Annual Report and Statement of Accounts

2017/18

MAYOR OF LONDON

TRANSPORT FOR LONDON

EVERY JOURNEY MATTERS

About Transport for London (TfL)

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

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

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

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

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

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

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

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

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

Contents

Message from the Mayor

Working towards my Transport Strategy, we are committed to making transport in London safer, cleaner and more affordable.

From the streets we live on to the bus and Tube services we use, transport shapes our daily lives and creates new opportunities.

In March, I published my Transport Strategy. This demonstrates my commitment to prioritising people's health and changing London's transport so the city works better for everyone.

My strategy sets out a bold vision for making London healthier, safer and more welcoming, with the goal that 80 per cent of journeys will be made by walking, cycling or public transport by 2041.

Improving London's air quality is key to this work and we have made huge progress over the past year. For the first time since records began 10 years ago, London entered the third week of January without having breached legal limits for toxic nitrogen dioxide (NO_2) air pollution. It normally exceeds these targets by 6 January.

This progress could not have been achieved without fresh thinking on London's roads. In October 2017, I introduced the T-Charge to start cleaning up our toxic air ahead of the start of the central London Ultra Low Emission Zone in 2019.

I launched the first two Low Emission Bus Zones in Putney and Brixton, and pollution levels have fallen drastically as a result.

Image 1: **Mayor of London, Sadiq Khan**

I am also helping taxi drivers to buy zero emission capable (ZEC) vehicles by providing funding to replace the oldest taxis and speeding up the installation of new rapid charging points across the city.

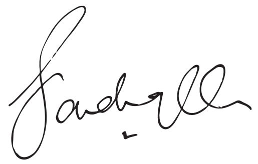
We need streets to be welcoming environments for people to walk and cycle in, and I am pleased that construction has now begun on the next stage of Cycle Superhighway 6 in Camden and Islington.

As well as being clean and pleasant, transport has to be safe, reliable, accessible and affordable. Over the past year, I have been working hard to provide Londoners with the high-quality services they deserve and to create transport links that work for everyone.

I have continued to keep TfL fares frozen, protected TfL's travel concessions, brought in the unlimited Hopper fare and got night services up and running on London Overground following its huge success on the Tube.

TfL also has a vital role to play in the growth of the city and delivering new housing. As well as taking forward new infrastructure schemes, TfL is developing its own land and this year brought to market sites that will deliver more than 3,800 homes. Under my leadership, half of these homes will be affordable. By working closely with unions and bus operators, I am helping to improve working conditions. In 2017, I introduced the Licence for London, a deal to help drivers fairly move between bus companies, and I secured a new £23,000 minimum wage for London's 25,000 bus drivers.

It's only through working with others that we can truly make a difference to this great city. Our partners, our contractors, our people and their unions all make a vital contribution and I am grateful for everything they do.



Sadiq Khan
Mayor of London

Commissioner's foreword

We have made good progress towards delivering our Business Plan with the safety of our customers, staff, contractors and suppliers as our top priority.

Safety must always come first. In November, we marked the first anniversary of the tragedy at Sandilands, where a tram overturned and left the rails. Dane Chinnery, Donald Collett, Robert Huxley, Philip Logan, Philip Seary, Mark Smith and Dorota Rynkiewicz lost their lives and a further 62 people were injured. Our thoughts remain with their families and loved ones, and we continue to do everything we can to support them.

The Rail Accident Investigation Branch published its report in December 2017, and we are working with them, the Office of Rail and Road, tram operator First Group, and the wider industry to make sure all the report's recommendations are delivered and that an event like this never happens again.

Our job is to deliver the Mayor's Transport Strategy and make travelling in London healthier, easier and more affordable, while building a strong financial position that creates a net operating surplus by 2021/22.

This year we continued to modernise our business, while managing a number of very substantial external challenges. This includes the loss of more than £700m a year in operational grant funding from government and a subdued economic climate, which affected our passenger numbers. We also have to manage London's road network with no financial support, which simply cannot be sustainable. We have responded by


Image 2: Commissioner, Mike Brown MVO

exceeding savings targets and cutting our year-on-year operating costs over the past two years. This tight grip on our costs will continue into future years.

Our transport services must be affordable and accessible. The Hopper fare has made a huge difference to many Londoners, providing unlimited bus and tram journeys in one hour for £1.50. The Mayor's freeze on TfL fares is also helping our customers save money and encouraging more people to use public transport. This is supporting our passenger numbers relative to other transport operators in London and the South East, and helping Londoners at a time when household budgets have never been under greater pressure.

We continue to make accessibility improvements on our network. We delivered the 73rd step-free Tube station at Bromley-by-Bow in March 2018 and our goal is to have 100 step-free stations by 2022. The Elizabeth line will be fully accessible when it opens through central London in December 2018. The new railway will change the face of travel in London, and over the past year it has been fantastic to see the response from customers to the first Elizabeth line trains that have come into passenger service between Liverpool Street and Shenfield.

As part of our Healthy Streets Approach, all our roads and infrastructure projects are designed to encourage people to make better travel choices. In January, we expanded our Santander Cycles scheme to Brixton, introducing another seven docking stations and 200 bikes. More Cycle Superhighways, Quietway routes, and plans for a new walking and cycling crossing linking Rotherhithe and Canary Wharf will help to encourage Londoners to swap their cars for more sustainable and active ways of travelling.

Our work to support London's growth and create new homes has continued apace. This year we comfortably beat our targets for developing the property we own, and half of all the homes we build will be affordable.

Finally, we were all devastated when Ian Nunn, our Chief Finance Officer, passed away very suddenly in July 2017. Ian was a true friend and a great leader, who helped us build a plan for driving down costs while maintaining investment in London's transport networks.

We have built on that plan and, in 2017/18, with the support of all our hard-working people, contractors and suppliers, we have gripped our finances and made a great start to delivering our five-year Business Plan, guided by the Mayor's Transport Strategy.

Mike Brown MVO
Commissioner

Year at a glance

We reached major milestones and launched several new services in 2017/18.

April 2017

The 'Please offer me a seat' badge and card are launched to help customers with invisible conditions.

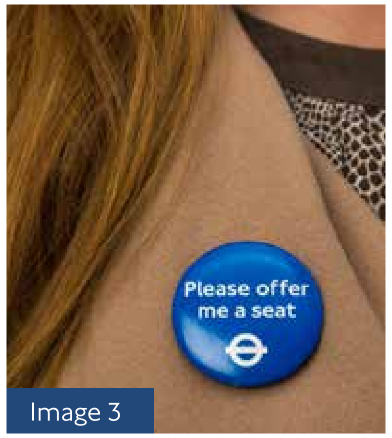


Image 3

May 2017

As part of a UK-wide launch, the new Samsung Pay app can be used for 'pay as you go' travel on our network.

Image 4

June 2017

The first of the new trains that will serve the Elizabeth line runs between Liverpool Street and Shenfield.

Image 5

July 2017

A £42m fund will help taxi drivers replace the most polluting diesel cabs, supporting plans for a zero-carbon city by 2050.

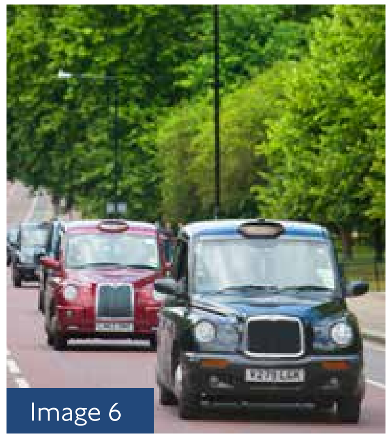


Image 6

August 2017

The Night Tube marks its first anniversary, with figures showing it has boosted London's economy by £17lm.

Image 7

September 2017

An innovative pilot shows how collecting anonymised WiFi connection data can help us improve Tube journeys.

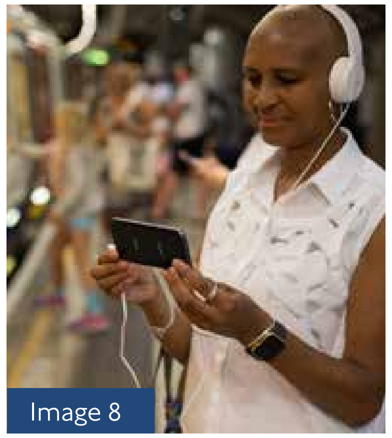


Image 8

October 2017

London sees the launch of the T-Charge, the world's toughest emissions charge for older, more polluting vehicles.

Image 9

November 2017

The second Oxford Street consultation outlines plans for public spaces, cycle routes, pedestrian crossings and more.

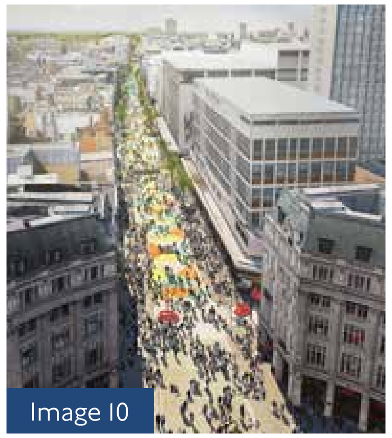


Image 10

December 2017

London Overground's first 24-hour services start running at weekends between Dalston Junction and New Cross Gate.

Image 11

January 2018

The Hopper fare is extended so customers can make unlimited bus and tram journeys in an hour for £1.50.

Image 12

February 2018

Santander Cycles is extended to Brixton, with seven docking stations and 200 bikes available to hire.

Image 13

March 2018

Bromley-by-Bow becomes the 73rd Tube station with step-free access, helping disabled people or those with buggies or luggage.

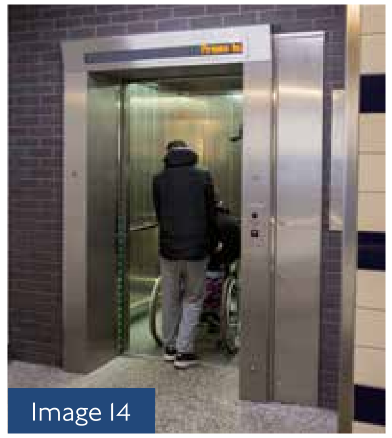


Image 14

The strategy and vision

This report covers our work in 2017/18 to deliver the Mayor's Transport Strategy.

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

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

Healthy Streets and healthy people

Investment will focus on improving the places where people live, work, go to school, spend time and travel. Reducing traffic dominance and prioritising walking, cycling and public transport use will enable Londoners to live active, healthy lives and help create a city that works well for its residents and visitors.

A good public transport experience

The right investment will ensure public transport is attractive. Joined-up planning for the whole journey will help integrate public transport and street-level investment. Having the right services where people need them, reducing crowding and keeping fares affordable will minimise car dependency.

New homes and jobs

Transport improvements are vital to the creation of new homes and jobs, and will make sure London's growth supports healthy lives. Our investment will help to create communities where local amenities are within walking and cycling distance and public transport is available for longer journeys, reducing car dependency.

