | 1                                    | 0.4                              | -                              | -                          | -                                    | -                                |
| <b>Total non-compulsory exit packages</b> | <b>242</b>                     | <b>12.5</b>                | <b>29</b>                            | <b>2.6</b>                       | <b>90</b>                      | <b>6.2</b>                 | <b>48</b>                            | <b>4.0</b>                       |
| <b>Compulsory exit packages (£)</b>       |                                |                            |                                      |                                  |                                |                            |                                      |                                  |
| 0 - 20,000                                | -                              | -                          | -                                    | -                                | 2                              | -                          | -                                    | -                                |
| <b>Total</b>                              | <b>242</b>                     | <b>12.5</b>                | <b>29</b>                            | <b>2.6</b>                       | <b>92</b>                      | <b>6.2</b>                 | <b>48</b>                            | <b>4.0</b>                       |

## Appendix 4

Representation of equalities groups at different pay levels as at 31 March 2022, excluding Crossrail and our apprentices (this is not subject to audit)

|                                  | <£30,000     |    | £30,001 to £40,000 |    | £40,001 to £50,000 |    | £50,001 to £60,000 |    | £60,001 to £70,000 |    | £70,001 to £80,000 |    | £80,001 to £90,000 |    | £90,001 to £100,000 |    | >£100,000  |    |
|----------------------------------|--------------|----|--------------------|----|--------------------|----|--------------------|----|--------------------|----|--------------------|----|--------------------|----|---------------------|----|------------|----|
|                                  | No           | %  | No                 | %  | No                 | %  | No                 | %  | No                 | %  | No                 | %  | No                 | %  | No                  | %  | No         | %  |
| <b>Gender</b>                    |              |    |                    |    |                    |    |                    |    |                    |    |                    |    |                    |    |                     |    |            |    |
| Female                           | 484          | 39 | 1,995              | 34 | 1,003              | 28 | 1,743              | 20 | 574                | 16 | 268                | 14 | 95                 | 18 | 41                  | 20 | 43         | 28 |
| Male                             | 761          | 61 | 3,814              | 66 | 2,557              | 72 | 6,929              | 80 | 2,976              | 84 | 1,592              | 86 | 420                | 82 | 164                 | 80 | 108        | 72 |
| <b>Total</b>                     | <b>1,245</b> |    | <b>5,809</b>       |    | <b>3,560</b>       |    | <b>8,672</b>       |    | <b>3,550</b>       |    | <b>1,860</b>       |    | <b>515</b>         |    | <b>205</b>          |    | <b>151</b> |    |
| <b>Ethnicity</b>                 |              |    |                    |    |                    |    |                    |    |                    |    |                    |    |                    |    |                     |    |            |    |
| Black, Asian and minority ethnic | 363          | 29 | 2,366              | 41 | 1,216              | 34 | 2,904              | 34 | 914                | 26 | 407                | 22 | 81                 | 16 | 22                  | 11 | 14         | 9  |
| White                            | 295          | 24 | 2,091              | 36 | 1,905              | 54 | 4,551              | 52 | 2,184              | 61 | 1,234              | 66 | 375                | 73 | 156                 | 76 | 124        | 82 |
| Not stated                       | 587          | 47 | 1,352              | 23 | 439                | 12 | 1,217              | 14 | 452                | 13 | 219                | 12 | 59                 | 11 | 27                  | 13 | 13         | 9  |
| <b>Total</b>                     | <b>1,245</b> |    | <b>5,809</b>       |    | <b>3,560</b>       |    | <b>8,672</b>       |    | <b>3,550</b>       |    | <b>1,860</b>       |    | <b>515</b>         |    | <b>205</b>          |    | <b>151</b> |    |
| <b>Disability status</b>         |              |    |                    |    |                    |    |                    |    |                    |    |                    |    |                    |    |                     |    |            |    |
| Disabled                         | 47           | 4  | 177                | 3  | 106                | 3  | 202                | 2  | 88                 | 3  | 51                 | 3  | 27                 | 5  | 4                   | 2  | 3          | 2  |
| No disability                    | 439          | 35 | 3,159              | 54 | 1,887              | 53 | 4,686              | 54 | 1,849              | 52 | 918                | 49 | 267                | 52 | 128                 | 62 | 110        | 73 |
| Not stated                       | 759          | 61 | 2,473              | 43 | 1,567              | 44 | 3,784              | 44 | 1,613              | 45 | 891                | 48 | 221                | 43 | 73                  | 36 | 38         | 25 |
| <b>Total</b>                     | <b>1,245</b> |    | <b>5,809</b>       |    | <b>3,560</b>       |    | <b>8,672</b>       |    | <b>3,550</b>       |    | <b>1,860</b>       |    | <b>515</b>         |    | <b>205</b>          |    | <b>151</b> |    |

## Appendix 5

### Board remuneration for the year ended 31 March 2022 (£)

| Board member                                 | Audited                |
|--|------------------------|
| Sadiq Khan, Chair                            | Not remunerated by TfL |
| Seb Dance, Deputy Chair*                     | Not remunerated by TfL |
| Heidi Alexander**                            | 4,833                  |
| Cllr Julian Bell                             | 18,000                 |
| Kay Carberry CBE                             | 20,000                 |
| Professor Greg Clark CBE                     | 20,000                 |
| Anurag Gupta***                              | 6,953                  |
| Bronwen Handyside                            | 18,000                 |
| Anne McMeel                                  | 20,000                 |
| Dr Mee Ling Ng OBE                           | 20,000                 |
| Dr Nelson Ogunshakin OBE                     | 19,000                 |
| Mark Phillips****                            | 19,247                 |
| Marie Pye***                                 | 6,953                  |
| Dr Nina Skorupska CBE                        | 19,000                 |
| Dr Lynn Sloman MBE****                       | 19,247                 |
| Ben Story                                    | 20,000                 |
| Peter Strachan***                            | 7,726                  |
| <b>Members who have left during the year</b> |                        |
| Ron Kalifa OBE (6 May 2021)                  | 1,973                  |
| Dr Alice Maynard CBE (5 September 2021)      | 7,792                  |

\* Appointed to the Board 1 January 2022

\*\* Stood down as Deputy Mayor and so eligible for remuneration from 24 December 2021

\*\*\* Appointed to the Board 11 November 2021

\*\*\*\* Remuneration increased from 1 January 2022 to reflect Committee and Panel appointments

## Appendix 6

### 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



# 877

members of staff elected as union representatives as at 31 March 2022

### Working hours spent on facility time

| Percentage of time | Number of employees |
|--------------------|---------------------|
| 0                  | -                   |
| 1-50               | 818                 |
| 51-99              | 24                  |
| 100                | 35                  |
| <b>Total</b>       | <b>877</b>          |

We allow representatives paid time off for union duties and meeting these costs represents 0.3 per cent of our total wage bill.

|   |         |
|---|---------|
| Total cost of facility time (£m)                    | 7.1     |
| Total remuneration costs for all TfL employees (£m) | 2,249.4 |
| Percentage of pay bill spent on facility time (%)   | 0.3     |

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

# Statement of Accounts

‘As we continue our recovery from the pandemic, we are maintaining our focus on achieving financial sustainability while delivering the vital services London needs’



**Patrick Doig**  
Statutory Chief Finance Officer



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# Narrative Report and Financial Review

## Overview

Before the pandemic, TfL had been close to reaching financial sustainability in terms of its operational activities, without the need for direct Government grant. Between 2015/16 and 2019/20, we were focused on improving our financial position and resilience. We had reduced the net cost of operations, excluding Government funding, by almost £1bn over that period, and we had increased cash reserves to more than £2bn, giving ourselves a cash buffer that was crucial in being able 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. This support peaked in 2020/21 when we received a total of £2,457m of extraordinary funding grant, in addition to drawing down £600m of additional borrowings and utilising around £800m of our own built-up cash reserves to fund our committed expenditure. In 2021/22, a combination of easing restrictions, leading to recovering income, and ongoing careful cost control enabled us to move to a declining trajectory of extraordinary Government support and we are on track to achieve financial sustainability from an operating activities perspective from April 2023.

During 2021/22, under a series of funding agreements from the Department for Transport (DfT), TfL received extraordinary grant totalling £1,717m (2020/21 £2,457m). On 25 February 2022, a four-month funding settlement with the Government to 24 June 2022, was put in place. It enabled us to continue to operate and maintain essential transport services in London in a safe

way, enabling us also to continue our vital contribution to the economic recovery of the capital and the country as a whole.

The settlement, in line with earlier agreements, confirmed the Government's intention to continue to support with the cost of operations beyond June, as we work our way towards achieving financial sustainability by April 2023. Over the four-month funding period, we received base funding of £200m, as well as the continuation of a revenue top-up mechanism, which reduces the risk around passenger demand being lower than expected. This agreement was subsequently extended to 3 August 2022 in a series of short-term extensions.

On 30 August 2022, the TfL Board approved a long-term 20-month funding settlement with the DfT until 31 March 2024. This 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. We would have to offer reduced service levels and be unable to enter contracts for

new enhancement projects. This, in turn, would mean a failure to deliver on our policy goals of tackling climate change, air quality improvements, reduced congestion, and delivering our Vision Zero ambition for people being 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. It allows TfL to increase renewals in our infrastructure above the level we had budgeted – helping us to protect the critical assets on which Londoners depend. We can also restore a level of expenditure on new capital enhancements, to improve our network, alongside delivering our committed investment, including new Piccadilly line trains and DLR rolling stock, 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 TfL is not expected to solely finance from operating incomes, as is consistent with other transport authorities. This would enable TfL and its supply chain to plan more effectively, improving efficiency and supporting investment in job around the UK. A number of studies, including those commissioned by Government, have estimated that long-term funding can enable cost efficiencies of between 10-30 per cent.

## Organisational overview

### Acting fairly between our stakeholders

TfL is a statutory corporation established by section 154 of the Greater London Authority Act 1999 (GLA Act 1999). It is a functional body of the Greater London Authority (GLA) and reports to the Mayor of London. We focus on promoting the success of the organisation through the delivery of an integrated transport service to Londoners and benefitting all our stakeholders. As a public body our activities and engagement are concentrated on delivering the Mayor's Transport Strategy and the needs of our passengers, our people, the general public, our supply chains and service providers.

Key priorities in the Mayor's Transport Strategy are: creating healthy streets and healthy people, creating a good public transport experience and delivering new homes and jobs (see page 6).

# Narrative Report and Financial Review (continued)

## High standards of business conduct

Our governance and decision-making arrangements ensure we manage the organisation responsibly and effectively and to high standards of business conduct (see Annual Governance Statement on page 207). This includes operating within the requirements of relevant legislation (including Local Authority legislation), as well as understanding our responsibilities to spend public funds efficiently and manage risks effectively. TfL conducts, at least annually, a review of the effectiveness of its governance framework, including the system of internal control, which is reported to the Audit and Assurance Committee. There is also an annual Board Effectiveness Review.

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

We have established a Committee and Panel structure to which we delegate detailed scrutiny of key areas of our responsibilities. We have ensured the TfL Board has the right range and depth of knowledge, skills and experience 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 210 to 214). 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.

## Coronavirus

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

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

- Using long-lasting, hospital-grade cleaning substances that kill viruses and bacteria on contact
- Cleaning key interchanges more frequently throughout the day
- Trialling continuous UV cleaning of escalator handrails
- Wiping down all touch surfaces on buses, such as poles and doors, with strong disinfectant every day
- More than 1,000 hand sanitiser points across the network

- Actively managing demand across the network and promoting travel during quiet times to ensure that those who needed to travel could continue to do so safely

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

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

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

## Likely consequences of decisions in the long term

The Mayor's Transport Strategy sets out plans to transform London's streets, improve public transport and create opportunities for new homes and jobs. We develop our strategy in consultation with our stakeholders, to improve the services

we provide to our passengers. This includes how we engage and work with suppliers, communities, and our people. We have created our new Vision and Values – a bold, long-term vision for the next era for TfL – that sets out our ambitions for the future and outlines what we need to achieve them. We have developed a set of five Roadmaps that chart our next steps towards becoming London's strong, green heartbeat. These Roadmaps are:

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

## Interests of the Group's employees

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

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.

# Narrative Report and Financial Review (continued)

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

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

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

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

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

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

## Streamlined Energy & Carbon Reporting 2021/22

| Description                            | Amounts       | Units  | 2021/22 comparison |
|--|---------------|--------|--------------------|
| Total Electricity consumption          | 1,542,260,719 | kWh    | 1,464,725,952      |
| Total Gas consumption                  | 80,574,572    | kWh    | 89,969,770         |
| Total Fuel for company fleet           | 1,510,631     | litres | 1,489,042          |
| Purchased District Heating and Cooling | 4,076,143     | kWh    | 3,298,494          |

| Emissions Breakdown  | Amounts        | Units                   | Conversion factor (kgCO <sub>2</sub> e) |
|--|----------------|-------------------------|---|
| Scope 1<br>Emissions from combustion of gas  | 14,758         | tCO <sub>2</sub> e      | 0.18316 (natural gas)                   |
| Scope 1<br>Emissions from combustion of fuel for transport purposes                                      | 3,751          | tCO <sub>2</sub> e      | 2.51233 (diesel)<br>2.19352 (petrol)    |
| Scope 2<br>Emissions from purchased electricity  | 327,468        | tCO <sub>2</sub> e      | 0.21223 (UK grid electricity)           |
|  |                |                         | 0.1983 (district heating)               |
| Scope 2<br>Emissions from purchased heating and cooling  | 540            | tCO <sub>2</sub> e      | 0.0517 (district coolth)                |
| <b>Total Gross CO<sub>2</sub>e based on the above</b>  | <b>346,517</b> | <b>tCO<sub>2</sub>e</b> |   |
| <b>Total Gross CO<sub>2</sub>e including energy/fuel purchased by public transport service operators</b> | <b>831,624</b> | <b>tCO<sub>2</sub>e</b> |   |

| Intensity metric  | Amounts    | Units  |
|-------------------|------------|--|
| Operated train km | 93,672,854 | 3.7kgCO <sub>2</sub> e/<br>operated train km |
| Average headcount | 25,048     | 13.8tCO <sub>2</sub> e/<br>employee          |

## Reporting methodology

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

## Energy efficiency action

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

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

# Narrative Report and Financial Review (continued)

## Fostering business relationships with suppliers, customers and others

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

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

## Financial review

### Summary of financial performance for the TfL Group

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

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

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

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

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

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

## Funding sources

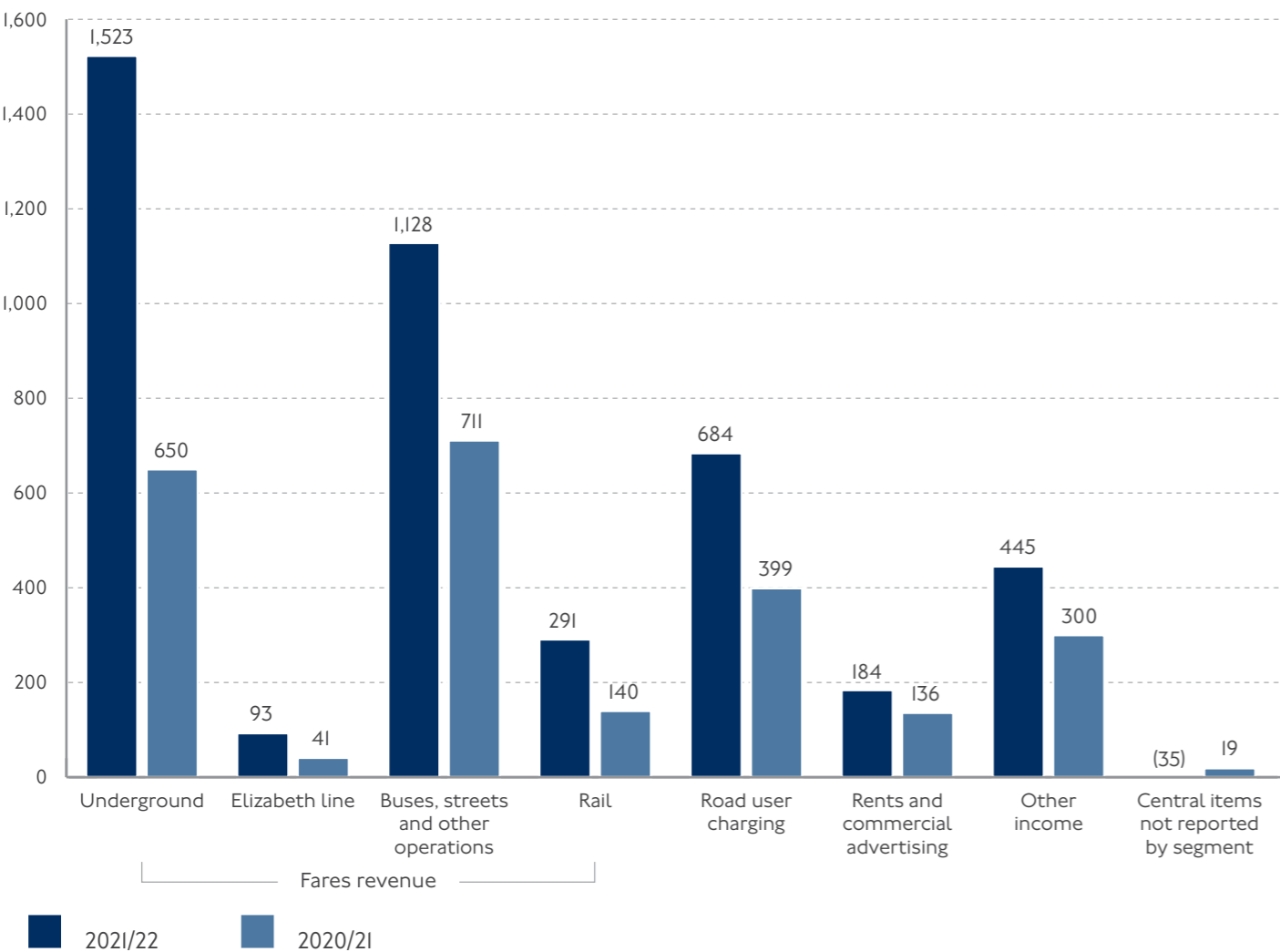
Our activities are funded from four main sources:

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

TfL's Business Plan is financially balanced over the medium term, with planned funding sources sufficient to meet planned expenditure. Short-term timing differences between expenditure and funding are managed through transfers to or from our cash reserves. Work remains ongoing within TfL and through discussions with the DfT to determine how previously planned activity and funding plans will need to change to ensure that we are able to continue to balance our Business Plans and Budgets in a post-coronavirus operating environment.

# Narrative Report and Financial Review (continued)

## Gross income (£m)

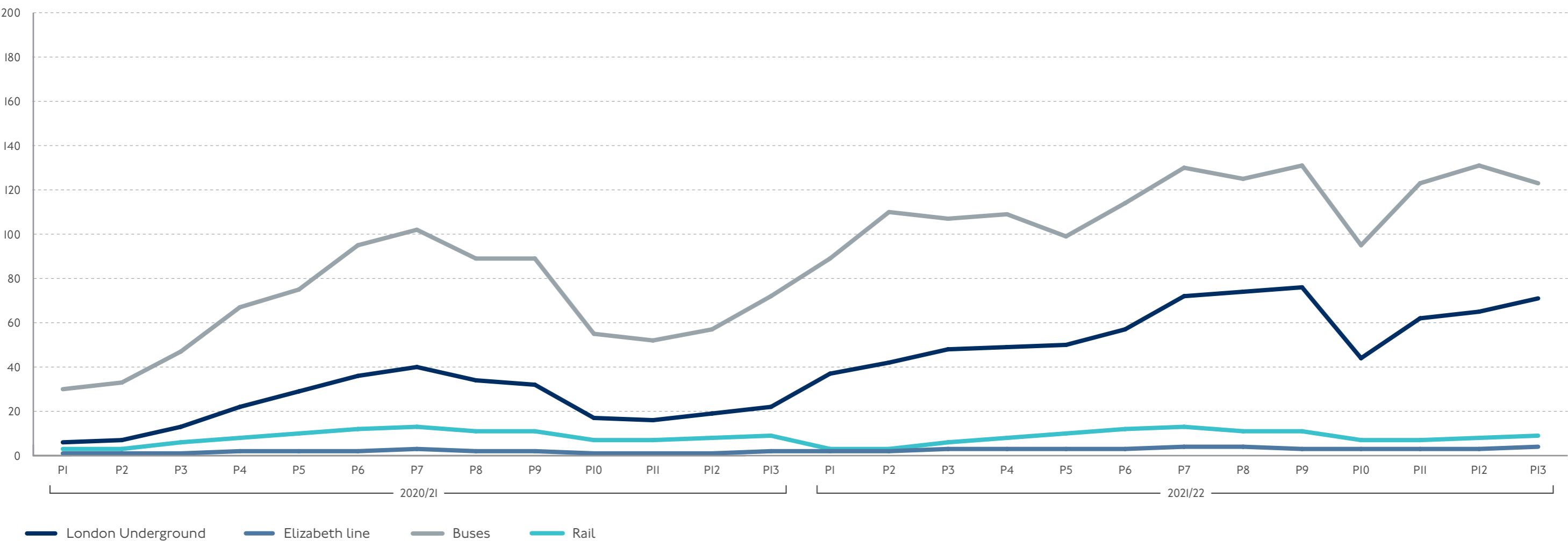


Total gross income increased by 80 per cent from £2,396m in 2020/21 to £4,313m in 2021/22, reflecting the reduction in pandemic-related restrictions, meaning that customers have been freer to travel and to use our services.

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

# Narrative Report and Financial Review (continued)

Passenger journeys per period (millions)

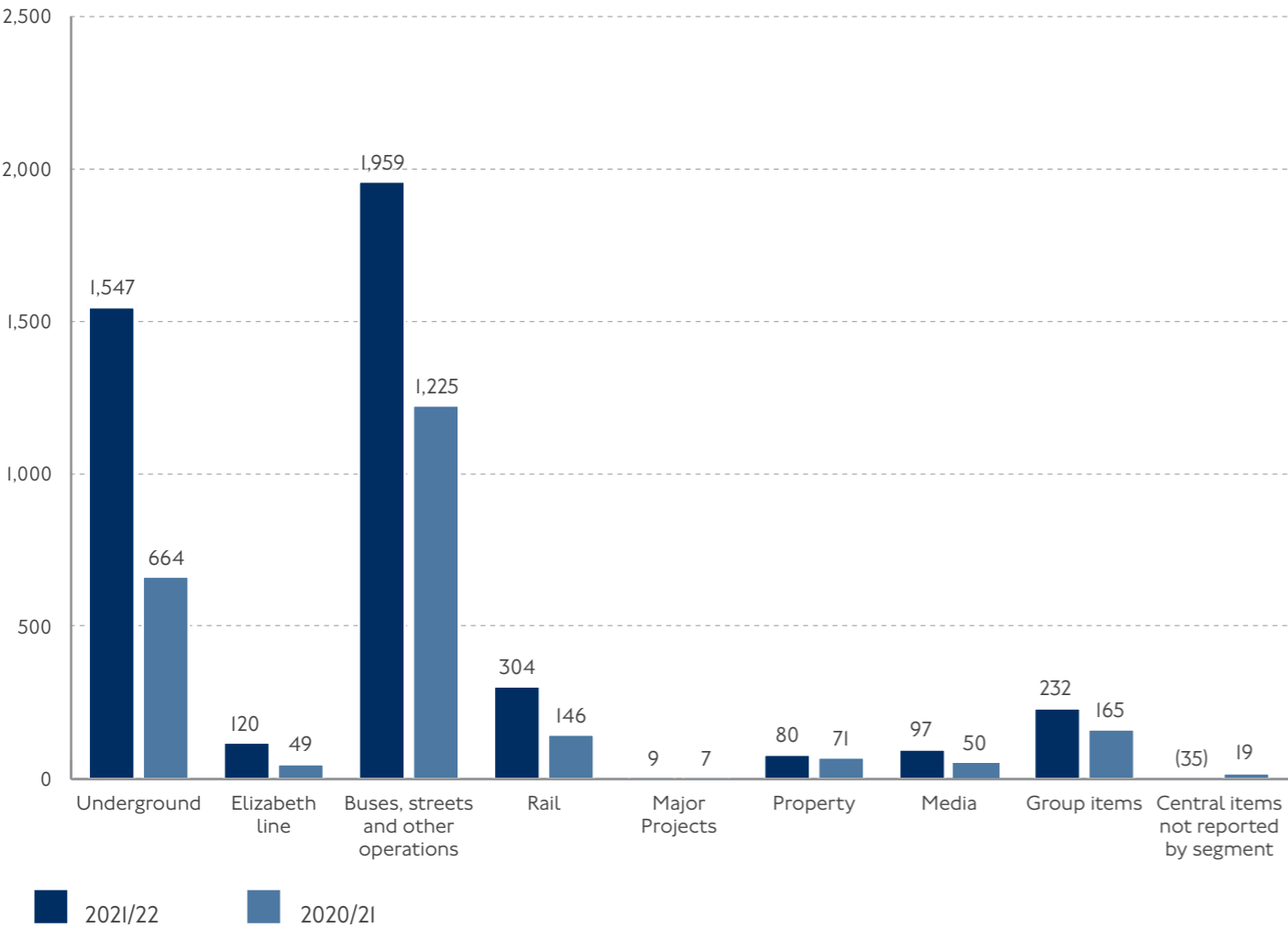


As well as the increase in passenger journeys, passenger revenues also reflect the fares price increases that came into effect in March 2021. TfL fares decisions are taken annually by the Mayor who, following five years of fare freezes, increased overall fares from 1 March 2021 by 2.6 per cent (RPI plus one per cent). This was a condition of the funding agreement

with the Government in October 2020. The 1 June 2021 funding agreement included a commitment that TfL will continue with its existing plan to increase fares, under the Mayor's control, by an average of 4.8 per cent (again reflecting RPI plus one per cent). The implementation date has since been agreed to be from March 2022.

# Narrative Report and Financial Review (continued)

Total gross income by operating division (£m)



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

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

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

Road user charging income, at £684m, was £285m higher than 2020/21 levels. Congestion Charge revenues for the full year increased from £316m in 2020/21 to £423m in 2021/22. In December 2021, we confirmed some permanent changes to the Congestion Charge to help reduce traffic and congestion in central London. This followed an extensive public consultation that saw nearly 10,000 responses. Since February 2022, there are no charges in the evenings after 18:00, and operating hours on weekends and bank holidays have been reduced to 12:00-18:00. The increased charge level of £15 has been retained.

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

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

# Narrative Report and Financial Review (continued)

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

Within the other divisions, Media saw a 94 per cent increase in revenues to £97m in 2021/22 as passengers returned to our services and confidence in the advertising industry strengthened and Major projects increased from £7m to £9m.

Income from Group items relates to a variety of activities, including taxi and private hire licensing, estates management and travelcard administration.

## Government grants and other funding

In 2021/22, TfL received short-term funding deals from the Government to support the running of our operations following the dramatic fall in our fares. The DfT contributed revenue grant funding totalling £1,717m to TfL in 2021/22 (2020/21 £2,457m) under a number of Extraordinary Funding and Financing Agreements. In addition, TfL continued to receive funding from the GLA as part of local authority devolved arrangements. The Mayor retains a share of London's business rates and then allocates a proportion of this to TfL as a resource grant.

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

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

## Prudential borrowing

### Movement in borrowing during 2021/22 (£m)

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

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

In addition to these sources of financing, other sources include Private Finance Initiative (PFI) contracts (note 28 to the accounts) and other leasing arrangements, which are discussed in more detail in note 15 to the financial statements.

# Narrative Report and Financial Review (continued)

## Uses of funding

### Gross expenditure

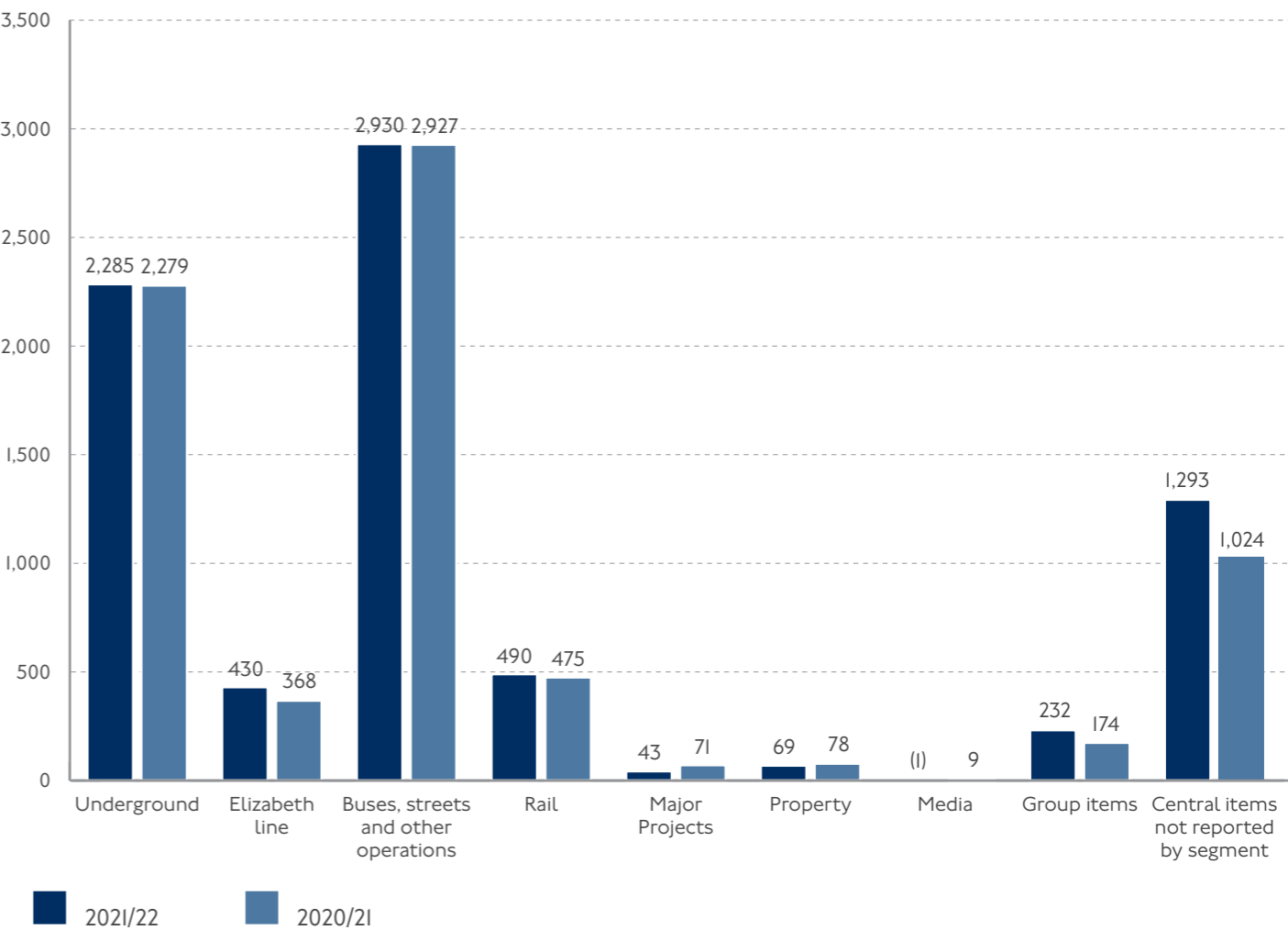
Gross expenditure, which includes day-to-day operating costs as reported to management (see note 2 to the financial statements) and central items not reported on a segmental basis (including depreciation and amortisation) increased by five per cent from £7,405m in 2020/21 to £7,771m in 2021/22. Excluding accounting policy adjustments, expenditure increased by 1.5 per cent from £6,381m to £6,478m.

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

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

|   | 2021/22        | 2020/21        |
|---|----------------|----------------|
| <b>Cost of operations as per internal management reports</b>                      | <b>(6,478)</b> | <b>(6,381)</b> |
| Adjust for one-off items incurred   | 35             | 177            |
| Adjust for investment programme operating costs included in operating expenditure | 157            | 255            |
| Adjust for Elizabeth line direct operating costs                                  | 422            | 337            |
| Adjust for other new services   | 85             | 9              |
| Adjust for one-off coronavirus savings  | -              | (126)          |
| <b>Cost of operations (like-for-like basis)</b>                                   | <b>(5,779)</b> | <b>(5,729)</b> |
| <b>Year-on-year increase</b>  | <b>(50)</b>    |                |
| <b>Year-on-year percentage increase</b>   | <b>0.9%</b>    |                |

### Gross expenditure by operating division (£m)\*



On the Underground, costs increased marginally by £6m (0.3 per cent) in the year, reflecting a continued emphasis on driving down costs while maintaining a safe and reliable network, as well as savings derived from lower indirect overheads allocated to the division.

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

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

## Narrative Report and Financial Review (continued)

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

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

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

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

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

As set out in note 2, central items not reported on a segmental basis represent charges not included in internal management reporting. The most significant line item within this balance comprises depreciation, amortisation and impairment charges recognised in relation to property, plant and equipment and intangible assets. The total of these charges increased from £1,351m in 2020/21 to £1,410m in 2021/22. This category also absorbs the difference between the accounting methodologies used in the statutory versus the management accounts. The most significant of these relate to the treatment of defined-benefit pension schemes, and to the treatment of former operating lease payable arrangements. In our management accounts the costs of these items are recognised within operating expenditure based on cash flows, whereas in the statutory financial statements, as set out in the Accounting Policies notes to the accounts, IFRS 16 Leases and IAS 19 Employee Benefits are applied.

### **Net interest and finance income/charges**

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

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

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

Interest payable on borrowings was offset, to a degree, by the amount of interest capitalised into the cost of qualifying property, plant and equipment. Interest capitalised in 2021/22 totalled £115m (£90m in 2020/21).

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

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

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

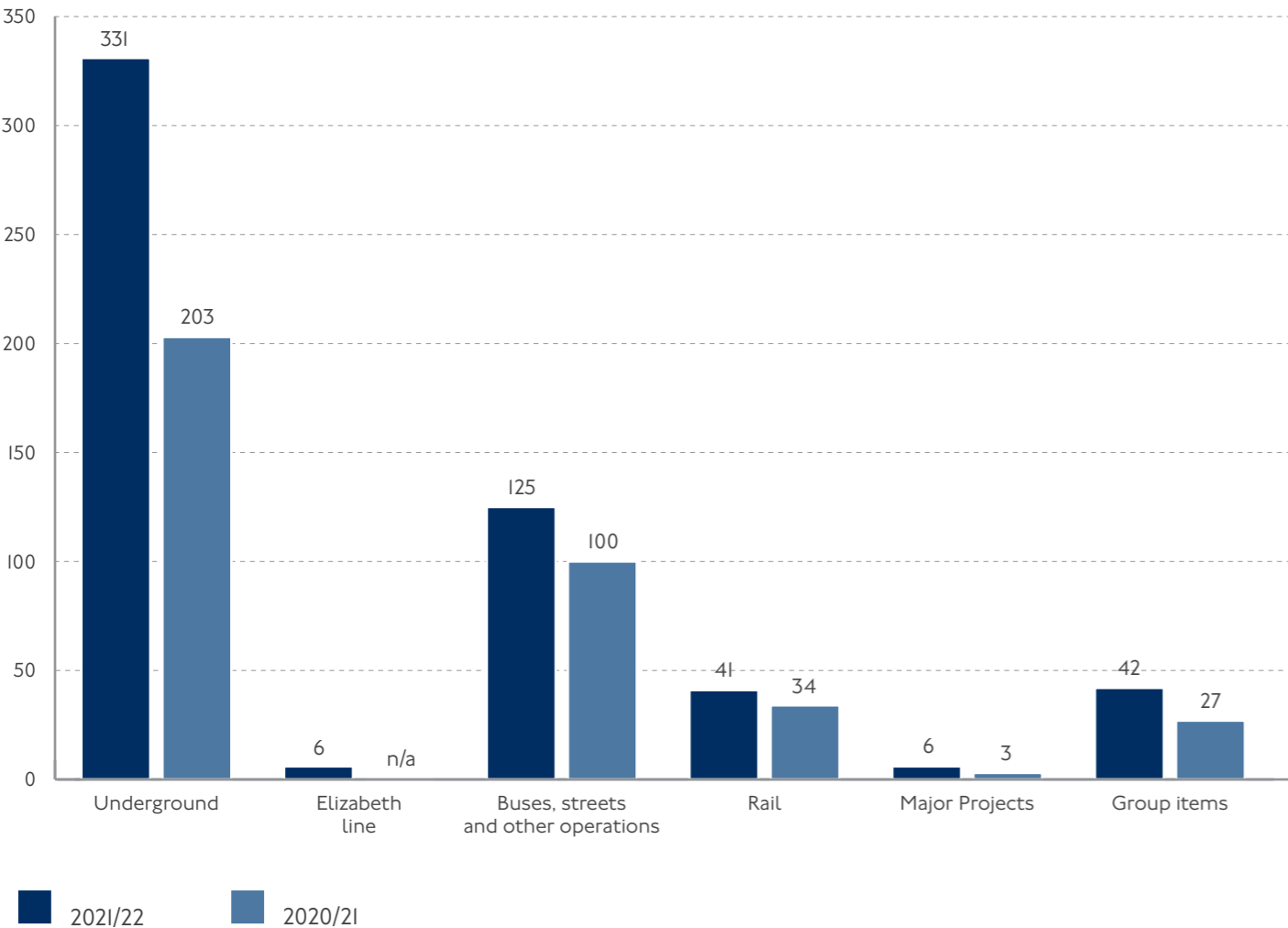
Investment returns on cash and other investment balances fell during the year, from £7m in the prior year to £3m in 2021/22, reflecting both lower average cash balances during the year, and lower rates of return.

### **Capital expenditure**

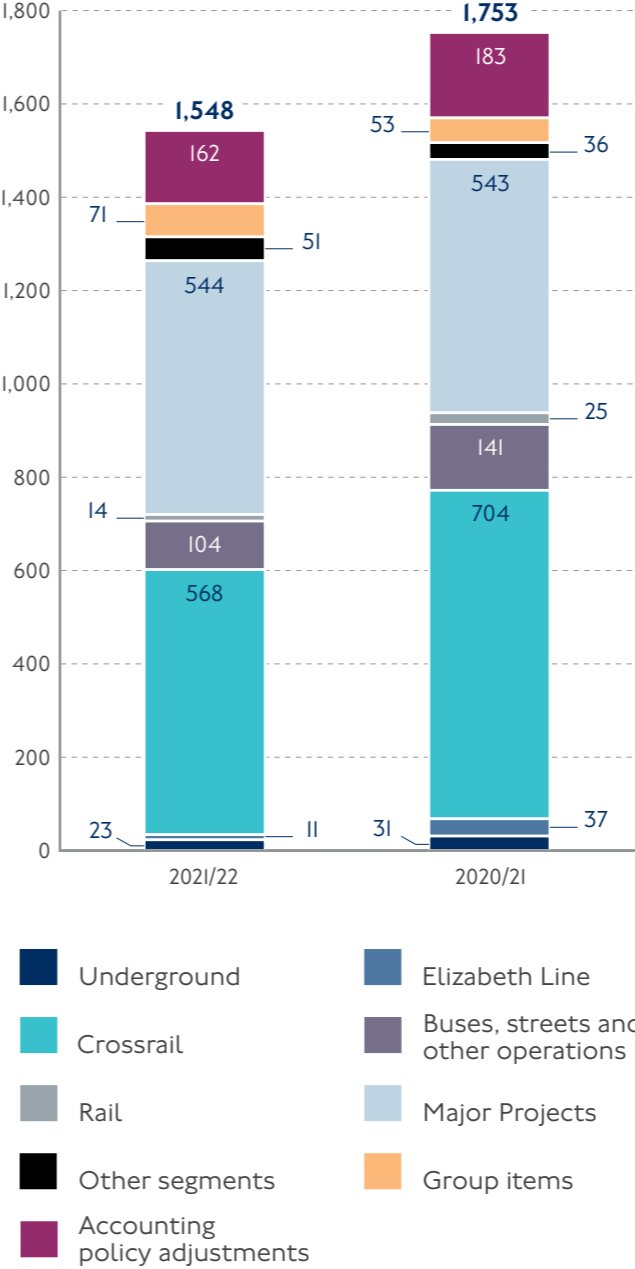
Total Group capital expenditure for the year, including Crossrail, totalled £2,099m (2020/21 £2,120m). Non-Crossrail related expenditure totalled £1,441m (2020/21 £1,416m). Within this total £551m was spent on capital renewals (2020/21 £367m) and £890m (2020/21 £1,049m) was spent on new capital investment.

# Narrative Report and Financial Review (continued)

Capital renewals by business area (£m)



New capital investment by business area (£m)



## Narrative Report and Financial Review (continued)

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

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

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

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

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

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

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

We are continuing to upgrade key components of our Connect radio system and are now focusing on rolling out new radio hardware base-stations which will enable the Connect system to function into the 2030s. We have delivered Critical Incident Management functionality at 62 stations, enabling us to remotely control and evacuate a station in the event of a critical incident, and upgraded our CCTV at 75 stations. To tackle fare evasion, we have continued work to enable us to target fare evasion more effectively, which has directly contributed to the identification and prosecution of fare evaders.

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

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

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

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

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

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

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

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

## Narrative Report and Financial Review (continued)

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

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

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

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

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

There was £29m spent on Barking Riverside Extension, a London Overground extension between Gospel Oak and Barking to serve a new station at Barking Riverside, which is the largest housing development in east London, with planning permission for up to 10,800 new homes. Delivery of the physical works is well advanced, with the installation of track on the viaduct completed as planned in October 2021.

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

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

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

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

## Narrative Report and Financial Review (continued)

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

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

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

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

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

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

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

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

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

### Cash and investments

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

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

The average yield from TfL's cash investments for 2021/22 was 0.10 per cent, down from 0.12 per cent in 2020/21. The low investment yield reflects the low interest rates environment and the conservative nature of TfL's investment strategy. Earmarked reserves for TfL's future investment programme, including the Crossrail project, at 31 March 2022 amount to £156m.

### Treasury risk management

In March 2021, the Board approved TfL's Treasury Management Strategy (TMS) for 2021/22 and its treasury policies. The strategy and policies have regard to the principles of the Code of Practice and Cross-Sectoral Guidance Notes for Treasury Management in the Public Services (2017 Edition) and to the Prudential Code for Capital Finance in Local Authorities (2017 Edition), both issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). CIPFA published a revision to these two Codes of Practice in December 2021, which are to be fully implemented for the 2023/24 financial year. The revisions include additional disclosure requirements for investment categories and new indicators, which will be incorporated into TfL's TMS and treasury policies, as appropriate, in due course. TfL's TMS and treasury policies also have regard to the Statutory Guidance on Local Authority Investments issued by the Ministry of Housing, Communities and Local Government (as was), and last updated in February 2018.

# Narrative Report and Financial Review (continued)

Senior management directly control day-to-day treasury operations. The Finance Committee (a committee of the TfL Board) is the primary forum for discussing the annual TMS, policy matters and for submitting proposals to the Board. From 2021/22 the approval of TfL's treasury strategy and policies was delegated from the Board to the Finance Committee.

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

Senior management continually monitor the Group's overall exposure to currency, inflation and interest rates as they affect its operating and commercial activities, as well as its financing activities (financial costs and investment returns on cash balances). TfL's objective under the 2021/22 borrowing strategy was to manage its borrowings in a manner that is affordable, sustainable and prudent, and combines value for money, flexibility, security of access to funds, and diversity of funding sources. TfL's investment strategy continues to reflect a low-risk appetite consistent with the good stewardship of public funds and prioritises security and liquidity over yield.

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

## Counterparty credit

The Group's exposure to credit-related losses, i.e. non-performance by counterparties on financial instruments, is mitigated by setting a minimum required credit rating and applying financial limits based on credit ratings. For 2021/22, TfL continued to follow a conservative investment strategy, investing in: the UK Government and its executive agency, the UK Debt Management Office (DMO); selected financial institutions with high (investment grade) credit ratings; selected supranational or sub-sovereign agencies; selected Money Market Funds; highly rated corporates; and other highly rated sovereign governments. In addition to Sterling investments, TfL had investments in Euros, which were swapped back into Sterling as a matter of course. The amounts that can be invested with the UK Government and the UK DMO were not limited, while amounts invested with other institutions were based on their credit rating. Investments outstanding at 31 March 2022 were with counterparties with credit ratings of P-1/A-1 or higher. Credit ratings are obtained from the three main rating agencies and are kept under review on an ongoing basis.

## Funding and liquidity

In the year to 31 March 2022, primary funding sources comprised passenger fares income, other income including commercial activity and Road User Charging, grant income (including extraordinary grant from the DfT and TfL's share of London's Business Rates) and cash reserves as well as Prudential Borrowing within approved Mayoral and Government affordable debt limits. By harnessing the assortment of funding sources available to TfL, liquidity risk is primarily managed by maintaining a minimum level of cash reserves of at least 60 days' worth of forecast annual operating expenditure, equivalent to approximately £1.2bn.

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

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

## Foreign exchange rates

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

## Interest rates

The proportion of fixed-rate borrowings at 31 March 2022 was 91.3 per cent; the remaining 8.7 per cent constituted PWLB floating rate loans and Commercial Paper borrowing, which, although it has fixed rates of interest, in practice behaves more like floating rate debt if used on a rolling basis.

## Pensions

As at 31 March 2022, the majority of TfL's employees were members of the TfL Pension Fund. The Public Sector Section's deficit decreased from £5,372m at the start of the year to £2,997m at the end of the year, as a result of a change in the financial assumptions adopted. The increase in gilt yields decreased the liabilities over the accounting period. This was partially offset by an increase in expected inflation.

