

Board



Date: 25 July 2023

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

This paper will be considered in public

1 Summary

- 1.1 This paper presents the draft Annual Report and TfL Group Statement of Accounts for the year ended 31 March 2023 and requests the Board's:
- (a) approval of the Annual Report for the year ended 31 March 2023 and its publication;
 - (b) consideration of the Statement of Accounts for the year ended 31 March 2023 and delegation of its approval to the Audit and Assurance Committee; and
 - (c) for the provision of an ongoing parent company guarantee by Transport Trading Limited (TTL) to most of TfL's subsidiary companies.
- 1.2 On 5 June 2023, the Audit and Assurance Committee considered the draft Statement of Accounts for the year ended 31 March 2023. Comments made by the Committee have been addressed in the documents.

2 Recommendations

2.1 The Board is asked to:

- (a) approve the 2022/23 Annual Report, subject to any comments Members might have;**
- (b) authorise the Chief Customer and Strategy Officer to make any further design or editorial changes to the Annual Report as may be required;**
- (c) consider the Statement of Accounts and, recognising that a decision on approval of the Statement of Accounts cannot currently be made, delegate approval of the Statement of Accounts to the Audit and Assurance Committee and the provisions of Standing Order 108 are disapplied for these purposes;**
- (d) subject to the approval of the Audit and Assurance Committee, agree that the statutory Chief Finance Officer will make any adjustments arising from the work prior to the auditors, Ernst & Young, signing**

their opinion or from any comments made by the board of any Subsidiary company. Should any changes be required to the Statement of Accounts, he will seek the approval of the Board or the Audit and Assurance Committee to make these changes;

- (e) note that the Chair of the Audit and Assurance Committee will sign and date the Statement of Accounts in due course;**
- (f) confirm overall approval of the provision of an ongoing guarantee by Transport Trading Limited of all the outstanding liabilities of those of its subsidiary companies listed below, such guarantee enabling those subsidiaries to be exempt from the need to have their accounts audited:**
 - (i) Woolwich Arsenal Rail Enterprises Limited;**
 - (ii) City Airport Rail Enterprises Limited;**
 - (iii) London Underground Limited;**
 - (iv) LUL Nominee BCV Limited;**
 - (v) LUL Nominee SSL Limited;**
 - (vi) Docklands Light Railway Limited;**
 - (vii) Tube Lines Limited;**
 - (viii) Rail for London Limited;**
 - (ix) Rail for London (Infrastructure) Limited**
 - (x) Tramtrack Croydon Limited;**
 - (xi) London Buses Limited;**
 - (xii) London Bus Services Limited;**
 - (xiii) London River Services Limited;**
 - (xiv) Transport for London Finance Limited;**
 - (xv) Victoria Coach Station Limited;**
- (g) note that, as a result of the application of IFRS 9 Financial Instruments, TfL's auditors, Ernst & Young LLP, requested that letters of financial support previously provided by Transport for London in respect of the liabilities of its subsidiaries be re-signed annually by TfL's Chief Finance Officer. Board approval for the issue of such letters was granted when the subsidiaries were first established or acquired.**

3 Background

- 3.1 TfL is required under section 161 of the Greater London Authority Act 1999 (the GLA Act) to produce a report on its achievements and the performance of its functions during the year. Approval of the Annual Report is a matter reserved to the Board under TfL's Standing Orders. The Annual Report includes the information that is required under the GLA Act.
- 3.2 TfL is also required, under the Accounts and Audit Regulations 2015 (the Regulations) to prepare a Statement of Accounts each year. The Regulations further require that the Statement of Accounts is approved by a resolution of a committee or by members meeting as a whole.

- 3.3 Under the Accounts and Audit (Amendment) Regulations 2022 the publication deadline for Statement of Accounts has been extend from 31 July to 30 September for financial years beginning in 2022 to 2027.