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

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

Image 15: The Mayor's Transport Strategy will make cycling and walking more attractive options

Operational performance

Figure 1:

Buses	2013/14	2014/15	2015/16	2016/17	2017/18
Passenger journeys (millions)	2,382 *2,405	2,385	2,314	2,262	**2,247**
Kilometres operated (millions)	491	489	492	495	**490**
Schedule operated (per cent)	97.7	97.1	97.2	97.4	**98.1**
Excess wait time (high frequency routes) (minutes)	1.0	1.1	1.2	1.1	**1.0**
Customer satisfaction (score)	83	85	86	86	**86**

* The method for calculating child journeys changed in 2014/15. The figure on the top row shows corrected figures for 2013/14. The figure on the bottom row shows uncorrected figures as previously published

Figure 2:

TfL's road network	2013/14	2014/15	2015/16	2016/17	2017/18
Journey time reliability (am)	89.0	88.3	87.8	88.0	**88.7**
Traffic flow – major roads weekdays*	94.6	95.9	95.2	95.1	**94.8**
Customer satisfaction (score)	75	74	74	70	**70**
Resolution time for serious and severe disruption (unplanned) per event (hours)	2.0	2.0	1.9	1.9	**1.7**
Hours of serious and severe disruption (planned)	195	931	1,404	506	**445**

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

Figure 3:

London Underground	2013/14	2014/15	2015/16	2016/17	2017/18
Passenger journeys (millions)	1,265	1,305	1,349	1,378	**1,357**
Kilometres operated (millions)	76.2	80.3	82.5	83.7	**84.4**
Schedule operated (per cent)*	97.5	97.6	97.0	96.9	**96.6**
Excess journey time (weighted) (minutes)*	5.2	4.6	4.6	4.7	**4.6**
Customer satisfaction (score)	83	84	85	85	**85**
Lost customer hours (millions)*	24.2	22.7	26.5	26.1	**23.9**

* Includes industrial action

Figure 4:

DLR	2013/14	2014/15	2015/16	2016/17	2017/18
Passenger journeys (millions)	101.6	110.2	117.0	122.3	**119.6**
Kilometres operated (millions)	5.8	5.8	6.0	6.0	**6.1**
Planned kilometres delivered (per cent)	99.2	99.3	98.5	99.0	**98.4**
Customer satisfaction (score)	87	89	89	89	**87**

Operational performance

Continued

Figure 5:

London Trams

London Trams	2013/14	2014/15	2015/16	2016/17	2017/18
Passenger journeys (millions)	31.2	30.7	27.0	29.5	**29.1**
Kilometres operated (millions)	3.0	3.0	3.0	3.2	**3.3**
Planned kilometres delivered (per cent)	98.8	97.9	99.0	97.1	**98.6**
Customer satisfaction (score)	89	89	90	90	**91**

Figure 6:

London Overground

London Overground	2013/14	2014/15	2015/16	2016/17	2017/18
Passenger journeys (millions)	135.7	139.9	185.2	188.8	**190.1**
Kilometres operated (millions)	7.9	7.8	10.5	10.8	**11.0**
Planned kilometres delivered (per cent)	96.1	95.2	94.4	94.4	**98.4**
Customer satisfaction (score)	82	83	84	84	**83**

Figure 7:

Emirates Air Line

Emirates Air Line	2013/14	2014/15	2015/16	2016/17	2017/18
Passenger numbers (millions)	1.5	1.5	1.5	1.5	**1.4**
Customer satisfaction (score)	93	93	93	93	**93**
Availability (per cent)	95.0	96.3	94.4	98.7	**97.6**

Figure 8:

London River Services

London River Services	2013/14	2014/15	2015/16	2016/17	2017/18
Customer satisfaction (score)	89	90	90	90	***na**
LRS Passenger Services** (including Woolwich Ferry) (thousands)	8,412	10,023	10,301	10,620	**10,017**

* The frequency of London River Services customer satisfaction surveys reduced in 2017/18

** From 2013/14 new passenger counting software was introduced so the data for years before that is not comparable

Figure 9:

London Dial-a-Ride

London Dial-a-Ride	2013/14	2014/15	2015/16	2016/17	2017/18
Customer satisfaction (score)	92	92	92	91	**92**
Trip requests scheduled (per cent)	91	90	90	89	**91**

Figure 10:

Cycle Hire

Cycle Hire	2013/14	2014/15	2015/16	2016/17	2017/18
Customer satisfaction (score)	75	82	83	83	**83**
Cycle hires (millions)	8.2	10.1	9.9	10.5	**10.4**

Figure 11:

TfL Rail

TfL Rail	2013/14	2014/15	2015/16	2016/17	2017/18
Passenger journeys (millions)	na	na	*40.1	47.8	**45.3**
Customer satisfaction (score)	na	na	83	83	**83**

* Moved to TfL in P3 – data based on 11 periods

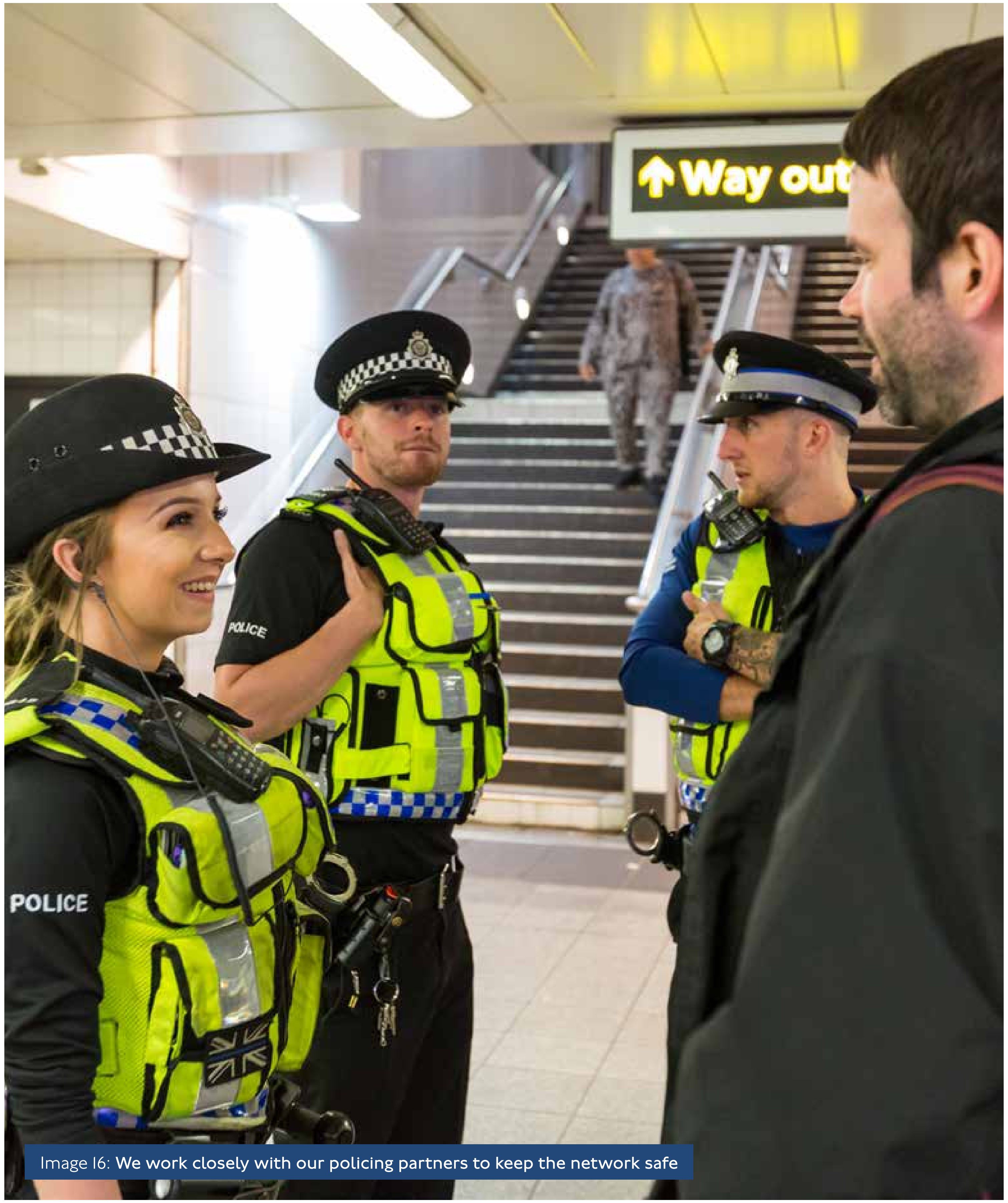


Image 16: We work closely with our policing partners to keep the network safe

Safety and security

Everybody has the right to travel around London confidently and safely.

The safety of our customers, staff, suppliers and contractors is our top priority. We ensure that we meet our stringent safety standards and that they reflect industry good practice.

We work closely with partners including the Metropolitan Police Service (MPS) and British Transport Police (BTP) to prevent criminal offences and reassure people that our network is safe.

The terrorist attacks at London Bridge and Parson's Green served as a tragic reminder of the importance of our work to support our partners in protecting London's roads and transport network, deter terrorists and reassure the public.

Safety on London Trams

Further action was taken this year to improve safety following the tragic tram overturning at Sandilands on 9 November 2016, in which Dane Chinnery, Donald Collett, Robert Huxley, Philip Logan, Philip Seary, Mark Smith and Dorota Rynkiewicz lost their lives and 62 people were injured.

We have taken on board all of the recommendations from the Rail Accident Investigation Branch, and BTP. We also published our own investigation, produced by SNC-Lavalin.

Our thoughts remain with everyone affected and we continue to offer support in any way we can, including through the Sarah Hope Line (see page 18 for more details).

In September, we introduced a permanent reduced speed limit across the tram network of 70km/h. We have introduced better speed monitoring, installed new signage for drivers and upgraded the CCTV recording system. The number of speed signs has been increased and additional lineside digital signage provides more warnings to drivers.

Enhanced chevron signs are in place at the four sites with significant bends. 'In-cab vigilance' technology, which alerts the driver if it detects they are distracted or tired, has also been fitted.

We fund more than
3,000
police and police community support officers to keep people safe

£500,000
awarded to six operators as part of making buses safer

Case study

Sarah Hope Line

The Sarah Hope Line provides support for those affected by injury and other events on our network. The service is available to anybody who has been involved in a life-changing incidents and their families, as well as witnesses to such events.

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

In 2017/18, the Sarah Hope Line team managed 697 calls relating to events on board buses, trams and the Tube.

We also supported people affected by the Grenfell Tower fire by co-ordinating drop-in counselling sessions.

We continue to promote the service, and presented to the Metropolitan Police Family Liaison Officers and met with surgical and trauma care specialists at St George's, The Royal London, St Mary's and Kings College and the London Air Ambulance Service.

An alert system that monitors and manages speeds is being developed and, with safety experts, we are testing options to strengthen the glass in all trams.

We also continue to work with the UK tram industry to ensure lessons are learned and that we are collectively able to introduce any further measures that could improve the safety of trams across the country.

In February, we hosted a second Tram Summit. The two-day event brought together owners and operators from across the industry to discuss our response. This included a visit to the site in Croydon to analyse what has been done to make the tram network safer, a chance to hear from some of the people and the families affected, and how we have done our best to offer all the support we can through the Sarah Hope Line.

In March, the Mayor announced that we would provide Croydon Council with £750,000 over three years. This money will be used to support health and social services in New Addington and the surrounding community.

Detailed papers were presented to, and discussed by, the TfL Board and Safety, Sustainability and Human Resources Panel on the steps we have taken.

Safety on the surface network

There were 6,590 injuries to our customers and workforce across the surface transport network, which is a slight increase on the previous year.

Image 17: **A 70km/h speed limit has been introduced for trams**

The majority of customer injuries occurred on the bus network (94 per cent of all customer injuries). Tragically, three of these injuries resulted in passenger deaths: two fell down the stairs and one fell after disembarking.

Buses were also involved in seven fatal collisions with six pedestrians and a motorcyclist. Slips, trips and falls were the main cause of injuries.

To help prevent this type of injury, we ran a campaign to encourage customers to think about their personal safety and take extra care when travelling on public transport. For buses, the campaign included posters and a trial of automated messaging that reminds customers to hold on while the bus is moving.

We are reviewing the results to determine future action, which is likely to include further, more targeted trials.

Collaborating to improve bus safety

In July 2017, the London Assembly Transport Committee published its review of bus safety. It made a number of recommendations, which we are actively addressing through a Bus Safety Programme.

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Police community support officers work in partnership with thousands of frontline transport staff to help keep our passengers and employees safe.

Ensuring that we fully understand the causes and contributory factors leading to injuries is key to achieving our injury reduction targets. In July 2017, we ran a workshop with bus operators to improve the quality and speed of bus incident investigations, and ensure we learn lessons and share them across the industry in a timely manner.

We analysed police collision investigation files for fatalities involving buses, which identified a range of problems and potential countermeasures, including autonomous emergency braking, improving wing mirror design, and re-designing buses to reduce the impact of any collision. We are now evaluating the benefits of these potential measures.

We commissioned a new Certificate of Professional Competence accredited safety training course for drivers and instructors. The course, which will start in early 2019, will build on the success of Hello London, an interactive customer-service focused training course delivered for thousands of bus drivers, contractors and other staff.

Image 18: **We are working with leading engineers to improve bus safety**

We launched a new approach to measuring safety performance, which features two new measures: a bus operator safety performance index (SPI); and a measure that examines the maturity of the bus companies' safety arrangements. This enables us to effectively monitor bus company performance and identify long-term actions that address root cause barriers to safety improvement.

The SPI, which is already in place in our contracted London Rail businesses, uses several indicators to measure health, safety and environment (HSE) performance and allows us to further analyse incidents on buses. We will use both measures to monitor bus operator performance in 2018/19.

Bus safety technology

In August, we announced plans to test new safety technology on buses. The move builds on the Mayor's ambitious 'Vision Zero' approach to road danger,

Partnership spotlight

Tackling crime

We work closely with the police to ensure London's transport network is a safe, low-crime environment.

We do not tolerate behaviour where someone is targeted, or made to feel uncomfortable on their journey, because of who they are or perceived to be. In October, to mark National Hate Crime Awareness Week, we joined forces with the police for more than 200 community events, promoting the #WeStandTogether message.

Also offering their support were representatives from Tell MAMA, a reporting service for victims of anti-Muslim hate crime. We met east London communities to stress the importance of reporting hate crime.