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

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

## Narrative Report and Financial Review (continued)

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

### **Prospects, outlook, and principal risks** **Viability statement**

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

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

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

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

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

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

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

On 25 February 2022, a funding arrangement was agreed covering the period to 24 June 2022. This provided TfL with a further £200m of base funding support in the first quarter of 2022/23, as well as continued revenue guarantee to the DfT's revenue scenario. This arrangement was extended in a series of short-term extensions to 3 August 2022.

On 30 August 2022, a long-term 20-month funding settlement was agreed with the DfT until 31 March 2024. Further details of the features and conditions are set out in the going concern section of our Accounting Policies.

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

However, at the time of preparation, without any certainty on future capital funding support from Government, the TfL Budget had to assume no capital funding is provided from April 2023. Therefore, while the TfL Budget shows the organisation can be financially sustainable without additional funding from April 2023, it delivers very different outcomes to the recommended 'Decarbonise by 2030' scenario outlined in the Financial Sustainability Plan (FSP). The 'Decarbonise by 2030' plan would have delivered significant benefits for London and the UK economy, whereas the current TfL Budget is

based on an approach of 'managed decline' – deteriorating asset conditions, no new enhancement schemes, and very significant service reductions, which specifically entails an 18 per cent reduction of the bus network, and a nine per cent reduction on the Underground.

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

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

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

# Narrative Report and Financial Review (continued)

## Passenger income

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

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

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

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

- I. Apply an all-day peak fare for London Underground journeys between Zone 1 and Heathrow on the Piccadilly line

2. Explore the option to withdraw from the Travelcard Agreement
3. Make permanent the start time of 09:00 for free travel on TfL services available to holders of the 60+ photocard and the older person's Freedom Pass
4. Increase the age of eligibility for the 60+ concession

## Commercial Development activity

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

## Other income sources

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

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

## Operating expenditure

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

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

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

## Service levels

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

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

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

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

They are also likely to be commercially inefficient and require very substantial internal resource to implement. The Funding Settlement secured on 30 August 2022 enables these deeper service reductions to be avoided.

## 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.

## Narrative Report and Financial Review (continued)

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

TfL's June 2021 Extraordinary Funding and Financing Agreement contained a requirement from Government for us to carry out a review of the TfL pension scheme. The decision was taken that this review would be conducted independently, to be led by Sir Brendan Barber. An interim report was published in December 2021, which was followed by a Final Report in March 2022. The Funding Settlement on 30 August 2022 sets out further steps for the review of pensions.

### Renewals

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

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

### Enhancements

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

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

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

### Long-term funding

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

Although TfL has now secured a longer-term funding settlement on 30 August, this does not present the genuine long-term funding agreement required to maximise efficiency in the delivery of the capital programme. TfL continues to seek a longer-term funding arrangement for capital.

# Narrative Report and Financial Review (continued)

## Enterprise Risk Management Framework



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

The risk hierarchy shown below will be updated to reflect the new TfL organisational structure. The update will take place following the informal risk discussion session with the Board and Executive Committee on 4 May 2022.

Additionally, TfL's current 14 Enterprise risks and risk appetite will be reconsidered to reflect the key challenges cited by the Executive Committee and Board members. We are also looking to align the Enterprise risks to TfL's Vision and Values roadmaps.

## Principal risks

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

TfL's Executive Committee reviews and discusses enterprise risks quarterly, once a full assessment of each enterprise risk is carried out. The Audit and Assurance Committee is updated on key risk management activities every quarter and reviews the effectiveness of the risk process at least annually.

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

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

# Narrative Report and Financial Review (continued)

## Risks mapped to key mitigations for the current Enterprise

| Risk | Title  | Mitigations  |
|------|--|--|
| ER01 | Major Safety, Health or Environmental incident or crisis | <ul style="list-style-type: none"> <li>• Improvements to the Safety, Health and Environment Management System</li> <li>• Contracts and Regulations</li> <li>• Policies and Programmes</li> <li>• Monitoring and benefits realisation</li> <li>• Strategies and targets that promote active, efficient and sustainable transport modes</li> </ul> |
| ER02 | Attraction, retention and wellbeing of our employees     | <ul style="list-style-type: none"> <li>• Annual People Planning activity</li> <li>• Wellbeing Interventions</li> <li>• Talent Management</li> <li>• Reward Management</li> <li>• Critical role identification</li> </ul>   |
| ER03 | Major service disruption                                 | <ul style="list-style-type: none"> <li>• Maintenance and renewals programmes</li> <li>• Weather plans</li> <li>• Operational and asset incident management</li> <li>• Operational resilience</li> <li>• Supplier management</li> <li>• Readiness review for major investments</li> <li>• 24/7 response with 'command and control'</li> </ul>     |
| ER04 | Major security incident                                  | <ul style="list-style-type: none"> <li>• Security strategy, governance, and culture</li> <li>• Threat intelligence and security liaison</li> <li>• Security risk management systems</li> <li>• Security incident preparedness</li> <li>• TfL whistleblowing policy</li> <li>• Cyber security</li> </ul>  |
| ER05 | Supply chain disruption                                  | <ul style="list-style-type: none"> <li>• Risk and issues register</li> <li>• High-risk supplier contingency plans</li> <li>• Regular communication with suppliers</li> <li>• Financial monitoring</li> <li>• Individual action plans</li> </ul>  |
| ER06 | Loss of stakeholder trust                                | <ul style="list-style-type: none"> <li>• Media monitoring and management</li> <li>• Election planning and political monitoring</li> <li>• Engagement programme</li> <li>• Active strategy to build consensus and alliances</li> <li>• Delivering funding campaign</li> <li>• Working with Stakeholders</li> </ul>                                |

| Risk | Title  | Mitigations  |
|------|--|--|
| ER08 | Delivery of TfL key investment programmes and projects | <ul style="list-style-type: none"> <li>• Project Management Office operating model</li> <li>• Capital Improvement Group (CIG)</li> <li>• Capital Efficiencies Plan (CEP)</li> <li>• Central project list and baseline</li> </ul>   |
| ER09 | Changes in customer demand                             | <ul style="list-style-type: none"> <li>• Scenario and risk-based planning</li> <li>• Business planning and budgeting</li> <li>• Transport Innovation</li> <li>• Forecasting methods</li> </ul>   |
| ER10 | Inability to support new ways of working               | <ul style="list-style-type: none"> <li>• New ways of working steering group</li> <li>• Technology improvements, including asset refresh, roll out of Windows 10/Evergreen and training</li> <li>• Staff support, support for managers</li> </ul>                           |
| ER11 | Disparity leading to unequal or unfair outcomes        | <ul style="list-style-type: none"> <li>• Action on inclusion strategy</li> <li>• Inclusive design framework and programme</li> <li>• Equality impact assessments</li> <li>• Stakeholder engagement</li> <li>• Local community engagement and consultation</li> </ul>       |
| ER12 | Asset condition unable to support TfL outcomes         | <ul style="list-style-type: none"> <li>• Asset inspections and monitoring</li> <li>• Asset maintenance regimes</li> <li>• Asset renewals</li> <li>• Renewals, maintenance and technical assurance</li> <li>• Information analysis and risk assessment</li> </ul>           |
| ER13 | Governance and controls suitability                    | <ul style="list-style-type: none"> <li>• Standing orders</li> <li>• Governance framework and management system</li> <li>• Integrated assurance plan</li> <li>• Privacy and Data Protection compliance programme</li> <li>• Enterprise Risk Management Framework</li> </ul> |
| ER14 | Opening of the Elizabeth line                          | <ul style="list-style-type: none"> <li>• TfL Board oversight via Elizabeth Line Committee</li> <li>• Delivery management</li> <li>• Funding compliance</li> <li>• Critical resources management</li> <li>• Main contractor liaison</li> </ul>                              |

# Narrative Report and Financial Review (continued)

## Climate change risk

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

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

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

This is a medium-term programme over several years that is being supplemented by collaborative projects by universities and outside groups to highlight the impacts of extreme weather on our operations. This information helps make climate change adaptation a priority in our decision making.

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

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

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

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

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

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

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

For 2021/22 a new audit partner, Janet Dawson, was appointed before the beginning of the financial year. TfL's Audit and Assurance Committee, through the use of questionnaires and reports, formally reviews the performance of the external auditors at least annually against the four criteria of:

- Qualification
- Expertise and resources
- Effectiveness
- Independence

The Audit and Assurance Committee remains satisfied with the quality, integrity and 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.

# Narrative Report and Financial Review (continued)

## Non-audit services

Under guidance issued by the 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 its controlled undertakings, and of the consolidated financial statements of that group of undertakings.

Under TfL's policy on external audit services, Ernst & Young LLP is required to report to the Committee every six months on fees billed for non-audit services. During 2021/22, the non-audit services provided by Ernst & Young LLP were in respect of audit-related services provided in relation to the use of grant monies received and for procedures relating to regulation 4 of the Railway Safety Levy Regulations 2006. Total non-audit fees for the TfL Group represented two per cent of the total statutory audit fees paid in respect of the combined audit for the TfL and Transport Trading Limited (TTL) Groups, and 32 per cent of the audit fee of the Corporation as a single entity for 2021/22.

## Accounting statements

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

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

- The Corporation, which is made up of London Streets, Taxi and Private Hire, and the corporate centre which, for legal and accounting purposes, constitutes TfL
- The TfL Group, which is made up of the Corporation and its subsidiaries, joint ventures and associated undertakings as set out in notes 16, 17 and 18

Under the GLA Act 1999, the Corporation is treated as a Local Authority for accounting purposes and the Statement of Accounts, which includes the individual financial statements of the Corporation as well as those of the TfL Group, has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code), which is based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements.

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

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

## Purposes of major schedules within the financial statements

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

## Comprehensive Income and Expenditure Statement

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

## The Balance Sheet

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

# Narrative Report and Financial Review (continued)

## The Cash Flow Statement

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

## Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by TfL, analysed into usable reserves and other reserves. The surplus or deficit on the provision of services is different from the statutory amounts required to be charged to the General Fund balance. The net increase/decrease before transfers to Earmarked Reserves line shows the statutory General Fund balance before any discretionary transfers to or from Earmarked Reserves.

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Corporation and Group at the accounting date and of the income and expenditure for the year ended 31 March 2022.

SIGNATURE

**Patrick Doig**  
Statutory Chief Finance Officer  
21 September 2022

# 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 2022 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 Cash Flow Statement,
- Corporation Comprehensive Income and Expenditure Statement,
- Corporation Balance Sheet,
- Corporation Movement in Reserves Statement,
- Corporation Cash Flow Statement
- Accounting Policies
- the related notes 1 to 45

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 2021/22.

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 2022 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 2021/22.

### Basis for opinion

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

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

**Material uncertainty relating to the ability to meet the terms and conditions of the funding agreement to ensure the required funding is available to deliver current operational services**

Placeholder for final wording

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

Material uncertainty relating to the ability to meet the terms and conditions of the funding agreement to ensure the required funding is available to deliver current operational services  
Placeholder for final wording

## Overview of our audit approach

|                   |  |
|-------------------|--|
| Audit scope       | We performed an audit of the complete financial information of 2 components.<br><br>The components where we performed full audit procedures accounted for 99% of expenditure, 99% of Surplus before tax and 99% of Total assets. |
| Key audit matters | Revenue recognition<br>Capital projects<br>Property valuation  |
| Materiality       | Overall group materiality of £98.4m which represents 1 per cent of group operating and capital expenditure.  |

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), London Transport Insurance (Guernsey) Limited, and TfL Trustee Company 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 1 per cent of Group’s expenditure, surplus before tax and total assets and are considered immaterial to the Group.

## 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. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Corporation and Group, and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed.

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 other two components, we performed other 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.

There were no changes in scope in the current year.

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

### 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 I4-I6 , 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.

### Involvement with component teams

All audit work performed for the purposes of the audit was undertaken by the Group audit team.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. There is one integrated audit team led by the audit engagement partner performing the procedures across the Corporation and its components, all procedures performed in relation to key audit matters were performed by the one integrated audit team.

In addition to the matter described in the material uncertainty related to the availability of funding section, we have determined the matters described below to be the key audit matters to be communicated in our report. 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.

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

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  |
|---|---|---|
| <p><b>Passenger income £2,880.2m (2021 £1,284.6m) - refer to note I in the consolidated financial statements.</b></p> <p>Transport for London (TfL) generated 66.8 per cent of its revenue from fares charged to customers during FY21/22. The recovery from the impact of COVID-19 and related lockdowns, has seen an increase in revenue compared to FY20/21, 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.</p> <p>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:</p> <ul style="list-style-type: none"><li>- 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.</li><li>- 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.</li></ul> | <p>Our testing of revenue recognition included both tests of control and substantive testing.</p> <p>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.</p> <p>We utilised the conclusions from an ISAE3402 report on the controls operated by service organisations over contactless ticketing and Oyster Pay as You Go.</p> <p>Our substantive testing of revenue relating to Oyster Pay as You Go, Contactless Pay, Travelcard and Through Ticket included:</p> <ul style="list-style-type: none"><li>• 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.</li><li>• 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 2021/22 year. We tested the parameters used in the report to confirm the appropriate calculation of this amount as payments received in advance</li><li>• 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</li></ul> <p>We performed full scope audit procedures over this risk area for the whole Group, which covered 100 per cent of passenger income.</p> | <p>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 2021/22. The judgements made related to fares revenue in the financial statements have been appropriately described.</p> |

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

## Capital projects

| Risk  | Our response to the risk  | Key observations communicated to the Audit and Assurance Committee   |
|---|---|--|
| <p><b>Additions to Group property, plant and equipment £2,003.9m (2021: £2,048.6m). Refer to Note 14 in the consolidated financial statements.</b></p> <p>The TfL Group undertakes multiple capital projects at any point in time. These projects vary in size, complexity and length of time to complete, therefore 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 2021/22..</p> | <p>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.</p> <p>We have gained an understanding of key controls and governance surrounding capital project accounting and management.</p> <p>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.</p> <p>The following procedures were performed as part of our substantive testing:</p> <ul style="list-style-type: none"><li>• 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.</li><li>• We met with project managers for a sample of projects to understand the scope and progress 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.</li><li>• 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.</li><li>• We have also performed detailed testing on a sample of capital accruals to source documentation to test completeness of costs recognised at 31 March 2022.</li><li>• We reviewed claims, contracts and discussed with TfL’s legal department to test for the existence of additional obligations or expenditure that was inappropriate to capitalise.</li><li>• We also 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.</li></ul> <p>We performed full scope audit procedures over this risk area for the whole Group, which covered 100 per cent of the risk amount.</p> | <p>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 2021/22 and are appropriate.</p> |

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

## Property valuation

| Risk  | Our response to the risk   | Key observations communicated to the Audit and Assurance Committee  |
|---|--|---|
| <p><b>Property, plant and equipment £74.1m (2021: 185.2m) and Investment properties £1,713.3m (2021: £1,458.7m) Refer to Notes 14 and 16 in the consolidated financial statements.</b></p> <p>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.</p> <p>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.</p> | <p>The following procedures were performed as part of our substantive testing:</p> <ul style="list-style-type: none"><li>• We obtained an understanding of management’s process and controls around the valuation of properties.</li><li>• We obtained management’s valuations report for properties valued at 31 March 2022.</li><li>• We evaluated the competence of the Group’s external valuers, CBRE, which included consideration of their qualifications, expertise and independence.</li><li>• 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</li><li>• 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.</li><li>• We 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 Group to CBRE. This included agreeing a sample back to underlying lease data.</li><li>• 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 the same 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.</li></ul> <p>We performed full scope audit procedures over this risk area for the whole Group, which covered 100 per cent of the risk amount.</p> | <p>We have concluded that property valuations were within an acceptable range and in compliance with IAS16: Property, Plant and Equipment and with IAS 40: Investment Property as applied by the CIPFA/ LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.</p> <p>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 2021/22.</p> |

The above risk areas are consistent with those in the prior year, with the exception that in the prior year a further key audit matter was reported relating to Crossrail delivery overruns and impact on funding. In the current year these are covered within the key audit matters relating to capital projects above and within the section above on material uncertainty relating to the availability of funding.

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

### 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 £98.4 million (2021: £99 million), which is 1 per cent (2021: 1 per cent) of Group operational and capital expenditure. TfL Group’s key responsibilities are to provide transportation services across London and to continue to develop the capital’s transport infrastructure. TfL has two key purposes; operational responsibilities for transport services and the development of London’s transport infrastructure. Both of these elements are of significant interest to the users of the financial statements identified above and we therefore determined that TfL expenditure in these areas is an appropriate measure for planning materiality.

We calculated materiality for the Transport for London Corporation to be £157.4 million (2021: £184.3 million), which is 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 (£98.4 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 per cent (2021: 50 per cent) of our planning materiality, namely £49.2 million (2021: £49.5 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 Transport for London Corporation of £22.1 million (2021: £21.3 million) and Transport Trading Limited £41.8 million (2021: £40.2 million) 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.

### 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 £5 million (2021: £5 million), which is set at 5 per cent of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

### Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. The Statutory Chief Financial Officer is 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 there is 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 2021/22.

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

## Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of 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 2022.

We have nothing to report in these respects.

In respect of the following, we have matters to report by exception:

## Report on the Transport for London’s proper arrangements for securing economy, efficiency and effectiveness in the use of resources

On the basis of our work, having regard to the Code of Audit Practice 2020 and the guidance issued by the Comptroller and Auditor General in December 2021, we have identified the following significant weakness in the Corporation’s arrangements for the year ended 31 March 2022.

## Significant weaknesses in arrangements

- Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services

## Issue

During the 2021/22 year, short term funding agreements were in place between TfL and the Department for Transport. The focus on short-term funding restricted TfL’s ability to make progress on and commit to key long-term capital and service priorities set by policy makers, and therefore TfL was at risk of making short-term decisions.

## Impact

Without continuous, stable investment to operate and maintain TfL’s existing network [and ensure it keeps pace with societal expectations], its ability to make longer-term decisions, negotiate longer term deals with suppliers or contractors, and identify synergies and cost saving opportunities is restricted, and its performance may decline.

## Conclusion

During 2021/22, TfL did not have arrangements in place to obtain value for money due to lack of clarity of long-term funding agreements going forward. As such, we have identified a significant weakness with regards to how TfL plans and manages its resources to ensure it can continue service delivery.

## Action required to address the weakness

We note that a funding settlement has been agreed on 30 August 2022, which provides more certainty over funding levels until 31 March 2024. However, as noted in the ‘material uncertainty in relation to going concern’ paragraph above, we draw your attention to note d) of Accounting Policies, which indicates that there is a material uncertainty over the ability of Transport for London to comply with the terms and conditions of the funding agreement dated 30 August 2023 and therefore the availability of funding which may cast doubt on TfL’s ability to continue to operate the current planned level of services.

We recommend that management agree a long term plan for future capital and service investment as soon as practicable, in order to allow TfL to put in place arrangements to plan and manage resources to ensure value for money.

## Responsibility of the Statutory Chief Financial Officer

As explained more fully in the Statement of the Statutory Chief Financial Officer Responsibilities set out on page 102, the Statutory Chief Financial Officer is responsible for the preparation of the Statement of Accounts, 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 2021/22, and for being satisfied that they give a true and fair view and for such internal control as the Statutory Chief Financial Officer determines 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 Chief Financial Officer is responsible for assessing the Group and the 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 Group and the Corporation either intends to cease operations, or has 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.

# Independent Auditor's Report to the Members of Transport for London (continued)

## 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 entity 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.
- 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 for 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.
- From time to time we have matters escalated to us by members of the public. We investigate the matters reported and assess the impact thereof on our audit risk. Any findings identified are reported to the Audit and Assurance Committee.
- 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 at <https://www.frc.org.uk/auditorsresponsibilities>. 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 4 years, including previous renewals and reappointment is 7 years, covering the years ended 31 March 2016 to 31 March 2022.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent Corporation and we remain independent of the Group and the parent Corporation in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit and Assurance Committee.

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

## 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 2022.

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 our work on value for money arrangements.

## 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) and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation and the Corporation’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)**  
Ernst & Young LLP (Local Auditor)  
London  
Date



We assess a number of risks when planning our future investments

# Group Comprehensive Income and Expenditure Statement

| Year ended 31 March  | Note | Gross income<br>2022<br>£m | Gross expenditure<br>2022<br>£m | Net income/<br>(expenditure)<br>2022<br>£m | Gross income<br>2021<br>£m | Gross expenditure<br>2021<br>£m | Net income/<br>(expenditure)<br>2021<br>£m |
|--|------|----------------------------|---------------------------------|--|----------------------------|---------------------------------|--|
| <b>Operating segment</b>   |      |                            |                                 |  |                            |                                 |  |
| Underground  |      | 1,547.0                    | (2,285.0)                       | (738.0)                                    | 664.0                      | (2,279.0)                       | (1,615.0)                                  |
| Elizabeth line   |      | 120.0                      | (430.0)                         | (310.0)                                    | 49.0                       | (368.0)                         | (319.0)                                    |
| Buses, streets and other operations                                |      | 1,959.0                    | (2,930.0)                       | (971.0)                                    | 1,225.0                    | (2,927.0)                       | (1,702.0)                                  |
| Rail   |      | 304.0                      | (490.0)                         | (186.0)                                    | 146.0                      | (475.0)                         | (329.0)                                    |
| Other segments   |      | 186.0                      | (111.0)                         | 75.0                                       | 128.0                      | (158.0)                         | (30.0)                                     |
| Group items  |      | 232.0                      | (232.0)                         | -  | 165.0                      | (174.0)                         | (9.0)                                      |
|  | 2    | 4,348.0                    | (6,478.0)                       | (2,130.0)                                  | 2,377.0                    | (6,381.0)                       | (4,004.0)                                  |
| Central items not reported on a segmental basis                    | 2    | (34.6)                     | (1,292.7)                       | (1,327.3)                                  | 18.8                       | (1,023.8)                       | (1,005.0)                                  |
| <b>Net cost of services before exceptional items</b>               | 2    | 4,313.4                    | (7,770.7)                       | (3,457.3)                                  | 2,395.8                    | (7,404.8)                       | (5,009.0)                                  |
| Exceptional items  | 7    |                            |                                 | -  |                            |                                 | (29.4)                                     |
| <b>Net cost of services after exceptional items</b>                |      |                            |                                 | (3,457.3)                                  |                            |                                 | (5,038.4)                                  |
| Other net operating expenditure                                    | 8    |                            |                                 | (36.2)                                     |                            |                                 | (63.4)                                     |
| Financing and investment income                                    | 9    |                            |                                 | 202.6                                      |                            |                                 | 49.4                                       |
| Financing and investment expenditure                               | 10   |                            |                                 | (501.8)                                    |                            |                                 | (598.6)                                    |
| Grant income   | 11   |                            |                                 | 4,351.1                                    |                            |                                 | 4,732.3                                    |
| <b>Surplus/(deficit) on the provision of services</b>              |      |                            |                                 | 558.4                                      |                            |                                 | (918.7)                                    |
| Group share of profit before tax of joint ventures                 | 18   |                            |                                 | 7.9  |                            |                                 | 0.7  |
| Group share of profit/(loss) before tax of associated undertakings | 19   |                            |                                 | 24.0                                       |                            |                                 | (3.5)                                      |
| <b>Group surplus/(deficit) before tax</b>                          |      |                            |                                 | 590.3                                      |                            |                                 | (921.5)                                    |
| Taxation   | 12   |                            |                                 | (86.2)                                     |                            |                                 | 10.5                                       |
| <b>Group surplus/(deficit) after tax</b>                           |      |                            |                                 | 504.1                                      |                            |                                 | (911.0)                                    |

| Year ended 31 March   | Note | Gross income<br>2022<br>£m | Gross expenditure<br>2022<br>£m | Net income/<br>(expenditure)<br>2022<br>£m | Gross income<br>2021<br>£m | Gross expenditure<br>2021<br>£m | Net income/<br>(expenditure)<br>2021<br>£m |
|---|------|----------------------------|---------------------------------|--|----------------------------|---------------------------------|--|
| <b>Group surplus/(deficit) after tax</b>  |      |                            |                                 | 504.1                                      |                            |                                 | (911.0)                                    |
| <b>Other comprehensive income and expenditure</b>                               |      |                            |                                 |  |                            |                                 |  |
| <b>Items that will not be subsequently reclassified to profit or loss</b>       |      |                            |                                 |  |                            |                                 |  |
| Surplus on the revaluation of property, plant and equipment*                    | 14   |                            |                                 | 21.9                                       |                            |                                 | 11.4                                       |
| Surplus on the valuation of newly created investment properties                 | 16   |                            |                                 | 49.0                                       |                            |                                 | 72.6                                       |
| Deferred tax on the surplus on valuation of newly created investment properties | 12   |                            |                                 | (54.7)                                     |                            |                                 | (0.7)                                      |
| Net remeasurement gain/(loss) on defined benefit pension schemes*               | 36   |                            |                                 | 2,790.9                                    |                            |                                 | (1,361.0)                                  |
|   |      |                            |                                 | 2,807.1                                    |                            |                                 | (1,277.7)                                  |
| <b>Items that may be subsequently reclassified to profit or loss</b>            |      |                            |                                 |  |                            |                                 |  |
| Movement in the fair value of derivative financial instruments*                 | 38   |                            |                                 | 51.9                                       |                            |                                 | 5.1  |
| Derivative fair value loss reclassified to income and expenditure*              | 38   |                            |                                 | 10.2                                       |                            |                                 | 9.3  |
| Discontinued hedging relationship   | 38   |                            |                                 | (15.0)                                     |                            |                                 | -  |
|   |      |                            |                                 | 47.1                                       |                            |                                 | 14.4                                       |
|   |      |                            |                                 | 2,854.2                                    |                            |                                 | (1,263.3)                                  |
| <b>Total comprehensive income and expenditure</b>                               |      |                            |                                 | 3,358.3                                    |                            |                                 | (2,174.3)                                  |

\* There is no tax effect of these items on other comprehensive income and expenditure in the years ended 31 March 2022 or 2021 (see note 12).

# Group Balance Sheet

|                                       | Note | 31 March<br>2022<br>£m | 31 March<br>2021<br>£m |
|---------------------------------------|------|------------------------|------------------------|
| <b>Long-term assets</b>               |      |                        |                        |
| Intangible assets                     | 13   | 256.5                  | 149.3                  |
| Property, plant and equipment         | 14   | 43,791.5               | 43,093.9               |
| Right-of-use assets                   | 15   | 2,209.9                | 2,329.5                |
| Investment property                   | 16   | 1,713.3                | 1,458.7                |
| Investment in joint ventures          | 18   | 47.3                   | 41.3                   |
| Investment in associated undertakings | 19   | 197.5                  | 166.9                  |
| Derivative financial instruments      | 31   | 13.2                   | 0.2                    |
| Finance lease receivables             | 20   | 23.2                   | 28.6                   |
| Debtors                               | 22   | 72.2                   | 52.2                   |
|                                       |      | 48,324.6               | 47,320.6               |
| <b>Current assets</b>                 |      |                        |                        |
| Inventories                           | 21   | 58.1                   | 51.5                   |
| Debtors                               | 22   | 523.7                  | 493.1                  |
| Assets held for sale                  | 23   | 160.9                  | 95.5                   |
| Derivative financial instruments      | 31   | 1.4                    | 6.5                    |
| Finance lease receivables             | 20   | 13.8                   | 15.4                   |
| Other investments                     | 24   | 19.0                   | 19.0                   |
| Cash and cash equivalents             | 25   | 1,390.2                | 1,710.2                |
|                                       |      | 2,167.1                | 2,391.2                |

|                                  | Note | 31 March<br>2022<br>£m | 31 March<br>2021<br>£m |
|----------------------------------|------|------------------------|------------------------|
| <b>Current liabilities</b>       |      |                        |                        |
| Creditors                        | 26   | (1,846.9)              | (2,077.9)              |
| Borrowings                       | 27   | (1,423.0)              | (1,198.1)              |
| Right-of-use lease liabilities   | 15   | (334.1)                | (329.3)                |
| PFI liabilities                  | 28   | (10.6)                 | (9.9)                  |
| Other financing liabilities      | 29   | (6.4)                  | (6.2)                  |
| Derivative financial instruments | 31   | (6.5)                  | (12.0)                 |
| Provisions                       | 30   | (99.3)                 | (109.1)                |
|                                  |      | (3,726.8)              | (3,742.5)              |
| <b>Long-term liabilities</b>     |      |                        |                        |
| Creditors                        | 26   | (82.3)                 | (56.7)                 |
| Borrowings                       | 27   | (11,543.3)             | (11,769.7)             |
| Right-of-use lease liabilities   | 15   | (2,102.2)              | (2,179.8)              |
| PFI liabilities                  | 28   | (91.0)                 | (101.7)                |
| Other financing liabilities      | 29   | (121.7)                | (128.1)                |
| Derivative financial instruments | 31   | (14.2)                 | (47.3)                 |
| Deferred tax liabilities         | 12   | (375.2)                | (234.3)                |
| Provisions                       | 30   | (86.6)                 | (60.9)                 |
| Retirement benefit obligation    | 36   | (3,201.5)              | (5,603.1)              |
|                                  |      | (17,618.0)             | (20,181.6)             |
| <b>Net assets</b>                |      | 29,146.9               | 25,787.7               |
| <b>Reserves</b>                  |      |                        |                        |
| Usable reserves                  |      | 681.2                  | 886.9                  |
| Unusable reserves                | 38   | 28,465.7               | 24,900.8               |
| <b>Total reserves</b>            |      | 29,146.9               | 25,787.7               |

The notes on pages 139 to 218 form part of these financial statements. These financial statements were approved by the Audit and Assurance Committee on 21 September 2022 and signed on its behalf by

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**Mark Phillips**  
Chair, Audit and Assurance Committee

# Group Movement in Reserves Statement

|   | Note | General Fund<br>£m | Earmarked<br>Reserves<br>£m | General<br>Fund and<br>Earmarked<br>Reserves<br>£m | Street Works<br>Reserve<br>£m | Usable<br>reserves<br>£m | Corporation<br>unusable<br>reserves<br>£m | Total<br>Corporation<br>reserves<br>£m | Share of Group<br>Unusable<br>reserves<br>£m | Total reserves<br>£m |
|---|------|--------------------|-----------------------------|--|-------------------------------|--------------------------|---|--|--|----------------------|
| <b>At 1 April 2020</b>  |      | 500.0              | 1,080.7                     | <b>1,580.7</b>                                     | 23.5                          | <b>1,604.2</b>           | 11,139.7                                  | <b>12,743.9</b>                        | 15,217.6                                     | 27,961.5             |
| <b>Movement in reserves during 2020/21</b>  |      |                    |                             |  |                               |                          |   |  |  |                      |
| Group deficit after tax (restated)*   |      | 3,066.6            | -                           | <b>3,066.6</b>                                     | -                             | <b>3,066.6</b>           | -   | <b>3,066.6</b>                         | (3,977.6)                                    | <b>(911.0)</b>       |
| Other comprehensive income and expenditure  |      | -                  | -                           | -  | -                             | -                        | (1,321.7)                                 | <b>(1,321.7)</b>                       | 58.4   | <b>(1,263.3)</b>     |
| <b>Total comprehensive income and expenditure</b>                                 |      | 3,066.6            | -                           | <b>3,066.6</b>                                     | -                             | <b>3,066.6</b>           | (1,321.7)                                 | <b>1,744.9</b>                         | (3,919.2)                                    | <b>(2,174.3)</b>     |
| Adjustments between group and authority accounts (restated)*                      |      | (3,246.8)          | -                           | <b>(3,246.8)</b>                                   | -                             | <b>(3,246.8)</b>         | -   | <b>(3,246.8)</b>                       | 3,246.8                                      | -                    |
| Net (decrease)/increase before transfers  |      | (180.2)            | -                           | <b>(180.2)</b>                                     | -                             | <b>(180.2)</b>           | (1,321.7)                                 | <b>(1,501.9)</b>                       | (672.4)                                      | <b>(2,174.3)</b>     |
| Derivative fair value loss reclassified to the Balance Sheet                      | 38   | -                  | -                           | -  | -                             | -                        | -   | -                                      | 0.5  | <b>0.5</b>           |
| Adjustments between accounting basis and funding basis under statutory provisions | 39   | (538.4)            | -                           | <b>(538.4)</b>                                     | 1.3                           | <b>(537.1)</b>           | 537.1                                     | -                                      | -  | -                    |
| <b>Net (decrease)/increase before transfer to/from Earmarked Reserves</b>         |      | (718.6)            | -                           | <b>(718.6)</b>                                     | 1.3                           | <b>(717.3)</b>           | (784.6)                                   | <b>(1,501.9)</b>                       | (671.9)                                      | <b>(2,173.8)</b>     |
| Transfer to/from Earmarked Reserves   |      | 718.6              | (718.6)                     | -  | -                             | -                        | -   | -                                      | -  | -                    |
| <b>(Decrease)/increase in 2020/21</b>   |      | -                  | (718.6)                     | <b>(718.6)</b>                                     | 1.3                           | <b>(717.3)</b>           | (784.6)                                   | <b>(1,501.9)</b>                       | (671.9)                                      | <b>(2,173.8)</b>     |
| <b>Balance at 31 March 2021</b>   |      | <b>500.0</b>       | <b>362.1</b>                | <b>862.1</b>                                       | <b>24.8</b>                   | <b>886.9</b>             | <b>10,355.1</b>                           | <b>11,242.0</b>                        | <b>14,545.7</b>                              | <b>25,787.7</b>      |
| <b>Movement in reserves during 2021/22</b>  |      |                    |                             |  |                               |                          |   |  |  |                      |
| Group surplus after tax   |      | 2,875.8            | -                           | <b>2,875.8</b>                                     | -                             | <b>2,875.8</b>           | -   | <b>2,875.8</b>                         | (2,371.7)                                    | <b>504.1</b>         |
| Other comprehensive income and expenditure  |      | -                  | -                           | -  | -                             | -                        | 2,774.0                                   | <b>2,774.0</b>                         | 80.2   | <b>2,854.2</b>       |
| <b>Total comprehensive income and expenditure</b>                                 |      | 2,875.8            | -                           | <b>2,875.8</b>                                     | -                             | <b>2,875.8</b>           | 2,774.0                                   | <b>5,649.8</b>                         | (2,291.5)                                    | <b>3,358.3</b>       |
| Adjustments between group and authority accounts                                  |      | (2,741.3)          | -                           | <b>(2,741.3)</b>                                   | -                             | <b>(2,741.3)</b>         | -   | <b>(2,741.3)</b>                       | 2,741.3                                      | -                    |
| Net (decrease)/increase before transfers  |      | 134.5              | -                           | <b>134.5</b>                                       | -                             | <b>134.5</b>             | 2,774.0                                   | <b>2,908.5</b>                         | 449.8  | <b>3,358.3</b>       |
| Derivative fair value loss reclassified to the Balance Sheet                      | 38   | -                  | -                           | -  | -                             | -                        | -   | -                                      | 0.9  | <b>0.9</b>           |
| Adjustments between accounting basis and funding basis under statutory provisions | 39   | (340.6)            | -                           | <b>(340.6)</b>                                     | 0.4                           | <b>(340.2)</b>           | 340.2                                     | -                                      | -  | -                    |
| <b>Net (decrease)/increase before transfer to/from Earmarked Reserves</b>         |      | (206.1)            | -                           | <b>(206.1)</b>                                     | 0.4                           | <b>(205.7)</b>           | 3,114.2                                   | <b>2,908.5</b>                         | 450.7  | <b>3,359.2</b>       |
| Transfer to/from Earmarked Reserves   |      | 206.1              | (206.1)                     | -  | -                             | -                        | -   | -                                      | -  | -                    |
| <b>(Decrease)/increase in 2021/22</b>   |      | -                  | (206.1)                     | <b>(206.1)</b>                                     | 0.4                           | <b>(205.7)</b>           | 3,114.2                                   | <b>2,908.5</b>                         | 450.7  | <b>3,359.2</b>       |
| <b>Balance at 31 March 2022</b>   |      | <b>500.0</b>       | <b>156.0</b>                | <b>656.0</b>                                       | <b>25.2</b>                   | <b>681.2</b>             | <b>13,469.3</b>                           | <b>14,150.5</b>                        | <b>14,996.4</b>                              | <b>29,146.9</b>      |

The Earmarked Reserve has 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 40.

\* 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. Balances for 31 March 2021 have been restated to enhance compliance with the Code.

## Group Statement of Cash Flows

| Year ended 31 March  | Note | 2022<br>£m       | 2021<br>£m |
|--|------|------------------|------------|
| <b>Surplus/(deficit) on the provision of services</b>  |      | <b>558.4</b>     | (918.7)    |
| Adjustments to the surplus/(deficit) on the provision of services for non-cash movements                                       | 37b  | <b>1,689.2</b>   | 1,560.1    |
| Adjustments to the surplus/(deficit) on the provision of services for non-cash movements for investing or financing activities | 37c  | <b>(2,170.6)</b> | (992.2)    |
| <b>Net cash flows from operating activities</b>  |      | <b>77.0</b>      | (350.8)    |
| Investing activities   | 37d  | <b>(64.2)</b>    | (472.2)    |
| Financing activities   | 37e  | <b>(332.8)</b>   | 966.4      |
| <b>(Decrease)/increase in net cash and cash equivalents in the year</b>  |      | <b>(320.0)</b>   | 143.4      |
| Net cash and cash equivalents at the start of the year   |      | <b>1,710.2</b>   | 1,566.8    |
| <b>Net cash and cash equivalents at the end of the year</b>  | 25   | <b>1,390.2</b>   | 1,710.2    |

## Corporation Comprehensive Income and Expenditure Statement

| Year ended 31 March   | Note | 2022<br>£m       | 2021<br>£m |
|---|------|------------------|------------|
| <b>Highways and Transport Services</b>                                    |      |                  |            |
| Gross income  |      | <b>857.7</b>     | 534.3      |
| Gross expenditure   | 4    | <b>(1,477.0)</b> | (1,174.9)  |
| <b>Net cost of services*</b>  |      | <b>(619.3)</b>   | (640.6)    |
| Other net operating expenditure   | 8    | <b>(2.7)</b>     | (20.4)     |
| Financing and investment income   | 9    | <b>540.4</b>     | 436.7      |
| Financing and investment expenditure                                      | 10   | <b>(547.0)</b>   | (534.9)    |
| Grant income  | 11   | <b>4,289.5</b>   | 4,613.2    |
| Grant funding of subsidiaries   |      | <b>(3,526.5)</b> | (4,034.2)  |
| <b>Surplus/(deficit) on the provision of services</b>                     |      | <b>134.4</b>     | (180.2)    |
| <b>Other comprehensive income and expenditure</b>                         |      |                  |            |
| <b>Items that will not be subsequently reclassified to profit or loss</b> |      |                  |            |
| Surplus on the revaluation of property, plant and equipment               | 14   | <b>0.1</b>       | 2.8        |
| Surplus on the valuation of newly created investment properties           |      | <b>0.8</b>       | -          |
| Net remeasurement gain/(loss) on defined benefit pension schemes          | 36   | <b>2,773.2</b>   | (1,324.5)  |
|   |      | <b>2,774.1</b>   | (1,321.7)  |
| <b>Total comprehensive income and expenditure</b>                         |      | <b>2,908.5</b>   | (1,501.9)  |

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

# Corporation Balance Sheet

|                                | Note | 31 March<br>2022<br>£m | 31 March<br>2021<br>£m |
|--------------------------------|------|------------------------|------------------------|
| <b>Long-term assets</b>        |      |                        |                        |
| Intangible assets              | 13   | 184.5                  | 86.9                   |
| Property, plant and equipment  | 14   | 4,181.7                | 4,253.7                |
| Right-of-use assets            | 15   | 368.5                  | 391.3                  |
| Investment property            | 16   | 97.1                   | 11.6                   |
| Investments in subsidiaries    | 17   | 12,782.5               | 12,222.5               |
| Debtors                        | 22   | 12,360.9               | 12,259.5               |
|                                |      | <b>29,975.2</b>        | 29,225.5               |
| <b>Current assets</b>          |      |                        |                        |
| Debtors                        | 22   | 262.9                  | 439.9                  |
| Assets held for sale           | 23   | 12.1                   | 17.5                   |
| Cash and cash equivalents      | 25   | 1,231.8                | 1,628.4                |
|                                |      | <b>1,506.8</b>         | 2,085.8                |
| <b>Current liabilities</b>     |      |                        |                        |
| Creditors                      | 26   | (558.1)                | (907.0)                |
| Borrowings                     | 27   | (1,423.0)              | (1,198.1)              |
| Right-of-use lease liabilities | 15   | (27.0)                 | (26.7)                 |
| PFI liabilities                | 28   | (10.6)                 | (9.6)                  |
| Provisions                     | 30   | (53.3)                 | (64.9)                 |
|                                |      | <b>(2,072.0)</b>       | (2,206.3)              |

|                                | Note | 31 March<br>2022<br>£m | 31 March<br>2021<br>£m |
|--------------------------------|------|------------------------|------------------------|
| <b>Long-term liabilities</b>   |      |                        |                        |
| Creditors                      | 26   | (54.4)                 | (24.6)                 |
| Borrowings                     | 27   | (11,547.3)             | (11,774.1)             |
| Right-of-use lease liabilities | 15   | (367.1)                | (386.8)                |
| PFI liabilities                | 28   | (91.0)                 | (101.6)                |
| Provisions                     | 30   | (41.0)                 | (29.6)                 |
| Retirement benefit obligation  | 36   | (3,158.8)              | (5,546.3)              |
|                                |      | <b>(15,259.6)</b>      | (17,863.0)             |
| <b>Net assets</b>              |      |                        |                        |
|                                |      | <b>14,150.4</b>        | 11,242.0               |
| <b>Reserves</b>                |      |                        |                        |
| Usable reserves                |      | <b>681.2</b>           | 886.9                  |
| Unusable reserves              | 38   | <b>13,469.2</b>        | 10,355.1               |
| <b>Total reserves</b>          |      |                        |                        |
|                                |      | <b>14,150.4</b>        | 11,242.0               |

The notes on pages 139 to 218 form part of these financial statements. These financial statements were approved by the Audit and Assurance Committee on 21 September 2022 and signed on its behalf by:

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**Mark Phillips**  
Chair, Audit and Assurance Committee

# Corporation Movement in Reserves Statement

|  | Note | General Fund<br>£m | Earmarked Reserve<br>£m | General Fund<br>and Earmarked<br>Reserves<br>£m | Street Works<br>Reserve<br>£m | Usable reserves<br>£m | Unusable reserves<br>£m | Total reserves<br>£m |
|--|------|--------------------|-------------------------|---|-------------------------------|-----------------------|-------------------------|----------------------|
| <b>At 1 April 2020</b>   |      | 500.0              | 1,080.7                 | <b>1,580.7</b>                                  | 23.5                          | <b>1,604.2</b>        | 11,139.7                | <b>12,743.9</b>      |
| <b>Movement in reserves during 2020/21</b>                                 |      |                    |                         |   |                               |                       |                         |                      |
| Deficit on the provision of services                                       |      | (180.2)            | -                       | <b>(180.2)</b>                                  | -                             | <b>(180.2)</b>        | -                       | <b>(180.2)</b>       |
| Other comprehensive income and expenditure                                 |      | -                  | -                       | <b>-</b>  | -                             | <b>-</b>              | (1,321.7)               | <b>(1,321.7)</b>     |
| <b>Total comprehensive income and expenditure</b>                          |      | (180.2)            | -                       | <b>(180.2)</b>                                  | -                             | <b>(180.2)</b>        | (1,321.7)               | <b>(1,501.9)</b>     |
| Adjustments between accounting basis and funding basis under regulations   | 39   | (538.4)            | -                       | <b>(538.4)</b>                                  | 1.3                           | <b>(537.1)</b>        | 537.1                   | <b>-</b>             |
| <b>Net (decrease)/increase before transfer to/from Earmarked Reserves</b>  |      | (718.6)            | -                       | <b>(718.6)</b>                                  | 1.3                           | <b>(717.3)</b>        | (784.6)                 | <b>(1,501.9)</b>     |
| Transfer to/from Earmarked Reserves  |      | 718.6              | (718.6)                 | <b>-</b>  | -                             | <b>-</b>              | -                       | <b>-</b>             |
| <b>(Decrease)/increase in 2020/21</b>                                      |      | -                  | (718.6)                 | <b>(718.6)</b>                                  | 1.3                           | <b>(717.3)</b>        | (784.6)                 | <b>(1,501.9)</b>     |
| <b>Balance at 31 March 2021</b>  |      | <b>500.0</b>       | <b>362.1</b>            | <b>862.1</b>                                    | <b>24.8</b>                   | <b>886.9</b>          | <b>10,355.1</b>         | <b>11,242.0</b>      |
| <b>Movement in reserves during 2021/22</b>                                 |      |                    |                         |   |                               |                       |                         |                      |
| Surplus on the provision of services                                       |      | 134.5              | -                       | <b>134.5</b>                                    | -                             | <b>134.5</b>          | -                       | <b>134.5</b>         |
| Other comprehensive income and expenditure                                 |      | -                  | -                       | <b>-</b>  | -                             | <b>-</b>              | 2,774.0                 | <b>2,774.0</b>       |
| <b>Total comprehensive income and expenditure</b>                          |      | 134.5              | -                       | <b>134.5</b>                                    | -                             | <b>134.5</b>          | 2,774.0                 | <b>2,908.5</b>       |
| Adjustments between accounting basis and funding basis under regulations   | 39   | (340.6)            | -                       | <b>(340.6)</b>                                  | 0.4                           | <b>(340.2)</b>        | 340.2                   | <b>-</b>             |
| <b>Net (decrease)/increase before transfers to/from Earmarked Reserves</b> |      | (206.1)            | -                       | <b>(206.1)</b>                                  | 0.4                           | <b>(205.7)</b>        | 3,114.2                 | <b>2,908.5</b>       |
| Transfer to/from Earmarked Reserves  |      | 206.1              | (206.1)                 | <b>-</b>  | -                             | <b>-</b>              | -                       | <b>-</b>             |
| <b>(Decrease)/increase in 2021/22</b>                                      |      | -                  | (206.1)                 | <b>(206.1)</b>                                  | 0.4                           | <b>(205.7)</b>        | 3,114.2                 | <b>2,908.5</b>       |
| <b>Balance at 31 March 2022</b>  |      | <b>500.0</b>       | <b>156.0</b>            | <b>656.0</b>                                    | <b>25.2</b>                   | <b>681.2</b>          | <b>13,469.3</b>         | <b>14,150.5</b>      |

The Earmarked Reserve has 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 40.