4 Statement of Accounts

- 4.1 The Statement of Accounts has been prepared in accordance with the provisions of the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015 (the Regulations). The form, content and accounting policies followed in preparing the Statement of Accounts are as prescribed in the Regulations and by the Code of Practice on Local Authority Accounting which is developed and published by the CIPFA/LASAAC joint committee (the Code). The Code is based on International Financial Reporting Standards (IFRS).
- 4.2 The draft Statement of Accounts (unaudited) was certified by the statutory Chief Finance Officer and published on the tfl.gov.uk website on 1 June 2023, with the Annual Governance Statement as part of the Audit and Assurance Committee papers. The period for exercise of public rights consequently commenced on 2 June and concluded on 13 July 2023.
- 4.3 There are several matters which need to be resolved before the Statement of Accounts can be finalised and for the external audit completed. These include confirmation of Government funding for 2023/24 due to TfL under the 30 August 2022 funding settlement for the higher than anticipated level of inflation. A final submission, requesting £181m, was made to Government on 2 February 2023. A response from Government is still outstanding.
- 4.4 The Accounts and Audit Regulations 2015 provide that the statement of accounts needs to be considered by way of Committee or by the Members of the Board meeting as a whole and approved by a resolution of that Committee or meeting. Should the Board agree to delegate approval of the Statement of Accounts to the Audit and Assurance Committee, the Chair of the Committee would be required to sign and date the accounts once they are approved in accordance with the Regulations as the person presiding at the Committee.
- 4.5 Approval of the Statement of Accounts is a matter ordinarily reserve to the Board under TfL's Standing Orders, paragraph 99(c). To facilitate the proposed delegation to the Audit and Assurance Committee, it is also proposed that Standing Order 108 be disapplied.
- 4.6 Once the matters above have been concluded, the statutory Chief Finance Officer will again certify the Statement of Accounts and they, with the addition of the Independent Auditor's Report, will be presented to the Audit and Assurance Committee for consideration and approval. This is anticipated to be at the 20 September 2023 Audit and Assurance Committee meeting, which will mean the Statement of Accounts are finalised ahead of the 30 September deadline set by the amended regulations.

5 Subsidiary Companies Audit Exemption

- 5.1 For the year ended 31 March 2014, the Group took advantage of changes under section 479A of the Companies Act 2006 that enable certain UK subsidiary companies to claim exemption from audit of their accounts.
- 5.2 The exemption is conditional on a parent undertaking giving a guarantee to its subsidiary in respect of all liabilities of that subsidiary outstanding at the balance sheet date, and on 5 June 2014, under authority delegated by the Board on 26 March 2014, the then Finance and Policy Committee agreed that, for the year ended 31 March 2014 and for future years until withdrawn, the holding company for TfL's trading subsidiaries, Transport Trading Limited, will offer the guarantee to a majority of its subsidiaries.
- 5.3 For the year ended 31 March 2023, the majority of TTL's subsidiaries claimed exemption from audit.

6 Audit and Assurance Committee Review

- 6.1 On 5 June 2023, the Audit and Assurance Committee considered the draft Statement of Accounts and the Annual Governance Statement.

TfL's Statement of Accounts for the Year Ended 31 March 2023

- 6.2 The Committee noted the draft Statement of Accounts and authorised the statutory Chief Finance Officer to make any adjustments arising from the ongoing audit work, prior to the submission to the Board.
- 6.3 The Committee recommended that the Board confirm its overall approval of the provision of an ongoing guarantee by Transport Trading Limited of all the outstanding liabilities of those of its subsidiary companies previously provided with a guarantee. While the accounts of Transport Trading Limited are audited, those subsidiaries given a guarantee are exempt from the need to have their accounts audited, which results in savings in audit fees.
- 6.4 The Committee noted that TfL Finance had worked to the original timetable to ensure that the statutory accounts were properly prepared in accordance with good practice, and this had been achieved thanks to the hard work and co-operation of TfL staff and Ernst & Young during the challenging circumstances.

Review of Governance and the Annual Governance Statement for Year Ended 31 March 2023

- 6.5 The Committee welcomed the refreshed format of the Annual Governance Statement and noted the overall assessment was similar to previous years.
- 6.6 The Committee approved the Annual Governance Statement for signing by the Chair of TfL and the Commissioner, for inclusion in the 2022/23 Annual Report and Accounts.

6.7 The Committee also reviewed the progress against the Governance Improvement Plan 2022/23 and the supported the improvement plan for 2022/23.

List of appendices to this report:

Appendix 1: Draft Annual Report and Statement of Accounts 2022/23 (provided as a separate printed document)

List of Background Papers:

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

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