On 25 November, we supported International Day to Eliminate Violence Against Women and Girls. We worked with the police to raise awareness and encourage victims of unwanted sexual behaviour to report it. We continue to safeguard children and vulnerable adults, such as rough sleepers or people with mental health issues, who travel or seek refuge on our network.

We also supported the MPS on Operation Sceptre, which targets knife crime and Operation Venice, tackling moped-enabled crime.

‘Safer buses, including redesign and additional safety features, are key to delivering the Mayor’s stated aim of eliminating death and serious injury involving a bus in London by 2030. TfL’s bus safety programme is a good example of tackling danger at source’

Cynthia Barlow
Chair, RoadPeace

Image 19: Safety messages on Oyster wallets

set out in his Transport Strategy. This aims for no one to be killed in, or by, a London bus by 2030, and for deaths and serious injuries from road collisions to be eliminated from London’s streets by 2041.

The five-month independent trials began in January at the Transport Research Laboratory. We are working with leading engineers and technical specialists, bus manufacturers and operators on measures including:

- Autonomous emergency braking that allows the vehicle to detect its surroundings and automatically apply the brakes
- Features to alert pedestrians and other road users of the presence of buses, such as lights or audible warnings
- A re-design of the front of buses to reduce the impact of a collision
- Changes to bus interiors to improve passenger safety, such as higher-grip flooring and softening sharp corners
- Improvements to enhance drivers’ vision, such as better mirror design

The results of the trials will feed into a new Bus Safety Standard, which will be incorporated into bus operator contracts from the end of 2018.

In August, we also published a report on Intelligent Speed Assistance, which limits how fast buses can travel, following a successful trial in 2016. This technology began to be rolled out on new buses in December 2017.

Safety on the Underground

Throughout 2017/18, we focused on improving how we communicate safety messages with our customers, particularly to reduce slips, trips and falls. This involved adding new signs on escalators reminding people to hold the rail. At stations with the most incidents, we distributed Oyster card wallets with safety messages and made safety announcements.

This work has reduced the number of customer accidents by five per cent compared with 2016/17. Importantly, the number of incidents of people falling into the gap between the train and the platform dropped by almost 10 per cent.

We also focused on improving safety within London Underground. The senior management team regularly makes safety tours, but in November, for the first time,

Case study

Bus Safety Summit

In November 2017, we held the inaugural London Bus Safety Summit, which brought together bus operators, industry experts and stakeholders to hear from other industries about how they manage safety and promote a safety culture throughout their organisations.

There were several presentations on how other sectors, such as aviation, manage driver fatigue and the measures that can be used, such as fatigue detection devices.

The Rail Safety and Standards Board is developing a fitness for duty tool and London Trams has implemented a driver protection device.

Two operators have been awarded funding from the Bus Safety Innovation Fund to develop sensors in driver cabs to detect eye and face movements, picking up on signs of fatigue and distraction.

Their proposals use two different technology suppliers. They work by monitoring the driver’s eye and face movements and providing an alert, via a vibration to the driver’s chair, if drowsiness is detected. Both these studies are due to conclude in the summer of 2018.

Partnership spotlight

The Bus Safety Innovation Fund

We awarded £500,000 to six operators in November to make London's buses safer.

The Bus Safety Innovation Fund was open to all bus operators and we encouraged management, bus drivers and other staff to share their ideas.

There were 14 bids in total, with awards being made to Abellio, CT Plus, Go-Ahead, RATP, Tower Transit and Metroline. Ideas included alarms to alert pedestrians to approaching buses, sensors, acceleration limiters, psychometric testing and a joint project with the London Cycling Campaign to appoint road user champions in depots. Many operators have set up partnerships with universities and not-for profit organisations, including cyclist groups and technology companies to develop their ideas.

The money will be used to develop and test the ideas. If successful, they could be introduced across the network.

The successful bids were announced during the inaugural London Bus Safety Summit. This brought together industry professionals as part of our work to reduce the number of people killed or seriously injured on the network.

directors and managers started sharing information and photos from their safety tours on our internal communications channel, Yammer.

This has contributed to nine per cent fewer staff or contractors being hurt at work in 2017/18 compared with 2016/17.

We are planning further improvements for 2018/19 focusing on the main risk areas: working at height, slips, trips and falls, workplace violence, putting people to work safely, safe track access and improving safety culture.

Safety on the DLR

A new customer safety strategy on the DLR was developed to help prevent injuries between the platform and the train. It included new signs that show customers the location of emergency Help Points and platform specific announcements.

We took on board best practice principles from the London Underground escalator safety study and added safety strips at the top and bottom of escalators to improve visibility and help prevent trips. At London City Airport station, posters and staff reminded people to use lifts when carrying luggage, which led to a 60 per cent reduction in escalator incidents.

London Overground door protection

All trains on the London Overground now feature a system that prevents the doors opening on the wrong side of the train after we introduced the technology on the Barking to Gospel Oak and Romford to Upminster routes.

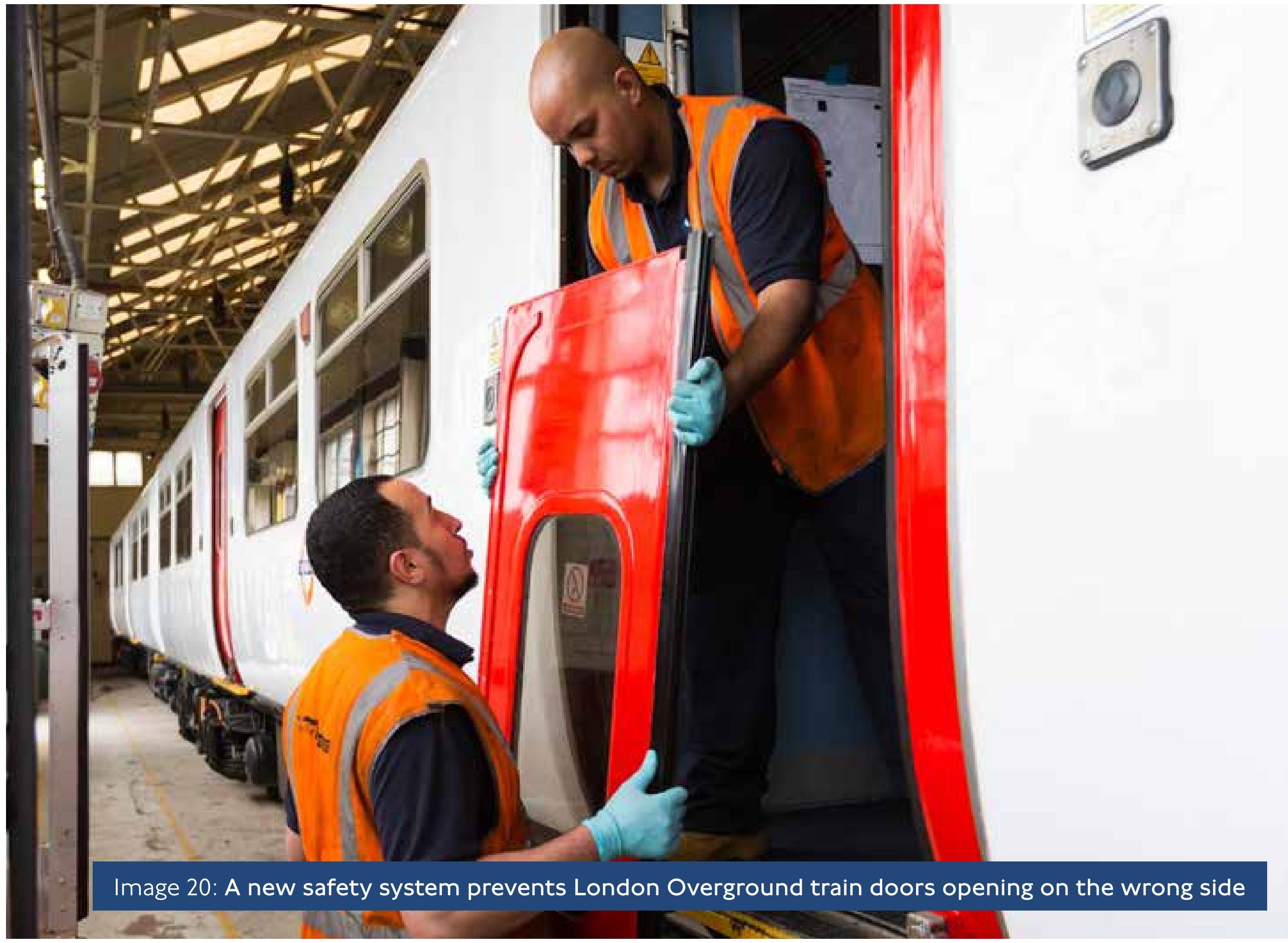


Image 20: A new safety system prevents London Overground train doors opening on the wrong side

This was in anticipation of the new Class 710 trains entering service in 2018. The system provides additional mitigation against doors being opened on the wrong side by providing a visual and audible warning to drivers.

Motorcycle safety

We launched a range of new measures to raise standards within the motorcycle delivery industry, while also improving the confidence and skills of motorcyclists in London.

We are working with the motorcycle delivery and courier industry to explore the expansion of the Fleet Operator Recognition Scheme. The voluntary standard has been successfully used in the haulage industry since 2011 to promote safety, efficiency and environmental best practice. It awards companies bronze, silver or gold accreditations.

We also created three new training courses for motorcyclists that develop rider confidence, skills and knowledge.

Image 21: We have 250 new compliance officers tackling illegal taxi and minicab activity

Improving safety in the taxi and private hire sector

In 2016, the Mayor announced an increase in the size of our taxi and private hire compliance unit and we have since recruited 250 new compliance officers. This has significantly increased our ability to tackle non-compliant and illegal taxi and minicab activity in London. We are now checking more than five times as many taxi and private hire drivers and vehicles than in 2016/17.

In March 2018, we consulted on a range of safety improvement measures for users of private hire vehicles. These include an advanced driving test for private hire drivers, providing passengers with clear information on who to contact to provide feedback and raise a complaint, whether more robust background checks could be introduced for drivers and whether changes to insurance arrangements are needed for private hire services.

We also explored whether new signage displayed in private hire vehicles would make it easier for customers to raise concerns about the driver's behaviour and driving, as well as the condition and accessibility of the vehicle.

The market has transformed in recent years as technology is making it easier and cheaper for customers to make bookings via apps. More services are offering ride-sharing, where people share vehicles and pay separate fares.

In February, we published a new policy statement setting out how private hire ride-sharing will work in the future and how passengers can stay safe. The statement is available at tfl.gov.uk/tph-policy.

We continue to look at other areas in the interests of improved public safety and standards of service. This includes progressing new regulations on safeguarding, disability, equality and knowledge of private hire legislation as part of an enhanced driver assessment.

Safer lorries

In November, we launched a 10-week consultation on our Direct Vision Standard (DVS) star ratings for heavy goods vehicles (HGV), after studies showed HGVs were involved in a disproportionately high number of fatal collisions.

The DVS will be the first action of its kind to categorise HGVs according to the level of a driver's direct vision from a cab. HGVs will be given a star rating between zero and five, with

'This is the first scheme of its type in the world which is looking to address directly the cause of many pedestrian and cyclist fatalities: poorly designed lorry cabs that restrict visibility'

Duncan Dollimore
Head of Campaigns and Advocacy, Cycling UK

only those rated three-star and above, or which have comprehensive safety systems, able to operate on London's roads from 2024.

The development of the proposed DVS forms part of the Mayor's Vision Zero approach to reducing road danger.

Safely delivering major projects
We work with a wide range of companies from across the UK to safely deliver our major projects with minimal harm to the environment.

Based on accident and incident analysis, we are focused on improving our safety performance. We ran a campaign to help individuals to take ownership of their health and safety. This contributed to a 30 per cent reduction in lost time injuries, a 52 per cent cut in major injuries and a 44 per cent reduction in reporting injuries, diseases and dangerous occurrences compared with 2016/17.

This has resulted in a 20 per cent reduction in total workforce injuries, surpassing our 17 per cent target. Crucially, this has made health and safety a genuine conversation between colleagues, who are empowered to act on issues at our construction sites.

To support our new approach, we launched a supplier assessment tool, which uses quality criteria to help identify good practices and the areas for improvement.

The assessment process is jointly carried out with our suppliers and allows us to share good practice and track the effectiveness of improvement plans and risk mitigations when they are needed. The tool is in early stages of development but our aim is to expand it across all our capital works.

We believe strongly in two-way engagement with our suppliers and in March we launched a capital projects Zero Harm forum and complementary Safety Improvement Groups.

These sessions promote sharing, learning and action between clients and contractors on important HSE issues so that all parties involved improve their performances.