# Corporation Statement of Cash Flows

| Year ended 31 March   | Note | 2022<br>£m | 2021<br>£m |
|---|------|------------|------------|
| Surplus/(deficit) on the provision of services  |      | 134.4      | (180.2)    |
| Adjustments to the surplus/(deficit) on the provision of services for non-cash movements                | 37b  | 449.7      | 574.9      |
| Adjustments to the surplus/(deficit) on the provision of services for investing or financing activities | 37c  | (2,058.6)  | (906.6)    |
| Net cash flows from operating activities  |      | (1,474.5)  | (511.9)    |
| Investing activities  | 37d  | 1,115.8    | (513.5)    |
| Financing activities  | 37e  | (37.9)     | 1,243.1    |
| (Decrease)/increase in net cash and cash equivalents in the year  |      | (396.6)    | 217.7      |
| Net cash and cash equivalents at the start of the year  |      | 1,628.4    | 1,410.7    |
| Net cash and cash equivalents at the end of the year  | 25   | 1,231.8    | 1,628.4    |



Our investment is vital to help keep London moving

# 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 has therefore been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the Code), developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code Board under the oversight of the Financial Reporting Advisory Board. The Code constitutes proper accounting practice for the purpose of the 2015 Regulations.

The Code for 2021/22 is based on International Financial Reporting Standards (IFRS) adopted by the 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 UK 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:

a) Any portion of the lease that is payable is accounted for in the same way as other lease obligations under IFRS 16 Leases.

b) The difference between the present value of any future lease payments due and the fair value of the lease on initial recognition is recognised as a fair value right-of-use asset on the Balance Sheet, with a corresponding gain recognised in grant income within the surplus or deficit recognised on the provision of services.

TfL has a number of leases over property and other transport infrastructure under which it pays £nil or peppercorn rents. A majority of these leases were held at peppercorn rents by a previous lessee, prior to the leases being taken on by TfL. We have undertaken an exercise to assess the fair value of the assets leased under these arrangements and have concluded that they have no material value. No amounts have therefore been recorded in these financial statements in respect of these leases.

## b) Basis of preparation

The accounts are made up to 31 March 2022. The Corporation is a single service authority and all expenditure is attributable to the provision of highways, roads and transport services.

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

## Accounting Policies (continued)

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. Refer to Note 39. 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. Refer to Note 38.

### **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 statement at least until 31 March 2024 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 which the entity provides.

As set out in the Narrative Report, the unprecedented covid-19 pandemic significantly impacted the organisation's ability to execute its activities.

The Group has continued delivering essential transport services throughout the pandemic and is well positioned to partner with the Government in driving economic recovery and growth. Nevertheless, the pandemic has had a significant and negative impact on our finances. TfL's significant exposure to changes in demand due to its high fixed costs and dependence on fares revenue mean that it is particularly susceptible to economic and other demand shocks.

During 2020/21, 2021/22 and recently in 2022/23 TfL secured a series of Extraordinary Funding and Financing Agreements from the Secretary of State, as set out in the Viability Statement section of the Narrative Report, which gave it secure access to funding in the form of a mixture of Government grant and borrowing from the Public Works Loan Board.

On 30 August 2022 the TfL Board approved a long term 20-month funding settlement with the DfT, which is significantly longer than any of our previous settlements during the pandemic. This funding settlement provided £1.2bn of Government funding along with the guaranteeing of passenger revenue over the period to 31 March 2024, but is subject to a number of conditions which are set out below.

The agreement that has been reached is crucial for the coming years and will avoid the 'managed decline' of London's transport network and mitigate the need for major service reductions across the network as was assumed in our most recent budget presented to TfL's Board in March 2022.

TfL's funding request from Government was derived through its 2022/23 budgeting process which is built bottom-up from its delivery targets and cost base. This includes detailed analysis of income drivers and macroeconomic outlook. The level of funding provided was calculated by the DfT after a review of the TfL 2022/23 Budget, including the underlying assumptions, risks and current trends. This has also included a detailed review of the budget and all supporting information by the DfT's financial advisors.

The settlement will ensure the delivery of key capital renewals and investment in London worth £3.6bn to March 2024. This confirms our ability to deliver a number of committed major projects, new road schemes and improving bus priority.

The agreement outlines committed major projects in our capital programme. The current agreement only covers the period up to 31 March 2024. TfL is not expected to solely finance these commitments from operating incomes, as is consistent with other transport authorities. Government recognises that TfL, including Crossrail Limited, has existing near and long-term financial commitments that extend beyond the funding period set out in the agreement. A combination of future measures from TfL, the GLA and Government will enable TfL to continue to meet these obligations and commitments.

## Accounting Policies (continued)

Government recognises that further capital funding beyond this funding settlement may be required by TfL should it not be able to generate such resources from its own means. Further capital funding support will be subject to TfL demonstrating real-terms like-for-like reductions in its cost base and TfL having met the condition in the funding settlement to generate at least £500m in new revenue sources. Government remains committed to supporting London and the transport network on which it depends via this funding settlement, which recognises the reliance of London's transport network on fare revenue, and Government's commitment to mitigating loss of fare revenue as a result of the pandemic.

The funding settlement is set out on TfL's website, but the key features include:

- TfL will maintain an average cash balance of £1.2bn each quarter, in line with our current liquidity policy
- TfL will remain committed to the recurring savings programme of £730m per annum
- TfL will consider and respond to the findings of the Independent Review in to the TfL pension Fund with deliverables to submit options for future service reform, which aim to reduce future service costs by circa £100m per annum, agree a detailed final proposal and implementation plan and commence a consultation by May 2023 (if the recommended approach requires consultation)

- The quantum of funding may be amended if the actual level of inflation exceeds the level contained within TfL's 2022/23 Budget
- TfL is expected to follow 'public sector pay guidance' more generally, defined by DfT as general guidance on departmental pay budgets
- TfL will allocate £80m per year (on average) to spending on active travel projects, which are defined as those which support cycling and walking only
- Government funding cannot be used to cover the costs of any policy decisions which charge road users, such as the Greater London ULEZ
- TfL will continue to deliver its Capital Efficiency Plan and will present its annual efficiencies report to the DfT
- TfL will work with the DfT to develop evidence and a business case for investment for introducing driverless trains (to Grade of Automation 4) on London Underground
- An Oversight Group will take place each quarter to provide oversight and assurance of capital expenditure, operating expenditure, financial reporting and ongoing workstreams. The Oversight Group is chaired by a senior official in the DfT and made up of key senior officials from DfT, HM Treasury, and TfL. It will continue to meet for the duration of the agreement. Their key purpose is to monitor progress and act as an escalation point for issues

- A Strategic Special Representative and a Technical Special Representative will be appointed by the Secretary of State. They will be invited to attend the Oversight Group Meetings, attend TfL Board and Committee meetings and request additional information
- If a condition under the funding agreement has not been met and, following consideration by the Oversight Group of proposals for resolution from TfL, such proposals have not been agreed, a 'dispute' will have arisen and shall be addressed by a proposed mechanism which enables the Secretary of State to reduce the funding contained within the funding settlement

The level of funding support provided by this funding settlement – once the cost of the meeting the condition is considered – is around £740m less than assumed in TfL's 2022/23 Budget. However, TfL has developed a revised plan to address this funding gap, which includes:

- Holding lower levels of cash and contingency, as the funding settlement provides mitigation against the key risks of passenger demand uncertainty and inflation.
- Delivering further efficiency savings, although there are currently £230m of savings over 2022/23 and 2023/24 for which plans still need to be identified.

In its central case forecast, these mitigations are sufficient to create a balanced budget. However, TfL has stress tested this revised plan against a number of different risks, including the inability to deliver these further efficiencies and further cost increases. In a severe downside scenario, the level of risk to the TfL Budget could be up to £900m over 2022/23 and 2023/24.

TfL have developed appropriate mitigations for this level of risk in the downside scenario. A key part of these mitigations is that the Mayor has confirmed the GLA will provide £500m financing facility, for which TfL can draw down on as required over the period in to March 2024. This will take the form of an advance in business rates funding, which will be offset in future years with a lower level of business rate being provided to TfL. The GLA have a credit rating of 'AA' with Standard & Poors, therefore the Board have concluded it is possible to place reliance on this financing facility as part of their going concern consideration.

In addition, TfL has a number of risk mitigations within its direct control, including utilising its cash reserves of £1.2bn, accessing the Public Works Loan Board for further borrowing and completing asset disposals. These measures would only be required in the severe downside case scenario.

Although – with the measures outline above – the funding settlement sets out sufficient funding to take TfL to the point of financial sustainability, material uncertainty remains on the level of funding that will actually be received during the funding period as:

a) The settlement enables the Secretary of State for Transport to adjust the amount of funding provided to TfL under this settlement using the ‘disputed 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. Therefore, this is assessed as a low likelihood risk. However, as the dispute mechanism is uncapped, the impact could be up to £1.1bn funding outstanding at the date of approving the 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 lack of a clear guarantee and the uncertainty over the national finances mean this is a moderate risk. The impact could be up to £165m that is currently expected through this mechanism.

Therefore, there represent a material uncertainty to the level of funding that will be received by TfL through this funding settlement. In addition to the risks already outlined above, this uncertainty is greater than TfL’s ability to manage these risks through its contingency plans.

A funding shortfall could result in a reduction of current service levels, which would breach the conditions in the funding settlement, potentially leading to further deductions of Government funding under the dispute mechanism, compounding the situation further.

#### **Impact of material uncertainty in level of funding on capital asset values within the going concern period**

In TfL’s 2020/21 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.

The agreement of a long-term funding settlement on 30 August 2022 significantly reduces this uncertainty. The funding settlement include funding for ongoing capital projects. Therefore, management’s assessment on the level of uncertainty over TfL’s ability to continue with all projects in the capital investment plan is significantly reduced.

As at 31 March 2022, TfL had capital projects in the course of construction totalling £19bn, of which £15bn related to Crossrail and £0.5bn for the Four Lines Modernisation project. Since this date approximately £14bn has been brought in to service at the commencement of Elizabeth Line operations (excluding Bond Street station). The remaining balance related to a range of projects across the network at varying stages of completion.

While a reduction in funding levels in the going concern period could mean that TfL has insufficient funding to undertake its capital programme as planned, management mitigations in addition to those set out above could include delaying those elements of the programme that are not subject to contractual delivery commitments into future periods beyond 31 March 2024.

Therefore, management has assessed the likelihood of impairment of assets under construction or in use during the going concern period as a result of possible funding reductions as very low and does not result in a material uncertainty in the values included in the financial statement as at 31 March 2022.

## 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 EU) be applied unless specifically adapted or otherwise stated by the Code. The following new standards and amendments have therefore been applied for the first time in these financial statements:

- Reporting requirements of Interest Rate Benchmark Reform

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform and additional disclosures related to interest rate benchmark reform.

The impact of the IBOR reform has been documented and it has been assessed to have minimal impact on TfL's Accounts for year ending 31 March 2022. The instruments that used to reference GBP LIBOR are lease contracts and interest rate swaps hedging the finance cost related to those leases and commercial papers. The interest rate swaps have been treated under the normal IFRS 9 hedge discontinuation rules as they were terminated, while the leases met the economically equivalent criteria for the application of the practical expedient allowed under the guidance for derecognition.

- Definition of a Business: Amendments to IFRS 3

Definition of a Business: Amendments to IFRS 3 has been introduced in the 2021/22 Code. The amendments clarify the definition of a business, with the aim of helping entities to determine whether a transaction should be accounted for as an asset acquisition or a business combination. This amendment has had no impact on the consolidated financial statements of the Group.

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

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

- IFRS 17 Insurance Contracts (mandatory for years commencing on or after 1 January 2023)
- IFRS 17 will replace IFRS 4 and provides an accounting model for insurance contracts that is more useful and consistent for insurers than existing standards. This standard is not expected to have a significant impact for the TfL Group

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 (effective for annual periods beginning on or after 1 January 2022)  
The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment must be applied retrospectively only to assets made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 (effective for annual periods beginning on or after 1 January 2022)

The amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets specifies that only directly related costs need to be included when assessing whether a contract is onerous or loss-making. The directly related costs include both incremental costs (e.g. the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g. depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded, unless they are explicitly chargeable to the counterparty under the contract.

The amendments must be applied prospectively to contracts for which an entity has not yet fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

- Classification of Liabilities as Current or Non-current – Amendments to IAS 1 (effective for annual periods beginning on or after 1 January 2023)

The amendments clarify the requirements for classifying liabilities as current or non-current.

- Reference to the Conceptual Framework – Amendments to IFRS 3 (effective for annual periods beginning on or after 1 January 2022)

The amendment adds an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

## Accounting Policies (continued)

- The amendments must be applied prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in IFRS Standards.
- Amendments from the 2018-2020 annual improvements cycle consisting of:

(i) **Subsidiary as a first-time adopter of International Financial Reporting Standards (IFRS I).** The amendment permits a subsidiary that elects to apply paragraph DI6(a) of IFRS I 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 DI6(a) of IFRS I.

An entity applies the amendment for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.

(ii) **Fees in the '10 per cent' test for derecognition of financial liabilities under IFRS 9.** The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

An entity applies the amendment for annual reporting periods beginning on or after 1 January 2022. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment

- **Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28** (IASB decided to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method)

The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3.

- **Amendment to IAS 8 on Definition of Accounting Estimates** (effective for annual periods beginning on or after 1 January 2023) – The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors
- **Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements** (effective for annual periods beginning on or after 1 January 2023) – The entity is now required to disclose its 'material' accounting policy information

- **Amendment to IAS 12 on Deferred Tax related to Assets and Liabilities arising from a Single Transaction** (effective for annual periods beginning on or after 1 January 2023) – The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense)

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

### g) Discontinued operations

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

### h) Uses of estimates, judgements and errors

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

### Use of judgement

#### Determining whether an arrangement contains a lease

In determining whether an arrangement contains a lease, as required by IFRS 16 Leases, there is significant judgement in determining whether the arrangement conveys the right to control the use of an identified asset and in determining the lease term, particularly in respect of whether the Group is reasonably certain to exercise extension options or renewal options.

For arrangements where TfL is a lessor there is significant judgement involved in respect of whether the arrangement is a finance or an operating lease.

## Accounting Policies (continued)

### Classification of investment properties

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

### Leases

From the lessor's perspective in assessing whether a lease is an operating lease or a finance lease, judgement needs to be exercised in determining whether or not substantially all the risks and rewards of ownership of the leased asset are retained by the Group or are transferred to the lessee. Given that assets leased under a finance lease are derecognised from the Balance Sheet, and assets leased out under operating leases are not, this can have a significant effect on the reported financial position of the Group.

### Availability of future capital funding

In assessing whether any impairment of the carrying value of assets under construction on the Balance Sheet date is required, management exercises judgement as to the level of funding that may be available to fund future expenditure on these projects through to completion. If insufficient future funding is anticipated, management reviews the carrying value of existing assets under construction for possible impairment.

### Capitalisation of assets with third party interest

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

### Use of estimates

#### Useful economic life of property, plant and equipment

In determining the useful economic life of property, plant and equipment management estimate the length of time that the assets will be operational.

### Post-retirement benefits

The pension costs and defined benefit plan obligations of the Group 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 36.

### Financial derivative instruments

The Group uses financial derivative instruments to manage certain exposures to fluctuations in foreign currency exchange rates and interest rates. In making its assessment and judgements, the Group assesses the effectiveness of the derivatives and changes in their fair values. Note 35 and Accounting Policy aj) on financial instruments provide detailed information about the key assumptions used in the determination of the fair value of financial instruments, as well as a sensitivity analysis for these assumptions. Management believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

### Provisions

Estimation techniques are employed in the calculation of the best estimate of the amount required to settle obligations, including determining how likely it is that expenditure will be required by the Group. This can be very complex, especially when there is a wide range of possible outcomes. More details are given in Note 30.

### Expected credit loss allowance

The expected credit loss allowance recognised in respect of financial assets is based on a forward-looking probability-weighted measure considering reasonable and supportable information on past events, current conditions and the time value of money. As at 31 March 2021 and 2022, management were required to make estimates regarding future losses based on the impact of the coronavirus outbreak on credit risk. Given the unprecedented nature of the pandemic, a greater than usual level of judgement was involved in reaching this estimate.

### Taxes

Deferred tax assets are recognised for unused tax losses only to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The Group has tax losses carried forward with a tax value of £1,313.4m (2021 £999.0m). These losses relate to subsidiaries that have a history of losses, do not expire, and may be used to offset future taxable income in those subsidiaries. If the Group was able to recognise all unrecognised deferred tax assets, profit and equity would have increased by £2,950.1m (2021 £2,119.9m).

### Investment property

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

### Office buildings

Owner-occupied office buildings held within property, plant and equipment are held at their existing use value, as estimated by external, professionally qualified surveyors in accordance with RICS guidelines. Movements in the value of the property are taken to the revaluation reserve.

## Accounting Policies (continued)

### Leases

When the interest rate implicit in the lease cannot be readily determined, TfL's incremental borrowing rate (IBR) at the lease commencement date is used to calculate the present value of the lease payments. This is the interest rate that the lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. When no observable inputs are available, the Group estimates the IBR, making assumptions to reflect the terms and conditions of the lease and certain entity-specific estimates. These assumptions include the consideration of a number of components including the risk-free rate, the lease term, the credit spread and adjustments related to the specific nature of the underlying asset.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension or termination option. The assessment is reviewed if a significant event or change in circumstances occurs that affects this assessment.

### Valuation of peppercorn leases

TfL has a number of leases over property and other transport infrastructure under which it pays nil or peppercorn rents. It has undertaken an exercise to assess the fair value of the assets leased under these arrangements and has concluded that they have no material value. No amounts have therefore been recorded in the financial statements in respect of these leases.

### Defined benefit plans

The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'AA' rating or above, as set by an 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 36.

### i) Revenue recognition

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

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

### Fares revenue

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

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

### Revenue in respect of free and reduced fare travel for older customers and disabled customers

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

### Congestion Charging

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

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

### Road network compliance

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

### Taxi licensing

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

## Accounting Policies (continued)

### Commercial advertising

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

Where the arrangement is viewed as an operating lease under IFRS 16, revenue is recognised on a straight-line basis over the term of the contract.

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

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

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

### Rental income

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

As a result of the pandemic, there have been instances where credit notes have been issued to tenants after the invoices have been issued. In such instances, it is our accounting policy to account for the rent forgiveness as a loss (that is, not a reduction in lease income) in the income statement, with a corresponding reduction to the lease receivable in the period in which the reduction is contractually agreed.

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

### Third party contributions to operating costs

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

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

### Revenue from telecoms concessionaire arrangements

Revenue from the concessionaire arrangements relates to the exclusive right granted to the concessionaire to access TfL's broader asset base to install and maintain its new telecommunications assets. The Fixed Concession Fee is recognised on a straight-line basis over the period of the concessionaire term. Revenue share fees are recognised as income when they occur.

### Cycle hire scheme revenues

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

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

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

### 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.

## Accounting Policies (continued)

### j) Segmental reporting

In accordance with the Code, the Group's operating segments have been determined by identifying the segments whose operating results are reviewed by the Board, when making decisions regarding the allocation of resources and for the assessment of performance.

The operating segments of the Group and their principal activities are as follows:

- Underground – Provision of passenger rail services on the London Underground and refurbishment and maintenance of certain parts of the rail network
- Elizabeth line – Delivery of passenger rail services on the Elizabeth line and services currently operating as TfL Rail
- Buses, streets and other operations – Provision of bus services; maintenance of London's roads and cycle routes; and provision of other operations, including Dial-a-Ride, London River Services, Taxi and Private Hire, Santander Cycles, Victoria Coach Station and the Emirates Air Line
- Rail – Provision of passenger rail services through contracted third-party operators on the DLR, London Overground and London Trams
- Major projects – Delivery of TfL's largest and most complex infrastructure projects
- Property development – Investment in our commercial and residential estate and building portfolio
- Media – Advertising estate and digital marketing infrastructure

Within these financial statements, the Major projects, Property and Media segments outlined above have been combined and disclosed collectively as 'Other segments'. Amounts included in TfL Group level management reporting, but excluded from divisional breakdowns, are referred to as 'Group items'.

TfL's management reports to the TfL Board are presented using a basis of preparation that differs to the accounting requirements of the CIPFA Code. A reconciliation between the operating performance of the Group as reported to the Board to amounts included in the Group Comprehensive Income and Expenditure Statement is set out in note 2.

### k) Exceptional items

Exceptional costs are costs that are unusual, infrequent and which do not occur in the normal course of operations. An unusual event or transaction has a high degree of abnormality and is clearly unrelated to (or only incidentally related to) the ordinary activities of the organisation, taking into account the operating environment. Infrequent refers to events and transactions that would not reasonably be expected to recur in the foreseeable future, taking into account the operating environment.

The significant costs incurred in relation to the coronavirus pandemic, such as costs incurred in bringing construction projects to a Safe Stop, were considered exceptional items. These costs were identified separately below the net cost of services on the face of the Comprehensive Income and Expenditure Statement.

### l) Grants and other funding

The main source of grant funding during 2021/22 and 2020/21 was the Extraordinary Funding Support Grant from the DfT. Other grants included a share of Business Rate Retention received from the GLA, which is classified as a resource grant; and specific capital grants from the GLA for the Crossrail project.

In the accounts of the Corporation and Group, all non-specific grants are credited to the Comprehensive Income and Expenditure Statement upon receipt or when there is reasonable assurance that the grant will be received. If a capital grant is received but certain conditions remain before it may be applied, it will be held, in the first instance, as capital grant received in advance, within the payables section of the Balance Sheet. Once any relevant conditions have been met, the capital grant is credited to the Comprehensive Income and Expenditure Statement.

Where expenditure on property, plant and equipment is financed either wholly or partly by capital or non-specific grants or other contributions, the amount of the grant applied is credited to the Capital Adjustment Account through the Movements in Reserves Statement. Amounts not utilised in the year are credited to the Capital Grants Unapplied Account, a usable reserve, for application in future periods.

Amounts of non-specific grants not used in the year are credited to the General Fund balance or to an Earmarked Reserve for specific use in future periods, where appropriate.

Grant received on the Furlough Scheme in 2020/21 was credited to the Comprehensive Income and Expenditure Statement upon receipt.

### m) Overheads

Overheads are recognised in the Comprehensive Income and Expenditure Statement on an accruals basis.

### n) Financing and investment income and expenses

Financing and investment income comprises interest income on funds invested, interest received in relation to finance leases, and premia received on the early settlement of borrowings. Interest income is recognised in the Comprehensive Income and Expenditure Statement as it accrues, using the effective interest rate method.

Financing and investment costs comprise the interest expense on borrowings and lease liabilities and the net financing cost on defined benefit pension obligations. Also included are premia paid on the early settlement of borrowings and interest rate derivatives. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the Comprehensive Income and Expenditure Statement using the effective interest rate method (see also Accounting Policy z) Borrowing costs).

Also included within financing and investment income or expenditure are fair value gains or losses recognised in relation to the revaluation of investment properties, and any profits or losses recognised on disposal of investment properties.

# Accounting Policies (continued)

## o) VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

## p) Taxation

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the Comprehensive Income and Expenditure Statement except to the extent that they relate to a business combination, or to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are disclosed net to the extent that they relate to taxes levied by the same authority and the Group has the right of offset.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

## q) Business combinations

On the acquisition of a business, fair values are attributed to the identifiable assets and liabilities and contingent liabilities unless the fair value cannot be measured reliably in which case the value is subsumed into goodwill. Where fair values of acquired contingent liabilities cannot be measured reliably, the assumed contingent liability is not recognised but is disclosed in the same manner as other contingent liabilities.

Goodwill is the difference between the fair value of the consideration payable and the fair value of net assets acquired.

## r) Intangible assets

### Goodwill

Where the cost of a business combination exceeds the fair values attributable to the net assets acquired, the resulting goodwill is capitalised and tested for impairment at each Balance Sheet date. Goodwill is allocated to income-generating units for the purpose of impairment testing.

### Other intangible assets

Software costs are measured at cost less accumulated depreciation and accumulated impairment losses.

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.

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.

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

# Accounting Policies (continued)

the discounting of future cash flows to their present value has been used. This is based upon various assumptions including the anticipated future rental income, maintenance costs and the appropriate discount rate, making reference to market evidence of transaction prices for similar properties. A deduction is made to reflect purchaser's acquisition costs.

Valuations are performed annually. Movements in the value of the property are taken to the Revaluation Reserve, with the exception of permanent diminutions in value which are recognised in profit or loss.

The cost of certain items of property, plant and equipment was determined by reference to a revalued amount determined under a previous accounting regimen. The Group elected to apply the optional exemption to use this previous valuation as deemed cost at 1 April 2009, the date of transition to IFRS.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, borrowing costs on qualifying assets for which the commencement date for capitalisation is on or after 1 April 2009, and any other costs directly attributable to bringing the assets to a working condition for their intended use. Where there is a legal obligation to remove the asset and/or restore the site on which it is located at the end of its useful economic life, the costs of dismantling and removing the items and restoring the site on which they are located are also included in the cost of the asset.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. When components are replaced, the costs of the overhaul are capitalised as additions and the carrying amounts of the replaced components are written off to profit or loss.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the item and are recognised net within other gains and losses in the Comprehensive Income and Expenditure Statement.

### Depreciation

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 and 2021/22, as part of an exercise undertaken by management to create a consolidated commercial property portfolio, new lease structures created allowed the recognition, for the first time, of newly separable investment property assets which were recorded within investment property at fair value at the date of creation of the lease structure. Due to the fact that these assets were created through the separation of new lease structures from larger items of transport infrastructure (included within property, plant and equipment) and the revaluation uplift recorded on initial recognition does not fairly represent the increase in value in the period of the underlying assets, these valuation gains were recognised directly within other comprehensive income. Movement in the fair values of existing investment properties continued to be recognised within financing income or expenditure.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting. Investment properties held at fair value are not subject to depreciation.

## Accounting Policies (continued)

Investment properties are valued annually at fair value by external, professionally qualified surveyors in accordance with RICS Guidelines. Fair value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. The methodology assumes the valuation is based on the highest and best use of the asset. In determining the fair value, the capitalisation of net income method and the discounting of future cash flows to their present value has been used. This is based upon various assumptions including the anticipated future rental income, maintenance costs and the appropriate discount rate, making reference to market evidence of transaction prices for similar properties. A deduction is made to reflect purchaser's acquisition costs. Properties are therefore categorised as Level 3 in the fair value hierarchy, as the measurement technique uses significant unobservable inputs to determine the fair value measurements.

Revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance. Any such gains and losses recognised by the Corporation are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and transferred to the Capital Adjustment Account.

### **v) Investment in joint ventures**

A joint venture is a type of joint arrangement wherein the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in joint ventures are accounted for using the equity method. Under the equity method, the investment is initially recognised on the Balance Sheet at cost and is thereafter adjusted to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture.

### **w) Investment in associated undertakings**

An associate is an entity over which the Group has significant influence, but not control. The results and assets and liabilities of associates are incorporated in these consolidated accounts using the equity method of accounting from the date on which the investee becomes an associate. Under the equity method, the investment is initially recognised on the Balance Sheet at cost and is thereafter adjusted to recognise the Group's share of the profit or loss and other comprehensive income of the associate.

### **x) Inventories**

Inventories consist primarily of fuel, uniforms, and materials required for the operation of services and maintenance of infrastructure. Equipment and materials held for use in a capital programme are accounted for as inventory until they are issued to the project, at which stage they become part of assets under construction.

Inventories are stated at cost less a provision for excess and obsolete inventories. Cost comprises direct materials, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method.

### **y) Assets held for sale**

Long-term assets (and disposal groups comprising a group of assets and potentially some liabilities that an entity intends to dispose of in a single transaction) are classified as held for sale if: their carrying amount will be recovered principally through sale rather than continuing use, they are available for immediate sale and sale is highly probable.

On initial classification as held for sale, long-term assets or disposal groups are measured at the lower of their previous carrying amount and fair value less costs to sell. No amortisation or depreciation is charged on long-term assets (including those in disposal groups) classified as held for sale.

### **z) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets (those necessarily taking a substantial period of time to get ready for their intended use) are added to the cost of those assets, until such time as the assets are ready for their intended use. The Group has opted to use the date of transition to IFRS (1 April 2009) as the effective date for applying IAS 23 Borrowing Costs (IAS 23).

In the initial phase of the first lockdown in 2020, on-site works on our capital projects were brought to a temporary Safe Stop. During this period, capitalisation of borrowing costs was temporarily paused and interest incurred during this period was recognised within financing and investment expenditure.

All other finance and borrowing costs are recognised in the Comprehensive Income and Expenditure Statement in the period in which they are incurred.

### **aa) Provisions**

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.

## Accounting Policies (continued)

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks (see Accounting Policy aj) below for hedging accounting policies).

### ac) Leases (the Group as lessee)

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

The lease liabilities arising from a lease are initially measured on a present value basis comprising the following lease payments:

- Fixed payments (including in-substance fixed payments) less any lease incentives receivable
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- Amounts expected to be payable by the Group under residual value guarantees
- The exercise price of a purchase option if the Group is reasonably certain to exercise that option
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option

- Lease payments to be made under reasonably certain extension options

The lease payments are discounted using the TfL Group's incremental borrowing rate, being the rate the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

For the current year, TfL's incremental borrowing rate for each tenor consists of Public Works Loan Board (PWLB) as this is the source of borrowing we have used during the pandemic.

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.

Lease income from finance leases is recognised over the lease term at an amount that produces a constant periodic rate of return on the remaining balance of the net investment in the lease. The net investment in the lease is the sum of lease payments receivable during the lease term discounted at the interest rate implicit in the lease.

Lease income in respect of property leases has been adversely impacted by the coronavirus pandemic. Bespoke support has been provided to tenants on a case-by-case basis and includes the grant of rent-free periods and other arrangements reflecting the position of each customer. The accounting treatment for the tenant support, which results in some divergence between net rental income on a reported basis and cash flow basis, is as follows:

- Rent-free periods are generally considered to constitute a lease modification under IFRS 16, with the lease incentive deferred over the remaining lease term. The lease incentive balance will be assessed for impairment at each reporting date. If the pandemic continues and if the level of tenant failures is higher than expected, the impairment of tenant incentives and bad debt expense is also expected to increase
- Lease income from finance leases is recognised over the lease term at an amount that produces a constant periodic rate of return on the remaining balance of the net investment in the lease. The net investment in the lease is the sum of lease payments receivable during the lease term discounted at the interest rate implicit in the lease
- 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:

- The service charge
- Repayment of the capital
- The interest element (using the interest rate implicit in the contract)

### Services received

The fair value of services received in the year is recorded under the relevant expenditure headings within 'gross expenditure'.

### Assets

Assets are recognised as property, plant and equipment or intangible assets when they come into use. The assets are measured initially at fair value in accordance with IPSAS 32 Service Concession Arrangements – Grantor (IPSAS 32).

Where the operator enhances assets already recognised in the Balance Sheet the fair value of the enhancement in the carrying value of the asset is recognised as an asset.

### Liabilities

A PFI liability is recognised at the same time as the assets are recognised. It is measured initially at the same amount as the fair value of the PFI assets and is subsequently measured as a finance lease liability in accordance with IAS 17.

An annual finance cost is calculated by applying the implicit interest rate in the lease to the opening lease liability for the year and is charged to financing and investment expenditure within the Comprehensive Income and Expenditure Statement.

The element of the unitary payment that is allocated as a finance lease rental is applied to meet the annual finance cost and to repay the lease liability over the contract term.

### Life cycle replacement

Components of the asset replaced by the operator during the contract (lifecycle replacement) are capitalised where they meet the Group's criteria for capital expenditure. They are capitalised at the time they are provided by the operator and are measured initially at their fair value.

### af) Impairment of non-financial assets

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired. Other intangible assets, property, plant and equipment and investments in subsidiaries, joint ventures and associates are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss.

Impairment occurs when an asset's carrying value exceeds its recoverable amount. An asset's recoverable amount is the higher of its value in use and its fair value less costs to sell.

## Accounting Policies (continued)

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 as the subsidiaries are not able to fund dividends to the Corporation and they are not available to fund the expenditure of the Corporation. The subsidiaries rely on loans and revenue and capital grant to support their operations and do not have cash reserves to be able to fund dividends. 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 (grants, business rates, etc.) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between TfL's operating segments. Income and expenditure accounted for under

generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

### aj) Financial instruments

Financial instruments within the scope of IFRS 9 Financial Instruments (IFRS 9) are classified as:

- Financial assets measured at amortised cost
- Financial assets measured at fair value through other Comprehensive Income and Expenditure (FVTOCI)
- Financial assets measured at fair value through the Comprehensive Income and Expenditure Statement (FVTPL)
- Financial liabilities measured at amortised cost
- Financial liabilities at fair value through the Comprehensive Income and Expenditure Statement (FVTPL)

The Group determines the classification of its financial instruments at initial recognition. Financial assets may be reclassified only when the Group changes its business model for managing financial assets, at which point all affected financial assets would be reclassified. Financial liabilities are not reclassified subsequent to initial recognition.

When financial instruments are recognised initially, they are measured at fair value, being the transaction price plus any directly attributable transaction costs. The exception to this is for assets and liabilities measured at fair value through the

Comprehensive Income and Expenditure Statement, where transaction costs are immediately expensed.

The subsequent measurement of financial instruments depends on whether they are financial assets or financial liabilities and whether specified criteria are met.

Financial assets are measured at amortised cost if:

- It is the objective of the Group to hold the asset in order to collect contractual cash flows; and
- The contractual terms give rise to cash flows, which are solely repayments of a principal value and interest thereon

After initial recognition, these assets are carried at amortised cost using the effective interest rate method if the time value of money is significant. Gains and losses are recognised in the Comprehensive Income and Expenditure Statement when the asset is derecognised or a loss allowance applied, as well as through the amortisation process.

Financial assets are measured at FVTOCI if:

- Assets are non-derivative and held within a business model whose objective is to realise their value through either the collection of contractual cash flows or selling of the financial assets; and
- The contractual terms of the financial asset give rise to periodic cash flows that are the payment of principal and interest

After initial recognition, interest is taken to the Comprehensive Income and Expenditure Statement using the effective interest rate method and the assets are measured at fair value with gains or losses being recognised in Other Comprehensive Income and Expenditure (and taken to the Financial Instruments Revaluation Reserve), except for impairment gains or losses, until the investment is derecognised, or reclassified at which time the cumulative fair value gain or loss previously reported in reserves is included in the Comprehensive Income and Expenditure Statement. For equity instruments, unlike debt instruments, there is no transfer of accumulated amounts in Other Comprehensive Income to the Comprehensive Income and Expenditure Statement.

Financial assets are measured at FVTPL if they are:

- Derivatives
- Not held as amortised cost or at FVTOCI
- Financial assets that were elected to be designated as measured at FVTPL

After initial recognition, assets are carried in the Balance Sheet at fair value with gains or losses recognised in the Comprehensive Income and Expenditure Statement.

Financial liabilities are measured at amortised cost if they are non-derivative with limited exceptions.

After initial recognition, non-derivative financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

## Accounting Policies (continued)

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 balances and investments that are readily convertible to cash and with an outstanding maturity, at the date of acquisition, of less than or equal to three months. Cash and cash equivalents are classified as financial assets at amortised cost.

### Other investments

Short-term investments with an outstanding maturity, at the date of acquisition, of greater than three months and less than or equal to a year, are classified as short-term investments on the basis that they are not readily convertible to cash. Short-term investments are classified as financial assets at amortised cost.

### Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently classified as financial assets at amortised cost.

### Finance lease receivables

Finance lease receivables are recognised initially at fair value and subsequently classified as financial assets at amortised cost.

### Trade and other creditors

Trade and other creditors are recognised initially at fair value and subsequently at amortised cost using the effective interest rate method.

### Interest-bearing loans and borrowings

All loans and borrowings are classified as financial liabilities measured at amortised cost.

### Obligations under leases and PFI arrangements

All obligations under leases and PFI arrangements are classified as financial liabilities measured at amortised cost.

### Other financing liabilities

Other financing liabilities are classified as financial liabilities measured at amortised cost.

### Financial derivative instruments

The Group uses financial derivative instruments to manage certain exposures to fluctuations in foreign currency exchange rates and interest rates. The Group does not hold or issue derivative instruments for speculative purposes. The use of derivatives is governed by the Group's Treasury Management policies, approved by the Board.

Derivative assets and derivative liabilities are classified as FVTPL. Such financial derivative instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are

subsequently remeasured at fair value. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated in an effective as a hedge relationship, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of the foreign currency risk of firm commitments (cash flow hedges). The fair value of derivatives are classified as a long-term asset or a long-term liability if the remaining maturity of the derivative contract is more than 12 months and as a short-term asset or a short-term liability if the remaining maturity of the derivative contract is less than 12 months.

### Hedge accounting

In order to qualify for hedge accounting, at inception of the transaction the Group formally designates and documents the hedging relationship, which includes the Group's risk management strategy and objective for undertaking the hedge, identification of the hedging instrument, the hedged item, the ratio between the amount of hedged item and the amount of hedging instrument, the nature of the risk being hedged and how the Group assesses that the hedging instrument is highly effective including analysis of potential sources of hedge ineffectiveness.

At the inception of the hedge relationship and prospectively on an ongoing basis, the Group assesses three criteria in determining the hedge is effective and qualifies for hedge accounting, namely:

- An economic relationship exists such that the fair value or cash flows attributable to the hedged risk will be offset by the fair value of the hedged instrument
- Credit risk does not dominate changes in the value of the hedging instrument or hedged item
- The hedge ratio used for hedge accounting purposes is the same as that used for risk management purposes and is to be maintained as initially set throughout the hedge relationship

Where derivatives or portions of hedges do not qualify for hedge accounting, they are recorded at fair value through the Comprehensive Income and Expenditure Statement and any change in value is immediately recognised in the Comprehensive Income and Expenditure Statement.

### Cash flow hedges

Hedge relationships are classified as cash flow hedges when they hedge the Group's exposure to variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss. Derivative instruments qualifying as cash flow hedges are principally interest rate swaps (where floating rate interest is swapped to fixed) and foreign currency forward exchange contracts.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is deferred in reserves. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

## Accounting Policies (continued)

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 I 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.

### ak) Climate change

TfL makes use of reasonable and supportable information to make accounting judgement and estimates. This includes information about the observable effects of physical environment and transition risks. The following items represent the most significant effects:

Financial impact of acute physical risk resulting in service disruption and asset damage

Financial impact of chronic physical risk resulting in increased operating costs and higher costs from lower asset resilience and replacement

Financial impact of transition risks such as higher costs through our net-zero ambition and cost of materials, construction and procurement. In addition, the impact on our assessment of asset impairments

Opportunities from being more energy efficient, using renewable energy and waste heat, as well as revenue from electric vehicle charging points

TfL is developing a pan-TfL climate change adaptation plan, which will focus on the actions needed across the organisation to improve our maturity in adapting to climate change impacts, and how we will report on progress. Many of the effects of climate change will be long term in nature, with an inherent level of uncertainty, and have limited effect on accounting judgement and estimates for the current period.

# Notes to the Financial Statements

## I. Gross income

### a) Group gross income

| Year ended 31 March  | 2022<br>£m | % of<br>total | 2021<br>£m | % of<br>total |
|--|------------|---------------|------------|---------------|
| Passenger income   | 2,880.2    | 66.8          | 1,284.6    | 53.6          |
| Revenue in respect of free travel for older and disabled customers | 273.7      | 6.3           | 315.0      | 13.1          |
| Congestion Charging  | 423.3      | 9.8           | 315.7      | 13.2          |
| Ultra Low Emission Zone charges                                    | 225.7      | 5.2           | 77.1       | 3.2           |
| Low Emission Zone charges  | 34.6       | 0.8           | 5.7        | 0.2           |
| Charges to London Boroughs and Local Authorities                   | 12.6       | 0.3           | 12.4       | 0.5           |
| Charges to transport operators                                     | 21.3       | 0.5           | 1.6        | 0.1           |
| Road Network compliance income                                     | 68.3       | 1.6           | 47.4       | 2.0           |
| Commercial advertising receipts                                    | 105.1      | 2.4           | 58.9       | 2.5           |
| Rents receivable   | 78.4       | 1.8           | 77.1       | 3.2           |
| Contributions from third parties to operating costs                | 28.6       | 0.7           | 56.7       | 2.4           |
| Taxi licensing   | 32.9       | 0.8           | 26.5       | 1.1           |
| Ticket and photocard commission income                             | 11.6       | 0.3           | 7.6        | 0.3           |
| General fees and charges   | 11.2       | 0.3           | 7.5        | 0.3           |
| ATM and car parking income   | 10.5       | 0.2           | 3.3        | 0.1           |
| Museum income  | 8.3        | 0.2           | 3.9        | 0.2           |
| Training and specialist services                                   | 26.2       | 0.6           | 13.5       | 0.6           |
| Cycle hire scheme  | 15.2       | 0.4           | 16.8       | 0.7           |
| Other  | 45.7       | 1.0           | 64.5       | 2.7           |
|  | 4,313.4    | 100.0         | 2,395.8    | 100.0         |

### b) Corporation gross income

| Year ended 31 March                                 | 2022<br>£m | % of<br>total | 2021<br>£m | % of<br>total |
|---|------------|---------------|------------|---------------|
| Congestion Charging                                 | 423.3      | 49.4          | 315.7      | 59.1          |
| Ultra Low Emission Zone charges                     | 225.7      | 26.3          | 77.1       | 14.4          |
| Low Emission Zone charges                           | 34.6       | 4.0           | 5.7        | 1.1           |
| Charges to London Boroughs and Local Authorities    | 11.8       | 1.4           | 11.9       | 2.2           |
| Road Network compliance income                      | 68.3       | 8.0           | 47.4       | 8.9           |
| Rents receivable                                    | 0.7        | 0.1           | 0.5        | 0.1           |
| Contributions from third parties to operating costs | 24.3       | 2.8           | 24.5       | 4.6           |
| Taxi licensing                                      | 32.9       | 3.8           | 26.5       | 5.0           |
| General fees and charges                            | 4.0        | 0.5           | 3.2        | 0.6           |
| Training and specialist services                    | 17.1       | 2.0           | 12.1       | 2.3           |
| Other   | 15.0       | 1.7           | 9.7        | 1.7           |
|   | 857.7      | 100.0         | 534.3      | 100.0         |

### c) Congestion Charging

| Year ended 31 March                               | Group and<br>Corporation<br>2022<br>£m | Group and<br>Corporation<br>2021<br>£m |
|---|--|--|
| Income  | 423.3                                  | 315.7                                  |
| Toll facilities and traffic management            | (107.5)                                | (83.0)                                 |
|   | 315.8                                  | 232.7                                  |
| Administration, support services and depreciation | (8.5)                                  | (8.5)                                  |
| <b>Net income from Congestion Charging</b>        | <b>307.3</b>                           | <b>224.2</b>                           |

Net income from the Congestion Charge (above), Low Emission Zone and Ultra Low Emission Zone (page I31) is spent on delivering the Mayor's Transport Strategy.

# Notes to the Financial Statements

## I. Gross income (continued)

### d) Low Emission Zone (LEZ) Charging

|   | Group and Corporation<br>2022<br>£m | Group and Corporation<br>2021<br>£m |
|---|-------------------------------------|-------------------------------------|
| <b>Year ended 31 March</b>                        |                                     |                                     |
| Income  | 34.6                                | 5.7                                 |
| Toll facilities and traffic management            | (0.8)                               | (0.7)                               |
|   | 33.8                                | 5.0                                 |
| Administration, support services and depreciation | -                                   | -                                   |
| <b>Net income from LEZ Charging</b>               | <b>33.8</b>                         | <b>5.0</b>                          |

### e) Ultra Low Emission Zone (ULEZ) Charging

|   | Group and Corporation<br>2022<br>£m | Group and Corporation<br>2021<br>£m |
|---|-------------------------------------|-------------------------------------|
| <b>Year ended 31 March</b>                        |                                     |                                     |
| Income  | 225.7                               | 77.1                                |
| Toll facilities and traffic management            | (106.9)                             | (33.1)                              |
|   | 118.8                               | 44.0                                |
| Administration, support services and depreciation | (7.4)                               | (6.4)                               |
| <b>Net income from ULEZ charging</b>              | <b>111.4</b>                        | <b>37.6</b>                         |

### f) Street works

|   | Group and Corporation<br>2022<br>£m | Group and Corporation<br>2021<br>£m |
|---|-------------------------------------|-------------------------------------|
| <b>Year ended 31 March</b>  |                                     |                                     |
| Income  | 8.9                                 | 8.7                                 |
| Allowable operating costs of managing the lane rental scheme  | (2.0)                               | (2.0)                               |
| Application of Street Works Reserve to projects reducing the adverse effects caused by street works | (6.4)                               | (5.4)                               |
| <b>Net income recognised within net cost of services</b>  | <b>0.5</b>                          | <b>1.3</b>                          |
| Allowable capital costs of managing the lane rental scheme  | (0.1)                               | -                                   |
| <b>Net income for the year transferred to the Street Works Reserve</b>                              | <b>0.4</b>                          | <b>1.3</b>                          |

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 Operating Account as included in internal reports to management to the Group Comprehensive Income and Expenditure Statement

The segmental information presented in the Expenditure and Funding Analysis reflects the presentation of the Operating Account as included in internal management reports, published on TfL's website in the form of [Quarterly Performance Reports](#). The methodology for preparation and the presentation of figures within the Operating Account differs in several respects from the Group Comprehensive Income and Expenditure Statement as presented in these financial statements. To aid understanding of TfL information as reported in Quarterly Performance Reports, a reconciliation of the Operating Account to the Group Comprehensive Income and Expenditure Statement is presented on the following pages.