We're aiming to eliminate death on or by London buses by
2030

73
junctions targeted to reduce the number of people killed or seriously injured

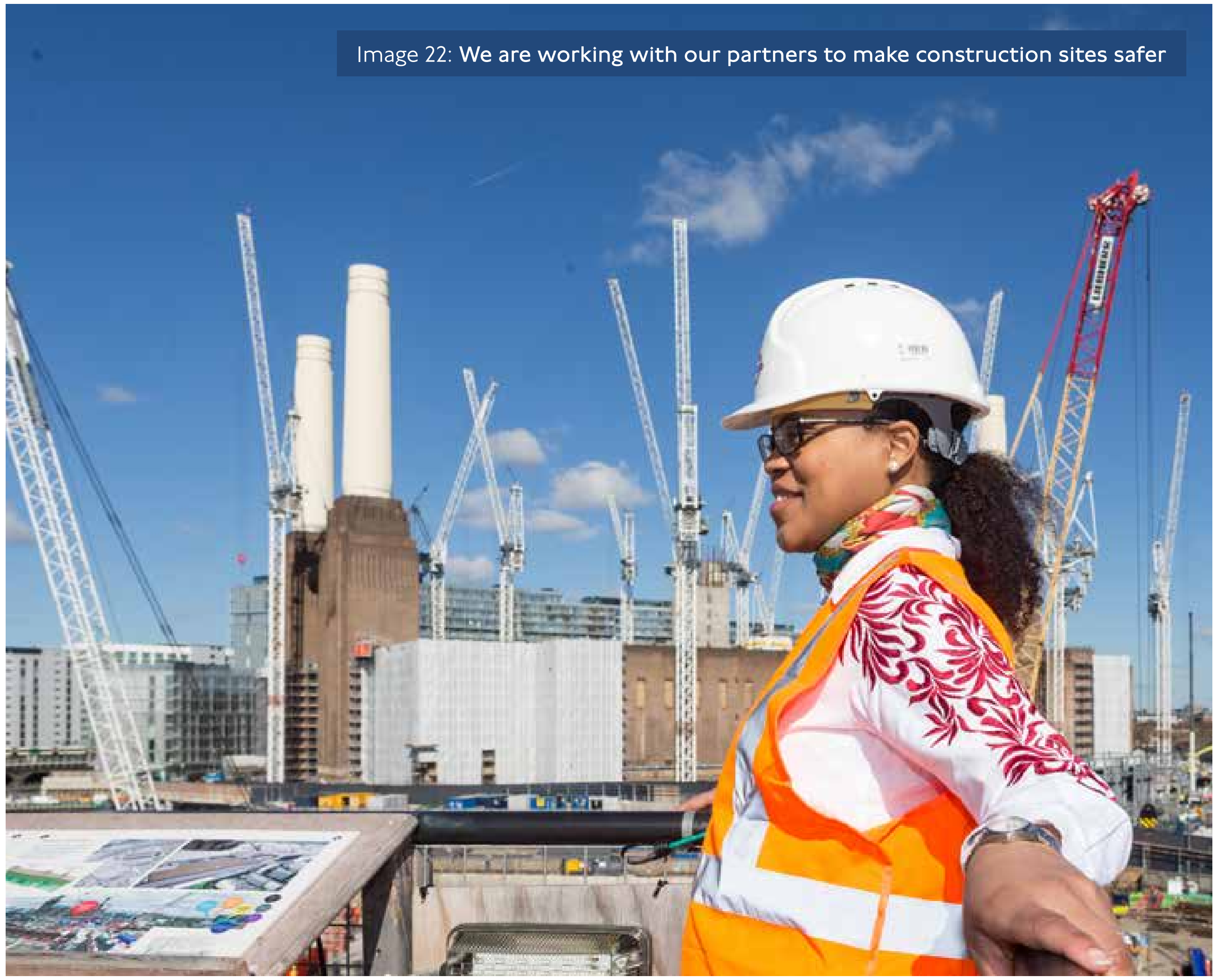


Image 22: We are working with our partners to make construction sites safer

TfL Supplier Awards
In November, we held our first TfL Supplier Awards to recognise the contribution that our suppliers make to running and improving transport in London.

FM Conway won the best safety initiative award for its work to reduce the risk posed by mobile devices.

Working with its IT experts and suppliers, FM Conway developed an in-cab solution in lorries that stops the use of mobile phones and all other dangerous behaviours while driving. ◆

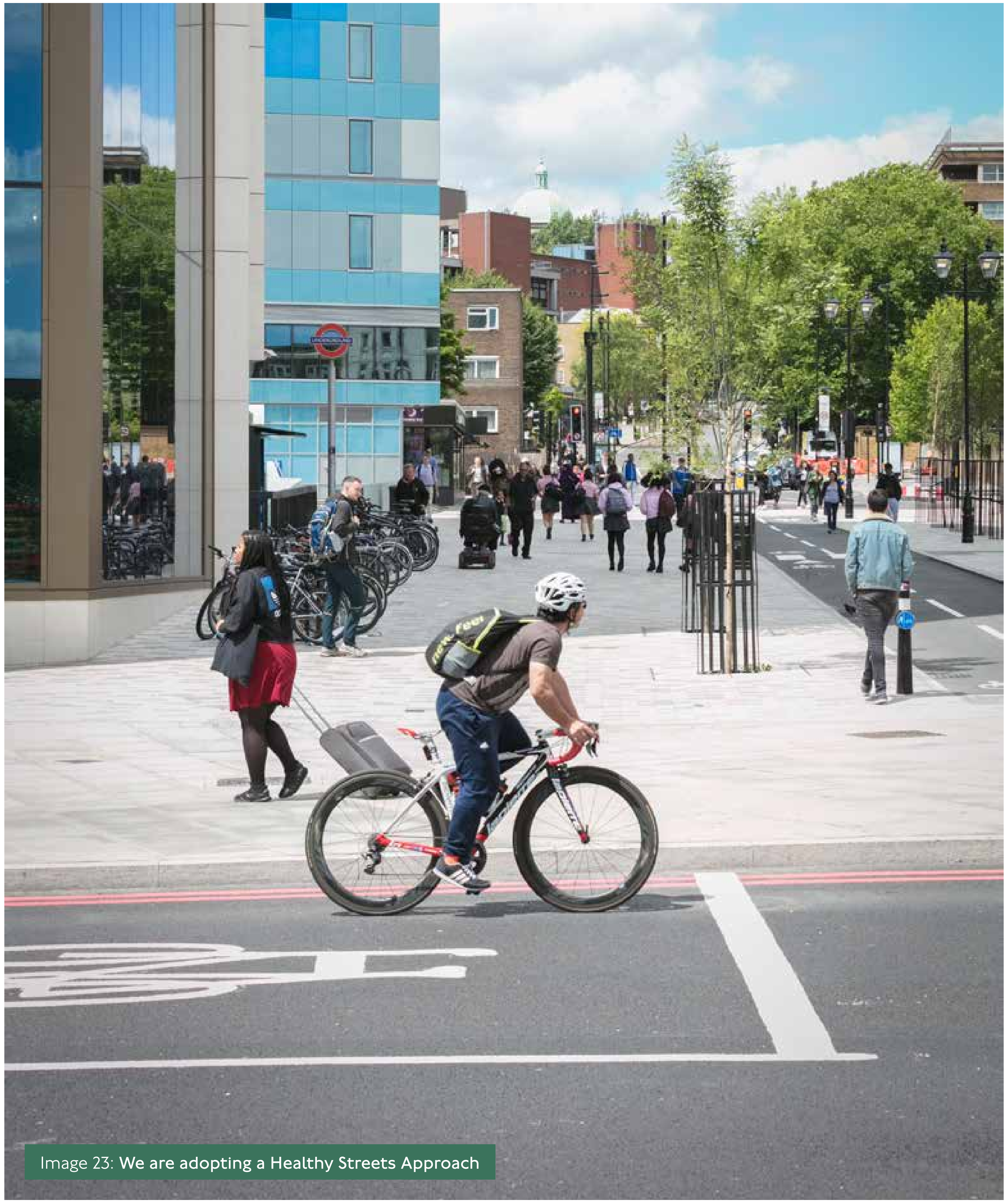


Image 23: We are adopting a Healthy Streets Approach

Healthy Streets and healthy people

Transport plays a vital role in improving the health and quality of life of all Londoners.

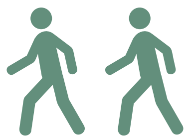
As decades have passed, cars and technology have taken over many of the tasks that used to require physical effort. As a result, lack of activity is now one of the biggest threats to our health. We have allocated £2.1bn to help Londoners increase their physical activity by reducing their reliance on driving, providing better local spaces, prioritising more affordable transport and improving walking and cycling opportunities.

This Healthy Streets Approach is designed to improve our air quality, reduce congestion on the roads, and help make London's diverse communities greener, healthier and more attractive places in which to live, work, play and do business.

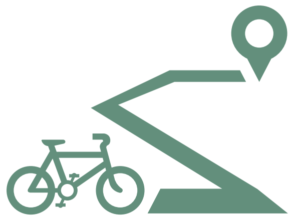
Safety is our highest priority. We do not accept that death or serious injury to road users is acceptable or inevitable.

Our Vision Zero target and action plan aims to eliminate all deaths and serious injuries from London's transport by 2041.

Our commitment to Vision Zero is fully in line with our work to create Healthy Streets. By helping people feel safe to walk and cycle, we will, in turn reduce car dependence and create a greener, healthier and safer London for everyone. Too many people are wary of making their journey on foot or by bike which contributes to chronic disease through inactivity, and results in more vehicles, congestion, risk and poor air quality, which in turn is responsible for an average of 10,000 deaths each year. Healthy Streets will help us reverse this so that people feel safe and welcome to use sustainable transport and make the streets that we use and the air that we breathe better for everyone.



£2.1bn
allocated to help Londoners increase their physical activity



6
additional cycle routes given the green light

Partnership spotlight

New Santander Cycles

Among the many improvements made to the Santander Cycles scheme this year was the introduction of a new bike built by England's longest established cycle manufacturer, Pashley Cycles in Stratford-upon-Avon.

The first of the new bikes were introduced this year, with thousands more set to join the hire scheme over the next few years.

The new cycles offer riders improved handling, safety and comfort. They include a gel saddle, lower frame, puncture prevention tyres, new gear hub and front and rear Blaze lighting.

Serco will continue to maintain the cycles, as well as distribute them around London. The cycles have Bluetooth and the capacity for GPS technology, which will enable Serco to record the performance of the bikes.

British start-up company Blaze has helped transform the lights on the new Santander Cycles, which include a new brighter brake light and greatly enhanced Blaze Laserlight at the front with 180-degree visibility.

The Blaze Laserlight is now fitted to all 12,000 Santander Cycles to make riders more visible and increase their confidence on the roads.

Image 24: The cycling network is being expanded to make travel by bike more accessible

Active, inclusive travel

There has been an 8.8 per cent increase in the number of cycle trips made year-on-year since 2016, and our latest figures mean that since 2000, London has seen a 154 per cent increase in the number of journeys made by bike. On average, 730,000 trips are now made in the capital by bike per day.

This rise in demand has been reflected by the popularity of Santander Cycles, which saw year-on-year record numbers of hires for seven months of the year. October was the best month ever, with just under one million hires.

More than 67 million journeys have been made on the bikes since the scheme launched in July 2010. It forms a key part of our efforts to get Londoners active

Expanding the cycling network

We have been working hard to make cycling easier and more accessible for tens of thousands more Londoners. The Santander Cycles scheme expanded its reach south from Stockwell, with seven new docking stations installed in Brixton after funding was provided by Lambeth Council. Together, these stations provide space for up to 200 bikes.

In January, the Mayor announced six new cycle routes that will help to create a pan-London network and improve people's health, tackle congestion and clean up London's air.

The routes, which will receive a £142m investment, were selected from a shortlist of 25 corridors, which were identified as having the greatest potential

'Cycling is taking off in London and TfL's new figures prove that Londoners flock to high-quality cycle lanes and routes'

Ashok Sinha
CEO, London Cycling Campaign

Case study

Cycling infrastructure improvements

We have continued to invest in the infrastructure and services that are required to enable and encourage Londoners onto their bikes.

In December, the East-West Cycle Superhighway was fully opened, providing a largely segregated two-way cycle track between Tower Hill and Lancaster Gate. We are continuing with some finishing touches along the route, which should be complete in summer 2018.

Work also started to expand the North-South Cycle Superhighway (CS6) between Elephant and Castle and King's Cross. The route is due to be completed later this summer.

Work continues on our Quietways, which offer routes for people who want to cycle along lower-traffic streets, with most of the first seven having completed sections. More sections and the next phase of the scheme will be launched through 2018.