Our investment is helping to open up more of the capital

# Notes to the Financial Statements

## 2. Segmental analysis (continued)

### Reconciliation of the Operating Account as included in internal reports to management to the Group Comprehensive Income and Expenditure Statement (CI&E)

| Year ended 31 March 2022  | Operating Account<br>as reported to<br>management<br>£m | Items included in the<br>CI&E but excluded from<br>the Operating Account<br>£m | Items included in the<br>Operating Account but<br>excluded from the CI&E<br>£m | Reclassifications<br>between line items<br>£m | Items with different<br>accounting treatment<br>(see note 2c)<br>£m | Group Comprehensive<br>Income and<br>Expenditure Statement<br>£m |
|---|---|--|--|---|---|--|
| Gross income/(total operating income)   | 4,348.0   | -  | -  | -   | (34.6)  | 4,313.4  |
| Gross expenditure/(operating cost)  | (6,478.0)   | (2,071.3)  | 750.9  | -   | 27.7  | (7,770.7)  |
| Net cost of services before exceptional items/<br>(divisional net operating deficit excluding grant income) | (2,130.0)   | (2,071.3)  | 750.9  | -   | (6.9)   | (3,457.3)  |
| Net cost of services after exceptional items  | (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  | -   | -   | -  |
| <b>(Net cost of operations before financing)</b>  | <b>23.0</b>   | <b>(61.3)</b>  | <b>1,301.9</b>   | <b>-</b>                                      | <b>(374.1)</b>  | <b>889.5</b>   |
| Financing and investment income   | -   | 198.6  | -  | 4.0   | -   | 202.6  |
| Financing and investment expenditure  | -   | (51.7)   | -  | (443.0)                                       | (7.1)   | (501.8)  |
| (Net financing costs)   | (439.0)   | -  | -  | 439.0   | -   | -  |
| <b>Group surplus before tax/<br/>(net cost of operations after extraordinary grant)</b>                     | <b>(416.0)</b>  | <b>85.6</b>  | <b>1,301.9</b>   | <b>-</b>                                      | <b>(381.2)</b>  | <b>590.3</b>   |
| Taxation income   | -   | (86.2)   | -  | -   | -   | (86.2)   |
| <b>Group surplus after tax</b>  | <b>(416.0)</b>  | <b>(0.6)</b>   | <b>1,301.9</b>   | <b>-</b>                                      | <b>(381.2)</b>  | <b>504.1</b>   |

# Notes to the Financial Statements

## 2. Segmental analysis (continued)

### Reconciliation of the Operating Account as included in internal reports to management to the Group Comprehensive Income and Expenditure Statement (CI&E)

| Year ended 31 March 2021   | Operating Account<br>as reported to<br>management<br>£m | Items included in the<br>CI&E but excluded from<br>the Operating Account<br>£m | Items included in the<br>Operating Account but<br>excluded from the CI&E<br>£m | Reclassifications<br>between line items<br>£m | Items with different<br>accounting treatment<br>(see note 2c)<br>£m | Group Comprehensive<br>Income and Expenditure<br>Statement<br>£m |
|--|---|--|--|---|---|--|
| Gross income/(total operating income)  | 2,377.0   | -  | -  | -   | 18.8  | 2,395.8  |
| Gross expenditure/(operating cost)   | (6,381.0)   | (1,802.5)  | 751.5  | 29.4  | (2.2)   | (7,404.8)  |
| Net cost of services/(divisional net operating deficit excluding grant income) | (4,004.0)   | (1,802.5)  | 751.5  | 29.4  | 16.6  | (5,009.0)  |
| Exceptional items  | -   | -  | -  | (29.4)  | -   | (29.4)   |
| Net cost of services after exceptional items                                   | (4,004.0)   | (1,802.5)  | 751.5  | -   | 16.6  | (5,038.4)  |
| Other net operating expenditure  | -   | (63.4)   | -  | -   | -   | (63.4)   |
| Grant income   | 3,543.0   | 933.5  | -  | -   | 255.8   | 4,732.3  |
| Group share of profit before tax of joint ventures                             | -   | 0.7  | -  | -   | -   | 0.7  |
| Group share of loss before tax of associated undertakings                      | -   | (3.5)  | -  | -   | -   | (3.5)  |
| (Capital renewals)   | (367.0)   | -  | 367.0  | -   | -   | -  |
| (Net cost of operations before financing)                                      | (828.0)   | (935.2)  | 1,118.5  | -   | 272.4   | (372.3)  |
| Financing and investment income  | -   | 35.8   | -  | 13.6  | -   | 49.4   |
| Financing and investment expenditure   | -   | (146.0)  | -  | (453.6)                                       | 1.0   | (598.6)  |
| (Net financing costs)  | (440.0)   | -  | -  | 440.0   | -   | -  |
| Group deficit before tax/(net cost of operations after extraordinary grant)    | (1,268.0)   | (1,045.4)  | 1,118.5  | -   | 273.4   | (921.5)  |
| Taxation income  | -   | 10.5   | -  | -   | -   | 10.5   |
| Group deficit after tax  | (1,268.0)   | (1,034.9)  | 1,118.5  | -   | 273.4   | (911.0)  |

Where line item descriptors differ between the Operating Account and the Comprehensive Income and Expenditure Statement, those used in the Operating Account are shown within parentheses in the above tables.

# Notes to the Financial Statements

## 2. Segmental analysis (continued)

### 2c) Detailed reconciliation of segmental information reported in internal management reports to amounts included in the Group (deficit)/surplus

The segmental analysis is prepared using internal management reporting accounting methodologies. In some cases, these methodologies are different from the accounting policies used in the financial statements. Where there are accounting policy differences between management reports and the statutory accounts, statutory accounting adjustments are not recorded by segment in the underlying accounting records. It is not therefore possible to produce a segmental breakdown of the Group financial statements on a statutory basis of reporting. Differences between the methodologies are explained in the paragraphs and table below

- Depreciation, amortisation of intangibles and impairment charges are not included in the segmental analysis
- The cost of retirement benefits is recognised within gross expenditure in the Operating Account as a charge based on cash contributions paid during the year, rather than the pension service cost and net interest charge on defined benefit pension obligations recognised in the Comprehensive Income and Expenditure Statement. This better reflects the actual charge made to the General Fund in respect of pension costs which is calculated based on actual contributions paid as opposed to the charges flowing through the Comprehensive Income and Expenditure Statement as calculated under IAS 19
- The Operating Account excludes the net gain on disposal of investment properties and the change in fair value of investment properties that are included within financing and investment income in the Comprehensive Income and Expenditure Statement. Fair value movements are excluded from management reporting as these gains or losses are unrealised. The net proceeds from disposals, meanwhile, are included in the Capital Account for management reporting purposes, as these income streams may only be employed by the Corporation to fund capital expenditure and do not represent an ongoing revenue stream that can be employed to meeting the day-to-day operating costs of the network
- Similarly, the Operating Account excludes gains and losses on the disposal of property, plant and equipment and intangible assets recognised within other operating expenditure, and instead includes the net proceeds from these disposals in the Capital Account
- Internal management reporting includes a charge within operating expenditure for the costs of right-of-use leases, based on cash payments made in the period in relation to those leases. In the net cost of services in the Comprehensive Income and Expenditure Statement, this charge has been stripped out and replaced with the amortisation charge in respect of right-of-use assets within net cost of services and a financing charge included within financing and investment expenditure
- The Operating Account includes a charge for capital renewals expenditure which, in the statutory financial statements, is included within additions to property, plant and equipment. Renewals expenditure is included in the Operating Account for management reporting purposes to allow the Operating Account to present the ongoing, full, day-to-day cost of running and maintaining our existing network
- The Operating Account excludes the adjustment to financing expenditure made in respect of borrowing costs capitalised into qualifying assets (see Note 10). Instead this charge is left within net financing costs so that amounts charged to the Operating Account reflect the full cost to the Group of financing its debt
- Certain grants received (primarily Business Rates Retention) are treated as capital grant for management reporting purposes and are thus excluded from the Operating Account (being instead included in the Capital Account). For statutory reporting purposes, however, all grant is recognised as income in the Comprehensive Income and Expenditure Statement. Moreover, certain grants badged as 'capital grant' for management reporting purposes, under law constitute resource grants, and may only be classified as capital grant where they have been applied to fund capital expenditure during the year
- The results of joint ventures and associated undertakings are excluded from the Operating Account as the TfL Group does not hold a controlling interest in these undertakings
- Other minor differences between the Comprehensive Income and Expenditure Statement and the Operating Account are collectively referred to as Central items and are not included in reports to management

# Notes to the Financial Statements

## 2. Segmental analysis (continued)

### Detailed reconciliation of net cost of operations per internal management reports to net cost of services per the Comprehensive Income and Expenditure Statement

| Year ended 31 March   | Note | 2022<br>£m | 2022<br>£m | 2021<br>£m | 2021<br>£m |
|---|------|------------|------------|------------|------------|
| Net cost of operations after Extraordinary grant per internal management reports                              |      |            | (416.0)    |            | (1,267.0)  |
| Adjustments between management and statutory reports:   |      |            |            |            |            |
| Add amounts included in the Comprehensive Income and Expenditure Statement not reported in management reports |      |            |            |            |            |
| Depreciation  | 4    | (940.4)    |            | (939.7)    |            |
| Amortisation of right-of-use assets   | 4    | (361.6)    |            | (367.6)    |            |
| Amortisation of software intangibles  | 4    | (50.2)     |            | (37.2)     |            |
| Impairment  | 4    | (57.8)     |            | (6.3)      |            |
| Pension service costs   | 36   | (661.3)    |            | (451.7)    |            |
|   |      |            | (2,071.3)  |            | (1,802.5)  |
| Other net operating expenditure   | 8    |            | (36.2)     |            | (63.4)     |
| Group share of profit before tax of joint ventures  | 18   |            | 7.9        |            | 0.7        |
| Group share of loss before tax of associated undertakings   | 19   |            | 24.0       |            | (3.5)      |
| Change in fair value of investment properties included in financing and investment income                     | 9    | 93.4       |            | -          |            |
| Net gain on disposal of investment properties   | 9    | 105.2      |            | 35.8       |            |
|   |      |            | 198.6      |            | 35.8       |
| Net interest on defined benefit obligation  | 10   | (105.9)    |            | (90.1)     |            |
| Interest payable on lease and PFI liabilities   | 10   | (60.4)     |            | (63.0)     |            |
| Change in fair value of investment properties included in financing and investment expenditure                | 10   | -          |            | (83.3)     |            |
| Amounts capitalised into qualifying assets  | 10   | 114.6      |            | 90.4       |            |
|   |      |            | (51.7)     |            | (146.0)    |
| Capital grant income  | 11   |            | 2,014.3    |            | 933.5      |
| Tax   | 12   |            | (86.2)     |            | 10.5       |
|   |      |            | (0.6)      |            | (1,034.9)  |

| Year ended 31 March  | Note | 2022<br>£m | 2022<br>£m | 2021<br>£m | 2021<br>£m |
|--|------|------------|------------|------------|------------|
| Less items included in the Operating Account but excluded from the Comprehensive Income and Expenditure Statement                      |      |            |            |            |            |
| Cash payments under PFI and lease arrangements   |      | 373.0      |            | 351.2      |            |
| Pension payments charged to operating costs  |      | 377.9      |            | 400.3      |            |
|  |      |            | 750.9      |            | 751.5      |
| Capital renewals   |      |            | 551.0      |            | 367.0      |
|  |      |            | 1,301.9    |            | 1,118.5    |
| Amounts subject to differing accounting treatment between the Operating Account and the Comprehensive Income and Expenditure Statement |      |            |            |            |            |
| Grant income   |      |            | (367.2)    |            | 254.8      |
| Central items  |      |            | (14.0)     |            | 17.6       |
|  |      |            | (381.2)    |            | 272.4      |
| Group surplus/(deficit) after tax per the Comprehensive Income and Expenditure Statement   |      |            | 504.1      |            | (911.0)    |

# Notes to the Financial Statements

## 3. Expenditure and Funding Analysis

|   | Net expenditure chargeable to the General Fund 2021/22 £m | Adjustments 2021/22 | Net expenditure in the Comprehensive Income and Expenditure Statement 2021/22 £m | Net expenditure chargeable to the General Fund 2020/21 (restated)* £m | Adjustments 2020/21 (restated)* | Net expenditure in the Comprehensive Income and Expenditure Statement 2020/21 (restated)* £m |
|---|---|---------------------|--|---|---------------------------------|--|
| London Underground                              | (738.0)   | -                   | (738.0)  | (1,615.0)   | -                               | (1,615.0)  |
| Elizabeth line                                  | (310.0)   | -                   | (310.0)  | (319.0)   | -                               | (319.0)  |
| Buses, streets and other operations             | (971.0)   | -                   | (971.0)  | (1,702.0)   | -                               | (1,702.0)  |
| Rail  | (186.0)   | -                   | (186.0)  | (329.0)   | -                               | (329.0)  |
| Other segments                                  | 75.0  | -                   | 75.0   | (30.0)  | -                               | (30.0)   |
| Group items                                     | -   | -                   | -  | (9.0)   | -                               | (9.0)  |
| Central items not reported on a segmental basis | 2,113.5   | 3,440.8             | (1,327.3)  | 3,686.9   | 4,691.9                         | (1,005.0)  |
| <b>Net Cost of Services</b>                     | <b>(16.5)</b>   | <b>3,440.8</b>      | <b>(3,457.3)</b>   | <b>(317.1)</b>  | <b>4,691.9</b>                  | <b>(5,009.0)</b>   |
| Other income and expenditure                    | (189.9)   | (4,151.3)           | 3,961.4  | (401.5)   | (4,499.5)                       | 4,098.0  |
| <b>(Deficit)/surplus after tax</b>              | <b>(206.4)</b>  | <b>(710.5)</b>      | <b>504.1</b>   | <b>(718.6)</b>  | <b>192.4</b>                    | <b>(911.0)</b>   |
| Opening General Fund balance                    | 862.1   |                     |  | 1,580.7   |                                 |  |
| Deficit on the General Fund                     | (206.4)   |                     |  | (718.6)   |                                 |  |
| <b>Closing General Fund balance</b>             | <b>655.7</b>  |                     |  | <b>862.1</b>  |                                 |  |

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.

# Notes to the Financial Statements

## 3. Expenditure and Funding Analysis (continued)

|   | Capital adjustments<br>£m | Pension adjustments<br>£m | Other Statutory adjustments<br>£m | Total statutory adjustments<br>£m | Non-statutory adjustments<br>£m | Total adjustments<br>£m |
|---|---------------------------|---------------------------|-----------------------------------|-----------------------------------|---------------------------------|-------------------------|
| <b>For the year ended 31 March 2022</b>         |                           |                           |                                   |                                   |                                 |                         |
| 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                 |
| <b>Net Cost of Services</b>                     | <b>219.1</b>              | <b>385.7</b>              | <b>(2.0)</b>                      | <b>602.8</b>                      | <b>2,838.0</b>                  | <b>3,440.8</b>          |
| Other income and expenditure                    | (931.6)                   | -                         | (11.8)                            | (943.4)                           | (3,207.9)                       | (4,151.3)               |
| <b>(Deficit)/surplus after tax</b>              | <b>(712.5)</b>            | <b>385.7</b>              | <b>(13.8)</b>                     | <b>(340.6)</b>                    | <b>(369.9)</b>                  | <b>(710.5)</b>          |

|   | Capital adjustments<br>£m | Pension adjustments<br>£m | Other Statutory adjustments<br>£m | Total statutory adjustments<br>£m | Non-statutory adjustments<br>£m | Total adjustments<br>£m |
|---|---------------------------|---------------------------|-----------------------------------|-----------------------------------|---------------------------------|-------------------------|
| <b>For the year ended 31 March 2021 (restated)*</b> |                           |                           |                                   |                                   |                                 |                         |
| Underground   | -                         | -                         | -                                 | -                                 | -                               | -                       |
| Elizabeth line                                      | -                         | -                         | -                                 | -                                 | -                               | -                       |
| Buses, streets and other operations                 | -                         | -                         | -                                 | -                                 | -                               | -                       |
| Rail  | -                         | -                         | -                                 | -                                 | -                               | -                       |
| Other segments                                      | -                         | -                         | -                                 | -                                 | -                               | -                       |
| Group items   | -                         | -                         | -                                 | -                                 | -                               | -                       |
| Central items not reported on a segmental basis     | 183.4                     | 139.5                     | 0.6                               | 323.5                             | 4,368.4                         | 4,691.9                 |
| <b>Net Cost of Services</b>                         | <b>183.4</b>              | <b>139.5</b>              | <b>0.6</b>                        | <b>323.5</b>                      | <b>4,368.4</b>                  | <b>4,691.9</b>          |
| Other income and expenditure                        | (850.2)                   | -                         | (11.7)                            | (861.9)                           | (3,637.6)                       | (4,499.5)               |
| <b>(Deficit)/surplus after tax</b>                  | <b>(666.8)</b>            | <b>139.5</b>              | <b>(11.1)</b>                     | <b>(538.4)</b>                    | <b>730.8</b>                    | <b>192.4</b>            |

\* The format of the Expenditure and Funding Analysis has been updated from the prior year to enhance compliance with the Code. The net expenditure chargeable to the General Fund remains unchanged.

# 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 2022<br>£m | Group 2021<br>£m | Corporation 2022<br>£m | Corporation 2021*<br>£m<br>Restated |
|--------------------------------------|------|------------------|------------------|------------------------|-------------------------------------|
| Staff costs:                         |      |                  |                  |                        |                                     |
| Wages and salaries**                 |      | 1,431.5          | 1,422.8          | 394.2                  | 401.5                               |
| Social security costs                |      | 165.4            | 163.9            | 45.7                   | 46.4                                |
| Pension costs                        | 36   | 652.5            | 442.4            | 379.6                  | 169.2                               |
|                                      |      | 2,249.4          | 2,029.1          | 819.5                  | 617.1                               |
| Other service expenditure***         |      | 3,926.5          | 3,896.7          | 266.6                  | 288.7                               |
| Credit loss expense                  |      | 184.8            | 128.2            | 171.7                  | 85.7                                |
| Depreciation                         | 14   | 940.4            | 939.7            | 142.0                  | 131.2                               |
| Amortisation right-of-use assets     | 15   | 361.6            | 367.6            | 29.8                   | 30.0                                |
| Amortisation of software intangibles | 13   | 50.2             | 37.2             | 26.7                   | 22.2                                |
| Impairment                           | 14   | 57.8             | 6.3              | 20.7                   | -                                   |
|                                      |      | 7,770.7          | 7,404.8          | 1,477.0                | 1,174.9                             |

\* Restated to reflect £14.4m staff costs for employees not deemed to have transferred to TTL Properties Limited from 1 April 2020.

\*\* Wages and salaries include amounts provided for the cost of voluntary severance.

\*\*\* Included in the Corporation's other service expenditure is £81.9m (2020/21 £108.5m) relating to financial assistance to London Boroughs and other third parties (see Note 42 for detailed analysis).

The average number of persons employed in the year was:

| Year ended 31 March                              | Group 2022<br>Number | Group 2021<br>Number | Corporation 2022<br>Number | Corporation 2021****<br>Number<br>Restated |
|--|----------------------|----------------------|----------------------------|--|
| Permanent staff (including fixed term contracts) | 25,408               | 25,692               | 7,282                      | 7,175                                      |
| Agency staff                                     | 1,586                | 1,175                | 1,093                      | 838  |
|  | 26,994               | 26,867               | 8,375                      | 8,013                                      |

\*\*\*\* Restated to reflect employees not deemed to have transferred to TTL Properties Limited from 1 April 2020.

## 5. External audit fees

External audit fees are made up as follows:

| Year ended 31 March              | Group 2022<br>£m | Group 2021<br>£m | Corporation 2022<br>£m | Corporation 2021<br>£m |
|----------------------------------|------------------|------------------|------------------------|------------------------|
| Auditor's remuneration:          |                  |                  |                        |                        |
| for statutory audit services     | 1.6              | 1.8              | 0.1                    | 0.1                    |
| for non-statutory audit services | -                | 0.1              | -                      | -                      |
| for non-audit services*****      | -                | -                | -                      | -                      |
|                                  | 1.6              | 1.9              | 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 60 to 77.

# Notes to the Financial Statements

## 7. Exceptional items

|  | Group<br>2022<br>£m | Group<br>2021<br>£m | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|--|---------------------|---------------------|---------------------------|---------------------------|
| <b>Year ended 31 March</b>                             |                     |                     |                           |                           |
| Exceptional costs relating to the coronavirus pandemic | -                   | 29.4                | -                         | -                         |

Exceptional costs included in the table above comprise costs relating to the safe stop of capital projects during the lockdown phase of the pandemic.

## 8. Other operating expenditure

|   | Group<br>2022<br>£m | Group<br>2021<br>£m | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|---|---------------------|---------------------|---------------------------|---------------------------|
| <b>Year ended 31 March</b>                            |                     |                     |                           |                           |
| Net loss on disposal of property, plant and equipment | 36.2                | 63.4                | 2.7                       | 20.4                      |
| <b>Total other operating expenditure</b>              | <b>36.2</b>         | <b>63.4</b>         | <b>2.7</b>                | <b>20.4</b>               |

## 9. Financing and investment income

|   | Group<br>2022<br>£m | Group<br>2021<br>£m | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|---|---------------------|---------------------|---------------------------|---------------------------|
| <b>Year ended 31 March</b>  |                     |                     |                           |                           |
| Interest income on bank deposits and other investments                                      | 1.6                 | 2.2                 | 1.5                       | 2.1                       |
| Realised exchange gain on foreign currency investments                                      | -                   | 4.1                 | -                         | -                         |
| Interest income on loans to subsidiaries  | -                   | -                   | 403.3                     | 400.1                     |
| Change in fair value of investment properties (including those classified as held for sale) | 93.4                | -                   | 50.5                      | -                         |
| Net gain on disposal of investment properties   | 105.2               | 35.8                | 85.0                      | 30.9                      |
| Interest receivable on finance lease receivables  | 1.1                 | 2.7                 | -                         | -                         |
| Other investment income   | 1.3                 | 4.6                 | 0.1                       | 3.6                       |
|   | <b>202.6</b>        | <b>49.4</b>         | <b>540.4</b>              | <b>436.7</b>              |

## 10. Financing and investment expenditure

|   |             | Group<br>2022<br>£m | Group<br>2021<br>£m | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|---|-------------|---------------------|---------------------|---------------------------|---------------------------|
| <b>Year ended 31 March</b>  | <b>Note</b> |                     |                     |                           |                           |
| Interest payable on loans and derivatives   |             | 433.3               | 437.3               | 414.5                     | 415.5                     |
| Interest payable on right-of-use lease liabilities  |             | 55.5                | 57.5                | 11.0                      | 11.6                      |
| Interest payable on PFI liabilities   |             | 4.9                 | 5.5                 | 4.8                       | 5.2                       |
| Contingent rentals on PFI contracts   |             | 10.5                | 9.7                 | 10.2                      | 9.5                       |
| Change in fair value of investment properties (including those classified as held for sale) |             | -                   | 83.3                | -                         | 2.3                       |
| Net interest on defined benefit obligation  | 36          | 105.9               | 90.1                | 104.8                     | 89.7                      |
| Other financing and investment expenditure  |             | 6.3                 | 5.6                 | 1.7                       | 1.1                       |
|   |             | <b>616.4</b>        | <b>689.0</b>        | <b>547.0</b>              | <b>534.9</b>              |
| Less: amounts capitalised into qualifying assets  | 14          | (114.6)             | (90.4)              | -                         | -                         |
|   |             | <b>501.8</b>        | <b>598.6</b>        | <b>547.0</b>              | <b>534.9</b>              |

# Notes to the Financial Statements

## II. Grant income

| Year ended 31 March   | Group<br>2022<br>£m | Group<br>2021<br>£m | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|---|---------------------|---------------------|---------------------------|---------------------------|
| Non ring-fenced resource grant from the DfT used to fund operations                   | 1,716.8             | 2,457.2             | 1,716.8                   | 2,457.2                   |
| Non ring-fenced Business Rates Retention from the GLA used to fund operations         | 494.1               | 1,189.4             | 494.1                     | 1,189.4                   |
| Other revenue grant received  | 74.3                | 146.2               | 72.4                      | 104.4                     |
| Council tax precept   | 51.6                | 6.0                 | 51.6                      | 6.0                       |
| <b>Total grants allocated to revenue</b>  | <b>2,336.8</b>      | <b>3,798.8</b>      | <b>2,334.9</b>            | <b>3,757.0</b>            |
| Ring-fenced grant from the GLA used to fund capital expenditure relating to Crossrail | 554.0               | 46.0                | 554.0                     | 46.0                      |
| Non ring-fenced Business Rates Retention from the GLA used to fund capital            | 1,350.2             | 689.6               | 1,350.2                   | 689.6                     |
| Other capital grants and contributions received                                       | 110.1               | 197.9               | 50.4                      | 120.6                     |
| <b>Total grants allocated to capital</b>  | <b>2,014.3</b>      | <b>933.5</b>        | <b>1,954.6</b>            | <b>856.2</b>              |
| <b>Total grants</b>   | <b>4,351.1</b>      | <b>4,732.3</b>      | <b>4,289.5</b>            | <b>4,613.2</b>            |

### Allocation of capital grants

| Year ended 31 March                    | Note | Group<br>2022<br>£m | Group<br>2021<br>£m | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|--|------|---------------------|---------------------|---------------------------|---------------------------|
| Capital grant funding of subsidiaries* |      | -                   | -                   | 1,216.0                   | 69.9                      |
| Applied capital grants                 | 38   | 2,014.3             | 933.5               | 738.6                     | 786.3                     |
| <b>Total capital grants</b>            |      | <b>2,014.3</b>      | <b>933.5</b>        | <b>1,954.6</b>            | <b>856.2</b>              |

\* 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 40.

## 12. Taxation

TfL Corporation is exempt from Corporation Tax, but its subsidiaries are assessable individually to taxation in accordance with current tax legislation.

### a) Corporation Tax

The Group tax expense for the year, based on the rate of Corporation Tax of 19 per cent (2020/21 19 per cent) comprised:

| Year ended 31 March  | Group<br>2022<br>£m | Group<br>2021<br>£m |
|--|---------------------|---------------------|
| UK Corporation Tax – current year charge                   | -                   | -                   |
| UK Corporation Tax – adjustments in respect of prior years | -                   | (1.6)               |
| <b>Total current tax income</b>                            | <b>-</b>            | <b>(1.6)</b>        |
| <b>Deferred tax – current year charge/(credit)</b>         | <b>86.2</b>         | <b>(8.9)</b>        |
| <b>Total tax charge/(credit) for the year</b>              | <b>86.2</b>         | <b>(10.5)</b>       |

### Reconciliation of tax expense

| Year ended 31 March   | Group<br>2022<br>£m | Group<br>2021<br>£m |
|---|---------------------|---------------------|
| Surplus/(deficit) on the provision of services before tax   | 590.3               | (921.5)             |
| Surplus/(deficit) on the provision of services before tax multiplied by standard rate of Corporation Tax in the UK of 19% (2020/21 19%) | 112.2               | (175.1)             |
| <b>Effects of:</b>  |                     |                     |
| Non-taxable income/non-deductible expenses  | (65.9)              | 99.0                |
| Prior period adjustments  | -                   | (1.6)               |
| Permanent difference in TfL Corporation   | (97.1)              | 8.0                 |
| Amount charged to current tax for which no deferred tax was recognised  | 138.9               | 58.7                |
| Utilisation of tax losses carried forward for which no deferred tax was recognised  | (0.9)               | (0.9)               |
| Overseas earnings   | (1.0)               | 1.4                 |
| <b>Total tax charge/(credit) for the year</b>   | <b>86.2</b>         | <b>(10.5)</b>       |

# Notes to the Financial Statements

## 12. Taxation (continued)

### b) Unrecognised deferred tax assets

The Group has a potential net deferred tax asset of £2,950.1m (2021 £2,119.9m) in respect of the following items:

|  | Group<br>2022<br>£m | Group<br>2021<br>£m |
|--|---------------------|---------------------|
| Deductible temporary differences       | 1,636.7             | 1,120.9             |
| Tax losses                             | 1,313.4             | 999.0               |
| <b>Unrecognised deferred tax asset</b> | <b>2,950.1</b>      | <b>2,119.9</b>      |

No net deferred tax asset has been recognised in respect of the above as it is not considered probable that there will be sufficient future taxable profits available against which the unused tax credits can be utilised. The tax losses and the deductible temporary differences do not expire under current tax legislation.

The net deferred tax asset excludes any amounts connected to the pension deficit.

### c) Movement in recognised deferred tax assets and liabilities during the year

Deferred tax assets have been recognised only to the extent that they are considered available to offset deferred tax liabilities as at the Balance Sheet date. Their movements during the year were in respect of the following items:

|   | Balance at<br>1 April<br>2021<br>£m | Movement<br>in the<br>provision of<br>services<br>£m | Movement<br>in other<br>comprehensive<br>income during<br>the year<br>£m | Balance at<br>31 March<br>2022<br>£m |
|---|-------------------------------------|--|--|--------------------------------------|
| <b>For the year ended 31 March 2022</b> |                                     |  |  |                                      |
| <b>Deferred tax assets</b>              |                                     |  |  |                                      |
| Property, plant and equipment           | 14.5                                | 44.5   | -  | <b>59.0</b>                          |
| Derivative financial instruments        | 20.7                                | (9.1)  | -  | <b>11.6</b>                          |
| <b>Total</b>                            | <b>35.2</b>                         | <b>35.4</b>  | <b>-</b>   | <b>70.6</b>                          |
| <b>Deferred tax liabilities</b>         |                                     |  |  |                                      |
| Investment properties                   | (254.7)                             | (120.0)  | (54.7)   | <b>(429.4)</b>                       |
| Assets held for sale                    | (14.8)                              | (1.6)  | -  | <b>(16.4)</b>                        |
| <b>Total</b>                            | <b>(269.5)</b>                      | <b>(121.6)</b>                                       | <b>(54.7)</b>  | <b>(445.8)</b>                       |
| <b>Net deferred tax liability</b>       | <b>(234.3)</b>                      | <b>(86.2)</b>  | <b>(54.7)</b>  | <b>(375.2)</b>                       |

# Notes to the Financial Statements

## 12. Taxation (continued)

### c) Movement in recognised deferred tax assets and liabilities during the year (continued)

|   | Balance at<br>1 April<br>2020<br>£m | Movement<br>in the<br>provision of<br>services<br>£m | Movement<br>in other<br>comprehensive<br>income during<br>the year<br>£m | Balance at<br>31 March<br>2021<br>£m |
|---|-------------------------------------|--|--|--------------------------------------|
| <b>For the year ended 31 March 2021</b> |                                     |  |  |                                      |
| <b>Deferred tax assets</b>              |                                     |  |  |                                      |
| Property, plant and equipment           | 16.0                                | (1.5)  | -  | 14.5                                 |
| Derivative financial instruments        | 23.3                                | (2.6)  | -  | 20.7                                 |
| <b>Total</b>                            | <b>39.3</b>                         | <b>(4.1)</b>   | <b>-</b>   | <b>35.2</b>                          |
| <b>Deferred tax liabilities</b>         |                                     |  |  |                                      |
| Investment properties                   | (263.9)                             | 9.9  | (0.7)  | (254.7)                              |
| Assets held for sale                    | (17.9)                              | 3.1  | -  | (14.8)                               |
| <b>Total</b>                            | <b>(281.8)</b>                      | <b>13.0</b>  | <b>(0.7)</b>   | <b>(269.5)</b>                       |
| <b>Net deferred tax liability</b>       | <b>(242.5)</b>                      | <b>8.9</b>   | <b>(0.7)</b>   | <b>(234.3)</b>                       |

The key movements in the period were due to the following:

- An increase in the UK Corporation Tax rate to 25 per cent, with effect from 1 April 2023, was substantively enacted in the period. As the deferred tax balances are not expected to be settled until after 1 April 2023, they have been calculated at a rate of 25 per cent (2020/21: 19 per cent). This change in tax rate has led to an increase in all deferred tax liabilities and assets
- The deferred tax liability arising on investment properties, including those classified as assets held for sale, has increased due to the revaluation movements recognised in financing and investment income and Other Comprehensive Income during the year
- Certain properties that had not previously been held at a value were reclassified as investment property and valued at open market value prior to transfer to TTL Properties Limited (a subsidiary of the Corporation) during the year. It is not considered that sufficient deferred tax assets will be available to offset this deferred tax liability in full. A deferred tax liability has been recognised in Other Comprehensive Income in relation to the revaluation gain recognised in Other Comprehensive Income in respect of these assets
- The property, plant and equipment deferred tax asset has changed in the period due to assets acquired in the year, movements in the market value of assets held and capital allowances claimed

- Included in the deferred tax balances for property, plant and equipment is the deferred tax movement on revaluation gains recognised in Other Comprehensive Income
- The deferred tax asset arising in respect of derivative financial instruments has decreased during 2021/22 due to movement in the fair value of derivatives

UK Corporation Tax is calculated at a rate of 19 per cent (2020/21: 19 per cent). In the Spring Budget 2021, it was announced that the main rate of Corporation Tax will increase to 25 per cent with effect from 1 April 2023, this amendment was substantively enacted in May 2021. As the Group's deferred tax balances are not expected to be settled until after 1 April 2023, deferred tax balances at 31 March 2022 have been calculated at a rate of 25 per cent.

No deferred tax asset has been recognised on the Corporation's pension deficit as the principal employer is not a taxpaying entity. Future tax deductions for some contributions will be made in the taxable entities, however, as at 31 March 2022, no deferred tax assets have been recognised in these entities.

# Notes to the Financial Statements

## 13. Intangible assets

### a) Group intangible assets

|  | Note | Software costs<br>£m | Intangible assets under construction<br>£m | Goodwill<br>£m | Total<br>£m    |
|--|------|----------------------|--|----------------|----------------|
| <b>Cost</b>                                      |      |                      |  |                |                |
| At 1 April 2020                                  |      | 463.7                | 16.5                                       | 351.8          | 832.0          |
| Additions  |      | 37.8                 | 1.9  | -              | 39.7           |
| Net transfers from property, plant and equipment | 14   | 28.1                 | -  | -              | 28.1           |
| Transfers between asset classes                  |      | 0.1                  | (0.1)                                      | -              | -              |
| <b>At 31 March 2021</b>                          |      | <b>529.7</b>         | <b>18.3</b>                                | <b>351.8</b>   | <b>899.8</b>   |
| Additions  |      | <b>52.6</b>          | <b>6.0</b>                                 | <b>-</b>       | <b>58.6</b>    |
| Net transfers from property, plant and equipment | 14   | <b>8.0</b>           | <b>91.2</b>                                | <b>-</b>       | <b>99.2</b>    |
| Transfers between asset classes                  |      | <b>87.4</b>          | <b>(87.4)</b>                              | <b>-</b>       | <b>-</b>       |
| Disposals  |      | <b>(167.8)</b>       | <b>-</b>                                   | <b>-</b>       | <b>(167.8)</b> |
| <b>At 31 March 2022</b>                          |      | <b>509.9</b>         | <b>28.1</b>                                | <b>351.8</b>   | <b>889.8</b>   |
| <b>Amortisation and impairment</b>               |      |                      |  |                |                |
| At 1 April 2020                                  |      | 364.1                | -  | 349.2          | 713.3          |
| Amortisation charge for the year                 | 4    | 37.2                 | -  | -              | 37.2           |
| <b>At 31 March 2021</b>                          |      | <b>401.3</b>         | <b>-</b>                                   | <b>349.2</b>   | <b>750.5</b>   |
| Amortisation charge for the year                 |      | 50.2                 | -  | -              | 50.2           |
| Net transfers from property, plant and equipment | 14   | 0.4                  | -  | -              | 0.4            |
| Disposals  |      | <b>(167.8)</b>       | <b>-</b>                                   | <b>-</b>       | <b>(167.8)</b> |
| <b>At 31 March 2022</b>                          |      | <b>284.1</b>         | <b>-</b>                                   | <b>349.2</b>   | <b>633.3</b>   |
| <b>Net book value at 31 March 2022</b>           |      | <b>225.8</b>         | <b>28.1</b>                                | <b>2.6</b>     | <b>256.5</b>   |
| Net book value at 31 March 2021                  |      | 128.4                | 18.3                                       | 2.6            | 149.3          |

Intangible assets under construction comprise software assets under development by the Group.

### b) Corporation intangible assets

|  | Note | Software costs<br>£m | Intangible assets under construction<br>£m | Total<br>£m    |
|--|------|----------------------|--|----------------|
| <b>Cost</b>                                      |      |                      |  |                |
| At 1 April 2020                                  |      | 331.9                | 10.5                                       | 342.4          |
| Additions  |      | 31.4                 | -  | 31.4           |
| Transfers between asset classes                  |      | 2.6                  | (2.6)                                      | -              |
| <b>At 31 March 2021</b>                          |      | <b>365.9</b>         | <b>7.9</b>                                 | <b>373.8</b>   |
| Additions  |      | <b>8.0</b>           | <b>32.9</b>                                | <b>40.9</b>    |
| Net transfers from property, plant and equipment | 14   | <b>8.0</b>           | <b>75.7</b>                                | <b>83.7</b>    |
| Transfers between asset classes                  |      | <b>104.3</b>         | <b>(104.3)</b>                             | <b>-</b>       |
| Disposals  |      | <b>(167.7)</b>       | <b>-</b>                                   | <b>(167.7)</b> |
| <b>At 31 March 2022</b>                          |      | <b>318.5</b>         | <b>12.2</b>                                | <b>330.7</b>   |
| <b>Amortisation and impairment</b>               |      |                      |  |                |
| At 1 April 2020                                  |      | 264.7                | -  | 264.7          |
| Amortisation charge for the year                 | 4    | 22.2                 | -  | 22.2           |
| <b>At 31 March 2021</b>                          |      | <b>286.9</b>         | <b>-</b>                                   | <b>286.9</b>   |
| Amortisation charge for the year                 | 4    | <b>26.7</b>          | <b>-</b>                                   | <b>26.7</b>    |
| Net transfers from property, plant and equipment | 14   | <b>0.4</b>           | <b>-</b>                                   | <b>0.4</b>     |
| Disposals  |      | <b>(167.8)</b>       | <b>-</b>                                   | <b>(167.8)</b> |
| <b>At 31 March 2022</b>                          |      | <b>146.2</b>         | <b>-</b>                                   | <b>146.2</b>   |
| <b>Net book value at 31 March 2022</b>           |      | <b>172.3</b>         | <b>12.2</b>                                | <b>184.5</b>   |
| Net book value at 31 March 2021                  |      | 79.0                 | 7.9  | 86.9           |

Intangible assets under construction comprise software assets under development by the Corporation.

# Notes to the Financial Statements

## 14. Property, plant and equipment

a) Group property, plant and equipment at 31 March 2022 comprised the following elements:

|  | Note | Infrastructure and office buildings<br>£m | Rolling stock<br>£m | Plant and equipment<br>£m | Assets under construction<br>£m | Total<br>£m     |
|--|------|---|---------------------|---------------------------|---------------------------------|-----------------|
| <b>Cost or valuation</b>               |      |   |                     |                           |                                 |                 |
| At 1 April 2021                        |      | 35,121.0                                  | 5,050.7             | 2,240.2                   | 20,038.7                        | 62,450.6        |
| Additions                              |      | 421.1                                     | 23.1                | 34.1                      | 1,525.6                         | 2,003.9         |
| Transfers to intangible assets         | 13   | (8.0)                                     | -                   | -                         | (91.2)                          | (99.2)          |
| Transfers to investment properties     | 16   | (5.3)                                     | -                   | -                         | (106.5)                         | (111.8)         |
| Transfers to assets held for sale      | 23   | -   | -                   | -                         | (83.4)                          | (83.4)          |
| Transfers between asset classes        |      | 2,385.1                                   | 13.7                | 66.6                      | (2,465.4)                       | -               |
| Disposals                              |      | (13.1)                                    | -                   | (111.1)                   | -                               | (124.2)         |
| Write offs                             |      | -   | -                   | (5.3)                     | (30.9)                          | (36.2)          |
| Revaluation                            |      | 13.1                                      | -                   | -                         | -                               | 13.1            |
| <b>At 31 March 2022</b>                |      | <b>37,913.9</b>                           | <b>5,087.5</b>      | <b>2,224.5</b>            | <b>18,786.9</b>                 | <b>64,012.8</b> |
| <b>Depreciation and impairment</b>     |      |   |                     |                           |                                 |                 |
| At 1 April 2021                        |      | 15,467.4                                  | 2,383.6             | 1,500.8                   | 4.9                             | 19,356.7        |
| Depreciation charge for the year       | 4    | 702.8                                     | 123.1               | 114.5                     | -                               | 940.4           |
| Impairment charge for the year         | 4    | -   | -                   | 6.4                       | 51.4                            | 57.8            |
| Transfers to investment properties     | 16   | (0.5)                                     | -                   | -                         | -                               | (0.5)           |
| Transfers to intangible assets         | 13   | (0.4)                                     | -                   | -                         | -                               | (0.4)           |
| Disposals                              |      | (8.6)                                     | -                   | (115.3)                   | -                               | (123.9)         |
| Revaluation                            |      | (8.8)                                     | -                   | -                         | -                               | (8.8)           |
| <b>At 31 March 2022</b>                |      | <b>16,151.9</b>                           | <b>2,506.7</b>      | <b>1,506.4</b>            | <b>56.3</b>                     | <b>20,221.3</b> |
| <b>Net book value at 31 March 2022</b> |      | <b>21,762.0</b>                           | <b>2,580.8</b>      | <b>718.1</b>              | <b>18,730.6</b>                 | <b>43,791.5</b> |
| Net book value at 31 March 2021        |      | 19,653.6                                  | 2,667.1             | 739.4                     | 20,033.8                        | 43,093.9        |

b) Group property, plant and equipment at 31 March 2021 comprised the following elements:

|                                    | Note | Infrastructure and office buildings<br>£m | Rolling stock<br>£m | Plant and equipment<br>£m | Assets under construction<br>£m | Total<br>£m     |
|------------------------------------|------|---|---------------------|---------------------------|---------------------------------|-----------------|
| <b>Cost or valuation</b>           |      |   |                     |                           |                                 |                 |
| At 1 April 2020                    |      | 34,182.4                                  | 4,976.6             | 2,129.7                   | 19,252.7                        | 60,541.4        |
| Additions                          |      | 953.2                                     | 74.1                | 126.5                     | 894.8                           | 2,048.6         |
| Transfers to intangible assets     | 13   | -   | -                   | -                         | (28.1)                          | (28.1)          |
| Transfers to investment properties | 16   | (21.1)                                    | -                   | -                         | -                               | (21.1)          |
| Transfers between asset classes    |      | 0.2                                       | -                   | 21.3                      | (21.5)                          | -               |
| Disposals                          |      | (1.1)                                     | -                   | (35.8)                    | (3.0)                           | (39.9)          |
| Write offs                         |      | -   | -                   | (1.5)                     | (56.2)                          | (57.7)          |
| Revaluation                        |      | 7.4                                       | -                   | -                         | -                               | 7.4             |
| <b>At 31 March 2021</b>            |      | <b>35,121.0</b>                           | <b>5,050.7</b>      | <b>2,240.2</b>            | <b>20,038.7</b>                 | <b>62,450.6</b> |
| <b>Depreciation and impairment</b> |      |   |                     |                           |                                 |                 |
| At 1 April 2020                    |      | 14,754.8                                  | 2,266.1             | 1,427.9                   | -                               | 18,448.8        |
| Depreciation charge for the year   | 4    | 716.8                                     | 117.5               | 105.4                     | -                               | 939.7           |
| Impairment charge for the year     | 4    | -   | -                   | 1.4                       | 4.9                             | 6.3             |
| Transfers to investment properties | 16   | (0.2)                                     | -                   | -                         | -                               | (0.2)           |
| Disposals                          |      | -   | -                   | (33.9)                    | -                               | (33.9)          |
| Revaluation                        |      | (4.0)                                     | -                   | -                         | -                               | (4.0)           |
| <b>At 31 March 2021</b>            |      | <b>15,467.4</b>                           | <b>2,383.6</b>      | <b>1,500.8</b>            | <b>4.9</b>                      | <b>19,356.7</b> |

# Notes to the Financial Statements

## 14. Property, plant and equipment (continued)

The Group holds its office buildings at valuation. All other items of property, plant and equipment are held at cost.

As set out in the going concern note to the accounting policies, as part of the wider Government review of the Group, a review of the capital programme has been conducted and a Financial Sustainability Plan has been drawn up identifying capital projects that remain priorities for future funding. TfL's current and planned future capital investment projects have been categorised by management according to their relative funding priority, taking into consideration such factors as health and safety requirements, the phase at which a project sits in its lifecycle, Government and mayoral priorities, sources of funding and penalties that may be incurred if projects are paused or permanently halted. Certain lower priority projects where termination penalties are not prohibitive have been paused or terminated during the year and related assets under construction have been written off or impaired as appropriate in the table above. Management believe that all capital projects in progress at 31 March 2022 should continue to be funded. However, until a longer-term financing package has been formally agreed, a material level of uncertainty remains as to whether all projects in the course of construction at 31 March 2022 will be fully funded to completion.