Three Mini-Hollands boroughs – Waltham Forest, Kingston and Enfield – are progressing well with their plans to transform neighbourhoods into greener, healthier, more attractive public spaces.

for cycling. The new routes were developed using our Strategic Cycling Analysis, which identified connections where new cycling infrastructure is required to enable more people to cycle. The six new routes will run from Tottenham in the north, to Peckham in the south, and from Barking in the east, to Willesden Junction in the west.

River crossings

In November, we unveiled plans to provide a new Thames river crossing between Rotherhithe and Canary Wharf for pedestrians and cyclists. This project is one of a number of possible new schemes designed to improve cross-river connections. Together, they would offer new links for public transport, vehicles, pedestrians and cyclists.

Super cycling

In September, we launched a consultation on plans for Cycle Superhighway 9, which would bring safer cycling to west London. It would add nearly six kilometres of segregated track to the Capital's roads, linking Kensington Olympia to Brentford. It would also feature significant improvements for pedestrians, including better traffic light and pedestrian crossings.

In the same month, the Mayor announced plans to introduce Cycle Superhighway 4, which would provide a continuous segregated route between Tower Bridge and Greenwich. The plans include new pedestrian crossings, improved public spaces and a host of other improvements aimed at making the area more attractive and accommodating future growth.

Cycling grants

We invited community and not-for-profit groups across London to apply for grants to get their communities cycling. In July, we announced that we had made up to £300,000 available to help 30 groups offer a range of cycling initiatives to people who may not otherwise ride a bike. These include cycle training, loan bikes, guided rides and courses to teach basic cycle maintenance.

New projects will receive up to £10,000 over three years. To encourage an even greater number of people to take up cycling, an additional £3,000 grant is available this year for the purchase of electric bikes.

Tackling congestion

The Congestion Charge has played an important role in reducing the number of vehicles in central London, but in the past five years there has been a 12 per cent increase in the number of motorists issued with Congestion Charge Penalty Charge Notices (PCNs).

To encourage greater compliance and help tackle congestion, from 2 January 2018 we increased the PCN charge from £130 to £160, reduced to £80 for

Partnership spotlight

Cycling Grants London

Over the past two years, our Cycling Grants London programme has helped 46 community groups encourage more than 12,000 people to cycle.

One participant from the London Bike Kitchen group in Hackney said she learnt how to fix her bike and is no longer embarrassed to ask questions about cycling.

Image 25: More cycling routes have been given the go-ahead

46
community groups are encouraging more than 12,000 people to cycle

1,000
local children are now breathing cleaner air thanks to the Low Emission Bus Zone in Brixton


Image 26: A public consultation has shown strong support for a traffic-free Oxford Street

prompt payment. This followed a public consultation that received more than 7,400 responses.

Transformation of Oxford Street
The first public consultation on changes to the Oxford Street district, in partnership with Westminster City Council and the Mayor, revealed strong support for transforming the area into a new traffic-free public space in the heart of London. The consultation ran between April and June 2017, with almost 12,000 responses from local residents, businesses, visitors and other stakeholders.

Almost
12,000
responses received to the Oxford Street consultation

£114m
of funding will create greener, healthier, more attractive public spaces

Of the respondents who completed an online questionnaire, 43 per cent strongly supported the proposals and a further 19 per cent offered their backing. Thirty per cent did not support the transformation. Feedback made it clear that any scheme must address a range of transport, accessibility and congestion concerns.

We examined all of the issues raised through the consultation before presenting the detailed proposals at a second consultation in November 2017. There were 22,000 responses to the second consultation, with almost two-thirds supporting the proposals either unconditionally or providing certain conditions would be addressed.

However, on 7 June 2018, Westminster City Council announced that its leader had 'taken the pedestrianisation of Oxford Street off the table for good' and is now preparing its own proposals for Oxford Street. In effect, this unilaterally discarded proposals to improve the street and the surrounding district, which we had jointly developed with the council during the previous two years. We believe that it is essential that any development of a new scheme for Oxford Street recognises and addresses the core challenges, including poor air quality, overcrowding, road danger and the economy.

Junction review
As we work towards the Mayor's ambitious Vision Zero target, we started a review of 73 junctions that were identified as having poor safety records. This analysis will take place each year to prioritise those in most need of

'This is an important step towards tackling air pollution on one of the busiest streets in the UK. Initiatives like this encourage people to walk and be active, which not only cuts emissions but also helps people lower their risk of heart disease and stroke'

Simon Gillespie
Chief Executive,
British Heart Foundation

improvement. Waterloo roundabout and Lambeth Bridge northern roundabout were among those identified and, in June, major proposals were unveiled to make the junctions safer for everyone.

The plans are designed to enhance conditions for walking, cycling and public transport. They include segregated cycle lanes, cycle-specific traffic lights, wider paths, the removal or transformation of the junctions and vastly improved public spaces. Following a consultation in 2017, work is expected to start in early 2020.

Transforming local neighbourhoods

The boroughs of Ealing, Greenwich, Hackney, Haringey, Havering, Lewisham and Waltham Forest were the first round of winners in the new, multi-million pound Liveable Neighbourhoods initiative.

The aim is to transform areas across London into greener, healthier, more attractive public spaces. The boroughs were all successful in their initial bids, which is the first scheme set up to directly deliver the Mayor's Healthy Streets Approach across London. They will now develop their proposals further to secure a share of the £114m available. Projects will include changes to town centres and residential areas to improve conditions for walking and cycling, reduce traffic dominance and help businesses by making places more attractive. There will be another round of funding and other boroughs will be able to submit proposals for further Liveable Neighbourhoods support.

In July, we concluded our work to transform Archway into a safer, more pleasant and accessible town centre. The £12.6m project began in February 2016 and included replacing the outdated one-way gyratory with two-way traffic. There is a new public space, safer cycle lanes and better pedestrian crossings. We worked closely with Islington Council on the improvements, which have boosted the local community by making the area more attractive for residents and visitors, and for future investment.

Countdown to the Ultra Low Emission Zone

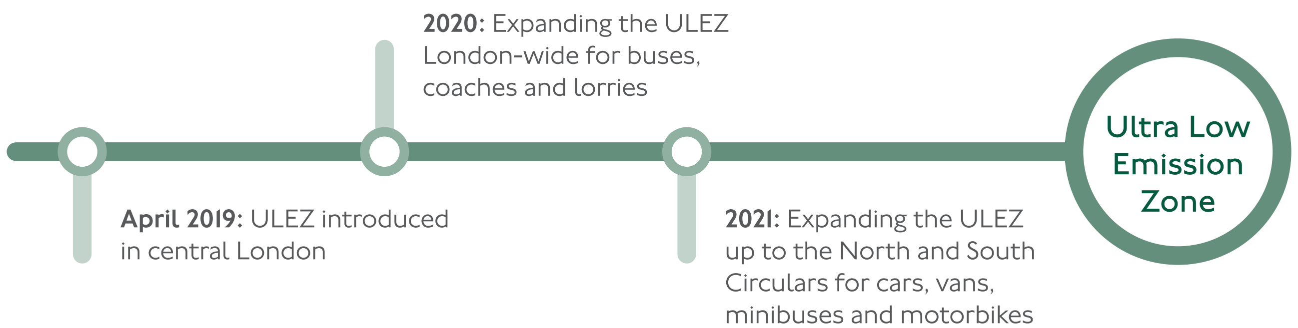


Image 27: Working with the boroughs we are transforming local areas

We are also working closely with Islington Council on the transformation of the area around Old Street. This will begin later in 2018 and the council is looking for innovative design concepts for the public space that encompass public art and embrace the spirit of 'Tech City' – the technological, economic and cultural powerhouse around Old Street.

In July, we published proposals to improve Nine Elms to support regeneration in the area and make it better for pedestrians, cyclists and bus passengers. The 2.5km stretch of Nine Elms Lane and Battersea Park Road would be completely redesigned to create more attractive and accessible streets.

Another consultation took place in the summer that considered works to make Fiveways in Waddon, Croydon, simpler and safer. This proposed improvement would provide a safer, more direct route through the area, helping to reduce delays and congestion.

Case study

Low Emission Bus Zones

In December, the second Low Emission Bus Zone was introduced in Brixton Road, one of the most polluted areas of London.

The new clean bus zone, running from Brixton Hill to Streatham Place, carries 130,000 passengers a day on 450 buses across 23 scheduled routes.

Every bus on the route meets Euro VI standards thanks to a combination of new technology and retro-fit initiatives. More than 200 buses are new double-deck Euro VI hybrid and 13 are new single-deck cleaner diesel buses, while 230 buses have been retrofitted to meet a Euro VI emission standard.

Services run close to a number of primary schools, meaning more than 1,000 local children are now breathing cleaner air.

The first zone was launched on Putney High Street in March 2017. After less than six months, hourly pollution level breaches had reduced by 90 per cent. Early analysis suggests a 40 per cent reduction in annual NO_2 concentrations on the High Street.

Between 700 and 800 new low-emission buses are being introduced to the fleet every year, with diesel-only buses being phased out.

Clearing the path

We want to make walking around London easier, more welcoming and enjoyable. As part of a programme to achieve this, more than 2,000 pavement obstructions have been removed in the past two years.

Two businesses, Eroma Café on Holloway Road, Islington, and Troyganic Café and Wine Bar on 132 Kingsland Road, Hackney, were issued with a series of warning letters and four Fixed Penalty Notices for unlawfully obstructing the highway. The two business owners failed to remove the obstructions despite repeated requests and both were found guilty of highway obstruction on 27 April 2017. They were fined a total of £660 and ordered to contribute £2,400 towards the costs of prosecution and pay a victim surcharge of £90.

Improving air quality and the environment

In January the Mayor revealed that, for the first time since records began 10 years ago, London entered the third week of January without having breached legal limits for toxic nitrogen dioxide (NO_2) air pollution.

Every year for the past decade, London's air has exceeded legal hourly limits by 6 January, and often by 3 January. For London to breach these limits, 18 hours of very high pollution levels need to be recorded at any individual site. The improvement in air quality can be partly attributed to recent hard-hitting measures including the T-Charge and targeting the most polluted bus routes by introducing the first two Low Emission Bus Zones.

Image 28: London has the largest electric bus fleet in Europe

Cleaning up the air

The world's toughest emission standard, the £10 T-Charge, was introduced on 23 October. Now, drivers of older, more polluting petrol vehicles and the dirtiest diesel vehicles will pay the new tariff plus the Congestion Charge – a total of £21.50 (T-Charge and £11.50 Congestion Charge) for every weekday they drive in the zone between 07:00 and 18:00.

Vehicles that do not meet the Euro 4 standards for both particulate matter (PM) and nitrogen oxides (NO_X) emissions will be liable for the T-Charge. Pre-Euro 4 vehicles are typically those registered before 2006 that are more than 12 years old, but we have been advising anyone who has a car registered before 2008 to check whether it is eligible. To help motorists, there is a free online vehicle checker at tfl.gov.uk/t-charge.

Ahead of the introduction of the charge, the Mayor ran a hard-hitting advertising campaign to underline the harm London's air can do to people's health. It featured on social media and on posters and featured images of everyday objects, including a coffee cup and a baby's bottle, that appear to be covered in pollution. The headline stated: 'If you could see London's air, you'd want to clean it too.'

Partnership spotlight

Freight enforcement

November marked the two-year anniversary of the London Freight Enforcement Partnership. The joint initiative between us, the City of London Police, Driver and Vehicle Standards Agency and the MPS targets non-compliant drivers, vehicles and operators on London's roads.

Since the launch, this multi-agency approach has led to 106 arrests, 221 vehicles being seized and 12 operator licences being revoked.

It sends a clear message that dangerous freight practices will not be tolerated. In addition, more than 33,000 freight vehicles have also been stopped and checked, and 9,114 fixed penalty notices and traffic offence reports have been issued.

Image 29: Taxi manufacturers are prioritising greener models

We already boast the largest electric bus fleet in Europe, with more than 2,500 hybrid electric buses. In June, the Mayor announced that London's most polluting buses would be cleaned up, with their harmful emissions cut by up to 95 per cent. More than half of London's entire bus fleet will now be upgraded.

Through the new £86.1m programme, around 5,000 buses will be retrofitted with a new exhaust system. By September 2020, the entire bus fleet will be at least Euro 6 standard.

Taking action on diesel

Taxis are a significant contributor to poor air quality. They are responsible for 16 per cent of NO_X and 26 per cent of PM emissions from central London's roads.

A £42m fund was launched to encourage owners of the oldest, most polluting diesel black cabs to retire them from London's fleet. Now, anyone with taxis aged between 10 and 15 years old can check whether they are eligible for our 'delicensing' scheme. If so, they can apply for a grant of up to £5,000 in exchange for retiring their vehicle.

As an example, the owner of a 10-year-old taxi would receive £5,000, scaling down to £1,200 for a vehicle aged between 14 and 15 years old.

The three-year scheme aims to speed up the process of tackling the city's filthy air, improving the taxi fleet, and working towards the goal of making London a zero-carbon city by 2050.

From January 2018, no more diesel taxis new to licensing are being licensed in London, and a number of manufacturers are prioritising delivering new greener, state-of-the-art Zero Emission Capable (ZEC) models.

We have worked closely with a number of manufacturers who are developing ZEC taxis. In January, the first electric TX e-city taxi, made by London EV Company, was handed over to black cab driver David Harris. The cabs have an advanced battery with a small back-up petrol generator and have a range of up to 400 miles. We have now licensed more than 140 vehicles.

A fully electric Nissan taxi, developed by Dynamo, is expected to be available later in 2018, which will offer more choice for drivers.

Electric vehicle charging

We allocated £4.5m to 25 London boroughs to install electric vehicle charging infrastructure. Each will receive a maximum of £300,000 for up to 1,500 standard-speed, on-street charging points in residential areas.

The funding will help more people swap polluting vehicles for zero-emission ones. The new infrastructure is in addition to the network of rapid charging points that will be in place by the end of 2020.

Following a competitive bidding process, we appointed the Centrica Consortium, BluepointLondon, Chargemaster, Electricity Supply Board and Fastned to fund, install, maintain and operate the network.

The charging points will power vehicles in around 30 minutes – a huge time-saving considering three to four hours are required when using a standard unit. We had installed 100 rapid charging points by January, with the network growing to 150 by the end of 2018 and 300 by 2020.

Clean air alerts

In January, King's College London was appointed as duty forecaster to continually monitor London's air pollution. It uses the existing air quality monitoring network and cutting-edge modelling tools, and will provide alerts as required.

When high and very high air pollution is forecast, alerts are displayed at public locations across London, on our 2,500 bus stop countdown signs and at all Tube stations. Alerts and guidance are also available via social media, an app and a text service.

In addition, King's College will alert other stakeholders, so the information can be used to benefit Londoners who are most vulnerable to the impacts of poor air. These include children and staff at schools, and potentially care homes and GPs' surgeries in the near future.

Image 30: Barges are being used to remove spoil from the Northern Line Extension development

River service

Using river barges to carry waste from the Northern Line Extension development saved 1,999 tonnes of CO_2 and took 105,653 truck journeys off London's roads. In the past 18 months, barges have carried 845,229 tonnes of spoil down the Thames to a site in Essex, where it has been used to transform former industrial land into arable farming plots. The barges made 701 journeys, the last of which left Battersea jetty in January 2018.

Reuse and recovery

We have successfully trialled a reuse and recovery initiative at our York Road station site. This one-stop shop stores any surplus plant, equipment and materials from our maintenance and upgrades activities and makes them available to other schemes, ensuring they are fully utilised. We are implementing plans to scale this up during 2018. The initiative helps to support the Mayor's circular economy goal, by keeping valuable assets and materials in economic use for much longer.

Space for nature

Much of our land, buildings and developments have green infrastructure or spaces for nature in and around them that are important to the wellbeing of the whole city. We have developed a mechanism to help deliver the Mayor's policy of net gain for biodiversity – ensuring our work always generates an improvement in biodiversity.

We have developed a comprehensive baseline of the biodiversity value of all our estate and a toolkit for measuring improvements. This is being trialled at several sites and will ultimately be used in all key construction and maintenance operations. ◆

More than
2,500
hybrid electric buses

100
rapid electric vehicle charging points installed across 25 boroughs

£42m
fund to encourage owners of old diesel black cabs to retire them

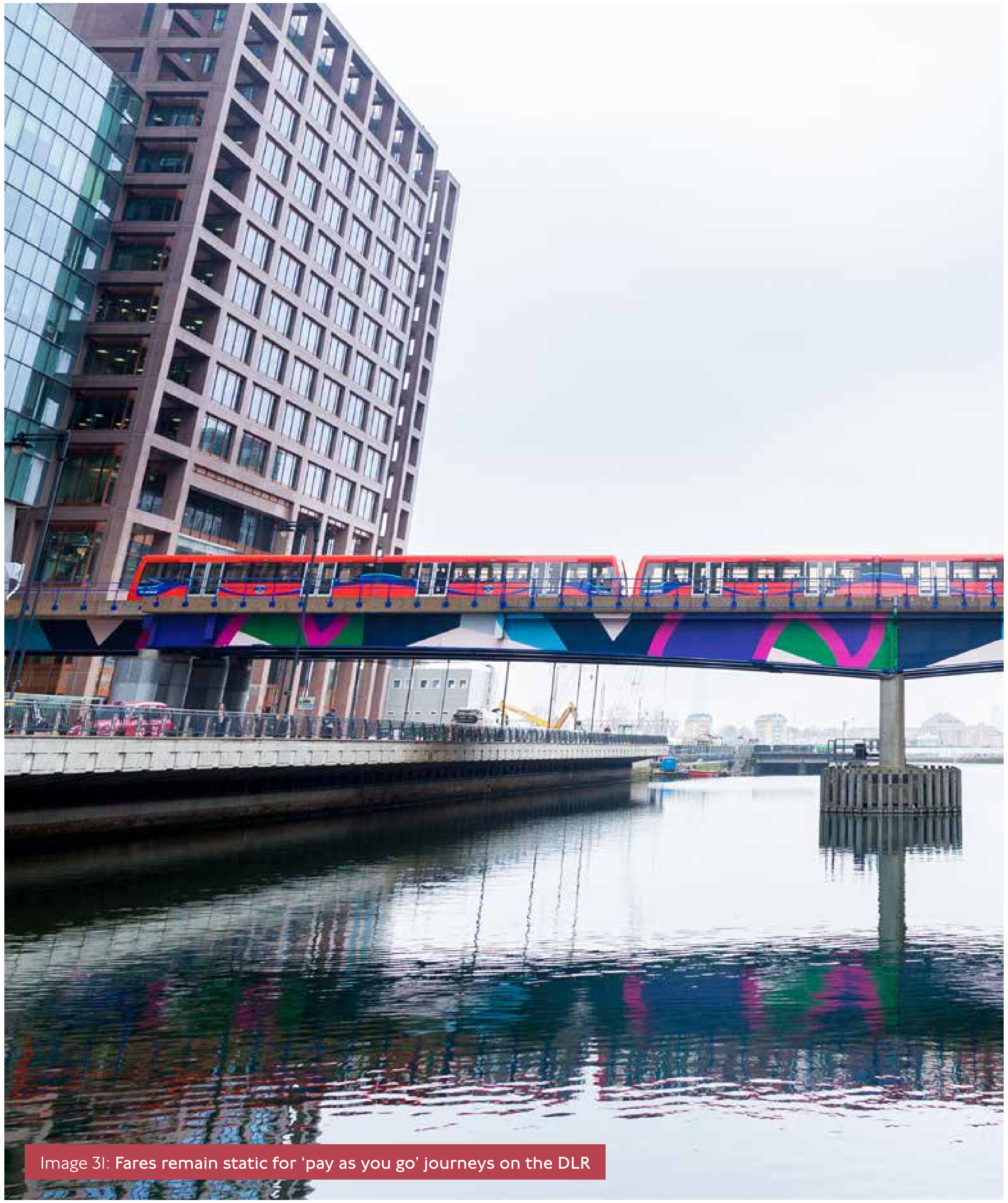


Image 31: Fares remain static for 'pay as you go' journeys on the DLR

A good public transport experience

Everyone should be able to get around London in the way they want, at a more affordable price.

London has one of the most extensive public transport networks in the world – every day, more than nine million journeys are made by bus, Tube, train, tram and river boat. As our population increases towards 10.8 million by 2041, we will need to accommodate another six million daily trips.

We are working hard to make travel in London more convenient, affordable and accessible. This includes delivering new services such as the Elizabeth line, wholescale upgrades of Tube lines and stations, and improving those we already have through, for instance, better payment options, reliability enhancements and step-free access.

This work is vital to meet the needs of our growing city. It also supports the Mayor's priorities of reducing reliance on the car, tackling air pollution and ensuring 80 per cent of journeys are made by public transport, cycling or walking by 2041, and making our transport network more accessible.

Improving affordability and customer service

In November, the Mayor confirmed all TfL fares would be frozen for a second consecutive year, and the continuation of all existing fares concessions. He called on the Government to do the same on National Rail services, including London's suburban lines.

Bus and tram fares in London cost just £1.50, the same price as in 2016. Fares have also remained static for 'pay as you go' journeys on the Tube, DLR, Emirates Air Line, Santander Cycles and rail services, where TfL fares apply.

£200

saved by the average London household, by 2020, as a result of the Mayor's fares freeze

13,000

more people a day will benefit from the unlimited Hopper fare i

95 per cent of visitors to London use public transport at some point during their trip.

Image 32: The Hopper fare is helping customers to save money

'This new Hopper fare will be especially welcome for those on low incomes and will help encourage even more people to switch to public transport. London leads the way in flexible, smart ticketing and this latest addition makes public transport a no-brainer for Londoners'

Stephen Joseph
Chief Executive, Campaign for Better Transport

The freeze is encouraging more people to use public transport. London Overground was the only one of the four main train operators within London and the South East to see passenger numbers rise, while bus ridership was more stable than outside London. By 2020, it will have saved the average London household around £200. Protected travel concessions continue to benefit young people, those over 60, veterans, apprentices and people on Jobseeker's Allowance.

The Mayor's Hopper fare was extended in January, so customers can make unlimited bus and tram journeys within an hour – but only pay £1.50. It is helping even more Londoners to save money. More than 140 million journeys have already been made using the fare since it was launched in September 2016.

Explore London

The year also saw the introduction of the Explore London ticket. Visitors can now enjoy an all-day option that covers MBNA Thames Clippers, Santander Cycles and the Emirates Air Line and costs 20 per cent less than paying for these services individually.

Improving London Overground

We are delivering an ambitious programme of improvements on London Overground, which included the launch of 24-hour services in east London in December 2017 and extension to north London in January 2018.

This year we will also introduce a new fleet of electric trains, which will run on the Gospel Oak to Barking route once Network Rail completes electrification work. These trains will provide more capacity and reliability, and will feature walk-through carriages, air conditioning and live network information screens.

The electrification will also improve air quality for people living and working along the route. In addition, we have plans for more of these trains to support more frequent services along the London Overground network.

Case study

World Kindness Day

To mark World Kindness Day on 13 November, we asked Londoners to spare a thought for their fellow passengers when travelling.

Our #TravelKind campaign saw posters and social media films highlight the small things people could do to improve journeys for others.

This included having their payment cards ready, making space for customers using wheelchairs, keeping their cool on the road and moving down inside Tube and train carriages to make space for other passengers.

One of the films included a London Ambulance Service paramedic advising customers to help others off the train if they fall ill.

Mark Evers, London Underground's Chief Customer Officer, said: 'We are putting huge investment into transforming public transport and our roads, making them easier and more pleasant to use. As we do this, our customers can also take some simple steps to help make travelling around London better for everyone.

'Today, on World Kindness Day, we want to raise awareness that being #TravelKind to others can help everyone have a smoother journey.'

Cashless payments

In September, we began an eight-week consultation on plans to make trams 'cashless'.

The proposal would see existing cash ticket machines, which only sell a small number of paper tickets every week, removed from the network. Customers who previously chose to pay this way would be encouraged to switch to Oyster or use contactless cards.

Only 0.3 per cent of single tram journeys are paid for with a ticket bought from a machine at tram stops – fewer than 250 a day. Following the consultation and changes to the bylaws, we will be making trams cashless later this year.

Refunds

We are committed to making sure that our customers pay the correct fare. Every quarter we publish our Customer Service and Operational Performance report that shows, for example, that we made 3,921,539 automated refunds to our customers over the course of the year. These refunds were given for a number of reasons, including not touching in or out with a 'pay as you go' card or using the wrong card.

A new fully accessible railway

When the Elizabeth line becomes fully operational in December 2019, its 41 accessible stations will transform travel across the London.