Borrowing costs are included in the costs of qualifying assets to the extent that the asset is funded by borrowings. As a result, the total borrowing costs capitalised during the year were £114.6m (2021 £90.4m). The cumulative borrowing costs capitalised are £923.4m (2021 £808.8m). Borrowings are capitalised at the rate of interest directly incurred on the specific borrowings taken out to fund the asset in question.

At 31 March 2022, the Group had capital commitments which are contracted for but not provided for in the financial statements amounting to £1,103.7m (2021 £1,240.9m).

On 21 November 2019, the Corporation entered into an agreement with RiverLinx Limited for the design, build, financing, operations and maintenance of Silvertown Tunnel, connecting the Greenwich Peninsula and the Royal Docks in London. Our financial obligations to make payments to RiverLinx Limited will start once the tunnel is open, currently planned in early 2025 (the 'Permit to Use Date'). From the Permit to Use Date, the Corporation will make performance-based availability payments, initially at £65m annually and indexed until the expiry date of the agreement in January 2050.

### c) Group PFI assets

The net book value above includes the following amounts in respect of PFI assets:

|  | Infrastructure and office buildings<br>£m | Rolling stock<br>£m | Plant and equipment<br>£m | Total<br>£m  |
|--|---|---------------------|---------------------------|--------------|
| Gross cost                             | 432.9                                     | 45.3                | 16.7                      | 494.9        |
| Accumulated depreciation               | (183.0)                                   | (45.3)              | (16.7)                    | (245.0)      |
| <b>Net book value at 31 March 2022</b> | <b>249.9</b>                              | <b>-</b>            | <b>-</b>                  | <b>249.9</b> |
| Net book value at 31 March 2021        | 254.8                                     | -                   | -                         | 254.8        |

### d) Depreciation charge

The total depreciation charge for the Group for the year comprised:

| Year ended 31 March                                | Note | 2022<br>£m   | 2021<br>£m |
|--|------|--------------|------------|
| Depreciation of owned assets                       |      | 935.5        | 934.8      |
| Depreciation of assets held under PFI arrangements |      | 4.9          | 4.9        |
| <b>Total depreciation</b>                          | 4    | <b>940.4</b> | 939.7      |

# Notes to the Financial Statements

## 14. Property, plant and equipment (continued)

### e) Group office buildings

The existing use value of owner-occupied office buildings at 31 March 2022 has been arrived at on the basis of a valuation carried out at that date by CBRE, a real estate advisory business not connected with the Group, and by chartered surveyors working for TfL. In determining the existing use value, the capitalisation of net income method and the discounting of future cash flows to their present value has been used. This is based upon various assumptions including the anticipated future rental income, maintenance costs and the appropriate discount rate, making reference to market evidence of transaction prices for similar properties. A deduction is made to reflect purchaser's acquisition costs.

Properties are valued in accordance with the Red Book, RICS Valuation – Global Standards published by the Royal Institution of Chartered Surveyors.

Valuations are performed annually. The value of these buildings at 31 March 2022 was £74.1m (2021 £185.2m) and the depreciated historical cost value was £26.9m (2021 £36.6m). A related revaluation gain for the year of £21.9m (2020/21 a gain of £11.4m) has been recognised within Other Comprehensive Income and Expenditure.

### f) Group and Corporation heritage assets

Property, plant and equipment includes a number of assets of importance to the history of London transport which are classified as heritage assets in accordance with the Code. These comprise transport-related objects and material (including vehicles, posters and photographs) held to advance the preservation, conservation and education objects of London Transport Museum. The collection consists of more than 400,000 items and is housed at the Museum's sites in Covent Garden and Acton.

These assets are primarily former operational assets of the TfL Group whose legal title is retained by the Corporation or another of its operating subsidiaries. Due to the diverse nature of the assets held and the lack of comparable market values, the cost of obtaining a valuation of TfL's heritage assets is such that it would not be commensurate with the benefits provided to users of the financial statements. The assets therefore remain recorded in the accounts at historical cost less accumulated depreciation. The collections have been externally valued for insurance purposes only. Management do not consider these insurance valuations to be necessarily indicative of open market fair value and hence have not incorporated the insurance values into the financial statements. No valuation was carried out during the year. The last valuation was carried out as at 31 March 2021 resulting in a value of £37.5m. The net book value of these assets at 31 March 2022 was £nil (2021 £nil).

### g) Corporation property, plant and equipment at 31 March 2022 comprised the following elements:

|  | Note | Infrastructure and office buildings<br>£m | Plant and equipment<br>£m | Assets under construction<br>£m | Total<br>£m    |
|--|------|---|---------------------------|---------------------------------|----------------|
| <b>Cost or valuation</b>               |      |   |                           |                                 |                |
| At 1 April 2021                        |      | 5,522.5                                   | 293.3                     | 1,301.3                         | 7,117.1        |
| Additions                              |      | 43.6                                      | 20.3                      | 156.6                           | 220.5          |
| Net transfers to intangible assets     | 13   | (8.0)                                     | -                         | (75.7)                          | (83.7)         |
| Transfers to investment properties     | 16   | -   | -                         | (34.4)                          | (34.4)         |
| Transfers between asset classes        |      | 907.7                                     | 27.2                      | (934.9)                         | -              |
| Disposals                              |      | 0.1                                       | (70.3)                    | (2.9)                           | (73.1)         |
| Intercompany transfer                  |      | (9.5)                                     | -                         | -                               | (9.5)          |
| Revaluation                            |      | 0.1                                       | -                         | -                               | 0.1            |
| <b>At 31 March 2022</b>                |      | <b>6,456.5</b>                            | <b>270.5</b>              | <b>410.0</b>                    | <b>7,137.0</b> |
| <b>Depreciation and impairment</b>     |      |   |                           |                                 |                |
| At 1 April 2021                        |      | 2,662.0                                   | 201.4                     | -                               | 2,863.4        |
| 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         | 13   | (0.4)                                     | -                         | -                               | (0.4)          |
| Disposals                              |      | (0.1)                                     | (70.3)                    | -                               | (70.4)         |
| <b>At 31 March 2022</b>                |      | <b>2,779.6</b>                            | <b>155.0</b>              | <b>20.7</b>                     | <b>2,955.3</b> |
| <b>Net book value at 31 March 2022</b> |      | <b>3,676.9</b>                            | <b>115.5</b>              | <b>389.3</b>                    | <b>4,181.7</b> |
| Net book value at 31 March 2021        |      | 2,860.5                                   | 91.9                      | 1,301.3                         | 4,253.7        |

# Notes to the Financial Statements

## 14. Property, plant and equipment (continued)

### h) Corporation property, plant and equipment at 31 March 2021 comprised the following elements:

|                                  | Note | Infrastructure<br>and office<br>buildings<br>£m | Plant and<br>equipment<br>£m | Assets under<br>construction<br>£m | Total<br>£m    |
|----------------------------------|------|---|------------------------------|------------------------------------|----------------|
| <b>Cost or valuation</b>         |      |   |                              |                                    |                |
| At 1 April 2020                  |      | 5,356.9   | 253.1                        | 1,274.1                            | 6,884.1        |
| Additions                        |      | 163.2   | 40.2                         | 47.6                               | 251.0          |
| Disposals                        |      | -   | -                            | (1.5)                              | (1.5)          |
| Write offs                       |      | -   | -                            | (18.9)                             | (18.9)         |
| Revaluation                      |      | 2.4   | -                            | -                                  | 2.4            |
| <b>At 31 March 2021</b>          |      | <b>5,522.5</b>                                  | <b>293.3</b>                 | <b>1,301.3</b>                     | <b>7,117.1</b> |
| <b>Depreciation</b>              |      |   |                              |                                    |                |
| At 1 April 2020                  |      | 2,549.2   | 183.4                        | -                                  | 2,732.6        |
| Depreciation charge for the year | 4    | 113.2   | 18.0                         | -                                  | 131.2          |
| Revaluation                      |      | (0.4)   | -                            | -                                  | (0.4)          |
| <b>At 31 March 2021</b>          |      | <b>2,662.0</b>                                  | <b>201.4</b>                 | <b>-</b>                           | <b>2,863.4</b> |

The Corporation holds its office buildings at valuation. All other items of property, plant and equipment are held at depreciated cost.

Direct borrowing costs are included in the cost of qualifying assets to the extent that the asset is funded by borrowings. Total borrowing costs capitalised during the year were £nil (2021 £nil). The cumulative borrowing costs capitalised are also £nil (2021 £nil).

At 31 March 2022, the Corporation had capital commitments which are contracted for but not provided for in the financial statements amounting to £43.2m (2021 £64.9m).

In addition, and as described in section b) to this note, the Corporation has entered into an agreement with RiverLinx Limited for design, build, financing and maintenance of a Silvertown Tunnel, connecting the Greenwich Peninsula and the Royal Docks in London. Our financial obligations to make payments to RiverLinx Limited will start once the tunnel is open, currently planned in early 2025, initially at £65m annually and indexed until the expiry date of the agreement in January 2050.

### i) Corporation PFI assets

The net book value above includes the amounts in the table below in respect of PFI assets:

|  | Infrastructure<br>and office<br>buildings<br>£m | Plant and<br>equipment<br>£m | Total<br>£m  |
|--|---|------------------------------|--------------|
| Gross cost                             | 209.1   | 16.7                         | 225.8        |
| Depreciation                           | (99.0)  | (16.7)                       | (115.7)      |
| <b>Net book value at 31 March 2022</b> | <b>110.1</b>                                    | <b>-</b>                     | <b>110.1</b> |
| Net book value at 31 March 2021        | 112.8   | -                            | 112.8        |

### j) Depreciation charge

The total depreciation charge for the Corporation comprised:

|                                       | Note | 2022<br>£m   | 2021<br>£m   |
|---------------------------------------|------|--------------|--------------|
| <b>Year ended 31 March</b>            |      |              |              |
| Depreciation of owned assets          |      | 139.3        | 128.6        |
| Depreciation of assets held under PFI |      | 2.7          | 2.6          |
| <b>Total depreciation</b>             | 4    | <b>142.0</b> | <b>131.2</b> |

# Notes to the Financial Statements

## 14. Property, plant and equipment (continued)

### k) Corporation office buildings and other infrastructure assets held at valuation

The existing use value of owner-occupied office buildings at 31 March 2022 has been arrived at on the basis of a valuation carried out at that date by CBRE, a real estate advisory business not connected with the Group, and by chartered surveyors working for TfL. In determining the existing use value, the capitalisation of net income method and the discounting of future cash flows to their present value has been used. This is based upon various assumptions including the anticipated future rental income, maintenance costs and the appropriate discount rate, making reference to market evidence of transaction prices for similar properties. A deduction is made to reflect purchaser's acquisition costs.

Properties are valued in accordance with the Red Book, RICS Valuation – Global Standards published by the Royal Institution of Chartered Surveyors.

Valuations are performed annually. The value of these buildings held by the Corporation at 31 March 2022 was £0.6m (2021 £10.2m) and the depreciated historical cost value was £nil (2021 £nil). A related revaluation gain for the year of £nil (2020/21 a gain of £2.8m) has been recognised within Other Comprehensive Income and Expenditure.

## 15. 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 2022 comprised the following elements:

|  | Note | Infrastructure and office buildings<br>£m | Rolling stock<br>£m | Buses<br>£m    | Motor vehicles<br>£m | Other equipment<br>£m | Total<br>£m    |
|--|------|---|---------------------|----------------|----------------------|-----------------------|----------------|
| <b>Cost or valuation</b>               |      |   |                     |                |                      |                       |                |
| At 1 April 2021                        |      | 577.5                                     | 1,495.7             | 1,006.6        | 13.7                 | 119.3                 | 3,212.8        |
| Additions                              |      | 8.7                                       | 44.5                | 176.5          | 0.3                  | 6.6                   | 236.6          |
| Lease terminations                     |      | -   | -                   | (7.2)          | -                    | (5.4)                 | (12.6)         |
| Valuation adjustment                   |      | (0.9)                                     | 6.3                 | -              | -                    | -                     | 5.4            |
| <b>At 31 March 2022</b>                |      | <b>585.3</b>                              | <b>1,546.5</b>      | <b>1,175.9</b> | <b>14.0</b>          | <b>120.5</b>          | <b>3,442.2</b> |
| <b>Amortisation</b>                    |      |   |                     |                |                      |                       |                |
| At 1 April 2021                        |      | 77.4                                      | 324.4               | 438.4          | 5.5                  | 37.6                  | 883.3          |
| Charge for the year                    | 4    | 39.1                                      | 80.6                | 219.6          | 3.0                  | 19.3                  | 361.6          |
| Disposals                              |      | -   | -                   | (7.2)          | -                    | (5.4)                 | (12.6)         |
| <b>At 31 March 2022</b>                |      | <b>116.5</b>                              | <b>405.0</b>        | <b>650.8</b>   | <b>8.5</b>           | <b>51.5</b>           | <b>1,232.3</b> |
| <b>Net book value at 31 March 2022</b> |      | <b>468.8</b>                              | <b>1,141.5</b>      | <b>525.1</b>   | <b>5.5</b>           | <b>69.0</b>           | <b>2,209.9</b> |
| Net book value at 31 March 2021        |      | 500.1                                     | 1,171.3             | 568.2          | 8.2                  | 81.7                  | 2,329.5        |

# Notes to the Financial Statements

## 15. Right-of-use assets and related lease liabilities (continued)

### b) Group right-of-use assets at 31 March 2021 comprised the following elements:

| Note                     | Infrastructure and office buildings<br>£m | Rolling stock<br>£m | Buses<br>£m    | Motor vehicles<br>£m | Other equipment<br>£m | Total<br>£m    |
|--------------------------|---|---------------------|----------------|----------------------|-----------------------|----------------|
| <b>Cost or valuation</b> |   |                     |                |                      |                       |                |
| At 1 April 2020          | 555.8                                     | 1,384.7             | 762.1          | 11.4                 | 111.3                 | 2,825.3        |
| Additions                | 23.2                                      | 127.3               | 244.5          | 2.3                  | 8.0                   | 405.3          |
| Valuation adjustment     | (1.5)                                     | (16.3)              | -              | -                    | -                     | (17.8)         |
| <b>At 31 March 2021</b>  | <b>577.5</b>                              | <b>1,495.7</b>      | <b>1,006.6</b> | <b>13.7</b>          | <b>119.3</b>          | <b>3,212.8</b> |
| <b>Amortisation</b>      |   |                     |                |                      |                       |                |
| At 1 April 2020          | 38.3                                      | 245.5               | 213.8          | 2.5                  | 15.6                  | 515.7          |
| Charge for the year      | 4   | 39.1                | 78.9           | 3.0                  | 22.0                  | 367.6          |
| <b>At 31 March 2021</b>  | <b>77.4</b>                               | <b>324.4</b>        | <b>438.4</b>   | <b>5.5</b>           | <b>37.6</b>           | <b>883.3</b>   |

### c) Group lease liabilities in relation to right-of-use assets

|                              | 2022<br>£m     | 2021<br>£m     |
|------------------------------|----------------|----------------|
| <b>At 31 March</b>           |                |                |
| <b>Principal outstanding</b> |                |                |
| Short-term liabilities       | 334.1          | 329.3          |
| Long-term liabilities        | 2,102.2        | 2,179.8        |
|                              | <b>2,436.3</b> | <b>2,509.1</b> |

### d) Group maturity analysis of right-of-use lease liabilities

|  | 2022<br>£m     | 2021<br>£m     |
|--|----------------|----------------|
| <b>At 31 March</b>                                 |                |                |
| <b>Contractual undiscounted payments due in:</b>   |                |                |
| Not later than one year                            | 365.5          | 361.8          |
| Later than one year but not later than two years   | 328.4          | 334.4          |
| Later than two years but not later than five years | 580.3          | 596.6          |
| Later than five years                              | 1,799.6        | 1,875.8        |
|  | <b>3,073.8</b> | <b>3,168.6</b> |
| <b>Less:</b>                                       |                |                |
| Present value discount                             | (637.4)        | (659.2)        |
| Exempt cashflows                                   | (0.1)          | (0.3)          |
| <b>Present value of minimum lease payments</b>     | <b>2,436.3</b> | <b>2,509.1</b> |

# Notes to the Financial Statements

## 15. Right-of-use assets and related lease liabilities (continued)

### e) Analysis of amounts included in the Group Comprehensive Income and Expenditure Statement

| Year ended 31 March  | Note | 2022<br>£m | 2021<br>£m |
|--|------|------------|------------|
| Amortisation of right-of-use assets  | 4    | 361.6      | 367.6      |
| Interest payable on right-of-use lease liabilities (before impact of interest rate hedges)                                   |      | 59.5       | 61.8       |
| Expense relating to short-term leases (included in gross expenditure)  |      | 3.0        | 0.5        |
| Expense relating to leases of low-value assets that are not shown above as short-term leases (included in gross expenditure) |      | 0.1        | -          |
| Income from sub-leasing right-of-use assets (included in gross income)   |      | 12.5       | 10.7       |

### f) Analysis of amounts included in the Statement of Cash Flows

The total cash outflow in the Group in respect of leases was £376.6m (2020/21 £357.2m).

### g) The Group's leasing activities and how these are accounted for

As a lessee, the Group leases various infrastructure and office buildings, rolling stock, buses, motor vehicles and other equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The accounting for these leases is described within the Accounting Policies, note ac).

### h) Future cash flows to which the lessee is potentially exposed that are/ are not reflected in the measurement of lease liabilities

#### Variable lease payments

Most of the Group's infrastructure and office buildings have variable lease payments linked to a consumer price index. Rolling stock contracts have variable lease payments interest linked to a floating rate. When there is a change in cash flows because of the change in consumer price index or change in floating rate, then the lease liability is re-measured to reflect those revised lease payments and corresponding adjustments are made to the right-of-use asset.

### Extension and termination options

Some of the Group's lease contracts have extension and termination options. These options and related payments are only included when the Group is reasonably certain that it will exercise these options. At the date of these financial statements, there are no facts and circumstances that create an economic incentive for the Group to extend or terminate the lease.

### Leases not yet commenced to which the TfL Group as a lessee is committed

As at 31 March 2022, one rolling stock contract had commenced. However, while a certain number of units of rolling stock had been accepted and leased under this contract as at 31 March, the entire quota in this contract had not yet been received or recognised. The right-of-use asset and the related lease liability in relation to the rolling stock accepted at 31 March 2022 were £226.5m and £248.6m respectively (2021 £911.4m and £1,037.5m respectively), out of a total commitment of £268.1m (2021 £1,100m) in the contract. Because the contractual payments under these lease arrangements are set at the outset of the contract in relation to the full quota of trains to be received, and the total contractual payments are not linked to the timing of acceptance of specific batches of trains, the Incremental Borrowing Rate at the commencement of the lease has been applied as the rate at which future liabilities relating to all trains under these contracts are discounted, irrespective of the date of their acceptance into use by TfL.

Further in the current year, for one of the lease contracts all the rolling stock units have been accepted this year and hence the entire liability is recorded at 31 March 2022.

# Notes to the Financial Statements

## 15. Right-of-use assets and related lease liabilities (continued)

i) Corporation right-of-use assets at 31 March 2022 comprised the following elements:

|  | Note | Infrastructure<br>and office<br>buildings<br>£m | Other<br>equipment<br>£m | Total<br>£m  |
|--|------|---|--------------------------|--------------|
| <b>Cost or valuation</b>               |      |   |                          |              |
| At 1 April 2021                        |      | 430.8   | 19.1                     | 449.9        |
| Additions                              |      | -   | 7.0                      | 7.0          |
| Disposals                              |      | -   | (3.8)                    | (3.8)        |
| Revaluation                            |      | -   | -                        | -            |
| <b>At 31 March 2022</b>                |      | <b>430.8</b>                                    | <b>22.3</b>              | <b>453.1</b> |
| <b>Amortisation</b>                    |      |   |                          |              |
| At 1 April 2021                        |      | 50.4  | 8.2                      | 58.6         |
| Charge for the year                    | 4    | 25.1  | 4.7                      | 29.8         |
| Disposals                              |      | -   | (3.8)                    | (3.8)        |
| <b>At 31 March 2022</b>                |      | <b>75.5</b>                                     | <b>9.1</b>               | <b>84.6</b>  |
| <b>Net book value at 31 March 2022</b> |      | <b>355.3</b>                                    | <b>13.2</b>              | <b>368.5</b> |
| Net book value at 31 March 2021        |      | 380.4   | 10.9                     | 391.3        |

j) Corporation right-of-use assets at 31 March 2021 comprised the following elements:

|                          | Note | Infrastructure<br>and office<br>buildings<br>£m | Other<br>equipment<br>£m | Total<br>£m  |
|--------------------------|------|---|--------------------------|--------------|
| <b>Cost or valuation</b> |      |   |                          |              |
| At 1 April 2020          |      | 432.3   | 17.4                     | 449.7        |
| Additions                |      | (0.1)   | 1.7                      | 1.6          |
| Revaluation              |      | (1.4)   | -                        | (1.4)        |
| <b>At 31 March 2021</b>  |      | <b>430.8</b>                                    | <b>19.1</b>              | <b>449.9</b> |
| <b>Amortisation</b>      |      |   |                          |              |
| At 1 April 2020          |      | 25.2  | 3.4                      | 28.6         |
| Charge for the year      | 4    | 25.2  | 4.8                      | 30.0         |
| <b>At 31 March 2021</b>  |      | <b>50.4</b>                                     | <b>8.2</b>               | <b>58.6</b>  |

# Notes to the Financial Statements

## 15. Right-of-use assets and related lease liabilities (continued)

### k) Corporation lease liabilities in relation to right-of-use assets

|                              | 2022<br>£m   | 2021<br>£m   |
|------------------------------|--------------|--------------|
| <b>At 31 March</b>           |              |              |
| <b>Principal outstanding</b> |              |              |
| Short-term liabilities       | 27.0         | 26.7         |
| Long-term liabilities        | 367.1        | 386.8        |
|                              | <b>394.1</b> | <b>413.5</b> |

### l) Corporation maturity analysis of right-of-use lease liabilities

|  | 2022<br>£m   | 2021<br>£m   |
|--|--------------|--------------|
| <b>At 31 March</b>                                 |              |              |
| <b>Contractual undiscounted payments due in:</b>   |              |              |
| Not later than one year                            | 37.3         | 37.6         |
| Later than one year but not later than two years   | 37.0         | 35.8         |
| Later than two years but not later than five years | 102.9        | 101.2        |
| Later than five years                              | 307.7        | 340.4        |
|  | <b>484.9</b> | <b>515.0</b> |
| <b>Less:</b>                                       |              |              |
| Present value discount                             | (90.8)       | (101.5)      |
| <b>Present value of minimum lease payments</b>     | <b>394.1</b> | <b>413.5</b> |

### m) Analysis of amounts included in the Corporation Comprehensive Income and Expenditure Statement

|  | Note | 2022<br>£m | 2021<br>£m |
|--|------|------------|------------|
| <b>Year ended 31 March</b>   |      |            |            |
| Amortisation of right-of-use assets  | 4    | 29.8       | 30.0       |
| Interest payable on right-of-use lease liabilities   |      | 11.0       | 11.6       |
| Expense relating to short-term leases (included in gross expenditure)  |      | -          | -          |
| Expense relating to leases of low-value assets that are not shown above as short-term leases (included in gross expenditure) |      | -          | -          |
| Income from sub-leasing right-of-use assets (included in gross income)   |      | -          | -          |

# Notes to the Financial Statements

## 15. Right-of-use assets and related lease liabilities (continued)

### n) Analysis of amounts included in the Corporation Statement of Cash Flows

The total cash outflow in the Corporation in respect of leases in 2021/22 was £37.3m (2020/21 £37.7m).

### o) The Corporation's leasing activities and how these are accounted for

As a lessee, the Corporation leases various office buildings. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The accounting for these leases is described within the Accounting Policies, notes s) and ac).

### p) Future cash flows to which the lessee is potentially exposed that are/ are not reflected in the measurement of lease liabilities.

#### Variable lease payments

Most of the Corporation's office buildings have variable lease payments linked to a consumer price index. When there is a change in cash flows because of the change in consumer price index or change in floating rate, then the lease liability is remeasured to reflect those revised lease payments and a corresponding adjustment is made to the right-of-use asset.

### Extension and termination options

Some of the Corporation's lease contracts have extension and termination options. These options and related payments are only included when the Corporation is reasonably certain that it will exercise these options. At the date of these financial statements, there are no facts and circumstances that create an economic incentive for the Corporation to extend or terminate the lease.

### Leases not yet commenced to which the Corporation as a lessee is committed

As at 31 March 2022 the Corporation is not party to any lease arrangements to which the Corporation as a lessee is committed but for which it has not yet recognised any right-of-use asset or liability on the Balance Sheet (2021 none).

### q) Peppercorn leases in the Group and Corporation

TfL has a number of leases over property and other transport infrastructure under which it pays £nil or peppercorn rents. It has undertaken an exercise to assess the fair value of the assets leased under these arrangements and has concluded that they have no material value. No amounts have therefore been recorded in these financial statements in respect of these leases.

## 16. Investment properties

|  | Note | Group<br>£m    | Corporation<br>£m |
|--|------|----------------|-------------------|
| <b>Valuation</b>                             |      |                |                   |
| At 1 April 2020                              |      | 1,430.5        | 14.1              |
| Additions                                    |      | 22.7           | 17.7              |
| Transfers to subsidiary undertakings         |      | -              | (1.6)             |
| Transfers from assets held for sale          | 23   | 19.7           | 1.0               |
| Transfers from property, plant and equipment | 14   | 20.9           | -                 |
| Disposals                                    |      | (22.3)         | (17.7)            |
| Fair value adjustments                       | 9    | (12.8)         | (1.9)             |
| <b>At 31 March 2021</b>                      |      | <b>1,458.7</b> | <b>11.6</b>       |
| Additions                                    |      | <b>27.2</b>    | <b>4.0</b>        |
| Transfers to subsidiary undertakings         |      | -              | -                 |
| Transfers to assets held for sale            | 23   | <b>(10.3)</b>  | <b>(0.7)</b>      |
| Net transfers from assets held for sale      | 23   | <b>19.5</b>    | <b>27.3</b>       |
| Transfers from property, plant and equipment | 14   | <b>111.3</b>   | <b>34.4</b>       |
| Disposals                                    |      | <b>(18.1)</b>  | <b>(9.5)</b>      |
| Fair value adjustments                       |      | <b>125.0</b>   | <b>30.0</b>       |
| <b>At 31 March 2022</b>                      |      | <b>1,713.3</b> | <b>97.1</b>       |

The fair value of the Group's investment properties at 31 March 2022 has been arrived at on the basis of valuations at that date by CBRE, a real estate advisory business not connected with the Group, and by chartered surveyors working for TfL. In determining the fair value, the capitalisation of net income method and the discounting of future cash flows to their present value has been used. This is based upon various assumptions including the anticipated future rental income, maintenance costs and the appropriate discount rate; making reference to market evidence of transaction prices for similar

properties. A deduction is made to reflect purchaser's acquisition costs. Values are therefore calculated under level 3 of the fair value hierarchy. In estimating fair value, the highest and best use of the properties is assumed to be their current use. There were no transfers of properties in or out of level 3 of the fair value hierarchy during the year (2020/21 none).

Properties are valued annually in accordance with the Red Book, RICS Valuation – Global Standards published by the Royal Institution of Chartered Surveyors.

# Notes to the Financial Statements

## 16. Investment properties (continued)

In order to create a consolidated commercial property portfolio, assets previously held at a depreciated historical cost value within property, plant and equipment, have been identified and transferred into a designated investment portfolio alongside a range of existing investment properties. In addition, the creation of new lease structures allowed the recognition, for the first time, of newly separable investment property assets which have been recorded at fair value at the date of creation of the lease structure. These assets have been combined into a vehicle to deliver homes under the Mayor's Transport Strategy, and a growing sustainable income stream, as well as to facilitate the ability to generate both debt and equity to fund capital requirements. In the year to 31 March 2022, a total net revaluation gain of £142.4m (including movements on investment properties held for sale) was recognised for the Group (2020/21 a net revaluation loss of £10.7m). Of this, a gain of £49.0m (2020/21 £72.6m) in relation to the initial valuation of newly created assets was recognised within other comprehensive income. The remaining £93.4m net gain (2020/21 £83.3m net loss) relating to movements in the valuation of assets already held at valuation has been reflected within financing income/ expenditure.

Rental income earned in relation to investment properties is disclosed in note I. Operating expenditure for the year in respect of investment properties totalled £39.8m for the Group (2020/21 £55.7m).

Information about the impact of changes in unobservable inputs (level 3) on the fair value of the Group's investment portfolio is set out in the table below.

All other factors being equal:

- A higher equivalent yield or discount rate would lead to a decrease in the valuation of an asset
- An increase in the current or estimated future rental stream would have the effect of increasing the capital value

However, there are interrelationships between the unobservable inputs which are partially determined by market conditions, which would impact on these changes.

# Notes to the Financial Statements

## 16. Investment properties (continued)

Information about fair value measurements for the TfL Group using unobservable inputs (level 3) for the year ended 31 March 2022

|                        |       | Estimated value<br>£m<br>Yield shift<br>(0.5)% | % change from<br>baseline<br>Yield shift<br>(0.5)% | Estimated value<br>£m<br>Yield shift<br>(0.25)% | % change from<br>baseline<br>Yield shift<br>(0.25)% | Estimated value<br>£m<br>Yield shift<br>0.0% | % change from<br>baseline<br>Yield shift<br>0.0% | Estimated value<br>£m<br>Yield shift<br>0.25% | % change from<br>baseline<br>Yield shift<br>0.25% | Estimated value<br>£m<br>Yield shift<br>0.5% | % change from<br>baseline<br>Yield shift<br>0.5% |
|------------------------|-------|--|--|---|---|--|--|---|---|--|--|
| Estimated rental value | (10)% | 1,774.1  | 3.55%  | 1,678.3   | (2.04)%   | 1,593.4                                      | (7.00)%  | 1,563.4                                       | (8.75)%   | 1,473.4                                      | (14.00)%   |
|                        | (5)%  | 1,842.7  | 7.55%  | 1,742.4   | 1.70%   | 1,653.5                                      | (3.49)%  | 1,622.3                                       | (5.31)%   | 1,528.4                                      | (10.79)%   |
|                        | 0%    | 1,910.7  | 11.52%   | 1,805.8   | 5.40%   | 1,713.3                                      | 0.00%  | 1,681.4                                       | (1.86)%   | 1,583.3                                      | (7.59)%  |
|                        | 5%    | 1,978.7  | 15.49%   | 1,870.1   | 9.15%   | 1,774.0                                      | 3.54%  | 1,740.2                                       | 1.57%   | 1,637.9                                      | (4.40)%  |
|                        | 10%   | 2,046.9  | 19.47%   | 1,933.8   | 12.87%  | 1,834.1                                      | 7.05%  | 1,799.3                                       | 5.02%   | 1,693.1                                      | (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

## 17. Investments in subsidiaries

|                     | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|---------------------|---------------------------|---------------------------|
| Cost                |                           |                           |
| At 1 April          | 12,222.5                  | 11,562.5                  |
| Investments in year | 560.0                     | 660.0                     |
| At 31 March         | 12,782.5                  | 12,222.5                  |

During the year, the Corporation increased its investment in the ordinary share capital of Transport Trading Limited (TTL) by £560m (2020/21 £660.0m). TTL subsequently increased its investment in the ordinary share capital of Crossrail Limited by £560m.

The Group holds 100 per cent of the share capital of all subsidiaries. All companies listed in the table below, with the exception of London Transport Insurance (Guernsey) Limited, are registered in England and Wales; and their financial statements are lodged at Companies House and also at the Charity Commission for London Transport Museum Limited. London Transport Insurance (Guernsey) Limited is registered in Guernsey.



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# Notes to the Financial Statements

## 17. 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   |

| Subsidiaries                               | Principal activity                  |
|--|-------------------------------------|
| Tramtrack Croydon Limited                  | Passenger transport by light rail   |
| Transport for London Finance Limited       | Manages financial risk of the Group |
| Transport Trading Limited                  | Holding company                     |
| TTL Blackhorse Road Properties Limited     | Holding company                     |
| TTL Build to Rent Limited                  | Holding company                     |
| TTL Earls Court Properties Limited         | Holding company                     |
| TTL FCHB Properties Limited                | Dormant company                     |
| TTL Kidbrooke Properties Limited           | Holding company                     |
| TTL Landmark Court Properties Limited      | Holding company                     |
| TTL Northwood Properties Limited           | Dormant company                     |
| TTL Properties Limited                     | Property investment and development |
| TTL Southwark Properties Limited           | Property investment                 |
| TTL South Kensington Properties Limited    | Property investment                 |
| TTL Wembley Park Properties Limited        | Dormant company                     |
| Tube Lines Limited                         | Maintenance of underground lines    |
| Tube Lines Pension Scheme Trustees Limited | Pension Fund Trustee                |
| Victoria Coach Station Limited             | Coach station                       |
| Woolwich Arsenal Rail Enterprises Limited  | Dormant company                     |

# Notes to the Financial Statements

## 18. 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 2021/22 the Group invested a further £2.8m in the equity of CLL (2020/21 £1.6m). Summarised financial information in respect of the Group's investment is set out below. Amounts presented are taken from unaudited management accounts made up to 31 March.

### Balance Sheet of Connected Living London (BTR) Limited at the 100 per cent level

|  | Group<br>2022<br>£m | Group<br>2021<br>£m |
|--|---------------------|---------------------|
| <b>At 31 March</b>                     |                     |                     |
| <b>Long-term assets</b>                |                     |                     |
| Investment property under construction | 17.9                | 15.5                |
|  | 17.9                | 15.5                |
| <b>Current assets</b>                  |                     |                     |
| Cash                                   | 4.5                 | 3.2                 |
| Other short-term assets                | -                   | 0.2                 |
|  | 4.5                 | 3.4                 |
| <b>Current liabilities</b>             |                     |                     |
| Other short-term liabilities           | (2.9)               | (1.8)               |
|  | (2.9)               | (1.8)               |
| <b>Long-term liabilities</b>           |                     |                     |
| Borrowings                             | -                   | -                   |
| Other long-term liabilities            | -                   | -                   |
|  | -                   | -                   |

### Reconciliation of net assets to amounts included in the consolidated Group accounts

|  | Group<br>2022<br>£m | Group<br>2021<br>£m |
|--|---------------------|---------------------|
| <b>At 31 March</b>   |                     |                     |
| Net assets at 100%   | 19.5                | 17.1                |
| Percentage held by the TfL Group                             | 49%                 | 49%                 |
| <b>Carrying amount of the Group's equity interest in CLL</b> | <b>9.6</b>          | <b>8.4</b>          |

# Notes to the Financial Statements

## 18. Investment in joint ventures (continued)

### Group share of comprehensive income and expenditure of CCL

|   | Group<br>2022<br>£m | Group<br>2021<br>£m |
|---|---------------------|---------------------|
| <b>At 31 March</b>  |                     |                     |
| Group share of loss from continuing operations                                | (1.7)               | (0.4)               |
| Group share of other comprehensive income                                     | -                   | -                   |
| <b>Total Group share of comprehensive income and expenditure for the year</b> | <b>(1.7)</b>        | <b>(0.4)</b>        |

The share of loss from continuing operations reflects administrative expenditure relating to the operations of the company.

#### b) Kidbrooke Partnership LLP

The Group, through its subsidiary, TTL Kidbrooke Properties Limited, holds a 49 per cent holding in the members' interest of Kidbrooke Partnership LLP (KP LLP), a property development partnership. Through a combination of its voting rights, Board representation and other rights embedded in the relevant management agreements, the Group is assessed as having joint control. The investment has therefore been accounted for as a joint venture using the equity method in these financial statements.

KP LLP has a 299 year lease over the land lying to the South East of Kidbrooke Park Road and is developing the site as a mixed use development incorporating affordable housing. The financial year end of KP LLP is 31 March.

During 2021/22 the Group had no additional investment in the equity of KP LLP (2020/21 £3.6m). Summarised financial information in respect of the Group's investment in KP LLP is set out below. Amounts presented are taken from unaudited management accounts made up to 28 February.

### Balance Sheet of Kidbrooke Partnership LLP at the 100 per cent level

|                              | Group<br>2022<br>£m | Group<br>2021<br>£m |
|------------------------------|---------------------|---------------------|
| <b>At 31 March</b>           |                     |                     |
| <b>Current assets</b>        |                     |                     |
| Cash                         | 8.9                 | 2.3                 |
| Other short-term assets      | 31.0                | 36.6                |
|                              | <b>39.9</b>         | <b>38.9</b>         |
| <b>Current liabilities</b>   |                     |                     |
| Other short-term liabilities | (2.5)               | (1.3)               |
|                              | <b>(2.5)</b>        | <b>(1.3)</b>        |

### Reconciliation of net assets to amounts included in the consolidated Group accounts

|   | Group<br>2022<br>£m | Group<br>2021<br>£m |
|---|---------------------|---------------------|
| <b>At 31 March</b>  |                     |                     |
| <b>Net assets at 100%</b>                                       | <b>37.4</b>         | <b>37.6</b>         |
| Percentage held by the TfL Group                                | 49%                 | 49%                 |
| <b>Carrying amount of the Group's equity interest in KP LLP</b> | <b>18.3</b>         | <b>18.4</b>         |

### Group share of comprehensive income and expenditure of Kidbrooke Partnership LLP

|   | Group<br>2022<br>£m | Group<br>2021<br>£m |
|---|---------------------|---------------------|
| <b>Year ended 31 March</b>  |                     |                     |
| Group share of loss from continuing operations                                | (0.1)               | -                   |
| Group share of other comprehensive income                                     | -                   | -                   |
| <b>Total Group share of comprehensive income and expenditure for the year</b> | <b>(0.1)</b>        | <b>-</b>            |

# Notes to the Financial Statements

## 18. 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

|                              | Group<br>2022<br>£m | Group<br>2021<br>£m |
|------------------------------|---------------------|---------------------|
| <b>At 31 March</b>           |                     |                     |
| <b>Current assets</b>        |                     |                     |
| Cash                         | 21.3                | 9.4                 |
| Other short-term assets      | 21.5                | 28.8                |
|                              | <b>42.8</b>         | <b>38.2</b>         |
| <b>Current liabilities</b>   |                     |                     |
| Other short-term liabilities | (8.2)               | (8.7)               |
|                              | <b>(8.2)</b>        | <b>(8.7)</b>        |

### Reconciliation of net assets to amounts included in the consolidated Group accounts

|  | Group<br>2022<br>£m | Group<br>2021<br>£m |
|--|---------------------|---------------------|
| <b>At 31 March</b>   |                     |                     |
| <b>Net assets at 100%</b>  | <b>34.6</b>         | 29.5                |
| Percentage held by the TfL Group                                 | <b>49%</b>          | 49%                 |
| <b>Carrying amount of the Group's equity interest in BRP LLP</b> | <b>17.0</b>         | 14.5                |

### Group share of comprehensive income and expenditure of BRP LLP

|   | Group<br>2022<br>£m | Group<br>2021<br>£m |
|---|---------------------|---------------------|
| <b>Year ended 31 March</b>  |                     |                     |
| Group share of profit from continuing operations                              | <b>7.3</b>          | 1.1                 |
| Group share of other comprehensive income                                     | -                   | -                   |
| <b>Total Group share of comprehensive income and expenditure for the year</b> | <b>7.3</b>          | 1.1                 |

# Notes to the Financial Statements

## 18. 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 Limited at the 100 per cent level

|                              | Group<br>2022<br>£m | Group<br>2021<br>£m |
|------------------------------|---------------------|---------------------|
| <b>At 31 March</b>           |                     |                     |
| <b>Current assets</b>        |                     |                     |
| Cash                         | 1.3                 | -                   |
| Other short-term assets      | 46.5                | -                   |
|                              | 47.8                | -                   |
| <b>Current liabilities</b>   |                     |                     |
| Other short-term liabilities | (38.2)              | -                   |
|                              | (38.2)              | -                   |

### Reconciliation of net assets to amounts included in the consolidated Group accounts

|   | Group<br>2022<br>£m | Group<br>2021<br>£m |
|---|---------------------|---------------------|
| <b>At 31 March</b>  |                     |                     |
| Net assets at 100%  | 9.6                 | -                   |
| Percentage held by the TfL Group                                      | 49%                 | -                   |
| Net assets at 49%   | 4.7                 | -                   |
| Adjustment for distribution of land receipt*                          | (2.3)               | -                   |
| <b>Carrying amount of the Group's equity interest in LMCP Limited</b> | <b>2.4</b>          | <b>-</b>            |

### Group share of comprehensive income and expenditure of LMCP Limited

|  | Group<br>2022<br>£m | Group<br>2021<br>£m |
|--|---------------------|---------------------|
| <b>Year ended 31 March</b>   |                     |                     |
| Group share of profit from continuing operations adjusted for distribution of land receipt | 2.4                 | -                   |
| Group share of other comprehensive income  | -                   | -                   |
| <b>Total Group share of comprehensive income and expenditure for the year</b>              | <b>2.4</b>          | <b>-</b>            |

\* Available profits in relation to the land receipt are distributed at 25% to TTL Landmark Court Properties Limited

# Notes to the Financial Statements

## 19. Investment in associated undertakings

### a) Earls Court Partnership Limited

The Group holds a 37 per cent holding in the ownership and voting rights of Earls Court Partnership Limited (ECP), a property development company incorporated in England and Wales. Through its voting rights and representation on the Board of Directors of ECP, the Group has significant influence but not control over the relevant activities of ECP. The Group's investment is therefore accounted for using the equity method in these consolidated accounts.

The Group has invested share capital and non-interest bearing loans into ECP. The loan notes are non-interest bearing and have no fixed repayment date. They have therefore been treated in these financial statements as an investment in the equity of ECP. As at 31 March 2022 the Group had invested £44.4m (2021 £44.4m) in share capital and a further £423m (2021 £416.2m) in loan notes.

### Balance Sheet of Earls Court Partnership Limited at the 100 per cent level

|                       | Group<br>2022<br>£m | Group<br>2021<br>£m |
|-----------------------|---------------------|---------------------|
| <b>At 31 December</b> |                     |                     |
| Current assets        | 8.1                 | 6.9                 |
| Long-term assets      | 596.0               | 516.2               |
| Current liabilities   | (1.7)               | (1.8)               |
| Long-term liabilities | (74.7)              | (73.4)              |

Included within current assets above at 31 December 2021 is £6.4m of cash (2020 £5.7m). Long-term liabilities represent third-party borrowings.

The financial year end of ECP is 31 December. For the purposes of applying the equity method of accounting, the financial statements of ECP for the year ended 31 December have been used. There were no material movements in net income/expenditure or in the net assets of ECP between 31 December 2021 and 31 March 2022.

Summarised financial information in respect of the Group's investment in ECP is set out below:

### Reconciliation of net assets to amounts included in the consolidated Group accounts

|  | Group<br>2022<br>£m | Group<br>2021<br>£m |
|--|---------------------|---------------------|
| <b>At 31 December</b>  |                     |                     |
| Net assets at 100% at 31 December  | 527.7               | 447.9               |
| Percentage held by the TfL Group   | 37%                 | 37%                 |
| TfL Group share of net assets at 31 December   | 195.3               | 165.7               |
| Investment in equity loan notes between 31 December and 31 March                                     | 2.2                 | 1.2                 |
| <b>Carrying amount of the Group's equity interest in Earls Court Partnership Limited at 31 March</b> | <b>197.5</b>        | <b>166.9</b>        |

### Group share of comprehensive income and expenditure of Earls Court Partnership Limited

|   | Group<br>2022<br>£m | Group<br>2021<br>£m |
|---|---------------------|---------------------|
| <b>Year ended 31 March</b>  |                     |                     |
| Group share of profit/(loss) from continuing operations                       | 24.0                | (3.5)               |
| Group share of other comprehensive income                                     | -                   | -                   |
| <b>Total Group share of comprehensive income and expenditure for the year</b> | <b>24.0</b>         | <b>(3.5)</b>        |

The share of profit from continuing operations primarily reflects fair value gains recognised in respect of the revaluation of the Earl's Court development site.

# Notes to the Financial Statements

## 20. Finance lease receivables

### Group finance lease receivables

The Group leases certain items of plant and equipment related to its media activities to a third party under a finance lease arrangement.

Finance lease receivables on the Balance Sheet are calculated as the present value of minimum lease payments outstanding. Interest is accrued at a rate of 6.29 per cent per annum.

|                              | 2022<br>£m | 2021<br>£m |
|------------------------------|------------|------------|
| <b>As at 31 March</b>        |            |            |
| <b>Principal outstanding</b> |            |            |
| Short-term                   | 13.8       | 15.4       |
| Long-term                    | 23.2       | 28.6       |
|                              | 37.0       | 44.0       |

|                              | 2022<br>£m | 2021<br>£m |
|------------------------------|------------|------------|
| <b>As at 31 March</b>        |            |            |
| <b>Principal outstanding</b> |            |            |
| At 1 April                   | 44.0       | 52.7       |
| Additions                    | 8.7        | 7.0        |
| Interest                     | (1.9)      | 2.6        |
| Repayments                   | (13.8)     | (18.3)     |
|                              | 37.0       | 44.0       |

|   | 2022<br>£m | 2021<br>£m |
|---|------------|------------|
| <b>At 31 March</b>                                |            |            |
| <b>Minimum cash receipts in:</b>                  |            |            |
| Not later than one year                           | 14.7       | 17.2       |
| Later than one year but not later than five years | 23.7       | 29.7       |
|   | 38.4       | 46.9       |
| Less unearned finance income                      | (1.4)      | (2.9)      |
|   | 37.0       | 44.0       |

## 21. Inventories

|                               | Group<br>2022<br>£m | Group<br>2021<br>£m |
|-------------------------------|---------------------|---------------------|
| <b>As at 31 March</b>         |                     |                     |
| Raw materials and consumables | 57.3                | 50.7                |
| Goods held for resale         | 0.8                 | 0.8                 |
|                               | 58.1                | 51.5                |

There is no material difference between the balance sheet value of Group inventories and their net realisable value. The Corporation had no inventories as at 31 March 2022 or 31 March 2021.