In December, we awarded contracts for step-free access and improvements at four stations that will join the route when

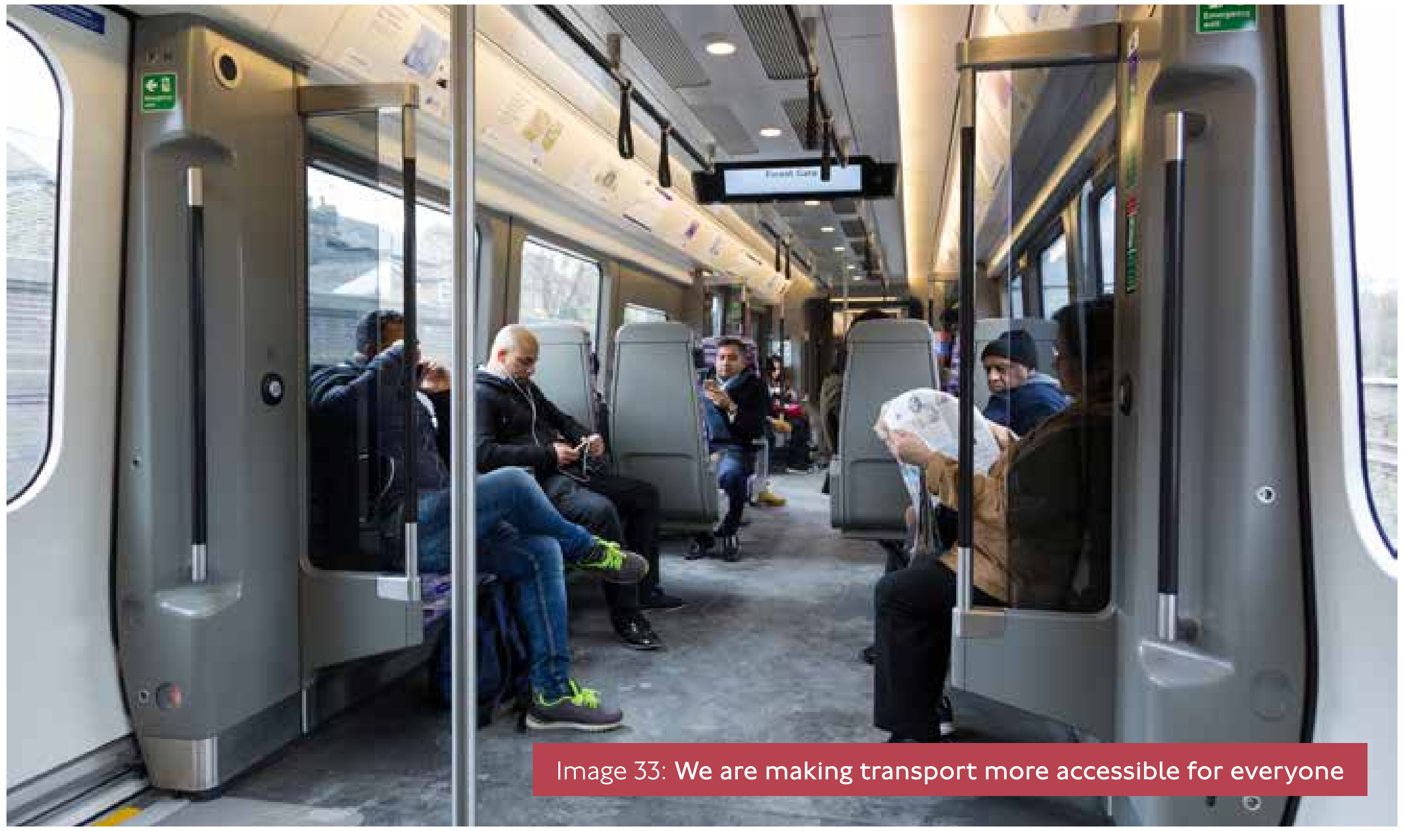


Image 33: We are making transport more accessible for everyone

the line opens – Hanwell in west London, Iver and Langley in Berkshire, and Taplow in Buckinghamshire. Other enhancements include lifts, footbridges, improved ticket halls and better facilities, such as customer information screens. At Iver, a new station building will replace the current 1920s structure.

All stations on the Elizabeth line will have step-free access, including the new stations in central London (currently being built by Crossrail Ltd) and existing stations in east and west London that will become part of the line.

These upgrades are part of our work to improve stations on the Elizabeth line, which will stretch from Berkshire and Buckinghamshire through London and out to Essex.

Improving step-free access

Making public transport more accessible, and therefore a more viable option for older and disabled people and those with buggies, will help to meet many of the aims set out in the Mayor's Transport Strategy.

On the Tube, investment of £200m – the largest in its history – will result in 30 new stations becoming step-free by 2022. This will take the overall number to 100 step-free stations, which equates to 40 per cent of the network.

Case study

Lift contract

As part of the Mayor's Tube accessibility programme, a 25-year lift contract was awarded to supplier Otis in January.

The contract delivers the same standards of reliability but at a fraction of the cost and length of time it previously took to design, manufacture and install a lift.

We anticipate that this will cut the cost of installing each lift by 70 per cent, making savings of £15m that can be reinvested in improving transport in London. It will also cut the delivery time by 40 per cent, allowing us to introduce step-free access in the quickest time possible.

In June, new step-free schemes were announced for Amersham, Buckhurst Hill, Cockfosters, Mill Hill East, Osterley and South Woodford. Work is due to finish by 2020.

In November, shortly after completing the £300m upgrade of Bond Street – the 72nd step-free Tube station – we announced that Knightsbridge would also become step-free in 2020. Two new entrances will be built, and we will open areas of the station that have been closed to the public since the 1930s.

The Mayor followed this, in January, with the news that a further 13 stations would become step-free by spring 2022 – Boston Manor, Burnt Oak, Debden, Hanger Lane, Ickenham, North Ealing, Northolt, Park Royal, Rickmansworth, Ruislip, Snaresbrook, Sudbury Hill and Wimbledon Park.

Bromley-by-Bow became the 73rd step-free Tube station in March, following the installation of new lifts. We also announced that South Kensington – one of the busiest stations on the network – is set to be transformed as part of a deal to sensitively redevelop our land around the site, reflecting its status as an iconic gateway to one of London's most popular cultural areas. Subject to planning permission, the work could be complete by 2022.

90%
of Tube, bus and rail journeys paid for using Oyster or contactless cards

100
step-free stations by 2022

Access for everyone

Our work to increase accessibility includes design improvements to help people navigate the network. This means well-planned, logical spaces; signage and information when and where customers need it; effective surface treatments, materials and lighting; and using, for instance, public art to create pathways and signal landmarks and destinations.

But we must do more than just improve our physical infrastructure. For some people, there are other barriers that prevent them choosing public transport.

In July, we introduced a new Tube map to make travelling easier for customers with claustrophobia and other anxiety conditions. It shows the stations and sections of the network that are underground, so helps people work out the right route for them. It also illustrates where London Overground, DLR and TfL Rail services run through tunnels.

The map was created in response to customer feedback and has been welcomed by charities. It followed results in December, showing that our 'Please offer me a seat' badge had been issued to more than 30,000 people with invisible conditions during its first year.

The badge is specially designed for people who find it difficult to stand. A survey of badge holders carried out in November

'An accessible Tube network is vital for older people. It means they can see friends and family, have a more active social life, and make the most of everything London has to offer'

Paul Goulden
Chief Executive Officer, Age UK London

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The Tube network has 270 stations, with more than half above ground. The Victoria and Waterloo & City lines are the only lines that are wholly underground.

'The Please Offer Me a Seat badge has made a massive difference to the daily lives of many people who simply cannot stand on their journeys. We hope TfL will keep encouraging people to give their seat to anyone who may need it regardless of whether they are wearing a badge or not'

Alan Benson
Chair, Transport for All

demonstrated that more than 78 per cent found it easier to get a seat and 95 per cent were likely to recommend the scheme to someone who needs it.

The campaign's importance has been widely acknowledged and similar schemes have since been introduced elsewhere in the UK and internationally.

Shaping and growing the bus network
We operate one of the world's most frequent and extensive bus networks, with more than 9,000 vehicles on 675 routes.

Buses are crucial to the city's success and carry many more passengers than any other of our services. We are working hard to modernise the fleet and more accurately match services to customer demand. In April, following extensive consultation, we confirmed changes to 23 routes in central London.

Passenger demand on Oxford Street is shifting, as people choose different travel options, including cycling and walking. A more reliable, 24-hour Tube has taken pressure away from the network and the opening of the Elizabeth line will further influence people's journeys.

More than
6 million
bus journeys every weekday

40%
fewer buses running on Oxford Street as a result of matching services to demand

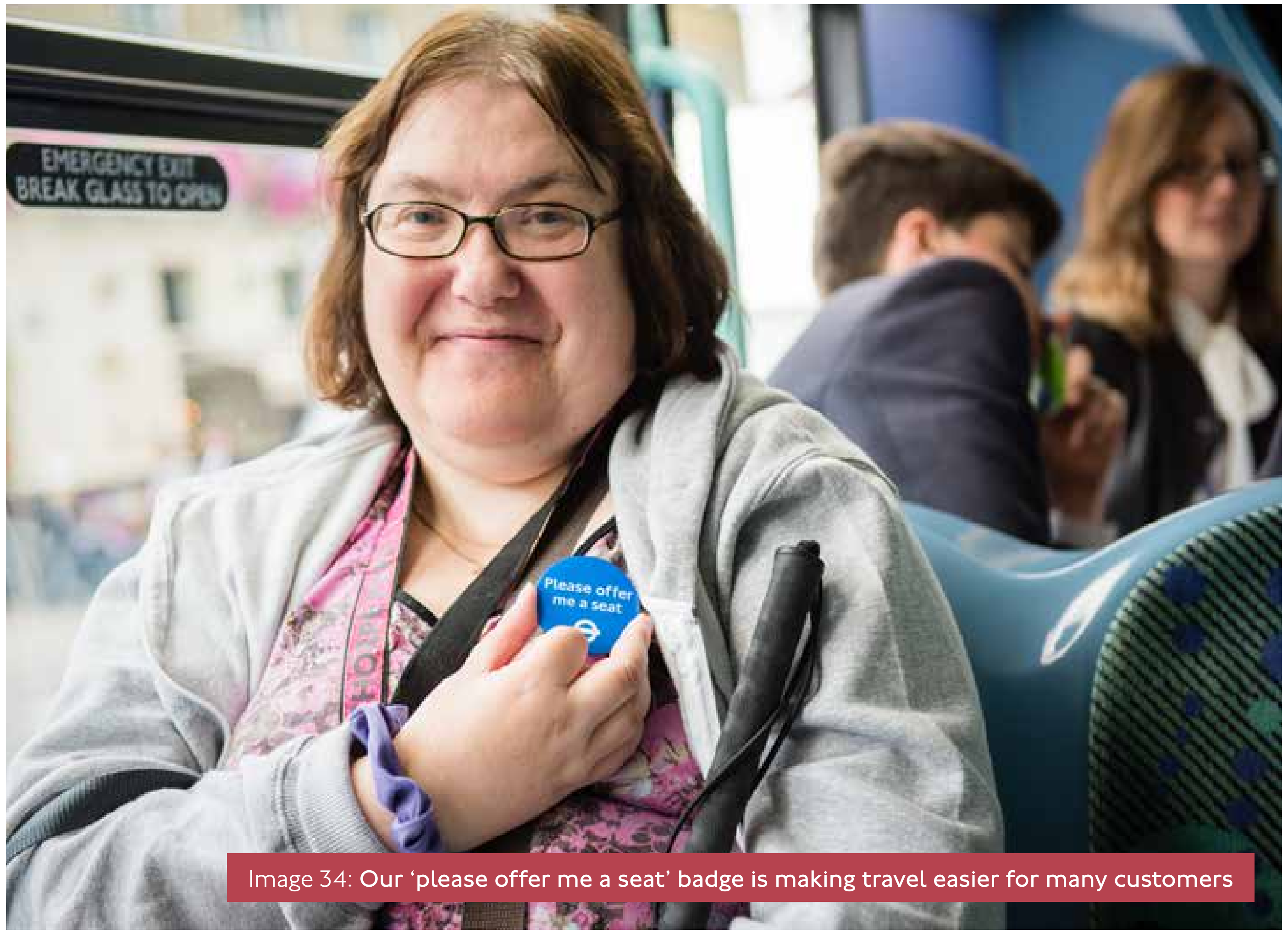


Image 34: Our 'please offer me a seat' badge is making travel easier for many customers

Buses will be redirected away from Oxford Street, with the termini for some routes moving to Park Lane, Trafalgar Square and Tottenham Court Road. Other routes will be extended to maintain connections.

Once the plans are in place, there will be 40 per cent fewer buses running on Oxford Street. This will improve the quality of the air at the heart of Europe's busiest shopping district. See page 35 for more information.

Serving London's hospitals
In July, following our review of bus services used by more than 40 hospitals and specialist healthcare centres, the Mayor set out his long-term vision for improvement of such services.

Priorities include new links, more vehicles and re-routing services. These are subject to consultation, infrastructure changes and funding, and we will work with the NHS, councils and other interested parties to progress the plans.

Image 35: The Night Overground launched between Dalston Junction and New Cross Gate

Some of these projects have already been implemented, such as introducing more direct services to Queen's Hospital in Romford and Queen Elizabeth Hospital in Woolwich, and running more frequent services to Queen Mary's Hospital in Sidcup.