The movement on inventories was as follows:

|                                       | Group<br>£m |
|---------------------------------------|-------------|
| Balance at 1 April 2020               | 58.9        |
| Purchases in the year                 | 50.4        |
| Recognised as an expense in the year: |             |
| Consumed/sold in the year             | (55.0)      |
| Net write offs in the year            | (2.8)       |
| <b>Balance at 31 March 2021</b>       | 51.5        |
| Purchases in the year                 | 78.0        |
| Recognised as an expense in the year: |             |
| Consumed in the year                  | (70.1)      |
| Goods sold in the year                | (1.2)       |
| Net write offs in the year            | (0.1)       |
| <b>Balance at 31 March 2022</b>       | 58.1        |

# Notes to the Financial Statements

## 22. Debtors

| At 31 March                        | Group<br>2022<br>£m | Group<br>2021<br>£m |
|------------------------------------|---------------------|---------------------|
| <b>Short-term</b>                  |                     |                     |
| Trade debtors                      | 133.7               | 140.3               |
| Capital debtors                    | 55.3                | 5.5                 |
| Other debtors                      | 28.0                | 76.7                |
| Other tax and social security      | 62.4                | 58.8                |
| Grant debtors                      | 48.2                | 68.5                |
| Interest debtors                   | 2.6                 | 1.2                 |
| Contract assets: accrued income    | 40.6                | 35.7                |
| Prepayments for goods and services | 152.9               | 106.4               |
|                                    | <b>523.7</b>        | <b>493.1</b>        |
| <b>Long-term</b>                   |                     |                     |
| Other debtors                      | 45.1                | 17.4                |
| Prepayments for goods and services | 27.1                | 34.8                |
|                                    | <b>72.2</b>         | <b>52.2</b>         |

Trade debtors are non-interest bearing and are generally paid within 28 days.

As at 31 March 2022, £607.8m (2021 £488.4m) was recognised as a provision for expected credit losses on trade and other debtors (see Note 35).

Contract asset balances represent accrued income recognised where balances have not yet been invoiced to the customer. Upon completion of the terms of the contract and agreement with the customer/third party contributor, the amounts recognised as contract assets are reclassified to trade debtors.

| At 31 March                           | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|---------------------------------------|---------------------------|---------------------------|
| <b>Short-term</b>                     |                           |                           |
| Trade debtors                         | 51.5                      | 30.4                      |
| Amounts due from subsidiary companies | 128.7                     | 297.8                     |
| Capital debtors                       | 0.5                       | 0.6                       |
| Other debtors                         | 7.3                       | 48.9                      |
| Other tax and social security         | 10.8                      | 7.6                       |
| Grant debtors                         | 30.4                      | 17.4                      |
| Interest debtors                      | 0.2                       | -                         |
| Contract assets: accrued income       | 11.5                      | 13.0                      |
| Prepayments for goods and services    | 22.0                      | 24.2                      |
|                                       | <b>262.9</b>              | <b>439.9</b>              |
| <b>Long-term</b>                      |                           |                           |
| Loans made to subsidiary companies    | 12,325.9                  | 12,251.9                  |
| Other debtors                         | 26.4                      | -                         |
| Prepayments for goods and services    | 8.6                       | 7.6                       |
|                                       | <b>12,360.9</b>           | <b>12,259.5</b>           |

Trade debtors are non-interest bearing and are generally paid within 28 days. In 2022, £580.2m (2021 £457.9m) was recognised as a provision for expected credit losses on trade debtors (see Note 35).

Contract assets balances represent accrued income recognised where balances have not yet been invoiced to the customer. Upon completion of the terms of the contract, the amounts recognised as contract assets are reclassified to trade debtors.

Long-term loans made to subsidiary companies are interest-bearing loans, primarily representing the pass-down of external third-party borrowings to the subsidiaries that hold the assets which have been funded by that borrowing. These loans accrue market rates of interest reflecting rates achieved on debt issued to third parties by the Corporation. The average rate of interest accruing on loans outstanding at 31 March 2022 was 3.1 per cent (2021 3.2 per cent).

## 23. Assets held for sale

As at 31 March 2022, certain development sites and surplus land were being actively marketed for sale. Disposals are expected to complete within the next 12 months, or, where agreements to sell have already been put in place, in line with the timing of those agreements.

## 24. Other investments

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

## 25. Cash and cash equivalents

|  | Group<br>2022<br>£m | Group<br>2021<br>£m |
|--|---------------------|---------------------|
| <b>At 31 March</b>   |                     |                     |
| Cash at bank   | 201.6               | 126.5               |
| Short-term investments with a maturity of less than three months | 1,177.6             | 1,575.8             |
| Cash in hand and in transit                                      | 11.0                | 7.9                 |
|  | <b>1,390.2</b>      | <b>1,710.2</b>      |

|  | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|--|---------------------------|---------------------------|
| <b>At 31 March</b>   |                           |                           |
| Cash at bank   | 54.2                      | 52.6                      |
| Short-term investments with a maturity of less than three months | 1,177.6                   | 1,575.8                   |
|  | <b>1,231.8</b>            | <b>1,628.4</b>            |

Short-term investments comprise fixed deposits, UK treasury bills, repo and other tradeable instruments. These are classified as cash and cash equivalents as they have a maturity of less than three months.

## 26. Creditors

### a) Group creditors at 31 March comprised:

|  | Group<br>2022<br>£m | Group<br>2021<br>£m |
|--|---------------------|---------------------|
| <b>Short-term</b>  |                     |                     |
| Trade creditors  | 208.6               | 164.7               |
| Accrued interest   | 111.2               | 111.7               |
| Capital works  | 555.6               | 656.3               |
| Retentions on capital contracts  | 5.6                 | 9.4                 |
| Capital grants received in advance   | 40.1                | 32.2                |
| Wages and salaries   | 122.3               | 136.9               |
| Other taxation and social security creditors   | 47.5                | 49.3                |
| Contract liabilities: receipts in advance for Travelcards, bus passes and Oyster cards | 120.9               | 217.7               |
| Contract liabilities representing other deferred income                                | 59.1                | 48.3                |
| Accruals and other payables  | 576.0               | 651.4               |
|  | <b>1,846.9</b>      | <b>2,077.9</b>      |
| <b>Long-term</b>   |                     |                     |
| Capital grants received in advance   | 10.5                | 11.1                |
| Retentions on capital contracts  | (0.1)               | 3.9                 |
| Contract liabilities representing other deferred income                                | 29.1                | 29.7                |
| Accruals and other payables  | 42.8                | 12.0                |
|  | <b>82.3</b>         | <b>56.7</b>         |

# Notes to the Financial Statements

## 26. Creditors (continued)

The level of outstanding long-term liabilities as at 31 March 2022 are broadly consistent with the prior year.

The performance obligations related to deferred income balances recorded as at 31 March 2022, which are expected to be met in more than one year, relate to:

- i. License revenue and funding received from developers for improvements to bus services, which together total £21.5m (2021 £21.6m), of which £nil, (2021 £nil) relates to obligations that are due to be satisfied withing one to two years, £8.2m (2021 £13.1m) relates to obligations that are to be satisfied within two to three years, and £6.9m (2021 £4.7m) within five years and £6.4m (2021 £3.8) over five years

- ii. Maintenance income of £7.5m (2021 £6.4m) expected to be released over 30 years

- iii. Other miscellaneous contracts, together totalling £0.1m (2021 £1.6m)

Set out below is the amount of revenue recognised by the Group during the year from:

| Year ended 31 March                                 | Group<br>2022<br>£m | Group<br>2021<br>£m |
|---|---------------------|---------------------|
| Amounts included in contract liabilities at 1 April | 163.0               | 213.0               |
| Performance obligations satisfied in previous years | -                   | -                   |

### b) Corporation creditors at 31 March comprised:

| At 31 March   | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|---|---------------------------|---------------------------|
| <b>Short-term</b>                                       |                           |                           |
| Trade creditors   | 56.0                      | 44.6                      |
| Accrued interest  | 111.1                     | 109.3                     |
| Capital works   | 91.3                      | 127.9                     |
| Retentions on capital contracts                         | -                         | 1.8                       |
| Capital grants received in advance                      | 30.1                      | 14.2                      |
| Amounts due to subsidiary companies                     | 46.3                      | 278.0                     |
| Wages and salaries                                      | 20.5                      | 37.2                      |
| Other taxation and social security creditors            | 0.7                       | 2.8                       |
| Contract liabilities representing other deferred income | 23.7                      | 16.0                      |
| Accruals and other payables                             | 178.4                     | 275.2                     |
|   | 558.1                     | 907.0                     |
| <b>Long-term</b>  |                           |                           |
| Capital grants received in advance                      | 7.7                       | 8.3                       |
| Retentions on capital contracts                         | (0.1)                     | -                         |
| Contract liabilities representing other deferred income | 16.7                      | 16.3                      |
| Accruals and other payables                             | 30.1                      | -                         |
|   | 54.4                      | 24.6                      |

Total long-term contract liabilities balances in the Corporation are broadly consistent with the prior year.

# Notes to the Financial Statements

## 26. Creditors (continued)

At 31 March 2022, the significant balance of remaining performance obligations in relation to contract liabilities expected to be recognised in more than one year represents deferred license revenue totalling £9.2m (2021 £9.8m), of which £8.9m is expected to be satisfied within five years (2021 £9.8m) and £0.3m (2021 £nil) over five years. Maintenance income of £7.5m (2021 £6.4m) is expected to be released over 30 years. Balances relating to other miscellaneous contracts totalled £nil (2021 £0.1m).

Set out below is the amount of revenue recognised during the year from:

|   | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|---|---------------------------|---------------------------|
| Year ended 31 March                                 |                           |                           |
| Amounts included in contract liabilities at 1 April | 11.9                      | 14.9                      |
| Performance obligations satisfied in previous years | -                         | -                         |

## 27. Borrowings and overdrafts

|             | Group<br>2022<br>£m | Group<br>2021<br>£m |
|-------------|---------------------|---------------------|
| At 31 March |                     |                     |
| Short-term  |                     |                     |
| Borrowings  | 1,423.0             | 1,198.1             |
| Long-term   |                     |                     |
| Borrowings  | 11,543.3            | 11,769.7            |

|             | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|-------------|---------------------------|---------------------------|
| At 31 March |                           |                           |
| Short-term  |                           |                           |
| Borrowings  | 1,423.0                   | 1,198.1                   |
| Long-term   |                           |                           |
| Borrowings  | 11,547.3                  | 11,774.1                  |

Further information about the maturity and interest rate profiles of the Group and Corporation's borrowings is provided in Note 35 (Funding and financial risk management).

We have direct access to the UK Debt Management Office (DMO) via the Public Works Loan Board (PWLb) and a £2bn Commercial Paper programme in place, with both sources utilised throughout the financial year to manage liquidity requirements. Additionally, we have a £750m loan facility, with the DfT, ringfenced for the purposes of the Crossrail project and the final instalment of £74m was drawn during the year.

# Notes to the Financial Statements

## 27. Borrowings and overdrafts (continued)

### Changes in liabilities arising from financing activities

|  | Group<br>2022<br>£m | Group<br>2021<br>£m |
|--|---------------------|---------------------|
| <b>Balance at 1 April</b>  |                     |                     |
| Short-term   | 1,543.5             | 1,272.1             |
| Long-term  | 14,179.3            | 13,095.4            |
|  | 15,722.8            | 14,367.5            |
| Right-of-use lease liabilities recognised on the implementation of IFRS 16 | -                   | -                   |
| Borrowings drawn down  | 801.9               | 1,541.0             |
| Net (repayment of)/additions to other financing liabilities                | (6.2)               | (1.7)               |
| Repayment of borrowings  | (803.7)             | (263.6)             |
| Repayment of PFI liabilities   | (10.0)              | (13.9)              |
| Repayment of right-of-use lease liabilities                                | (314.8)             | (295.4)             |
| Non-cash increase in right-of-use lease liabilities                        | 242.0               | 387.5               |
| Other movements*   | 0.3                 | 1.4                 |
| <b>At 31 March</b>   | 15,632.3            | 15,722.8            |
| Short-term   | 1,774.1             | 1,543.5             |
| Long-term  | 13,858.2            | 14,179.3            |
|  | 15,632.3            | 15,722.8            |

\* Other movements in the tables above are non-cash and relate to the unwind of discounts and fees.

### Changes in liabilities arising from financing activities

|   | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|---|---------------------------|---------------------------|
| <b>Balance at 1 April</b>                           |                           |                           |
| Short-term  | 1,234.4                   | 971.2                     |
| Long-term   | 12,262.5                  | 11,282.3                  |
|   | 13,496.9                  | 12,253.5                  |
| Borrowings drawn down                               | 801.9                     | 1,541.0                   |
| Repayment of borrowings                             | (803.7)                   | (263.6)                   |
| Repayment of PFI lease liabilities                  | (9.6)                     | (9.0)                     |
| Repayment of right-of-use lease liabilities         | (26.4)                    | (26.0)                    |
| Non-cash increase in right-of-use-lease liabilities | 7.0                       | 0.2                       |
| Other movements*                                    | (0.1)                     | 0.8                       |
| <b>At 31 March</b>                                  | 13,466.0                  | 13,496.9                  |
| Short-term  | 1,460.6                   | 1,234.4                   |
| Long-term   | 12,005.4                  | 12,262.5                  |
|   | 13,466.0                  | 13,496.9                  |

# Notes to the Financial Statements

## 28. 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 I4 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  |
|---|----------------|--|
| <b>TfL</b>                                    |                |  |
| AI3 Thames Gateway contract                   | 2000 to 2030   | <p>Design and construction of improvements to the AI3 infrastructure (including communication and traffic signals systems) and ongoing maintenance and operation of the AI3 between Butcher Row and Wennington.</p> <p>The contract requires TfL to make an annual unitary payment, charged monthly and calculated according to the service provided by the concession company and the payment mechanisms defined in the contract.</p> |
| <b>London Underground Limited (LU)</b>        |                |  |
| British Transport Police (London Underground) | 1999 to 2022   | <p>Provision and ongoing management and maintenance of operational infrastructure to support efficient policing of the Jubilee Line Extension and the delivery of the long-term policing strategy for LU.</p> <p>The contract requires LU to make a base annual unitary payment which is adjusted for indexation and performance as specified in the contract.</p> <p>The contract expired in March 2022.</p>                          |



Our assets need ongoing support and investments

# Notes to the Financial Statements

## 28. Private finance initiative contracts (continued)

### PFI finance lease liabilities

|                    | Group<br>2022<br>£m | Group<br>2021<br>£m | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|--------------------|---------------------|---------------------|---------------------------|---------------------------|
| At 1 April         | 111.6               | 125.5               | 111.2                     | 120.2                     |
| Payments           | (14.9)              | (19.4)              | (14.4)                    | (14.2)                    |
| Interest           | 4.9                 | 5.5                 | 4.8                       | 5.2                       |
| <b>At 31 March</b> | <b>101.6</b>        | <b>111.6</b>        | <b>101.6</b>              | <b>111.2</b>              |

### Group

Amounts payable under the PFI arrangements cover payments for repayment of capital, payments of interest and payment of service charges. The total amount payable breaks down as follows:

|                         | Payments of<br>interest<br>£m | Repayment of<br>capital<br>£m | Payments<br>for service<br>charges<br>£m | Total amount<br>payable<br>under non-<br>cancellable<br>PFI<br>arrangements<br>£m |
|-------------------------|-------------------------------|-------------------------------|--|---|
| <b>At 31 March 2022</b> |                               |                               |  |   |
| Less than 1 year        | 4.4                           | 10.6                          | 34.3                                     | 49.3  |
| Between 1 and 5 years   | 11.9                          | 64.7                          | 127.6                                    | 204.2   |
| Between 6 and 10 years  | 1.9                           | 26.3                          | 76.0                                     | 104.2   |
|                         | 18.2                          | 101.6                         | 237.9                                    | 357.7   |
| <b>At 31 March 2021</b> |                               |                               |  |   |
| Less than 1 year        | 4.8                           | 9.9                           | 29.3                                     | 44.0  |
| Between 1 and 5 years   | 14.4                          | 55.9                          | 128.2                                    | 198.5   |
| Between 6 and 10 years  | 3.9                           | 45.8                          | 110.3                                    | 160.0   |
|                         | 23.1                          | 111.6                         | 267.8                                    | 402.5   |

### 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<br>interest<br>£m | Repayment of<br>capital<br>£m | Payments<br>for service<br>charges<br>£m | Total amount<br>payable<br>under non-<br>cancellable<br>PFI<br>arrangements<br>£m |
|-------------------------|-------------------------------|-------------------------------|--|---|
| <b>At 31 March 2022</b> |                               |                               |  |   |
| Less than 1 year        | 4.4                           | 10.6                          | 34.3                                     | 49.3  |
| Between 1 and 5 years   | 11.9                          | 64.7                          | 127.6                                    | 204.2   |
| Between 6 and 10 years  | 1.9                           | 26.3                          | 76.0                                     | 104.2   |
|                         | 18.2                          | 101.6                         | 237.9                                    | 357.7   |
| <b>At 31 March 2021</b> |                               |                               |  |   |
| Less than 1 year        | 4.8                           | 9.6                           | 25.1                                     | 39.5  |
| Between 1 and 5 years   | 14.4                          | 55.8                          | 127.5                                    | 197.7   |
| Between 6 and 10 years  | 3.9                           | 45.8                          | 110.3                                    | 160.0   |
|                         | 23.1                          | 111.2                         | 262.9                                    | 397.2   |

# Notes to the Financial Statements

## 29. Other financing liabilities

### Group other financing liabilities at 31 March comprised:

|                           | Group<br>2022<br>£m | Group<br>2021<br>£m |
|---------------------------|---------------------|---------------------|
| <b>Short-term</b>         |                     |                     |
| Deferred capital payments | 6.4                 | 6.2                 |
| <b>Long-term</b>          |                     |                     |
| Deferred capital payments | 121.7               | 128.1               |

Other financing liabilities comprise deferred capital payments in respect of the acquisition of property, plant and equipment. Gross payments with a nominal value of £151.7m (2021 £162.1m) fall due over the period to March 2033. These have been discounted back at an effective rate of interest of 3.2 per cent (2021 3.2 per cent) to the present value recorded in the table above.

## 30. Provisions

### a) Group provisions

|                               | At 1 April<br>2021<br>£m | Payments<br>in the year<br>£m | Charge<br>for the year<br>£m | Releases<br>in the year<br>£m | At 31 March<br>2022<br>£m |
|-------------------------------|--------------------------|-------------------------------|------------------------------|-------------------------------|---------------------------|
| Compensation and contractual  | 71.9                     | (7.2)                         | 15.0                         | (9.3)                         | 70.4                      |
| Capital investment activities | 66.5                     | (8.0)                         | -                            | -                             | 58.5                      |
| Environmental harm            | 1.4                      | -                             | 5.3                          | 1.1                           | 7.8                       |
| Severance and other           | 30.2                     | (13.5)                        | 33.4                         | (0.9)                         | 49.2                      |
|                               | 170.0                    | (28.7)                        | 53.7                         | (9.1)                         | 185.9                     |

|                    | 2022<br>£m | 2021<br>£m |
|--------------------|------------|------------|
| <b>At 31 March</b> |            |            |
| <b>Due</b>         |            |            |
| Short-term         | 99.3       | 109.1      |
| Long-term          | 86.6       | 60.9       |
|                    | 185.9      | 170.0      |

# Notes to the Financial Statements

## 30. Provisions (continued)

### b) Corporation provisions

|                               | At 1 April<br>2021<br>£m | Payments<br>in the year<br>£m | Charge<br>for the year<br>£m | Releases<br>in the year<br>£m | At 31 March<br>2022<br>£m |
|-------------------------------|--------------------------|-------------------------------|------------------------------|-------------------------------|---------------------------|
| Compensation and contractual  | 18.2                     | (2.8)                         | 1.4                          | (0.4)                         | 16.4                      |
| Capital investment activities | 66.7                     | (8.0)                         | -                            | -                             | 58.7                      |
| Severance and other           | 9.6                      | (6.2)                         | 22.3                         | (6.5)                         | 19.2                      |
|                               | 94.5                     | (17.0)                        | 23.7                         | (6.9)                         | 94.3                      |

|                    | 2022<br>£m | 2021<br>£m |
|--------------------|------------|------------|
| <b>At 31 March</b> |            |            |
| <b>Due</b>         |            |            |
| Short-term         | 53.3       | 64.9       |
| Long-term          | 41.0       | 29.6       |
|                    | 94.3       | 94.5       |

### 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

## 31. Derivative financial instruments

### Group derivatives in cash flow hedge relationships

|                                    | Fair value<br>2022<br>£m | Notional<br>amount<br>2022<br>£m | Fair value<br>2021<br>£m | Notional<br>amount<br>2021<br>£m |
|------------------------------------|--------------------------|----------------------------------|--------------------------|----------------------------------|
| <b>At 31 March</b>                 |                          |                                  |                          |                                  |
| <b>Long-term assets</b>            |                          |                                  |                          |                                  |
| Interest rate swaps                | 13.0                     | 215.6                            | -                        | -                                |
| Foreign currency forward contracts | 0.2                      | 5.8                              | 0.2                      | 19.7                             |
|                                    | 13.2                     | 221.4                            | 0.2                      | 19.7                             |
| <b>Current assets</b>              |                          |                                  |                          |                                  |
| Foreign currency forward contracts | 1.4                      | 23.8                             | 2.6                      | 45.9                             |
|                                    | 1.4                      | 23.8                             | 2.6                      | 45.9                             |
| <b>Current liabilities</b>         |                          |                                  |                          |                                  |
| Interest rate swaps                | -                        | -                                | (1.2)                    | 75.0                             |
| Foreign currency forward contracts | (4.5)                    | 57.3                             | (10.5)                   | 163.5                            |
|                                    | (4.5)                    | 57.3                             | (11.7)                   | 238.5                            |
| <b>Long-term liabilities</b>       |                          |                                  |                          |                                  |
| Interest rate swaps                | -                        | -                                | (29.6)                   | 336.9                            |
| Foreign currency forward contracts | (14.2)                   | 203.4                            | (17.6)                   | 271.1                            |
|                                    | (14.2)                   | 203.4                            | (47.2)                   | 608.0                            |

### Group derivatives not in hedge relationships

|                                    | Fair value<br>2022<br>£m | Notional<br>amount<br>2022<br>£m | Fair value<br>2021<br>£m | Notional<br>amount<br>2021<br>£m |
|------------------------------------|--------------------------|----------------------------------|--------------------------|----------------------------------|
| <b>At 31 March</b>                 |                          |                                  |                          |                                  |
| <b>Current assets</b>              |                          |                                  |                          |                                  |
| Foreign currency forward contracts | -                        | -                                | 3.9                      | 183.2                            |
|                                    | -                        | -                                | 3.9                      | 183.2                            |
| <b>Current liabilities</b>         |                          |                                  |                          |                                  |
| Foreign currency forward contracts | (2.0)                    | 238.9                            | (0.3)                    | 2.2                              |
|                                    | (2.0)                    | 238.9                            | (0.3)                    | 2.2                              |
| <b>Long-term liabilities</b>       |                          |                                  |                          |                                  |
| Foreign currency forward contracts | -                        | -                                | (0.1)                    | 0.4                              |
|                                    | -                        | -                                | (0.1)                    | 0.4                              |

The Corporation has not entered into any derivative financial instrument contracts.

Further detail on the Group's derivative instruments is set out in Note 35.

## 32. Contingencies

There are a number of uncertainties surrounding projects, including claims in the course of negotiations, which may affect the Group's financial performance. Where claims are possible but not probable, or are unquantifiable, such claims are treated as contingent liabilities. Contingent liabilities are not recognised in the financial statements, but are monitored to ensure that, where a possible obligation has become probable or a transfer of economic benefits has become probable, a provision is made.

The impact of these contingent liabilities on the Group's financial performance, liquidity or financial position is not considered to be material.

# Notes to the Financial Statements

## 33. Guarantees

Section 160 of the GLA Act 1999 sets out the conditions under which the Corporation may give certain guarantees, indemnities or similar arrangements. Under section 161 of the GLA Act 1999 TfL is obliged to disclose in its Annual Report details of all guarantees etc. so given.

TfL and its subsidiaries have entered into joint and several guarantees in favour of HSBC Bank plc as security for any bank indebtedness outstanding from time to time. TfL has also separately guaranteed any liabilities owing to HSBC Bank plc by its subsidiary, Crossrail Limited.

The Corporation has given guarantees in respect of some of its subsidiary companies' contracts. The amount that could be payable under the guarantees (as described below) varies depending on a number of factors, including, inter alia, responsibility for the costs arising from an early termination of the underlying contract, which are not known before the event. For information only, the approximate maximum amounts of debt that were envisaged to be drawn by the counterparty at the signing of the agreements are disclosed below. For the avoidance of doubt, these amounts do not represent the amounts that could be payable by TfL under the guarantees but are shown here to give an indication of the relative size of each contract.

In addition, TfL also guarantees the payments of certain of its subsidiaries under a number of other service and construction contracts. It has guaranteed amounts owed by London Bus Services Limited to the Fuel Cells and Hydrogen Joint Undertaking under a Grant agreement for the 3EMOTION Environmentally Friendly, Efficient Electric Motion project. It has guaranteed London Underground Limited's payment obligations as a tenant in respect of an operating lease for the Stratford City Business District. It has also provided an indemnity to Berkeley 55 Limited in respect of future Mayoral CIL payments that Berkeley 55 Limited may be charged in relation to the fit out of the Crossrail station at Woolwich.

Unlike the agreements listed above, these contracts are not based on an initial amount of debt and so cannot be quantified in a similar manner.

TfL also acts as a guarantor in respect of all liabilities under third party derivative contracts entered into by its subsidiary, Transport for London Finance Limited. The fair value of net liabilities outstanding under derivative contracts at 31 March 2022 is £6.1m (2021 £52.6m).

No arrangements were entered into with another person under which that person gives a guarantee which TfL has power to give under section 160 (4) of the GLA Act and no indemnities associated with the guarantees were given by virtue of section 160 (5) of the GLA Act.

The majority of guarantees granted by TfL are in respect of the obligations of its subsidiaries. These obligations are, in any case, recorded as liabilities on the Group Balance Sheet. The probability of any amounts becoming payable by the Corporation under the above guarantees and indemnities is considered remote. As at 31 March 2022 the fair value of all financial guarantees granted has been recorded as £nil (2021 £nil).

|  | Estimated maximum debt drawn by<br>counterparty at start of contract<br>£m |
|--|--|
| Agreement with 345 Rail Leasing Limited  | 1,050  |
| Agreements with QW Rail Leasing Ltd      | 380  |
| Agreement with London Rail Leasing Ltd   | 350  |
| Agreement with Lloyds Bank PLC           | 109  |
| Agreement with Pittville Leasing Ltd     | 51   |
| Agreement with Lombard North Central Plc | 7  |

# Notes to the Financial Statements

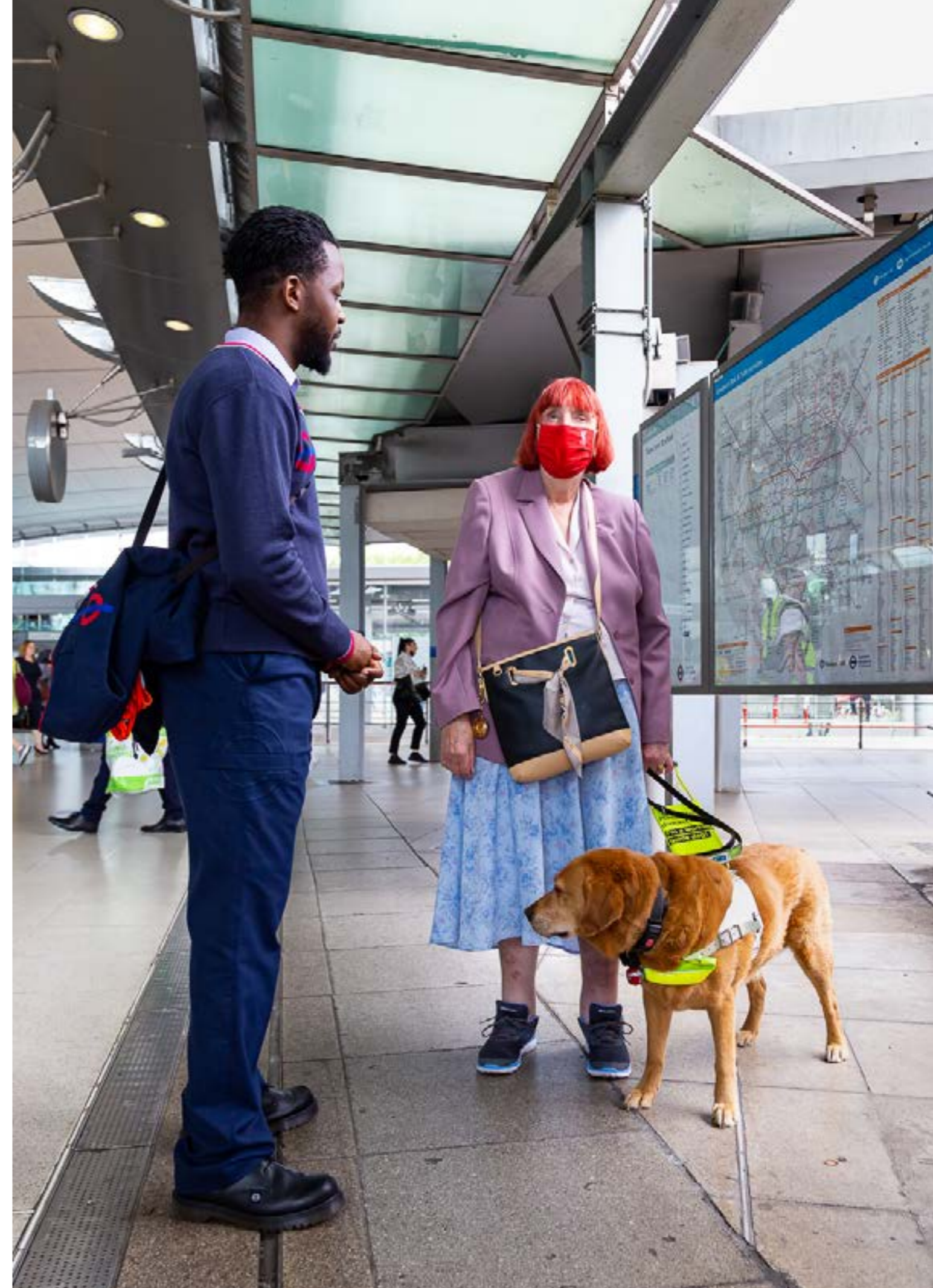
## 34. Financial commitments

### Operating leases – The Group and Corporation as lessor

The Group and Corporation lease out commercial, retail and office property, and land that they hold as a result of their infrastructure holdings.

At the Balance Sheet date, the Group and Corporation had contracted with customers for the following future minimum lease payments:

|                            | Group<br>£m | Corporation<br>£m |
|----------------------------|-------------|-------------------|
| <b>Land and buildings</b>  |             |                   |
| <b>At 31 March 2022</b>    |             |                   |
| Within one year            | 59.3        | 1.0               |
| Between one and two years  | 52.6        | 1.0               |
| Between two and five years | 109.7       | 2.1               |
| Later than five years      | 624.2       | 11.1              |
|                            | 845.8       | 15.2              |
| <b>At 31 March 2021</b>    |             |                   |
| Within one year            | 57.3        | 0.7               |
| Between one and two years  | 52.1        | 0.7               |
| Between two and five years | 111.4       | 1.7               |
| Later than five years      | 617.8       | 4.9               |
|                            | 838.6       | 8.0               |



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# Notes to the Financial Statements

## 35. Funding and financial risk management

### Introduction

TfL is a statutory corporation established under the GLA Act 1999. TfL is funded by revenues, grant and prudential borrowing. The Group's debt is issued by the statutory corporation, Transport for London, in the form of loans from the PWLB, the EIB and EDC, Medium Term Notes under the £5bn TfL Euro Medium Term Note programme, and short-term Commercial Paper under the £2bn TfL Euro Commercial Paper programme.

### Treasury Management

TfL has a Treasury Management Strategy which is required to be updated on at least an annual basis. The Treasury Management Strategy for 2021/22 was prepared having regard to the Local Government Act 2003 and the Local Authorities (Capital Finance and Accounting) Regulations 2003 (as amended), the key recommendations of the Code of Practice and Cross-Sectoral Guidance Notes for Treasury Management in the Public Services (2017 Edition) (the Treasury Management Code) and the Prudential Code for Capital Finance in Local Authorities (2017 Edition) (the Prudential Code), both issued by CIPFA, as well as the key recommendations of the Statutory Guidance on Local Authority Investments (2018 Edition) issued by the Ministry for Housing, Communities and local Government (the Investment Guidance). The strategy was approved by the TfL Finance Committee (a sub-committee of the TfL Board) prior to the commencement of the financial year.

The Group's principal financial instruments comprise borrowings, investments, derivatives, lease liabilities and receivables, PFI liabilities and cash and cash equivalents.

These financial instruments are used to manage funding and liquidity requirements. Other financial instruments that arise directly from the Group's operations include trade receivables and payables and other financing liabilities.

The Group monitors the risk profile of its borrowing, investment and derivative programmes against approved benchmarks and provides regular reports to the Chief Finance Officer. Semi-annual reports on overall performance against the approved strategy are considered by the Finance Committee. Section 49 of the TfL Act 2008 confers upon TfL the powers to use derivative financial instruments for risk management purposes only via qualifying subsidiaries.

### 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 22.

A significant portion of the financial assets arising in the Corporation are with other Group companies. Per Note 33, the Corporation has granted guarantees in respect of the obligations of its subsidiaries, mitigating credit risk attached to settlement of these intercompany financial assets.

Customer credit risk is managed by a central credit control function subject to TfL's policy, procedures and control framework. Counterparties are assessed individually for their creditworthiness at the time of entering into contracts and an internal credit rating is assigned.

At each reporting date, the Group applies the IFRS 9 simplified approach to measuring expected credit losses. This approach uses a lifetime expected loss allowance for all trade receivables and contract assets. In determining the expected loss rates, trade receivables and contract assets are considered together based on shared credit risk characteristics. Historical loss rates over the short to medium term are applied to groupings of various customer segments within trade receivables and contract assets. These rates are adjusted to reflect expectations about future credit losses. There is a rebuttable presumption that default has occurred if assets are more than 90 days past due.

Despite the application of a loss allowance, these balances remain subject to enforcement activity and recoveries will be credited against the same line item as the expected credit loss within operating profit. On that basis, the loss allowance as at 31 March 2022 was determined as follows for both trade receivables and contract assets:

# Notes to the Financial Statements

## 35. Funding and financial risk management (continued)

### Age of trade and other debtors: Group

|  | Not overdue<br>£m | Overdue by<br>less than 3<br>months<br>£m | Overdue by<br>between<br>3 and 6<br>months<br>£m | Overdue by<br>between<br>6 months and<br>1 year<br>£m | Overdue by<br>more than<br>1 year<br>£m | Total<br>£m    |
|--|-------------------|---|--|---|---|----------------|
| <b>At 31 March 2022</b>                          |                   |   |  |   |   |                |
| Expected credit loss rate                        | 0.1%              | 64.1%                                     | 90.0%  | 97.6%   | 99.1%                                   | 59.4%          |
| Estimated total gross carrying amount at default | 364.5             | 105.5                                     | 83.0   | 107.0   | 363.7                                   | 1,023.7        |
| <b>Expected credit loss allowance</b>            | <b>(0.5)</b>      | <b>(67.6)</b>                             | <b>(74.7)</b>                                    | <b>(104.4)</b>  | <b>(360.6)</b>                          | <b>(607.8)</b> |
| <b>At 31 March 2021</b>                          |                   |   |  |   |   |                |
| Expected credit loss rate                        | 0.7%              | 36.1%                                     | 87.8%  | 94.4%   | 99.0%                                   | 54.7%          |
| Estimated total gross carrying amount at default | 340.6             | 82.3                                      | 43.3   | 84.4  | 341.9                                   | 892.5          |
| <b>Expected credit loss allowance</b>            | <b>(2.5)</b>      | <b>(29.7)</b>                             | <b>(38.0)</b>                                    | <b>(79.7)</b>   | <b>(338.5)</b>                          | <b>(488.4)</b> |

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.

### Age of trade and other debtors: Corporation

|  | Not overdue<br>£m | Overdue by<br>less than 3<br>months<br>£m | Overdue by<br>between<br>3 and 6<br>months<br>£m | Overdue by<br>between<br>6 months and<br>1 year<br>£m | Overdue by<br>more than 1<br>year<br>£m | Total<br>£m    |
|--|-------------------|---|--|---|---|----------------|
| <b>At 31 March 2022</b>                          |                   |   |  |   |   |                |
| Expected credit loss rate                        | -                 | 64.1%                                     | 91.0%  | 98.1%   | 99.3%                                   | 4.4%           |
| Estimated total gross carrying amount at default | 12,549.2          | 90.3                                      | 79.2   | 100.1   | 354.6                                   | 13,173.4       |
| <b>Expected credit loss allowance</b>            | <b>-</b>          | <b>(57.9)</b>                             | <b>(72.1)</b>                                    | <b>(98.2)</b>   | <b>(352.0)</b>                          | <b>(580.2)</b> |
| <b>At 31 March 2021</b>                          |                   |   |  |   |   |                |
| Expected credit loss rate                        | -                 | 58.9%                                     | 87.9%  | 98.0%   | 99.4%                                   | 3.5%           |
| Estimated total gross carrying amount at default | 12,645.0          | 35.8                                      | 36.5   | 73.5  | 334.7                                   | 13,125.5       |
| <b>Expected credit loss allowance</b>            | <b>-</b>          | <b>(21.1)</b>                             | <b>(32.1)</b>                                    | <b>(72.0)</b>   | <b>(332.7)</b>                          | <b>(457.9)</b> |

### (ii) Investments

All cash balances are invested in accordance with TfL's Treasury Management Strategy, which was developed with regard to the Treasury Management Code and the Investment Guidance, and which requires a prudent approach to the investment of surplus funds with priority given to security and liquidity.

Throughout 2021/22 investments were made within limits approved by the Finance Committee. Counterparty limits are set according to the assessed risk of each counterparty and are linked to the credit rating of the institution. Exposures are monitored against these limits on a regular basis.

TfL considers the risk of the overall portfolio as well as individual investments, seeking to diversify its investments and has regard to the exposure to any one counterparty, country, industry, investment type and credit. The investment portfolio is allocated across sovereigns, government agencies, financial institutions, corporates and money market funds.

Certain banks hold collateral on TfL's account to provide security for TfL's reverse repurchase agreement investments. As at 31 March 2022, the fair value of the collateral held amounted to £100m (2021 £200m).

The centrally managed cash reserves at 31 March 2022 totalled £1,177.6m (2021 £1,575.8m).

# Notes to the Financial Statements

## 35. Funding and financial risk management (continued)

As at 31 March, principal funds managed centrally on behalf of the Group and placed on deposit by the Corporation were as follows:

|                                     | Amount<br>£m   | Minimum<br>Credit Rating<br>(S&P/<br>Moody's/<br>Fitch) | Weighted<br>average<br>days to<br>maturity |
|-------------------------------------|----------------|---|--|
| <b>At 31 March 2022</b>             |                |   |  |
| UK Debt Management Office           | 286.1          | P-I/A-I+/FI+  | 41   |
| Other Government Agencies           | 179.1          | P-I/A-I+/FI+  | 52   |
| Money Market Funds                  | 267.5          | AAA/AAA/AAA   | 1  |
| Banks (including Gilt backed repos) | 402.7          | P-I/A-I/FI  | 33   |
| Corporates                          | 42.2           | P-I/A-I+/FI   | 48   |
| <b>Total</b>                        | <b>1,177.6</b> |   | <b>31</b>                                  |
| <b>At 31 March 2021</b>             |                |   |  |
| UK Debt Management Office           | 388.0          | P-I/A-I+  | 45   |
| Other Government Agencies           | 201.2          | P-I/A-I+/FI+  | 43   |
| Money Market Funds                  | 374.7          | AAA/AAA/AAA   | 1  |
| Banks (including Gilt backed repos) | 526.7          | P-I/A-I+/FI+  | 33   |
| Corporates                          | 85.2           | P-I/A-I/FI  | 8  |
| <b>Total</b>                        | <b>1,575.8</b> |   | <b>29</b>                                  |

All of the entity's cash and investments are considered to have low credit risk; they are highly rated by major rating agencies, have a low risk of default and the counterparties have a strong capacity to meet obligations in the near term. While low risk, these remain subject to the impairment requirements of IFRS 9 at each reporting date. The identified 12 month expected loss allowance at 31 March 2022 and as at 31 March 2021 was immaterial.

### (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 33, which are deemed necessary for the fulfilment of its policies. The Group's policy is to recognise financial guarantees at the higher of an expected credit loss allowance and the amount initially recognised as fair value less any amortisation that has occurred to date. As at 31 March 2022, the fair value of the Corporation's financial guarantees has been assessed as £nil (2021 £nil).

### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and inflation will affect the Group's income, expenditure or the value of its holdings of financial instruments. The Group, through its wholly owned subsidiary, Transport for London Finance Limited, uses derivatives (hedging instruments) to reduce exposure to interest rate and foreign exchange rate movements (the hedged risks) on existing contracts and highly probable future transactions. The Group does not use derivative financial instruments for speculative purposes.

On inception, all interest rate derivatives and foreign currency derivative instruments hedging commercial contracts are designated in highly effective hedge relationships and hedge accounting is applied. If a derivative should no longer satisfy the hedging criteria in accordance with adopted IFRS 9 Financial Instruments (IFRS 9), hedge accounting ceases and the derivative is fair valued immediately through the Comprehensive Income and Expenditure Statement.

The use of derivative instruments can itself give rise to credit and market risk. Market risk is the possibility that future changes in interest rates may make a derivative more or less valuable. Since the Group uses derivatives for risk management, market risk relating to derivative instruments is principally offset by changes in the cash flows of the transactions being hedged.

# Notes to the Financial Statements

## 35. Funding and financial risk management (continued)

For the years ended 31 March 2022 and 2021 all derivatives in designated hedge relationships were assessed as highly effective and no ineffectiveness was recognised. Accordingly, the full movement in the fair value of those derivatives was taken to reserves.

### (i) Foreign exchange risk

During 2021/22, TfL held certain short-term investments denominated in Euros. These foreign currency denominated investments were swapped back to GBP through the use of forward foreign exchange contracts. These contracts were not in formally designated hedging relationships for accounting purposes, as the currency gain or loss on retranslation of the investments is offset within net cost of services at the Group level by the movement in the fair value of the derivative instruments. As at 31 March 2022, the Group held foreign exchange contracts to hedge €283.3m future Euro receipts in relation to its Euro investments (2021 €215.0m). Throughout the year, the hedging strategy provided an effective offset of fair value movements due to holding foreign currency investments. The unrealised exchange net gain was £0.3m as at 31 March 2022 (2021 a net gain of £0.1m). These derivative instruments mature in the period to June 2022.

For 2021/22, the broad policy on managing transactional foreign exchange risk arising from contractual obligations with overseas providers was to retain the risk where there was a value in doing so, where the exposure was highly probable and the risk profile highly certain. For exposures not meeting these criteria, the exchange risk was passed on to the vendor. These exchange rate

exposures were managed through the use of forward foreign exchange contracts whose critical terms are closely aligned to the exposure, such as notional amount, expected maturity date and currency. Hedge accounting is applied to these derivative instruments.

Where funds were received in specific currencies in which the Group expected to have future exposures, the Treasury Management Strategy made allowances to place these funds on deposit. This gave the Group the flexibility to offer certain payments in specific foreign currencies where required.

### Effects of hedge accounting – Foreign currency hedges in relation to capital expenditure

At 31 March 2022, the Group held forward foreign exchange derivative contracts in Euros, Canadian Dollars, Swiss Francs, Swedish Krona and Chinese Yuan Renminbi. These forward contracts hedge planned foreign currency capital expenditure payments with a nominal value of £278.6m (2021 £371.5m). At 31 March 2022, these contracts had a combined net fair value of £(17.0)m (2021 £(25.7)m). The fair value of forward contracts was recognised in equity at 31 March 2022, with the exception of Swiss Franc contracts with a fair value of £nil for which hedge accounting was discontinued as future hedged payments in that currency were no longer considered probable. The fair value loss is recognised in the income statement. For all other currencies, once hedged purchases occur, the subsequent realised gain or loss will be transferred to fixed asset additions as a basis adjustment.

The hedge ratio is 1:1. The economic relationship of all hedging relationships has been assessed as effective and the change in value of hedged items has been offset by the change in value of hedging instruments.

It is expected that the hedged purchases will take place in the period to March 2027.

Detail on the maturity of these contracts is disclosed later in this note.

The Group has no other material financial assets or liabilities denominated in foreign currencies, and thus has no general translation exposure to gains or losses arising from movements in exchange rates.

### Sensitivity analysis on foreign exchange risk at 31 March

|   | 2022<br>Net<br>nominal<br>value<br>£m | 2022<br>Fair value<br>£m | 2022<br>Fair value<br>after a 10%<br>increase<br>in GBP<br>against<br>other<br>currency<br>£m | 2022<br>Fair value<br>after a 10%<br>decrease<br>in GBP<br>against<br>other<br>currency<br>£m | 2021<br>Net<br>nominal<br>value<br>£m | 2021<br>Fair value<br>£m | 2021<br>Fair value<br>after a 10%<br>increase<br>in GBP<br>against<br>other<br>currency<br>£m | 2021<br>Fair value<br>after a 10%<br>decrease<br>in GBP<br>against<br>other<br>currency<br>£m |
|---|---------------------------------------|--------------------------|---|---|---------------------------------------|--------------------------|---|---|
| <b>Impact on Comprehensive Income and Expenditure</b> |                                       |                          |   |   |                                       |                          |   |   |
| <b>Net sell</b>                                       |                                       |                          |   |   |                                       |                          |   |   |
| Euros   | (238.9)                               | (2.0)                    | 19.8  | (28.5)  | (183.2)                               | 3.9                      | 20.6  | (16.4)  |
| <b>Net buy</b>  |                                       |                          |   |   |                                       |                          |   |   |
| Swiss Francs  | -                                     | -                        | -   | -   | 2.5                                   | (0.3)                    | (0.5)   | (0.1)   |
|   | n/a                                   | (2.0)                    | 19.8  | (28.5)  | n/a                                   | 3.6                      | 20.1  | (16.5)  |
| <b>Impact on Hedging Reserves</b>                     |                                       |                          |   |   |                                       |                          |   |   |
| <b>Net buy</b>  |                                       |                          |   |   |                                       |                          |   |   |
| Euros   | 248.4                                 | (16.4)                   | (38.9)  | 11.0  | 302.5                                 | (24.7)                   | (52.5)  | 9.3   |
| Canadian dollars                                      | 0.8                                   | -                        | (0.1)   | 0.1   | 36.4                                  | 1.2                      | (2.1)   | 5.2   |
| Swiss Francs  | -                                     | -                        | -   | -   | -                                     | -                        | -   | -   |
| Swedish Krona   | 22.0                                  | (1.3)                    | (3.2)   | 1.1   | 23.3                                  | (1.8)                    | (3.9)   | 0.8   |
| Chinese Yuan Renminbi                                 | 7.4                                   | 0.6                      | (0.1)   | 1.4   | 6.8                                   | (0.1)                    | (0.7)   | 0.6   |
|   | n/a                                   | (17.1)                   | (42.3)  | 13.6  | n/a                                   | (25.4)                   | (59.2)  | 15.9  |
| <b>Total liability</b>                                | n/a                                   | (19.1)                   | (22.5)  | (14.9)  | n/a                                   | (21.8)                   | (39.1)  | (0.6)   |

# Notes to the Financial Statements

## 35. Funding and financial risk management (continued)

### (ii) Interest rate risk

The Group is mainly exposed to interest rate risk on its planned future borrowings. As TfL is required by legislation to produce a balanced Budget and also produces a balanced Business Plan, any uncertainty over the cost of future borrowing requires funding to be set aside in the Business Plan against that risk rather than being invested in the transport system.

In addition to raising borrowings at fixed rates, to achieve certainty over the cost of planned borrowings, TfL, through its wholly owned subsidiary, Transport for London Finance Limited, can employ derivatives to fix the floating interest rates risk of highly probable and existing borrowings. Transport for London Finance Limited also holds interest rate swaps to fix the floating interest rate risk within committed lease payments for rolling stock. The critical terms of these derivative instruments are closely aligned to the payment schedules and hedge accounting is applied.

The Group is also exposed to interest rate risk in respect of its investments. Investments are made in accordance with the Treasury Management Strategy, which prioritises security and liquidity over yield.

### Effects of IBOR reform

Following the financial crisis, the reform and replacement of benchmark interest rates such as interbank offered rates ('IBORs') became a priority for global regulators. LIBOR ceased to be published for GBP immediately after 31 December 2021. Sterling Overnight Index Average (SONIA) was selected as the preferred sterling risk-free rate by the Bank of England's Working Group on Sterling Risk Free Reference Rates.

The Group's most significant risk exposure affected by these changes relate to its LIBOR linked floating rate lease payments and the interest rate derivatives that hedged this variability. During the year, TfL restructured the lease contracts to reference SONIA and their associated derivatives.

The notional amount of interest rate swaps designated as hedges is disclosed below.

### Effects of hedge accounting – Interest rate swaps

As at 31 March 2022, the Group, through its wholly owned subsidiary, Transport for London Finance Limited, held two float to fixed interest rate swaps at a total notional value of £215.6m (2021 eight interest rate swaps at a total notional value of £411.9m).

During the year, three interest rate swaps referencing GBP LIBOR that had been hedging the interest rate risk on short term rolling Commercial Paper were terminated, and hedge accounting on these discontinued. Three interest rate swaps hedging interest rate risk on lease payments were terminated and replaced by two new swaps at current market rates referencing SONIA. These new swaps were designated in hedge relationships with the restructured lease payments that also reference SONIA.

The net fair value of outstanding contracts at 31 March 2022 was an asset of £13.0m (2021 liability of £30.8m). The fair value is recognised in equity at 31 March 2022 and will be transferred to net financing costs within the Comprehensive Income and Expenditure Statement as the hedged lease payments occur.

The hedge ratio is 1:1. The economic relationship of all hedging relationships has been assessed as effective and the change in value of hedged items has been offset by the change in value of hedging instruments.

It is expected that the hedged interest payments will take place in the period to December 2037. Details on the maturity of these contracts are disclosed later in this note.

### Sensitivity analysis on interest rate risk (a) Fair value sensitivity analysis for fixed interest instruments

All of the Group's non-derivative financial instruments with fixed rates of interest are accounted for at amortised cost. Fluctuations in market interest rates would therefore have no impact on the Balance Sheet or on net income figures in respect of these items.

### (b) Fair value sensitivity analysis for derivative instruments

As at 31 March 2022, the Group holds interest rate derivative contracts with a combined notional value of £215.6m (2021 £411.9m) which are designated as cash flow hedges.

An increase/(decrease) of 100 basis points in interest rates would increase/(decrease) the fair value of the derivative instruments by £30.6m/£(7)m (2021 £29.6m/£(24.9)m).

### (iii) Inflation risk

The Group has a number of exposures to inflation including staff pay awards and passenger income. The Group has not entered into any derivative instrument to manage its exposure to inflation risk. Historically this risk has been partially offset with index linked revenues and index linked costs creating a natural hedge within the Group.

### 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.

# Notes to the Financial Statements

## 35. Funding and financial risk management (continued)

The Corporation has access to several external sources of financing, which are sufficient to meet anticipated funding requirements, within the affordable borrowing limit set by the Mayor. Providing market conditions permit access, the Corporation can raise debt on the capital markets through its established £5bn Medium Term Note programme and £2bn Commercial Paper programme. Alternatively, and in addition, TfL has direct access to reliable funding from the Public Works Loan Board and has an arranged, uncommitted, £0.2bn overdraft facility. Funding facilities are not subject to financial covenants. TfL can also secure financing from financial institutions.

Debt maturities are diversified over short-, medium- and long-term horizons that broadly equate to the lives of the assets that were funded by this source. This ensures refinancing risk is minimised. The contractual maturities of the Group and Corporation's borrowing and other financial liabilities are listed later in this note.

In response to the funding pressures faced over the course of 2020/21 and 2021/22, TfL secured a number of Extraordinary Funding and Financing Agreements from the Secretary of State, as set out in the Viability Statement section of the Narrative report, which give it secure access to funding in the form of a mixture of Government grant and borrowing from the Public Works Loan Board until 24 June 2022. These agreements contain an acknowledgement from the Secretary of State for Transport that further financial support from the Government is likely to be needed until 1 April 2023, with longer-term external funding being required to support TfL's capital investment programme.

On 9 May 2022, Moody's credit rating agency downgraded TfL's long-term credit rating from A3 to Baal stable, citing economic factors hindering recovery of passenger growth.

Due to the active liquidity management and mitigations outlined, there is no significant risk that TfL will be unable to fund its planned financial commitments.



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# Notes to the Financial Statements

## 35. Funding and financial risk management (continued)

### Maturity profile of derivatives

The Group's foreign currency derivatives have the following maturities:

| At 31 March                               | 2022<br>Average<br>exchange<br>rate | 2022<br>Fair value<br>£m | 2022<br>Notional<br>amount<br>£m | 2021<br>Average<br>exchange<br>rate | 2021<br>Fair value<br>£m | 2021<br>Notional<br>amount<br>£m |
|---|-------------------------------------|--------------------------|----------------------------------|-------------------------------------|--------------------------|----------------------------------|
| <b>Foreign currency forward contracts</b> |                                     |                          |                                  |                                     |                          |                                  |
| <b>Buy Euro</b>                           |                                     |                          |                                  |                                     |                          |                                  |
| Less than one year                        | 0.874                               | (3.2)                    | 68.5                             | 0.874                               | (8.3)                    | 79.2                             |
| Between one and two years                 | 0.889                               | (2.8)                    | 42.6                             | 0.885                               | (3.3)                    | 43.3                             |
| Between two and five years                | 0.921                               | (10.4)                   | 137.3                            | 0.916                               | (13.0)                   | 173.8                            |
| After five years                          | -                                   | -                        | -                                | 0.914                               | (0.1)                    | 6.2                              |
| <b>Sell Euro</b>                          |                                     |                          |                                  |                                     |                          |                                  |
| Less than one year                        | 0.840                               | (2.0)                    | (238.9)                          | 0.870                               | 3.9                      | (183.2)                          |
| <b>Total Euro</b>                         | 0.894                               | (18.4)                   | 9.5                              | 0.892                               | (20.8)                   | 119.3                            |
| <b>Buy Canadian Dollars</b>               |                                     |                          |                                  |                                     |                          |                                  |
| Less than one year                        | 0.591                               | -                        | 0.8                              | 0.560                               | 1.2                      | 36.1                             |
| Between one and two years                 | -                                   | -                        | -                                | 0.590                               | -                        | 0.3                              |
| Between two and five years                | -                                   | -                        | -                                | -                                   | -                        | -                                |
| <b>Total Canadian Dollars</b>             | 0.561                               | -                        | 0.8                              | 0.561                               | 1.2                      | 36.4                             |
| <b>Buy Swiss Francs</b>                   |                                     |                          |                                  |                                     |                          |                                  |
| Less than one year                        | -                                   | -                        | -                                | 0.868                               | (0.2)                    | 2.1                              |
| Between one and two years                 | -                                   | -                        | -                                | 0.889                               | (0.1)                    | 0.2                              |
| Between two and five years                | -                                   | -                        | -                                | 0.905                               | -                        | 0.2                              |
| <b>Total Swiss Francs</b>                 | -                                   | -                        | -                                | 0.880                               | (0.3)                    | 2.5                              |

| At 31 March                               | 2022<br>Average<br>exchange<br>rate | 2022<br>Fair value<br>£m | 2022<br>Notional<br>amount<br>£m | 2021<br>Average<br>exchange<br>rate | 2021<br>Fair value<br>£m | 2021<br>Notional<br>amount<br>£m |
|---|-------------------------------------|--------------------------|----------------------------------|-------------------------------------|--------------------------|----------------------------------|
| <b>Foreign currency forward contracts</b> |                                     |                          |                                  |                                     |                          |                                  |
| <b>Buy Swedish Krona</b>                  |                                     |                          |                                  |                                     |                          |                                  |
| Less than one year                        | 0.085                               | (0.5)                    | 4.8                              | 0.086                               | (0.9)                    | 2.4                              |
| Between one and two years                 | 0.085                               | (0.4)                    | 6.2                              | 0.087                               | (0.4)                    | 3.7                              |
| Between two and five years                | 0.086                               | (0.4)                    | 11.0                             | 0.086                               | (0.5)                    | 15.0                             |
| After five years                          | -                                   | -                        | -                                | 0.086                               | -                        | 2.2                              |
| <b>Total Swedish Krona</b>                | 0.085                               | (1.3)                    | 22.0                             | 0.086                               | (1.8)                    | 23.3                             |
| <b>Buy Chinese Yuan Renminbi</b>          |                                     |                          |                                  |                                     |                          |                                  |
| Less than one year                        | 0.110                               | 0.6                      | 6.9                              | 0.103                               | -                        | -                                |
| Between one and two years                 | 0.107                               | -                        | 0.5                              | 0.110                               | (0.1)                    | 6.3                              |
| Between two and five years                | -                                   | -                        | -                                | 0.107                               | -                        | 0.5                              |
| <b>Sell Chinese Yuan Renminbi</b>         |                                     |                          |                                  |                                     |                          |                                  |
| Less than one year                        | -                                   | -                        | -                                | -                                   | -                        | -                                |
| Between one and two years                 | -                                   | -                        | -                                | -                                   | -                        | -                                |
| <b>Total Chinese Yuan Renminbi</b>        | 0.109                               | 0.6                      | 7.4                              | 0.106                               | (0.1)                    | 6.8                              |
| <b>Grand total</b>                        | n/a                                 | (19.1)                   | 39.7                             | n/a                                 | (21.8)                   | 188.3                            |

# Notes to the Financial Statements

## 35. Funding and financial risk management (continued)

### Maturity profile of derivatives (continued)

The Group's interest rate derivatives have the following maturities:

| At 31 March                 | 2022<br>Average<br>contracted<br>fixed<br>interest rate<br>(%) | 2022<br>Fair value<br>£m | 2022<br>Notional<br>amount<br>£m | 2021<br>Average<br>contracted<br>fixed interest<br>rate (%) | 2021<br>Fair value<br>£m | 2021<br>Notional<br>amount<br>£m |
|-----------------------------|--|--------------------------|----------------------------------|---|--------------------------|----------------------------------|
| <b>Interest rate hedges</b> |  |                          |                                  |   |                          |                                  |
| Less than one year          | -  | -                        | -                                | 3.837   | (1.2)                    | 75.0                             |
| Between one and two years   | -  | -                        | -                                | 4.284   | (6.4)                    | 100.0                            |
| Between two and five years  | -  | -                        | -                                | 4.489   | (2.3)                    | 25.0                             |
| After five years            | 1.037  | 13.0                     | 215.6                            | 2.285   | (20.9)                   | 211.9                            |
| <b>Total</b>                | <b>1.037</b>   | <b>13.0</b>              | <b>215.6</b>                     | <b>3.187</b>  | <b>(30.8)</b>            | <b>411.9</b>                     |

TfL was conferred the legal powers to enter into derivatives for the purpose of risk mitigation via qualifying subsidiaries. The Corporation does not itself have the legal powers to enter into derivative transactions. TfL has entered into these contracts for the purpose of risk management and intends to hold these contracts to maturity as hedges against the underlying transactions.

During the financial year 2021/22, as a result of the replacement of LIBOR with SONIA, all interest rate swaps referencing GBP LIBOR were terminated. The derivatives that hedged variable financing costs within certain lease contracts were replaced with two interest rate swaps.

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<br>one year<br>£m | Between<br>one and<br>two years<br>£m | Between<br>two and<br>five years<br>£m | More than<br>five years<br>£m | Total<br>£m |
|--|-----------------------------|---------------------------------------|--|-------------------------------|-------------|
| <b>Group – at 31 March 2022</b>            |                             |                                       |  |                               |             |
| <b>Derivatives settled gross</b>           |                             |                                       |  |                               |             |
| <b>Foreign exchange forward contracts:</b> |                             |                                       |  |                               |             |
| Amounts receivable                         | 342.9                       | 67.1                                  | 148.4                                  | -                             | 558.4       |
| Amounts payable                            | (348.2)                     | (71.8)                                | (166.0)                                | -                             | (586.0)     |
| <b>Derivatives settled net</b>             |                             |                                       |  |                               |             |
| Interest rate swaps                        | 0.5                         | 3.0                                   | 4.2                                    | 5.1                           | 12.8        |
|  | (4.8)                       | (1.7)                                 | (13.4)                                 | 5.1                           | (14.8)      |
| <b>Group – at 31 March 2021</b>            |                             |                                       |  |                               |             |
| <b>Derivatives settled gross</b>           |                             |                                       |  |                               |             |
| <b>Foreign exchange forward contracts:</b> |                             |                                       |  |                               |             |
| Amounts receivable                         | 453.3                       | 76.7                                  | 206.5                                  | 8.4                           | 744.9       |
| Amounts payable                            | (457.8)                     | (81.1)                                | (226.5)                                | (8.9)                         | (774.3)     |
| <b>Derivatives settled net</b>             |                             |                                       |  |                               |             |
| Interest rate swaps                        | (11.8)                      | (9.2)                                 | (13.3)                                 | (3.5)                         | (37.8)      |
|  | (16.3)                      | (13.6)                                | (33.3)                                 | (4.0)                         | (67.2)      |

The total asset or liability due to the Group as recognised on the Balance Sheet is the fair value of the derivatives, as this represents the cost to terminate. As such it differs from the total net contractual payments shown

in the table above. At 31 March 2022, the fair value of the interest rate derivatives was a £13.0m net asset (2021 £30.8m liability). The fair value of forward exchange derivatives was a net liability of £19.1m (2021 £21.8m).

# Notes to the Financial Statements

## 35. 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<br>one year<br>£m | Between<br>one and<br>two years<br>£m | Between<br>two and<br>five years<br>£m | More than<br>five years<br>£m | Total<br>£m |
|--|-----------------------------|---------------------------------------|--|-------------------------------|-------------|
| <b>Group – as at 31 March 2022</b>       |                             |                                       |  |                               |             |
| Trade and other creditors                | 1,626.8                     | 42.7                                  | -                                      | -                             | 1,669.5     |
| Borrowings – principal                   | 1,425.1                     | 163.9                                 | 1,280.2                                | 10,124.5                      | 12,993.7    |
| Borrowings – interest                    | 402.6                       | 314.1                                 | 1,196.2                                | 5,365.0                       | 7,277.9     |
| Right-of-use lease liabilities           | 365.5                       | 328.4                                 | 580.3                                  | 1,799.6                       | 3,073.8     |
| PFI liabilities                          | 15.0                        | 18.3                                  | 58.3                                   | 28.2                          | 119.8       |
| Other financing liabilities              | 10.4                        | 20.9                                  | 40.1                                   | 80.3                          | 151.7       |
|  | 3,845.4                     | 888.3                                 | 3,155.1                                | 17,397.6                      | 25,286.4    |
| <b>Group – as at 31 March 2021</b>       |                             |                                       |  |                               |             |
| Trade and other creditors                | 1,779.7                     | 15.9                                  | -                                      | -                             | 1,795.6     |
| Borrowings – principal                   | 1,173.4                     | 694.1                                 | 1,170.3                                | 9,957.7                       | 12,995.5    |
| Borrowings – interest                    | 336.3                       | 404.1                                 | 1,136.7                                | 5,610.2                       | 7,487.3     |
| Right-of-use lease liabilities           | 361.8                       | 334.4                                 | 596.6                                  | 1,875.8                       | 3,168.6     |
| PFI liabilities                          | 14.7                        | 15.0                                  | 55.3                                   | 49.7                          | 134.7       |
| Other financing liabilities              | 10.4                        | 10.4                                  | 47.7                                   | 93.6                          | 162.1       |
|  | 3,676.3                     | 1,473.9                               | 3,006.6                                | 17,587.0                      | 25,743.8    |
| <b>Corporation – as at 31 March 2022</b> |                             |                                       |  |                               |             |
| Trade and other creditors                | 504.3                       | 30.0                                  | -                                      | -                             | 534.3       |
| Borrowings – principal                   | 1,425.1                     | 163.9                                 | 1,280.2                                | 10,124.5                      | 12,993.7    |
| Borrowings – interest                    | 402.6                       | 314.1                                 | 1,196.2                                | 5,365.0                       | 7,277.9     |
| Right-of-use lease liabilities           | 37.3                        | 37.0                                  | 102.9                                  | 307.7                         | 484.9       |
| PFI lease liabilities                    | 15.0                        | 18.3                                  | 58.3                                   | 28.2                          | 119.8       |
|  | 2,384.3                     | 563.3                                 | 2,637.6                                | 15,825.4                      | 21,410.6    |
| <b>Corporation – as at 31 March 2021</b> |                             |                                       |  |                               |             |
| Trade and other creditors                | 876.8                       | -                                     | -                                      | -                             | 876.8       |
| Borrowings – principal                   | 1,173.4                     | 694.1                                 | 1,170.3                                | 9,957.7                       | 12,995.5    |
| Borrowings – interest                    | 336.3                       | 404.1                                 | 1,136.7                                | 5,610.2                       | 7,487.3     |
| Right-of-use lease liabilities           | 37.6                        | 35.8                                  | 101.2                                  | 340.4                         | 515.0       |
| PFI lease liabilities                    | 14.4                        | 15.0                                  | 55.2                                   | 49.7                          | 134.3       |
|  | 2,438.5                     | 1,149.0                               | 2,463.4                                | 15,958.0                      | 22,008.9    |

# Notes to the Financial Statements

## 35. Funding and financial risk management (continued)

### Fair values

In accordance with IFRS 13, the fair values of the financial assets and liabilities are calculated as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following methods and assumptions were used to estimate the fair values:

- Cash and cash equivalents – approximates to the carrying amount
- Short-term investments – approximates to the carrying amount because of the short maturity of these instruments
- Long-term investments – by reference to bid prices at the close of business on the balance sheet date, within Level 1 of the fair value hierarchy as defined within IFRS 13
- Trade and other debtors – approximates to the carrying amount
- Derivative financial instruments – in the absence of quoted market prices, derivatives are valued by using quoted forward prices for the underlying commodity/currency and discounted using quoted interest rates (both as at the close of business on the balance sheet date). Hence, derivatives are within Level 2 of the fair value hierarchy as defined within IFRS 13:
- Forward exchange contracts – based on market data and exchange rates at the balance sheet date
- Interest rate swaps and forward starting interest rate swaps – based on the net present value of discounted cash flows
- Trade and other creditors – approximates to the carrying amount
- Long-term borrowings – determined by calculating the discounted value of the future cash flows (redemption and interest) using appropriate discount rates, based on observable market data, in effect at the balance sheet date at Level 2 of the fair value hierarchy. Fair value approximates to the carrying amount in the case of short-term commercial paper
- Right-of-use lease liabilities – approximates to the carrying amount
- PFI liabilities – approximates to the carrying amount
- Other financing liabilities – approximates to the carrying amount



We calculate the fair values of our assets and liabilities

# Notes to the Financial Statements

## 35. 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  | 2022<br>Carrying value<br>£m | 2022<br>Fair value<br>£m | 2021<br>Carrying value<br>(restated)*<br>£m | 2021<br>Fair value<br>(restated)*<br>£m |
|--|------------------------------|--------------------------|---|---|
| <b>Long term</b>                                   |                              |                          |   |   |
| <b>Financial assets measured at amortised cost</b> |                              |                          |   |   |
| Finance lease receivables                          | 23.2                         | 23.2                     | 28.6  | 28.6                                    |
| Debtors  | 45.1                         | 45.1                     | 17.4  | 17.4                                    |
| <b>Financial assets measured at fair value</b>     |                              |                          |   |   |
| Derivative in cash flow hedge relationship         | 13.2                         | 13.2                     | 0.2   | 0.2                                     |
| Derivatives not in a hedge relationship            | -                            | -                        | -   | -                                       |
| <b>Current</b>                                     |                              |                          |   |   |
| <b>Financial assets measured at amortised cost</b> |                              |                          |   |   |
| Cash and cash equivalents                          | 1,390.2                      | 1,390.2                  | 1,710.2                                     | 1,710.2                                 |
| Short-term investments                             | 19.0                         | 19.0                     | 19.0  | 19.0                                    |
| Debtors  | 370.8                        | 370.8                    | 386.7                                       | 386.7                                   |
| Finance lease receivables                          | 13.8                         | 13.8                     | 15.4  | 15.4                                    |
| <b>Financial assets measured at fair value</b>     |                              |                          |   |   |
| Derivative in cash flow hedge relationship         | 1.4                          | 1.4                      | 2.6   | 2.6                                     |
| Derivatives not in a hedge relationship            | -                            | -                        | 3.9   | 3.9                                     |
| <b>Total financial assets</b>                      | <b>1,876.7</b>               | <b>1,876.7</b>           | <b>2,184.0</b>                              | <b>2,184.0</b>                          |

\* The format of these tables have been restated to disclose long-term and current financial assets and liabilities and those recognised at amortised cost and fair value. In the prior year these amounts were aggregated.

| At 31 March   | 2022<br>Carrying value<br>£m | 2022<br>Fair value<br>£m | 2021<br>Carrying value<br>(restated)*<br>£m | 2021<br>Fair value<br>(restated)*<br>£m |
|---|------------------------------|--------------------------|---|---|
| <b>Long term</b>  |                              |                          |   |   |
| <b>Financial liabilities measured at amortised cost</b> |                              |                          |   |   |
| Creditors   | (1,626.8)                    | (1,626.8)                | (1,779.7)                                   | (1,779.7)                               |
| Borrowings  | (11,543.3)                   | (14,324.3)               | (11,769.7)                                  | (17,288.3)                              |
| Right-of-use lease liabilities                          | (2,102.2)                    | (2,102.2)                | (2,179.8)                                   | (2,179.8)                               |
| PFI liabilities   | (91.0)                       | (91.0)                   | (101.7)                                     | (101.7)                                 |
| Other financing liabilities                             | (121.7)                      | (121.7)                  | (128.1)                                     | (128.1)                                 |
| <b>Financial liabilities measured at fair value</b>     |                              |                          |   |   |
| Derivatives in a cash flow hedge relationship           | (14.2)                       | (14.2)                   | (47.2)                                      | (47.2)                                  |
| Derivatives not in a hedge relationship                 | -                            | -                        | (0.1)                                       | (0.1)                                   |
| <b>Current</b>  |                              |                          |   |   |
| <b>Financial liabilities measured at amortised cost</b> |                              |                          |   |   |
| Creditors   | (42.7)                       | (42.7)                   | (15.9)                                      | (15.9)                                  |
| Borrowings  | (1,423.0)                    | (1,419.0)                | (1,198.1)                                   | (1,201.8)                               |
| Right-of-use lease liabilities                          | (334.1)                      | (334.1)                  | (329.3)                                     | (329.3)                                 |
| PFI liabilities   | (10.6)                       | (10.6)                   | (9.9)                                       | (9.9)                                   |
| Other financing liabilities                             | (6.4)                        | (6.4)                    | (6.2)                                       | (6.2)                                   |
| <b>Financial liabilities measured at fair value</b>     |                              |                          |   |   |
| Derivatives in a cash flow hedge relationship           | (4.5)                        | (4.5)                    | (11.8)                                      | (11.8)                                  |
| Derivatives not in a hedge relationship                 | (2.0)                        | (2.0)                    | (0.2)                                       | (0.2)                                   |
| <b>Total financial liabilities</b>                      | <b>(17,322.5)</b>            | <b>(20,099.5)</b>        | <b>(17,577.7)</b>                           | <b>(23,100.0)</b>                       |
| <b>Net financial liabilities</b>                        | <b>(15,445.8)</b>            | <b>(18,222.8)</b>        | <b>(15,393.7)</b>                           | <b>(20,916.0)</b>                       |

# Notes to the Financial Statements

## 35. Funding and financial risk management (continued)

The fair values of financial assets and liabilities of the Corporation determined in accordance with IFRS 13, together with the carrying amounts recorded in the Balance Sheet are:

| At 31 March   | 2022<br>Carrying value<br>£m | 2022<br>Fair value<br>£m | 2021<br>Carrying value<br>£m | 2021<br>Fair value<br>£m |
|---|------------------------------|--------------------------|------------------------------|--------------------------|
| <b>Long term</b>  |                              |                          |                              |                          |
| <b>Financial assets measured at amortised cost</b>      |                              |                          |                              |                          |
| Debtors   | 12,352.3                     | 12,352.3                 | 12,251.9                     | 12,251.9                 |
| <b>Current</b>  |                              |                          |                              |                          |
| <b>Financial assets measured at amortised cost</b>      |                              |                          |                              |                          |
| Cash and cash equivalents                               | 1,231.8                      | 1,231.8                  | 1,628.4                      | 1,628.4                  |
| Long-term investments                                   | -                            | -                        | -                            | -                        |
| Short-term investments                                  | -                            | -                        | -                            | -                        |
| Debtors   | 240.9                        | 240.9                    | 415.7                        | 415.7                    |
| <b>Total financial assets</b>                           | <b>13,825.0</b>              | <b>13,825.0</b>          | <b>14,296.0</b>              | <b>14,296.0</b>          |
| <b>Long term</b>  |                              |                          |                              |                          |
| <b>Financial liabilities measured at amortised cost</b> |                              |                          |                              |                          |
| Creditors   | (30.0)                       | (30.0)                   | -                            | -                        |
| Borrowings  | (11,547.3)                   | (14,324.3)               | (11,774.1)                   | (17,288.3)               |
| Right-of-use lease liabilities                          | (367.1)                      | (367.1)                  | (386.8)                      | (386.8)                  |
| PFI liabilities   | (91.0)                       | (91.0)                   | (101.6)                      | (101.6)                  |
| <b>Current</b>  |                              |                          |                              |                          |
| <b>Financial liabilities measured at amortised cost</b> |                              |                          |                              |                          |
| Creditors   | (504.3)                      | (504.3)                  | (876.8)                      | (876.8)                  |
| Borrowings  | (1,423.0)                    | (1,419.0)                | (1,198.1)                    | (1,201.8)                |
| Right-of-use lease liabilities                          | (27.0)                       | (27.0)                   | (26.7)                       | (26.7)                   |
| PFI liabilities   | (10.6)                       | (10.6)                   | (9.6)                        | (9.6)                    |
| <b>Total financial liabilities</b>                      | <b>(14,000.3)</b>            | <b>(16,773.3)</b>        | <b>(14,373.7)</b>            | <b>(19,891.6)</b>        |
| <b>Net financial liabilities</b>                        | <b>(175.3)</b>               | <b>(2,948.3)</b>         | <b>(77.7)</b>                | <b>(5,595.6)</b>         |

## 36. 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<br>2022<br>£m | Group<br>2021<br>£m | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|---|------|---------------------|---------------------|---------------------------|---------------------------|
| TfL Pension Fund  |      | 645.6               | 443.7               | 379.0                     | 176.9                     |
| Local Government Pension Fund                             |      | 11.4                | 1.3                 | 11.4                      | 1.3                       |
| Crossrail Section of the Railways Pension Scheme          |      | 3.7                 | 3.0                 | -                         | -                         |
| Unfunded schemes provision                                |      | 0.6                 | 3.7                 | 0.6                       | 2.6                       |
| <b>Total for schemes accounted for as defined benefit</b> |      | <b>661.3</b>        | <b>451.7</b>        | <b>391.0</b>              | <b>180.8</b>              |
| Principal Civil Service Pension Scheme                    |      | 0.6                 | 0.6                 | 0.6                       | 0.6                       |
| Other schemes   |      | 5.1                 | 6.7                 | 1.7                       | 1.1                       |
| Less: pension costs capitalised                           |      | (3.7)               | (3.0)               | -                         | -                         |
| <b>Amounts included in net cost of services</b>           |      | <b>663.3</b>        | <b>456.0</b>        | <b>393.3</b>              | <b>182.5</b>              |
| Less: scheme expenses                                     |      | (14.1)              | (13.6)              | (13.7)                    | (13.3)                    |
| Add: current service costs capitalised                    |      | 3.3                 | -                   | -                         | -                         |
| <b>Amount included in staff costs</b>                     | 4    | <b>652.5</b>        | <b>442.4</b>        | <b>379.6</b>              | <b>169.2</b>              |

# Notes to the Financial Statements

## 36. Pensions (continued)

### b) Defined benefit schemes

This section deals with those pension funds to which the Group contributes that are accounted for under IAS 19 as defined benefit schemes.

#### Public Sector Section of the TfL Pension Fund (TfL Pension Fund)

The TfL Pension Fund is a final salary scheme established under trust. The Fund's Trustee is the TfL Trustee Company Limited, a wholly owned subsidiary of TfL. Under the rules of the Fund, its 18 Trustee Directors are nominated in equal numbers by TfL and on behalf of the Fund's membership.

Every three years, the TfL Pension Fund actuary makes valuations and recommends the level of contributions to be made by the participating employers to ensure the long-term solvency of the Fund. The latest available valuation of the Fund was carried out as at 31 March 2021 by the Actuary, a partner of consulting actuaries Willis Towers Watson, using the projected unit method. A revised Schedule of Contributions was agreed between the Trustee and the employers following the formal funding valuation of the Public Sector Section.

Under the valuation report, the Fund held a surplus of £179m as at 31 March 2021. Assets totalled £13,085m and the defined benefit obligation totalled £12,906m. A revised Schedule of Contributions was agreed between the Trustee and the employers

following the formal funding valuation. This set out a future service contribution rate of 27.3 per cent for the employers and five per cent for members.

The underlying assets and defined benefit obligation of the TfL Pension Fund cover a number of Group entities and cannot be readily split between each undertaking. No contractual agreement is in place to allocate the total net obligation between the member entities. Thus, in accordance with IAS 19, the Corporation, as the Scheme sponsor, has recognised the total net defined benefit obligation in its own individual accounts.

A separate valuation of the TfL Pension Fund has been prepared, by actuaries at the XPS Pensions Group, for accounting purposes on an IAS 19 basis as at 31 March 2022. The assumptions used by the actuaries are the best estimates chosen from a range of possible actuarial assumptions, while the present value of the schemes' defined benefit obligation is derived from cash flow projections. Due to the timescale covered, neither the assumptions nor the cash flow projections may necessarily be borne out in practice.

The defined benefit obligation for the TfL Pension Fund has been calculated using the mortality assumptions adopted for the latest available funding valuation as at 31 March 2021. Standard mortality tables were used, adjusted to reflect the recent mortality experience of the Fund's pensioners at that date. An allowance was

made for future mortality improvements based on the CMI 2021 projections with a long-term improvement rate of 1.25 per cent per annum. No weighting has been given to 2020 or 2021 mortality experience, given the exceptional impact of the coronavirus pandemic on these years.

The discounted scheme liabilities have an average duration of 20 years.

#### London Pension Fund Authority Pension Fund (Local Government Pension Fund)

The London Pension Fund Authority Pension Fund is a funded multi-employer defined benefit scheme, administered by the London Pension Fund Authority. The Corporation is able to identify its share of the assets and defined benefit obligation of the scheme and this scheme has therefore been accounted for as a defined benefit scheme under IAS 19. Employer's contributions were payable at the rate of 15.6 per cent for 2021/22 (2020/21 15.6 per cent) of pensionable pay, plus a lump sum deficit reduction payment of £0.9m (2020/21 £0.8m). The Corporation's share of the underlying assets and defined benefit obligation resulted in an IAS 19 deficit as at 31 March 2022 of £54.4m (2021 £60.4m). The discounted scheme liabilities have an average duration of 21 years.

The last full actuarial valuation available was carried out at 31 March 2019. The report showed a funding surplus of £481m at that date. The annual report and financial statements for the whole scheme can be found on the [London Pension Fund Authority's website](#).

A separate valuation as at 31 March 2022 has been prepared for accounting purposes on an IAS 19 basis by Barnett Waddington LLP.

#### Crossrail Shared Cost Section of the Railways Pension Scheme (Crossrail Section)

Crossrail Limited (CRL) participates in the Crossrail Section of the Railways Pension Scheme which is accounted for in these financial statements as a defined benefit pension scheme under IAS 19.

The latest available full actuarial valuation of the Scheme was carried out at 31 December 2019. The report showed a funding surplus of £5.9m. This was translated into a current employer contribution level of 20.9 per cent. A separate valuation has been prepared for accounting purposes on an IAS 19 basis as at 31 March 2022 by actuaries at the XPS Pensions Group. Assumptions underlying this valuation have been updated from the full actuarial valuation of the scheme carried out at 31 December 2019. The Group's share of the underlying assets and defined benefit obligation resulted in an IAS 19 deficit, as at 31 March 2022, of £42.7m (2021 £56.8m). The discounted Crossrail Section liabilities have a duration of approximately 23 years.

# Notes to the Financial Statements

## 36. Pensions (continued)

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 2022 for the purpose of IAS 19 only. The report does not constitute a formal actuarial valuation of the unfunded pension defined benefit obligation. The valuation as at 31 March 2022 was £107.4m (2021 £113.8m) and is fully provided for in these financial statements.

### Assumptions for defined benefit sections

The main actuarial assumptions used for the TfL Pension Fund, the Crossrail Shared Cost Section of the Railways Pension Scheme, the Local Government Pension Scheme (together ‘the Schemes’) and unfunded schemes were:

|   | IAS 19<br>valuation at<br>31 March<br>2022<br>% | IAS 19<br>valuation at<br>31 March<br>2021<br>% |
|---|---|---|
| RPI Inflation   | 3.50  | 3.15-3.20                                       |
| CPI Inflation   | 3.00-3.25                                       | 2.65-2.85                                       |
| Rate of increase in salaries                                  | 3.25-4.25                                       | 3.15-3.85                                       |
| Rate of increase in pensions in payment and deferred pensions | 3.00-3.43                                       | 2.20-3.15                                       |
| Discount rate   | 2.60  | 1.95-2.00                                       |

The Group’s retirement benefit plans typically expose the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk. Sensitivity analyses for the most significant actuarial assumptions made in relation to these risks are as set out below. The analyses have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate were 0.1 per cent higher/(lower), the defined benefit obligation would decrease by £348.6m/ (increase by £358.7m)
- If the expected salary growth were increased/(decreased) by 0.1 per cent, the defined benefit obligation would increase by £98.7m/(decrease by £96.8m)

- If life expectancy were increased/ (decreased) by one year, the defined benefit obligation would increase by £720.4m/(decrease by £727.1m)
- If the inflation rate were 0.1 per cent higher/(lower), the defined benefit obligation would increase by £348.9m (decrease by £256.6m)

The sensitivity analyses presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

# Notes to the Financial Statements

## 36. Pensions (continued)

### c) Accounting for defined benefit schemes

The total assets in the schemes were:

|                            | Value<br>2022<br>£m | Value<br>2021<br>£m |
|----------------------------|---------------------|---------------------|
| <b>At 31 March</b>         |                     |                     |
| Equities and alternatives  | 11,041.6            | 10,142.4            |
| Bonds                      | 3,213.8             | 2,619.0             |
| Cash and other             | 188.1               | 299.6               |
| Total fair value of assets | 14,443.5            | 13,061.0            |

The TfL Pension Fund, the Crossrail Shared Cost Section of the Railways Pension Scheme and the Local Government Pension Scheme assets consist of the following categories, by proportion of the total assets held:

|                       | 2022<br>% | 2021<br>% |
|-----------------------|-----------|-----------|
| <b>At 31 March</b>    |           |           |
| Equities              | 77        | 78        |
| Bonds                 | 22        | 20        |
| Cash and other assets | 1         | 2         |
|                       | 100       | 100       |

The unfunded pension schemes have no assets to cover their defined benefit obligation.

### Total pension deficit at 31 March

| Group   | 2022<br>£m       | 2021<br>£m       |
|---|------------------|------------------|
| Fair value of scheme assets                                   | 14,443.5         | 13,061.0         |
| Actuarial valuation of defined benefit obligation             | (17,645.0)       | (18,664.1)       |
| <b>Deficit recognised as a liability in the Balance Sheet</b> | <b>(3,201.5)</b> | <b>(5,603.1)</b> |

| Group   | 2022<br>£m       | 2021<br>£m       |
|---|------------------|------------------|
| TfL Pension Fund  | (2,997.0)        | (5,372.1)        |
| Local Government Pension Fund                                 | (54.4)           | (60.4)           |
| Crossrail Section of the Railways Pension Scheme              | (42.7)           | (56.8)           |
| Unfunded schemes provision                                    | (107.4)          | (113.8)          |
| <b>Deficit recognised as a liability in the Balance Sheet</b> | <b>(3,201.5)</b> | <b>(5,603.1)</b> |

| Corporation   | 2022<br>£m       | 2021<br>£m       |
|---|------------------|------------------|
| Fair value of scheme assets                                   | 14,348.1         | 12,973.9         |
| Actuarial valuation of defined benefit obligation             | (17,506.9)       | (18,520.2)       |
| <b>Deficit recognised as a liability in the Balance Sheet</b> | <b>(3,158.8)</b> | <b>(5,546.3)</b> |

| Corporation   | 2022<br>£m       | 2021<br>£m       |
|---|------------------|------------------|
| TfL Pension Fund  | (2,997.0)        | (5,372.1)        |
| Local Government Pension Fund                                 | (54.4)           | (60.4)           |
| Unfunded schemes provision                                    | (107.4)          | (113.8)          |
| <b>Deficit recognised as a liability in the Balance Sheet</b> | <b>(3,158.8)</b> | <b>(5,546.3)</b> |

# Notes to the Financial Statements

## 36. Pensions (continued)

### Analysis of amounts included in the Comprehensive Income and Expenditure Statement Analysis of amounts charged to net cost of services

|   | Group<br>2022<br>£m | Group<br>2021<br>£m | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|---|---------------------|---------------------|---------------------------|---------------------------|
| <b>Year ended 31 March</b>                          |                     |                     |                           |                           |
| Current service cost                                | 637.7               | 434.9               | 634.4                     | 432.2                     |
| Less contributions paid by subsidiaries             | -                   | -                   | (266.6)                   | (267.9)                   |
| Past service cost                                   | 0.1                 | 3.2                 | 0.1                       | 3.2                       |
| Settlements   | 9.4                 | -                   | 9.4                       | -                         |
| <b>Total included in staff costs</b>                | <b>647.2</b>        | <b>438.1</b>        | <b>377.3</b>              | <b>167.5</b>              |
| Scheme expenses                                     | 14.1                | 13.6                | 13.7                      | 13.3                      |
| <b>Total amount charged to net cost of services</b> | <b>661.3</b>        | <b>451.7</b>        | <b>391.0</b>              | <b>180.8</b>              |

### Amounts charged to financing and investment expenditure

|   | Group<br>2022<br>£m | Group<br>2021<br>£m | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|---|---------------------|---------------------|---------------------------|---------------------------|
| <b>Year ended 31 March</b>                                |                     |                     |                           |                           |
| Net interest expense on scheme defined benefit obligation | 105.9               | 90.1                | 104.8                     | 89.7                      |

### Amount recognised in other comprehensive income and expenditure

|   | Group<br>2022<br>£m | Group<br>2021<br>£m | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|---|---------------------|---------------------|---------------------------|---------------------------|
| <b>Year ended 31 March</b>                      |                     |                     |                           |                           |
| Net remeasurement losses recognised in the year | (2,790.9)           | 1,361.0             | (2,773.2)                 | 1,324.5                   |

### Analysis of scheme defined benefit obligation into amounts arising from schemes that are wholly or partly funded and wholly unfunded

|  | Group<br>2022<br>£m | Group<br>2021<br>£m | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|--|---------------------|---------------------|---------------------------|---------------------------|
| <b>At 31 March</b>                             |                     |                     |                           |                           |
| Wholly unfunded schemes                        | 107.4               | 113.8               | 107.4                     | 113.8                     |
| Wholly or partly funded schemes                | 17,537.6            | 18,550.3            | 17,399.5                  | 18,406.4                  |
| <b>Total scheme defined benefit obligation</b> | <b>17,645.0</b>     | <b>18,664.1</b>     | <b>17,506.9</b>           | <b>18,520.2</b>           |

### Reconciliation of defined benefit obligation

|  | Group<br>2022<br>£m | Group<br>2021<br>£m | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|--|---------------------|---------------------|---------------------------|---------------------------|
| Actuarial value of defined benefit obligation at 1 April         | 18,664.1            | 14,740.4            | 18,520.2                  | 14,645.6                  |
| Current service cost   | 637.7               | 434.9               | 634.4                     | 432.2                     |
| Interest cost  | 361.3               | 335.2               | 358.5                     | 333.0                     |
| Employee contributions   | 55.9                | 55.7                | 55.6                      | 55.4                      |
| Remeasurement losses/(gains) on scheme liabilities:              |                     |                     |                           |                           |
| Net remeasurement – financial                                    | (1,566.5)           | 3,435.0             | (1,556.0)                 | 3,391.3                   |
| Net remeasurement – experience                                   | 104.0               | 85.9                | 104.0                     | 85.5                      |
| Net remeasurement – demographic                                  | (206.4)             | (22.1)              | (206.2)                   | (23.7)                    |
| Actual benefit payments  | (431.0)             | (404.1)             | (429.5)                   | (402.3)                   |
| Liabilities assumed on settlements                               | 25.8                | -                   | 25.8                      | -                         |
| Past service cost  | 0.1                 | 3.2                 | 0.1                       | 3.2                       |
| <b>Actuarial value of defined benefit obligation at 31 March</b> | <b>17,645.0</b>     | <b>18,664.1</b>     | <b>17,506.9</b>           | <b>18,520.2</b>           |

# Notes to the Financial Statements

## 36. Pensions (continued)

### Reconciliation of fair value of the scheme assets

|  | Group<br>2022<br>£m | Group<br>2021<br>£m | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|--|---------------------|---------------------|---------------------------|---------------------------|
| Fair value of assets at 1 April            | 13,061.0            | 10,639.8            | 12,973.9                  | 10,563.3                  |
| Expected return on assets net of expenses  | 255.4               | 245.1               | 253.7                     | 243.3                     |
| Scheme expenses                            | (14.1)              | (13.6)              | (13.7)                    | (13.3)                    |
| Return on assets excluding interest income | 1,122.0             | 2,137.8             | 1,115.0                   | 2,128.6                   |
| Actual employer contributions              | 372.6               | 394.8               | 104.7                     | 125.5                     |
| Contributions paid by subsidiaries         | -                   | -                   | 266.6                     | 267.9                     |
| Employee contributions                     | 55.9                | 55.7                | 55.6                      | 55.4                      |
| Settlement prices received                 | 16.4                | -                   | 16.4                      | -                         |
| Actual benefits paid                       | (425.7)             | (398.6)             | (424.1)                   | (396.8)                   |
| <b>Fair value of assets at 31 March</b>    | <b>14,443.5</b>     | <b>13,061.0</b>     | <b>14,348.1</b>           | <b>12,973.9</b>           |

The expected return on scheme assets is set equal to the discount rate. The actual return on scheme assets in the year was a gain of £1,377.4m (2020/21 a gain of £2,382.9m).

Total contributions of £313.8m are expected to be made to the schemes in the year ending 31 March 2023.

#### d) Other pension arrangements Principal Civil Service Pension Scheme and Alpha – Civil Servants and Others Pension Scheme

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme. From 1 April 2015 most PCSPS members switched to the new Civil Servants and Others Pension Scheme, (also known as Alpha). The Group is unable

to identify its share of the underlying assets and defined benefit obligations of these schemes on a consistent and reasonable basis and, as permitted by the multi-employer exemption in IAS 19, the Group treats contributions to the PCSPS and Alpha as if they were contributions to a defined contribution plan. A full actuarial valuation was last carried out at 31 March 2016. Details can be found in the [Civil Service Superannuation Resource Accounts](#).

During 2021/22 employers' contributions represented an average of 27.3 per cent of pensionable pay (2020/21 27.3 per cent). Employer contributions are reviewed every four years. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

### Docklands Light Railway Pension Scheme

The Docklands Light Railway Pension Scheme (DLR Scheme) is a defined benefit scheme established under trust in the UK that provides both pensions in retirement and death benefits to members. The Trustees are responsible for the operation and governance of the DLR Scheme, including making decisions regarding funding and investment strategy in conjunction with Docklands Light Railway Limited (DLR), a subsidiary of the TfL Group, as the Principal Employer of the Scheme.

Every three years the Scheme Actuary of the DLR Scheme carries out a valuation to assess the funding position and to determine the future levels of contributions. The most recent available valuation was effective 1 April 2018. The schedule of contributions agreed following the 1 April 2018 valuation is dated 28 June 2019. The 1 April 2021 valuation is currently in progress.

Keolis Amey Docklands Limited (KAD) was awarded the franchise to operate the DLR from 7 December 2014 and is a Participating Employer in the DLR Scheme. The contributions payable by KAD to the DLR Scheme are set out in the franchise agreement between DLR and KAD dated 17 July 2014. These are to pay 35.7 per cent per annum of Pensionable Salaries into the Scheme, the PPF levy and additional contributions if actual pensionable salary increases exceed RPI + 1.5 per cent per annum.

DLR, as the Principal Employer of the DLR Scheme, is responsible for meeting any further costs towards the cost of accruing benefits and removing the deficit, over and above the contributions payable by KAD, if necessary. Following the completion of the 2018 valuation, it was agreed that DLR would pay 22.6 per cent per annum of Pensionable Salaries towards future benefit accrual from 1 April 2018, plus additional contributions towards the deficit of £0.8m per annum, with the first instalment paid on or before 31 July 2019 and the remaining instalments due on or before each 10 April from 2020 to 2024 inclusive. In addition, it was agreed that DLR would pay additional contributions if actual Pensionable Salary growth exceeds RPI inflation + 0.5 per cent per annum (up to RPI inflation + 1.5 per cent per annum).

Over the year beginning 1 April 2022 the contributions payable to the DLR Scheme are expected to be around £5.2m from KAD and £4.1m from DLR, based on the schedule of contributions currently in force. This makes no allowance for additional contributions that may arise if Pensionable Salary growth exceeds RPI inflation + 0.5 per cent per annum or any changes as a result of a new schedule of contributions following completion of the 2021 valuation.

# Notes to the Financial Statements

## 36. Pensions (continued)

A valuation of the DLR Scheme has been prepared for accounting purposes on an IAS 19 basis as at 31 March 2022. This gave a valuation for the net obligation as at 31 March 2022 of £3.9m. The assumptions used by the actuary are best estimates chosen from a range of possible actuarial assumptions, while the present value of the DLR Scheme's defined benefit obligation is based on future cash flow projections. Neither the assumptions nor the cash flow projections may necessarily be borne out in practice.

The discounted DLR Scheme liabilities have a duration of approximately 20 years.

The scheme's funding arrangements outlined above mean that DLR is currently unable to identify its share of this obligation on a consistent and reasonable basis. The Group has therefore taken the exemption permitted under IAS 19 for multi-employer schemes and treats contributions to the DLR Scheme as if they were contributions to a defined contribution plan. No defined benefit obligation has been recognised in the Balance Sheet in respect of this scheme.

Contributions totalling £4.1m were paid by DLR in 2021/22, with an additional £5.2m being paid by KAD (2020/21 £4.3m paid by DLR and £5.6m by KAD). These costs are not reflected within staff costs for the TfL Group but are instead reflected elsewhere within the operating expenditure of the Group, as the costs relate to the staff costs of DLR's concessionaire.

### Defined contribution schemes

The Group contributes to a number of defined contribution schemes, with total contributions, including contributions to the PCSPS and Alpha schemes as outlined in the paragraphs above, amounting to £5.7m (2020/21 £7.3m).



# Notes to the Financial Statements

## 37. Cash flow notes

### a) The cash flows for operating activities include the following items:

|   | Group<br>2022<br>£m | Group<br>2021<br>(Restated)*<br>£m | Corporation<br>2022<br>£m | Corporation<br>2021<br>(Restated)*<br>£m |
|---|---------------------|------------------------------------|---------------------------|--|
| Interest and other investment income received | 2.6                 | 14.1                               | 404.7                     | 407.7                                    |
| Interest paid                                 | (385.9)             | (412.7)                            | (440.4)                   | (441.3)                                  |
|   | (383.3)             | (398.6)                            | (35.7)                    | (33.6)                                   |

### b) Adjustments to the surplus/(deficit) on the provision of services for non-cash movements

|   | Group<br>2022<br>£m | Group<br>2021<br>(Restated)*<br>£m | Corporation<br>2022<br>£m | Corporation<br>2021<br>(Restated)*<br>£m |
|---|---------------------|------------------------------------|---------------------------|--|
| Depreciation, amortisation and impairment of property, plant and equipment, intangibles and right-of-use assets | 1,410.0             | 1,350.8                            | 219.1                     | 183.4                                    |
| Reversal of movements in the value of investment properties   | (93.4)              | 83.3                               | (51.3)                    | 2.3                                      |
| (Increase)/decrease in interest receivable  | (1.4)               | 0.5                                | (0.2)                     | 1.9                                      |
| Increase in interest payable  | 115.9               | 102.6                              | 106.6                     | 91.3                                     |
| Movement in pensions liability  | 283.4               | 51.4                               | 280.9                     | 49.8                                     |
| Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised               | 80.8                | 86.3                               | 21.7                      | 39.9                                     |
| Tax received/(paid)   | -                   | 1.6                                | -                         | -  |
| <b>Adjustments to net deficit/surplus for non-cash movements before movements in working capital</b>            | <b>1,795.3</b>      | <b>1,676.5</b>                     | <b>576.8</b>              | <b>368.6</b>                             |
| (Decrease)/increase in creditors  | (103.7)             | (51.1)                             | (297.7)                   | 149.7                                    |
| (Increase)/decrease in debtors  | (19.7)              | (2.5)                              | 162.8                     | 99.5                                     |
| (Decrease)/increase in inventories  | (6.6)               | 7.4                                | -                         | -  |
| (Decrease)/increase in provisions   | 23.9                | (70.2)                             | 7.8                       | (42.9)                                   |
| <b>Adjustments to net deficit/surplus for total non-cash movements</b>  | <b>1,689.2</b>      | <b>1,560.1</b>                     | <b>449.7</b>              | <b>574.9</b>                             |

### c) Adjustments to the surplus/(deficit) on the provision of services for investing or financing items

|   | Group<br>2022<br>£m | Group<br>2021<br>(Restated)*<br>£m | Corporation<br>2022<br>£m | Corporation<br>2021<br>(Restated)*<br>£m |
|---|---------------------|------------------------------------|---------------------------|--|
| Proceeds from the sale of property, plant and equipment, intangibles and investment properties      | (149.8)             | (58.7)                             | (104.0)                   | (50.4)                                   |
| Reversal of capital grants receivable   | (2,014.3)           | (933.5)                            | (1,954.6)                 | (856.2)                                  |
| Increase in finance lease receivables for deferred payments   | (6.5)               | -                                  | -                         | -  |
| <b>Adjustments for items included in the net deficit that are investing or financing activities</b> | <b>(2,170.6)</b>    | <b>(992.2)</b>                     | <b>(2,058.6)</b>          | <b>(906.6)</b>                           |

# Notes to the Financial Statements

## 37. Cash flow notes (continued)

### d) Investing activities

| Year ended 31 March   | Group<br>2022<br>£m | Group<br>2021<br>(Restated)*<br>£m | Corporation<br>2022<br>£m | Corporation<br>2021<br>(Restated)*<br>£m |
|---|---------------------|------------------------------------|---------------------------|--|
| Capital grants received   | 2,041.9             | 997.3                              | 1,956.9                   | 912.0                                    |
| Purchase of property, plant and equipment and investment property             | (2,196.5)           | (2,084.6)                          | (270.9)                   | (262.3)                                  |
| Purchase of intangible assets   | (58.6)              | (39.7)                             | (40.9)                    | (31.4)                                   |
| Proceeds from the sale of property, plant and equipment and intangible assets | 0.3                 | 0.3                                | 10.1                      | -  |
| Net sales/(purchases) of other investments                                    | (9.6)               | 596.6                              | -                         | 623.5                                    |
| Issue of loans to subsidiaries  | -                   | -                                  | (89.9)                    | (1,458.1)                                |
| Repayments of loans to subsidiaries   | -                   | -                                  | 15.9                      | 312.4                                    |
| Finance leases granted in year  | (0.3)               | (9.6)                              | -                         | -  |
| Finance leases repaid in year   | 13.8                | 18.3                               | -                         | -  |
| Proceeds from sale of investment property                                     | 149.5               | 58.4                               | 94.6                      | 50.4                                     |
| Investment in equity of associates and joint ventures                         | (4.7)               | (9.2)                              | -                         | -  |
| Investment in share capital of subsidiaries                                   | -                   | -                                  | (560.0)                   | (660.0)                                  |
| <b>Net cash flows from investing activities</b>                               | <b>(64.2)</b>       | <b>(472.2)</b>                     | <b>1,115.8</b>            | <b>(513.5)</b>                           |

### e) Financing activities

| Year ended 31 March   | Group<br>2022<br>£m | Group<br>2021<br>£m | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|---|---------------------|---------------------|---------------------------|---------------------------|
| Cash payments for reduction of the outstanding liabilities relating to lease and PFI arrangements | (324.8)             | (309.3)             | (36.0)                    | (35.0)                    |
| Cash payments for reduction of other financing liabilities  | (6.2)               | (1.7)               | -                         | -                         |
| Net proceeds from new borrowing   | 801.9               | 1,541.0             | 801.9                     | 1,541.0                   |
| Repayments of borrowings  | (803.7)             | (263.6)             | (803.8)                   | (262.9)                   |
| <b>Net cash flows from financing activities</b>   | <b>(332.8)</b>      | <b>966.4</b>        | <b>(37.9)</b>             | <b>1,243.1</b>            |

\* The format and several disclosure line items have been restated to enhance compliance with the Code.

# Notes to the Financial Statements

## 38. Unusable reserves

|   | 2022<br>£m | 2021<br>£m |
|---|------------|------------|
| <b>At 31 March</b>                        |            |            |
| <b>Group</b>                              |            |            |
| Capital Adjustment Account                | 29,633.2   | 28,165.1   |
| Pension Reserve                           | (3,158.8)  | (5,546.3)  |
| Accumulated Absences Reserve              | (14.6)     | (16.2)     |
| Retained Earnings Reserve in Subsidiaries | 1,483.6    | 1,737.3    |
| Revaluation Reserve                       | 241.1      | 339.5      |
| Hedging Reserve                           | (57.9)     | (105.0)    |
| Cost of Hedging Reserve                   | (3.0)      | (3.9)      |
| Financial Instruments Adjustment Account  | (124.0)    | (135.8)    |
| Merger Reserve                            | 466.1      | 466.1      |
|   | 28,465.7   | 24,900.8   |

|  | 2022<br>£m | 2021<br>£m |
|--|------------|------------|
| <b>At 31 March</b>                       |            |            |
| <b>Corporation</b>                       |            |            |
| Capital Adjustment Account               | 16,740.2   | 16,023.5   |
| Pension Reserve                          | (3,158.8)  | (5,546.3)  |
| Accumulated Absences Reserve             | (14.6)     | (16.2)     |
| Revaluation Reserve                      | 26.5       | 29.9       |
| Financial Instruments Adjustment Account | (124.0)    | (135.8)    |
|  | 13,469.2   | 10,355.1   |

### 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 its 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.

# Notes to the Financial Statements

## 38. Unusable reserves (continued)

### Capital Adjustment Account (continued)

| Note   | Group<br>2022<br>£m | Group<br>2021<br>(Restated)*<br>£m | Corporation<br>2022<br>£m | Corporation<br>2021<br>(Restated)*<br>£m |
|--|---------------------|------------------------------------|---------------------------|--|
| Balance at 1 April   | 28,165.1            | 27,913.6                           | 16,023.5                  | 15,356.1                                 |
| <b>Amounts attributable to the Corporation</b>   |                     |                                    |                           |  |
| Charges for depreciation and impairment of non-current assets  | (219.1)             | (183.4)                            | (219.1)                   | (183.4)                                  |
| Capital proceeds from disposal of investment properties  | 94.6                | 48.8                               | 94.6                      | 48.8                                     |
| Net book value of investment properties disposed   | (9.6)               | (17.9)                             | (9.6)                     | (17.9)                                   |
| Release of Revaluation Reserve relating to historical revaluation gains recognised in respect of properties disposed during the year | 3.1                 | 0.2                                | 3.1                       | 0.2                                      |
| Release of Revaluation Reserve relating to the difference between fair value depreciation and historical cost depreciation           | 0.3                 | 0.4                                | 0.3                       | 0.4                                      |
| Movements in the market value of investment properties recognised in the deficit/surplus on the provision of services after tax      | 50.5                | (2.3)                              | 50.5                      | (2.3)                                    |
| Movements in the market value of investment properties recognised directly in other comprehensive income                             | 0.8                 | -                                  | 0.8                       | -  |
| Capital grants and contributions   | 1,954.6             | 856.2                              | 1,954.6                   | 856.2                                    |
| REFCUS   | (1,216.0)           | (69.9)                             | (1,216.0)                 | (69.9)                                   |
| Minimum Revenue provision  | 60.2                | 55.7                               | 60.2                      | 55.7                                     |
| Loss on disposal of property, plant and equipment  | (2.7)               | (20.4)                             | (2.7)                     | (20.4)                                   |
| <b>Adjustments for the alignment of Group accounting policies for assets not held in the Corporation</b>                             |                     |                                    |                           |  |
| Charges for depreciation, impairment and disposals for assets not held in the Corporation  | (524.3)             | (563.1)                            | -                         | -  |
| Capital grants and contributions applied to assets not held in the Corporation   | 1,275.7             | 147.2                              | -                         | -  |
| <b>Balance at 31 March</b>   | <b>29,633.2</b>     | <b>28,165.1</b>                    | <b>16,740.2</b>           | <b>16,023.5</b>                          |

### Pension Reserve

The Pension Reserve represents pension and other post-retirement defined benefit obligations shown on the Balance Sheet, excluding those reflected on the balance sheets of the subsidiary companies. The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Group and Corporation account for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the defined benefit

obligations recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Group and Corporation make employer's contributions to pension funds or eventually pay any pensions for which they are directly responsible. The debit balance on the pension reserve therefore shows a substantial shortfall in the benefits earned by past and current employees against the resources that have been set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

|   | Group<br>2022<br>£m | Group<br>2021<br>£m | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|---|---------------------|---------------------|---------------------------|---------------------------|
| Balance at 1 April  | (5,546.3)           | (4,082.3)           | (5,546.3)                 | (4,082.3)                 |
| Net remeasurement gains/(losses) on pension assets and defined benefit obligations                                      | 2,773.2             | (1,324.5)           | 2,773.2                   | (1,324.5)                 |
| Reversal of charges relating to retirement benefits   | (762.4)             | (538.4)             | (495.8)                   | (270.5)                   |
| Employer's pension contributions, contributions from subsidiaries and direct payments to pensioners payable in the year | 376.7               | 398.9               | 110.1                     | 131.0                     |
| <b>Balance at 31 March</b>  | <b>(3,158.8)</b>    | <b>(5,546.3)</b>    | <b>(3,158.8)</b>          | <b>(5,546.3)</b>          |

\* Disclosure line items have been restated to enhance compliance with the Code. REFCUS is now separately disclosed. Capital proceeds are now shown separate to the net book value disposed. Adjustments for the alignment of accounting policies have been grossed up rather than shown as a net figure.

# Notes to the Financial Statements

## 38. 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, such as annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the reserve.

|   | Group<br>2022<br>£m | Group<br>2021<br>£m | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|---|---------------------|---------------------|---------------------------|---------------------------|
| Balance at 1 April  | (16.2)              | (14.3)              | (16.2)                    | (14.3)                    |
| Settlement or cancellation of accrual made at the end of the preceding year | 16.2                | 14.3                | 16.2                      | 14.3                      |
| Amounts accrued at the end of the current year                              | (14.6)              | (16.2)              | (14.6)                    | (16.2)                    |
| <b>Balance at 31 March</b>  | <b>(14.6)</b>       | <b>(16.2)</b>       | <b>(14.6)</b>             | <b>(16.2)</b>             |

### Retained Earnings Reserve in Subsidiaries

The Retained Earnings Reserve in Subsidiaries represents the retained earnings in the Group's subsidiary companies. These are disclosed as unusable reserves as the subsidiaries are not able to fund dividends to the Corporation and they are not available to fund the expenditure of the Corporation.

|  | Group<br>2022<br>£m | Group<br>2021<br>£m |
|--|---------------------|---------------------|
| <b>Balance at 1 April</b>  | <b>1,737.3</b>      | <b>2,011.9</b>      |
| Surplus/(deficit) on the provision of services after tax in subsidiaries   | 369.8               | (730.8)             |
| Surplus on valuation of newly created investment properties (net of tax)   | (6.5)               | 71.9                |
| Transfer of current year capital grants and contributions to the Capital Adjustment Account                                | (1,275.7)           | (147.2)             |
| Transfer of adjustments between Group and Corporation financial statements to the Capital Adjustment Account               | 524.3               | 563.1               |
| Remeasurement gains/(losses) on defined benefit pension plan assets and liabilities  | 17.7                | (36.5)              |
| Release of Revaluation Reserve relating to historical revaluation gains recognised in respect of properties disposed       | 114.3               | 2.3                 |
| Release of Revaluation Reserve relating to the difference between fair value depreciation and historical cost depreciation | 2.4                 | 2.6                 |
| <b>Balance at 31 March</b>   | <b>1,483.6</b>      | <b>1,737.3</b>      |

# Notes to the Financial Statements

## 38. Unusable reserves (continued)

### Revaluation Reserve

The Revaluation Reserve contains the accumulated gains made arising from increases in the value of property, plant and equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation
- Disposed of and the gains are transferred to retained earnings

|  | Note | Group<br>2022<br>£m | Group<br>2021<br>£m | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|--|------|---------------------|---------------------|---------------------------|---------------------------|
| Balance at 1 April   |      | 339.5               | 333.6               | 29.9                      | 27.7                      |
| Revaluation of assets  | 14   | 21.9                | 11.4                | 0.1                       | 2.8                       |
| Release of Revaluation Reserve relating to historical revaluation gains recognised in respect of properties disposed   |      | (117.5)             | (2.5)               | (3.1)                     | (0.2)                     |
| Release of Revaluation Reserve relating to the difference between fair value depreciation and historical cost depreciation, and to historical revaluation gains recognised in respect of properties disposed during the year |      | (2.8)               | (3.0)               | (0.3)                     | (0.4)                     |
| <b>Balance at 31 March</b>   |      | <b>241.1</b>        | <b>339.5</b>        | <b>26.6</b>               | <b>29.9</b>               |

### Hedging Reserve

The Hedging Reserve holds the gain or loss on a hedging instrument that is determined to be an effective hedge. The ineffective portion, if any, is recognised immediately through the Comprehensive Income and Expenditure Statement. The gain or loss deferred in reserves is recognised in the Comprehensive Income and Expenditure Statement in the period(s) during which the hedged forecast transaction affects profit or loss.

|  | Group<br>2022<br>£m | Group<br>2021<br>£m |
|--|---------------------|---------------------|
| Balance at 1 April   | (105.0)             | (119.4)             |
| Net change in fair value of cash flow interest rate hedges             | 43.9                | 20.3                |
| Net change in fair value of cash flow foreign exchange hedges          | 8.0                 | (15.2)              |
| Reclassification of interest rate fair value losses to profit and loss | 10.2                | 9.3                 |
| Discontinued hedging relationship                                      | (15.0)              | -                   |
| <b>Balance at 31 March</b>   | <b>(57.9)</b>       | <b>(105.0)</b>      |

The Corporation does not have a Hedging Reserve as it has not entered into any derivative transactions, nor does it have legal powers to do so.

# Notes to the Financial Statements

## 38. Unusable reserves (continued)

### Cost of Hedging Reserve

The Cost of Hedging Reserve holds the gain or loss on a hedging instrument arising from changes in the fair value of the time value of an option when the intrinsic value of the option has been designated in an effective hedging relationship. The gain or loss deferred in reserves

is recognised in the Comprehensive Income and Expenditure Statement in the period(s) during which the hedged forecast transaction affects profit or loss. The ineffective portion, if any, is recognised immediately through the Comprehensive Income and Expenditure Statement.

|   | Group<br>2022<br>£m | Group<br>2021<br>£m |
|---|---------------------|---------------------|
| Balance at 1 April  | (3.9)               | (4.4)               |
| Reclassification of cashflow foreign exchange hedge losses to the Balance Sheet | 0.9                 | 0.5                 |
| <b>Balance at 31 March</b>  | <b>(3.0)</b>        | <b>(3.9)</b>        |

The Corporation does not have a Cost of Hedging Reserve as it has not entered into any derivative transactions, nor does it have legal powers to do so.

### Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account provides a balancing mechanism between the different rates at which gains

and losses (such as premium on the early repayment of debt) are recognised under the Code and are required by statute to be met from the General Fund.

|                            | Group<br>2022<br>£m | Group<br>2021<br>£m | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|----------------------------|---------------------|---------------------|---------------------------|---------------------------|
| Balance at 1 April         | (135.8)             | (147.5)             | (135.8)                   | (147.5)                   |
| Release of premium         | 11.8                | 11.7                | 11.8                      | 11.7                      |
| <b>Balance at 31 March</b> | <b>(124.0)</b>      | <b>(135.8)</b>      | <b>(124.0)</b>            | <b>(135.8)</b>            |

### Merger Reserve

The Merger Reserve of £466.1m arose as a result of the transfer of the net assets of London Regional Transport, including the share capital of London Underground Limited (LUL), to TfL in 2003. It represents

the share capital of LUL and was taken as a credit to the merger reserve. The Group has taken advantage of the exemption in IFRS 1 not to restate business combinations occurring prior to the transition date of 1 April 2009.

|  | Group<br>2022<br>£m | Group<br>2021<br>£m | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|--|---------------------|---------------------|---------------------------|---------------------------|
| <b>Balance at 1 April and 31 March</b> | <b>466.1</b>        | 466.1               | -                         | -                         |

# Notes to the Financial Statements

## 39. 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 2022   | Note | General fund<br>£m | Capital adjustment<br>account<br>£m | Capital receipts<br>reserve<br>£m | Pension reserve<br>£m | Street works<br>reserve<br>£m | Financial<br>instruments<br>adjustment<br>account<br>£m | Accumulated<br>absences reserve<br>£m |
|--|------|--------------------|-------------------------------------|-----------------------------------|-----------------------|-------------------------------|---|---------------------------------------|
| <b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>   |      |                    |                                     |                                   |                       |                               |   |                                       |
| Charges for depreciation, amortisation and impairment of non-current assets  | 4    | 219.1              | (219.1)                             | -                                 | -                     | -                             | -   | -                                     |
| Net book value of disposals  |      | 9.6                | (9.6)                               | -                                 | -                     | -                             | -   | -                                     |
| Capital proceeds from disposals  | 40   | (94.6)             | -                                   | 94.6                              |                       |                               |   |                                       |
| Capital receipts applied   |      | -                  | 94.6                                | (94.6)                            |                       |                               |   |                                       |
| Movements in the market value of investment properties   | 9    | (50.5)             | 50.5                                | -                                 | -                     | -                             | -   | -                                     |
| Capital grants and contributions   | 11   | (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   | 8    | 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                                   |
| <b>Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement which are required to be charged in accordance with statutory requirements</b> |      |                    |                                     |                                   |                       |                               |   |                                       |
| Employer's pension contributions and direct payments to pensioners payable in the year   |      | (110.1)            | -                                   | -                                 | 110.1                 | -                             | -   | -                                     |
| Minimum Revenue provision  | 41   | (60.2)             | 60.2                                | -                                 | -                     | -                             | -   | -                                     |
| Amortisation of premium on financing   |      | (11.8)             | -                                   | -                                 | -                     | -                             | 11.8  | -                                     |
|  |      | (340.6)            | 712.5                               | -                                 | (385.7)               | 0.4                           | 11.8  | 1.6                                   |

# Notes to the Financial Statements

## 39. Adjustments between accounting basis and funding basis under regulations (continued)

### Corporation

| Year ended 31 March 2021 (restated)*   | Note | General fund<br>£m | Capital adjustment<br>account<br>£m | Capital receipts<br>reserve<br>£m | Pension reserve<br>£m | Street works<br>reserve<br>£m | Financial<br>instruments<br>adjustment<br>account<br>£m | Accumulated<br>absences reserve<br>£m |
|--|------|--------------------|-------------------------------------|-----------------------------------|-----------------------|-------------------------------|---|---------------------------------------|
| <b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</b>   |      |                    |                                     |                                   |                       |                               |   |                                       |
| Charges for depreciation, amortisation and impairment of non-current assets  | 4    | 183.4              | (183.4)                             | -                                 | -                     | -                             | -   | -                                     |
| Net book value of disposals  |      | 17.9               | (17.9)                              | -                                 | -                     | -                             | -   | -                                     |
| Capital proceeds from disposals  | 40   | (48.8)             | -                                   | 48.8                              |                       |                               |   |                                       |
| Capital receipts applied   |      | -                  | 48.8                                | (48.8)                            |                       |                               |   |                                       |
| Movements in the market value of investment properties   | 9    | 2.3                | (2.3)                               | -                                 | -                     | -                             | -   | -                                     |
| Capital grants and contributions   | 11   | (786.3)            | 786.3                               | -                                 | -                     | -                             | -   | -                                     |
| Loss on disposal of non-current assets   | 8    | 20.4               | (20.4)                              | -                                 | -                     | -                             | -   | -                                     |
| Reversal of items relating to retirement benefits  |      | 270.5              | -                                   | -                                 | (270.5)               | -                             | -   | -                                     |
| Transfers to/from Street Works Reserve   |      | (1.3)              | -                                   | -                                 | -                     | 1.3                           | -   | -                                     |
| Difference between the remuneration charged on an accruals basis and the remuneration chargeable in accordance with statutory requirements |      | 1.9                | -                                   | -                                 | -                     | -                             | -   | (1.9)                                 |
| Capital grants and contributions applied to REFCUS   |      | (69.9)             | 69.9                                |                                   |                       |                               |   |                                       |
| REFCUS   | 11   | 69.9               | (69.9)                              |                                   |                       |                               |   |                                       |
| Employer's pension contributions and direct payments to pensioners payable in the year   |      | (131.0)            | -                                   | -                                 | 131.0                 | -                             | -   | -                                     |
| Minimum Revenue provision  | 41   | (55.7)             | 55.7                                | -                                 | -                     | -                             | -   | -                                     |
| Amortisation of premium on financing   |      | (11.7)             | -                                   | -                                 | -                     | -                             | 11.7  | -                                     |
|  |      | (538.4)            | 666.8                               | -                                 | (139.5)               | 1.3                           | 11.7  | (1.9)                                 |

\* Disclosure line items have been restated to enhance compliance with the Code. Capital proceeds received and applied from the Capital Receipts Reserve and REFCUS are disclosed separately, rather than shown as a net figure.

# Notes to the Financial Statements

## 40. Sources of finance

### Capital expenditure analysed by source of finance:

| Year ended 31 March   | Note | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|---|------|---------------------------|---------------------------|
| <b>Capital expenditure</b>  |      |                           |                           |
| Intangible asset additions  | 13   | 40.9                      | 31.4                      |
| Property, plant and equipment additions                           | 14   | 220.5                     | 251.0                     |
| Investment property   | 16   | 4.0                       | 17.7                      |
| Investments in year   | 17   | 560.0                     | 660.0                     |
| Loans made to subsidiaries in year for capital purposes           |      | 89.9                      | 1,458.1                   |
| Capital grants allocated to subsidiaries in year                  | 11   | 1,216.0                   | 69.9                      |
| <b>Total capital expenditure</b>                                  |      | <b>2,131.3</b>            | <b>2,488.1</b>            |
| <b>Sources of finance</b>   |      |                           |                           |
| Business Rates Retention used to fund capital                     | 11   | 1,350.2                   | 689.6                     |
| Community infrastructure levy and other third party contributions | 11   | 50.4                      | 120.6                     |
| Crossrail specific grant  | 11   | 554.0                     | 46.0                      |
| Prudential borrowing  |      | 74.0                      | 1,277.4                   |
| Repayment of loans from subsidiaries                              |      | 15.9                      | 312.4                     |
| Capital receipts  |      | 94.6                      | 48.8                      |
| Working capital   |      | (7.8)                     | (6.7)                     |
| <b>Total sources of finance</b>                                   |      | <b>2,131.3</b>            | <b>2,488.1</b>            |

### Capital Financing Requirement

The Capital Financing Requirement is the amount of cumulative capital expenditure to be financed by means other than grant or asset sales proceeds. As at 31 March 2022 this stood at £13,405.5m (2021 £13,402.1m) for the Corporation.

## 41. 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 capital expenditure for those assets that have reached the end of their lives. An MRP is effectively already made for borrowings passed down to the subsidiaries through TfL’s existing processes for funding those entities. The MRP provision for 2021/22, shown as a transfer from the General Fund to the Capital Adjustment Account in the Group and Corporation Movement in Reserves Statements, was a total of £60.2m (2020/21 £55.7m).

# Notes to the Financial Statements

## 42. 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:

|   | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|---|---------------------------|---------------------------|
| <b>Year ended 31 March</b>                  |                           |                           |
| <b>Financial assistance to subsidiaries</b> |                           |                           |
| Transport Trading Limited                   | 25.4                      | 55.0                      |
| London Underground Limited                  | 1,741.0                   | 2,780.2                   |
| London Bus Services Limited                 | 1,031.6                   | 1,511.7                   |
| London River Services Limited               | 5.5                       | 7.2                       |
| Victoria Coach Station Limited              | 3.0                       | 5.3                       |
| London Buses Limited                        | 0.1                       | 2.8                       |
| London Transport Museum Limited             | 3.4                       | 4.4                       |
| Docklands Light Railway Limited             | 199.8                     | 71.8                      |
| Rail for London Limited                     | 404.0                     | 241.1                     |
| Crossrail Limited                           | 88.8                      | 722.6                     |
| Tramtrack Croydon Limited                   | 40.4                      | 37.6                      |
| Rail for London (Infrastructure) Limited    | 57.5                      | 52.6                      |
|   | <b>3,600.5</b>            | <b>5,492.3</b>            |

|  | Note | Corporation<br>2022<br>£m | Corporation<br>2021<br>£m |
|--|------|---------------------------|---------------------------|
| <b>Year ended 31 March</b>   |      |                           |                           |
| <b>Financial assistance to London Boroughs and other third parties</b> |      |                           |                           |
| Local Implementation Plan  |      | 40.4                      | 43.0                      |
| Taxicard   |      | 8.2                       | 5.3                       |
| London Streetspace   |      | 11.5                      | 39.0                      |
| Cycling  |      | 8.0                       | 6.3                       |
| Bus priority   |      | 8.7                       | 5.5                       |
| Liveable Neighbourhoods  |      | -                         | 4.7                       |
| Other  |      | 5.1                       | 4.7                       |
|  | 4    | <b>81.9</b>               | <b>108.5</b>              |

# Notes to the Financial Statements

## 43. Related parties

TfL is required by the Code and IAS 24 Related Party Disclosures (IAS 24) to disclose material transactions with related parties. Related parties are entities or individuals who have the potential to control, indirectly control or significantly influence TfL or to be controlled, indirectly controlled or significantly influenced by TfL.

TfL is a statutory corporation established by section 154 of the GLA Act 1999. It is a functional body of the Greater London Authority and is controlled by the Mayor of London. TfL is classified as a government entity in accordance with IAS 24, as it is controlled by the GLA, through the Mayor. The GLA and its other functional bodies are considered to be related parties of TfL and its subsidiaries, as they are all under the control of the Mayor. Other related parties include TfL's Board Members, members of the TfL Executive Committee (including

Managing Directors, the Commissioner, the Chief Finance Officer and General Counsel), the Mayor of London and the TfL Pension Fund. In addition, central Government has the potential to influence TfL by providing the statutory framework within which TfL operates and through the provision of funding in the form of grants and borrowing facilities.

Disclosure of related party transactions allows readers to assess the extent to which the Corporation might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with it.

### GLA and functional bodies

Details of amounts received from the Business Rates Retention, and the Council Tax precept paid to TfL by the GLA are shown in Note II.

During 2021/22 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 2022 £m |
|---|---------------------------------|--------------------------------------|---|
| GLA   | 16.3                            | (3.0)                                | 5.3                                     |
| Mayor's Office for Policing and Crime (MOPAC) | 0.5                             | (80.5)                               | 0.1                                     |
| London Legacy Development Corporation (LLDC)  | 1.1                             | -                                    | 0.1                                     |
| London Fire Commissioner                      | 0.1                             | (0.1)                                | -                                       |

### Board Members and Officers

Board Members, the Mayor of London, and key management (including the Commissioner and the TfL Executive Committee), are required to complete a declaration regarding any related party transactions. During the year, none of the Corporation Board, key management personnel or parties related to them have undertaken any transactions with the Corporation or its subsidiaries (2020/21 none). Details of the remuneration of the Commissioner and all employees earning a base salary of £150,000 or more are disclosed in the Remuneration Report (see Note 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 36.

### Central Government

During 2021/22 the DfT contributed grant funding to TfL totalling £1,717m (2020/21 £2,457m) under a series of Extraordinary Funding and Financing Agreements. These funding agreements also permitted TfL to borrow a total of £600m from the PWLB over the course of 2020/21 to fund its capital investment activities.

In addition to the funding set out in these agreements, in December 2018, the Mayor of London and the Government agreed a financial package to cover Crossrail overruns. The GLA was to borrow up to £1.3bn from the DfT. The GLA will repay this loan from the existing Business Rate Supplement (BRS) and Mayoral Community Infrastructure Levy (MCIL). The GLA would also provide a £100m cash contribution, taking its initial total contribution to £1.4bn to be provided as a grant to TfL for the Crossrail project. A loan facility from the DfT was also directly granted from the DfT to TfL of up to £750m.

In August 2020, Crossrail Ltd announced that the opening of the Elizabeth line through central London was expected to be delayed until the first half of 2022 and that additional funding beyond the agreed funding envelope would be required. Under a further financing package agreed with the DfT in December 2020, the shortfall was to be covered by the GLA borrowing up to a further £825m from the DfT which was again to be given by GLA to TfL as a grant. The GLA will repay this loan from BRS and MCIL revenues.

In the year to 31 March 2022, the GLA paid grants totalling £554m to TfL in relation to the Crossrail project (2021 £46m) under the funding agreements outlined above. And as at 31 March 2022, £750m of the Crossrail loan facility from the DfT had been drawn down (2021 £676m).

# Notes to the Financial Statements

## 43. Related parties (continued)

### 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 42.

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 I.

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.

## 44. Trust Funds

The Corporation acts as the sole trustee for the TfL Healthcare Trust, a trust established for the purpose of providing certain benefits relating to medical treatment for eligible employees of the Group and their family members. The Trust is administered by AXA PPP Healthcare Administration Services Limited, an independent third party. Under the terms of the Trust deed the funds held by the Trust do not represent the assets of the Corporation or its subsidiaries. Hence the Trust has not been consolidated into these financial statements.

|                         | Income<br>£m | Expenditure<br>£m | Assets<br>£m | Liabilities<br>£m |
|-------------------------|--------------|-------------------|--------------|-------------------|
| <b>At 31 March 2022</b> |              |                   |              |                   |
| TfL Healthcare Trust    | 4.8          | (3.8)             | 5.1          | -                 |
| <b>At 31 March 2021</b> |              |                   |              |                   |
| TfL Healthcare Trust    | 2.5          | (2.6)             | 4.1          | -                 |

# Notes to the Financial Statements

## 45. Events after the Balance Sheet date

On 30 August 2022, a long-term 20-month funding settlement with wide ranging and complex conditions was agreed with the DfT. This long-term capital funding provides the certainty and stability required to make long-term decisions on infrastructure investments in an effective and efficient manner.

Since 24 June 2022, TfL has been operating under a series of extensions to the previous funding settlement, which provided revenue top up, but no base funding. The last of these expired on 3 August 2022. TfL continued to operate on the assumption of a balanced budget over the full year on the basis that an acceptable funding settlement with Government would be achieved.

Management do not consider that there has been any post Balance Sheet event that would require a further adjustment being made to the carrying values at 31 March 2022 as reported in these financial statements.



We continue to invest in and improve London's transport



# 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, 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 TfL 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](https://tfl.gov.uk). The 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 2021/22 Statement of Accounts. The key elements of the governance framework are set out below:

## 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 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 at least annually. 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 s127 of the Greater London Authority Act 1999) is responsible for safeguarding TfL’s financial position. Generally*, 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. |

\* From April 2022 interim arrangements are in place until the appointment of a new managing Chief Finance Officer.

## 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 four new Members of the Board appointed in 2021/22 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](https://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 now 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's 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, the Commissioner launched TfL's Vision and Values. This 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 will be reviewed annually. They will 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: and

- 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. 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. A Land and Property Committee has been established to oversee the operation and delivery of TfL's property programme through TfL's subsidiary entity, TTL Properties Limited. The enhanced governance for the entity is being finalised and will be reviewed and overseen by the new Committee.

### 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 are being 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 changes to TfL's approach to talent and performance management. The new Vision and Values are also intended to develop capacity (see Principle C above). Members are developed through induction, briefings and site visits. Four new Members were 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 and reflected in individual staff objectives. TfL reviewed all Level 0 Enterprise and Level I Strategic Risks as a result of the changes brought on by the coronavirus pandemic and each of these has been reviewed by the Executive Committee and the relevant Board Committee or Panel throughout the year, with the exception of Financial Sustainability (ER7), as this risk has been the subject of ongoing discussions and negotiations throughout the year. 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. In response to the impact of the coronavirus pandemic on TfL's finances, several rigorous cost control and scrutiny measures were introduced or refined during the year. 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](https://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 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 2022 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 other than the progress on addressing procurement governance and

control issues. The Board Effectiveness Review was considered in December 2021 and concluded that the current decision-making structure was effective. An externally led review is proposed for 2022.

The coronavirus pandemic has continued to have a significant impact on TfL's operational activities and its finances. In January 2021, TfL submitted a financial sustainability plan to Government as part of the process for securing a long-term funding settlement. A series of short-term funding settlements have been approved while work continues to secure a long-term settlement to enable TfL to effectively plan.

**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 annual 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

SIGNATURE

Andy Byford  
Commissioner



# TfL Board members

The Mayor appoints members for their skills, knowledge and experience relating to TfL's activities. The Board is independent of

the executive. The Chair and Deputy Chair serve until 3 May 2024. All other members were appointed or reappointed in 2021 and

serve until 8 September 2024, except Cllr Julian Bell who joined the Board in February 2020 and will serve until 4 September 2022.

**Members who left during 2021/22**

- Ron Kalifa OBE (Member until 6 May 2022)
- Dr Alice Maynard CBE (Member until 5 September 2021)



**Sadiq Khan**  
Chair



**Seb Dance\***  
Deputy Chair



**Heidi Alexander\*\***



**Cllr Julian Bell**



**Kay Carberry CBE**



**Professor Greg Clark CBE**



**Anurag Gupta\*\*\***



**Bronwen Handyside**



**Anne McMeel**



**Dr Mee Ling Ng OBE**



**Dr Nelson Ogunshakin OBE**



**Mark Phillips**



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



**Dr Nina Skorupska CBE FEI**



**Dr Lynn Sloman MBE**



**Ben Story**



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

\* Member from 1 January 2022. Deputy Chair from 25 January 2022  
\*\* Deputy Chair until 24 December 2021  
\*\*\* Member from 11 November 2021

# Membership of TfL committees and panels

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

## Audit and Assurance Committee



**Mark Phillips\***  
Chair



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



**Cllr Julian Bell**



**Kay Carberry CBE**



**Dr Mee Ling Ng OBE**

### Members who left during 2021/22

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

## Elizabeth line Committee



**Heidi Alexander**  
Chair



**Anne McMeel**  
Vice Chair



**Prof Greg Clark CBE**



**Seb Dance**



**Dr Nelson Ogunshakin OBE**



**Mark Phillips**

\* Member and Chair from 1 January 2022

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

## Finance Committee



**Anne McMeel\***  
Chair



**Ben Story**  
Vice Chair



**Prof Greg Clark CBE**



**Seb Dance\*\***



**Anurag Gupta**



**Dr Nina Skorupska  
CBE FEI**

### Members who left during 2021/22

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

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



**Prof Greg Clark CBE**  
Chair



**Dr Nina Skorupska  
CBE FEI**



**Heidi Alexander**



**Seb Dance**



**Anne McMeel**



**Ben Story**

## Programmes and Investment Committee



**Ben Story\***  
Chair



**Dr Nelson  
Ogunshakin OBE**  
Vice Chair



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



**Seb Dance\*\***



**Dr Lynn Sloman MBE**



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

### Members who left during 2021/22

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

\* Chair from 1 January 2022

\*\* Member from 3 February 2022

\*\*\* From 1 January 2022

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

Remuneration Committee



Kay Carberry CBE\*  
Chair



Peter Strachan\*\*  
Vice Chair



Seb Dance\*\*\*



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

Members who left during 2021/22

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

Customer Service and Operational Performance Panel



Dr Mee Ling Ng OBE  
Chair



Marie Pye\*\*  
Vice Chair



Bronwen Handyside



Anne McMeel



Dr Lynn Sloman MBE



Peter Strachan\*\*\*\*

Members who left during 2021/22

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

Safety, Sustainability and HR Panel



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



Dr Nina Skorupska  
CBE FEI  
Vice Chair



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



Bronwen Handyside



Dr Mee Ling Ng OBE



Mark Phillips



Marie Pye\*\*\*\*

Members who left during 2021/22

- Cllr Julian Bell  
(member until 31 December 2021)

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

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

\*\*\* Member from 3 February 2022

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

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

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

# TfL members attendance 2021/22

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

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

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

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## About Transport for London (TfL)

Part of the Greater London Authority family led by Mayor of London Sadiq Khan, we are the integrated transport authority responsible for delivering the Mayor's aims for transport. We have a key role in shaping what life is like in London, helping to realise the Mayor's vision for a 'City for All Londoners' 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 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 London Cable Car. The experience, reliability and accessibility of these services is fundamental to Londoners' quality of life.

We manage the city's red route strategic roads and, through collaboration with the London boroughs, we are helping to shape the character of all London's streets. These are the places where Londoners travel, work, shop and socialise. Making them places for people to walk, cycle and spend time will reduce car dependency, improve air quality, revitalise town centres, boost businesses and connect communities. As part of this, our expanded Ultra Low Emission Zone and fleets of increasingly environmentally friendly and zero-emission buses are helping to tackle London's toxic air.

During the pandemic, we took a huge range of measures to ensure people were safe while travelling. This included extensive cleaning regimes across the public transport network and working with London's boroughs to introduce the Streetspace for London programme, which provided wider pavements and cycle lanes for people to walk and cycle safely and maintain social distancing. London's recovery is vital to the UK's recovery as life returns to normal. We want to ensure London avoids a car-led recovery and we continue to reassure people the capital and our transport network is safe and ready for them.

We have constructed many of London's most significant infrastructure projects in recent years, using transport to unlock much needed economic growth. This includes major projects like the extension of the Northern line to Battersea Power Station and Nine Elms in south London, as well as our work at Barking Riverside and the Bank station upgrade.

Working with the Government, we completed the Elizabeth line in time for Her Majesty the Queen's Jubilee. This transformational new railway adds 10 per cent to central London's rail capacity and supports the delivery of high-density, mixed-use developments, which are planned around active and sustainable travel to ensure London's growth is good growth. We also use our own land to provide thousands of new affordable homes and our own supply chain creates tens of thousands of jobs and apprenticeships across the country.

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

We are constantly working to improve the city for everyone. This means 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 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 can create a better city as London's recovery from the pandemic continues.