Further potential changes would also enhance services to many other sites across London, including at Epsom, Barnet and Newham Hospitals and at the Central Middlesex Hospital in Park Royal.

Bus colour trial

As well as providing better access to services, the Mayor wants to make buses as easy to use as the Underground. In May, he unveiled the first 'Tube-style' approach to bus travel.

As part of a trial in east London, more than 60 red buses were given their own splash of colour to mark seven different routes. The main destinations and interchanges were listed on the side of the vehicles and stop signs were also colour-coded.

The changes were designed to simplify journeys for passengers travelling in Barkingside and across the area, including journeys to and from Romford, Walthamstow, Ilford, Loughton and Barking.

Extending night services

London's predicted population growth will have a significant impact on our rail network. It is vital that we increase and enhance our services to add much-needed capacity.

December saw the first 24-hour London Overground route open, on Fridays and Saturdays, between Dalston Junction and New Cross Gate.

In February, as figures showed that more than 35,000 journeys had already been made using the service, it was extended to Canonbury and Highbury & Islington.

The extension, which links the Night Overground to the Night Tube network via the Victoria line, has made travel easier and quicker for many shift-workers, including those in the emergency services and hospitality sectors, in north and east London.

It is benefiting local business and enhancing London's already booming night-time economy.

The Night Overground is part of the Mayor's strategy to create a fairer, greener, healthier and more prosperous city by improving public transport. Its launch follows the huge success of the Night Tube.

'The Night Overground service will inevitably bring more visitors to the area, allowing our long-standing team to get home safely and cheaply, as well as improving local air quality with fewer car journeys in the area'

Matthew Segal
Manager, Frederick's Restaurant, Islington

Image 36: The Night Tube is boosting the economy and supporting jobs

Figures released in August to mark its first anniversary show that, in just a year, the service catered for nearly eight million journeys.

It has also boosted London's economy by £171m and supported more than 3,600 jobs.

Research by London First and EY also predicted the Night Tube will be even more beneficial to the economy than previously forecast – estimates suggest it will add £138m of value every year for the next three decades. This is significantly more than the £77m a year initially forecast.

State-of-the-art signals

In October and December, we successfully tested the new state-of-the-art signalling and control system that will transform services on the Circle, District, Hammersmith & City and Metropolitan lines.

These four lines are among some of the oldest sections of the Underground, with parts dating back to 1863. Together they make up 40 per cent of the Tube network and carry around a million passenger journeys each day.

This technology, developed by Thales, is a major part of one of our most critical upgrades. It will deliver significant improvements for customers: quicker journeys; more frequent and more reliable trains; and better and more accurate live travel information.

The system will be launched in stages throughout 2018, giving customers on the Circle and Hammersmith & City lines more accurate information and fewer delays. Service frequency will begin to increase from 2021, when more of the network goes live and, by 2023, all four lines will be using the technology.

Thirty new 'S stock' trains have already been fitted with the radio communications technology by train manufacturer Bombardier. It allows services to run closer together, so more trains can run (32 every hour in the central London section) and more people can travel.

The four lines will see an increase in capacity of up to 33 per cent in the busiest times, creating space for 36,500 more customers. It will also enable us to run Night Tube services on these lines in future. At Hammersmith, a state-of-the-art control centre for the lines is being built and is nearing completion.

Bakerloo line

November also saw highly complex engineering work carried out on the Bakerloo line to increase reliability and improve journey times. The work is part of our £2.3bn programme to modernise the Tube and improve customers' journeys.

Essential improvements involved upgrading important junctions at Paddington and replacing more than 100 metres of track at Queen's Park.

We also took the opportunity to complete maintenance work at Lambeth North.

White Hart Lane

In July, we announced that Taylor Woodrow would be appointed to design and rebuild White Hart Lane station, by spring 2019.

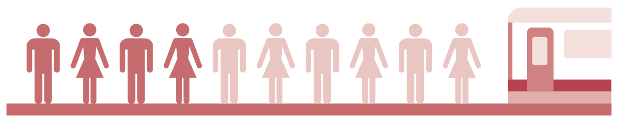
The station is used by 1.3 million customers a year. Improvements will include a new ticket hall, entrance and forecourt; step-free access from street to platform; better cycle parking; and CCTV and Legible London signage, in order to help people continue their journeys on foot.

The Night Tube has cut late-night journey times by more than

20 minutes

A new signalling system will boost capacity on the Tube network by

40%



Partnership spotlight

On-demand bus trial

We are approaching businesses – including bus operators and tech companies – to investigate whether innovations in ride-booking can be used to create an on-demand bus service.

The potential partnership could see a minibus ordered through an app, or a service run on a semi-fixed route that could be diverted to pick-up individual passengers.

In March, businesses were asked to express their interest in trialling new services, intended for nine passengers or more. If a trial goes ahead, it would involve a small number of vehicles in an area of outer London where car dependency is high and other forms of public transport are less viable. It would run for no more than 12 months.

Director of Transport Innovation, Michael Hurwitz, said: 'Any potential trial would be a new TfL service designed to support the existing local transport network and improve accessibility and London's air quality.'

Traditional buses, which currently carry more than three million passengers a day, have a vital role to play in delivering the Mayor's Transport Strategy. New innovations trialled as part of the initiative would not replace existing services.

Another station to benefit from improvement works was Chalk Farm. During July and August, its two 50-person lifts were refurbished to increase reliability. CCTV and hearing induction loops were also installed.

Bond Street

During the same month, we completed the £300m upgrade at Bond Street, an important West End location and one of the busiest stations in central London.

Shoppers, workers and visitors can now enjoy step-free access and quicker, easier, more comfortable journeys through the station. This is thanks to a 30 per cent increase in capacity resulting from a new entrance and ticket hall on the north side of Oxford Street at Marylebone Lane.

Other benefits include a pair of new escalators, which make it easier to exit the station, and two interchange tunnels to further ease congestion.

Preparatory work to provide step-free access to the Elizabeth line has also been completed ahead of services calling at Bond Street in December 2018.

Holborn station consultation

The station welcomes around 63 million customers every year. By the 2030s, this is expected to increase by up to almost 30 per cent so the station, which was designed in the early 1900s, needs to be modernised.

During October and November, a consultation was held on plans that would see the station more than double in size. Plans include a new second entrance and exit on Procter Street.

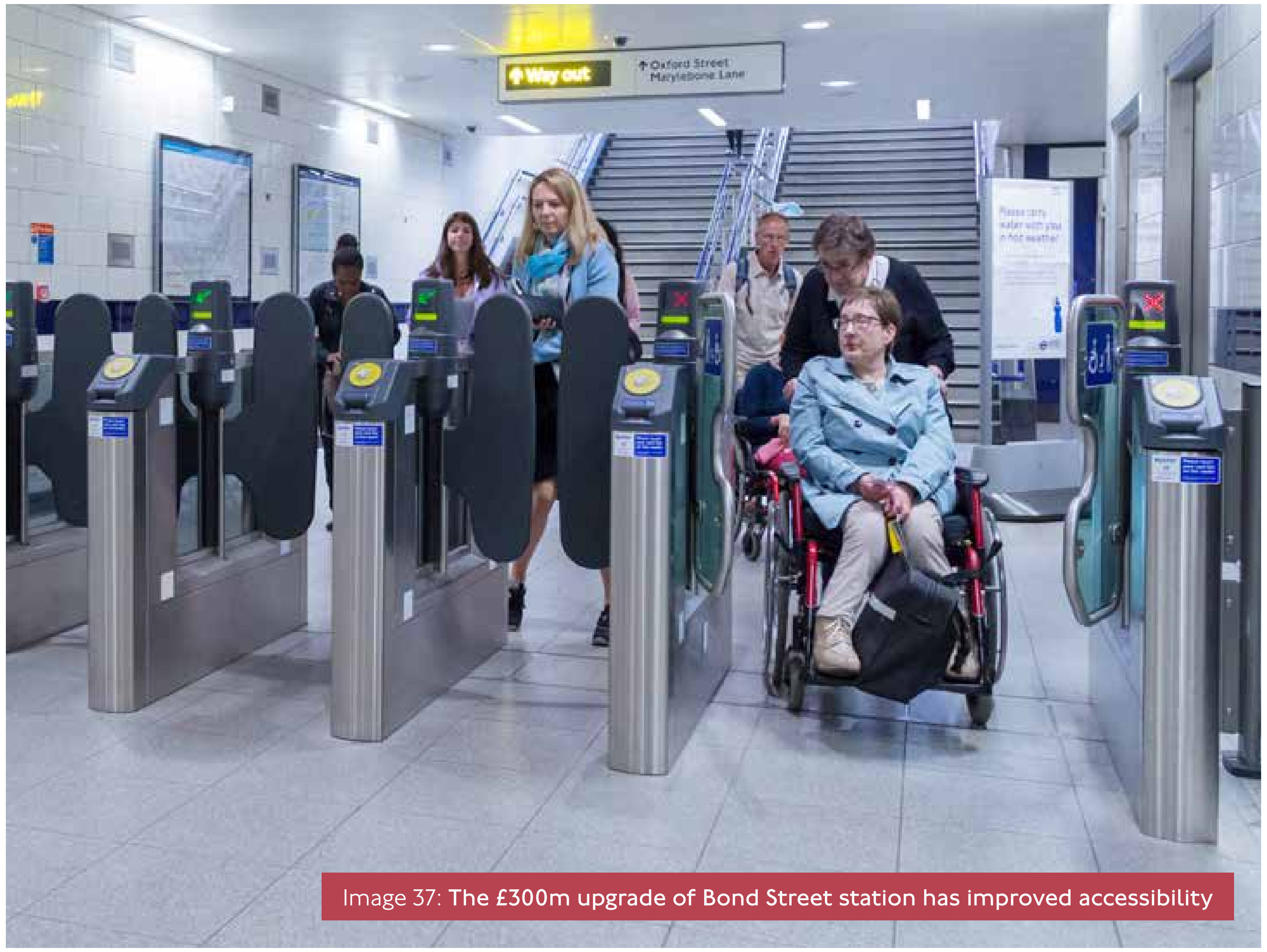


Image 37: The £300m upgrade of Bond Street station has improved accessibility

Three new lifts in the existing Kingsway entrance would provide step-free access to both the Central and Piccadilly lines. In addition, new interchange routes between the lines would greatly reduce crowding during peak periods.

Further consultation is scheduled to take place in 2019.

Camden Town consultation

In June, Londoners were given an opportunity to comment on plans to treble the size of Camden Town station with 97 per cent of respondents backing the scheme.

More than 30 million customers use the station each year, with the number set to rise by 40 per cent by 2021, making it one of the busiest interchanges on the Underground.

Case study

Piccadilly line reliability

We constantly look for new and innovative ways to improve our services. At the end of September, two specially converted 1973-stock Rail Adhesion Trains (RATs) were introduced on the Piccadilly line to tackle disruption caused by falling leaves.

The RATs dispense an adhesive material that makes tracks less slippery, reducing the risk of train wheels locking and wearing down.

Other measures to help the line run smoothly during the autumn included:

- The most intensive trackside vegetation clearance to date
- Securing access to more detailed weather prediction data
- Trackside signage that warns drivers of any low-adhesion areas and temporary speed restrictions
- A new timetable that allows for reduced train speeds in areas where low adhesion is expected, in line with industry best practice
- Recruiting additional train maintenance staff and buying more spare wheels to provide a 24/7 wheel-changing facility at both depots on the Piccadilly line

Image 38: Capacity on the DLR will increase by 30 per cent when new trains are introduced in 2022

Partnership spotlight

Adopt-a-station scheme

In February, residents, businesses and schools were invited to help put their local DLR station at the heart of their community.

The 'Adopt-a-station' initiative, which is being trialled at Poplar, will see space used to publicise events, classes and workshops taking place in the local area.

It will also showcase the art and activities of, among others, schools and gardeners.

The scheme is being run in partnership with KeolisAmey Docklands, which operates the DLR, and the people who live and work around the station.

Proposals, including a new entrance on Buck Street, three new escalators and step-free access, will ease crowding.

A further consultation on how the proposed second entrance might be built will be held later in 2018.

The DLR

In May, we began our search for a supplier to provide 43 new, walk-through, air-conditioned trains for the DLR. Four bidders, announced in November, will continue to the next stage, with the contract awarded in autumn 2018.

Set to be introduced in 2022, the trains will increase capacity by more than 30 per cent. They will be more reliable and offer live travel information, as well as charging points for mobile devices.

Significant redevelopment is taking place in and around the Docklands area; in the Royal Docks alone, up to 36,500 jobs and 7,000 homes are being created.

In addition, passenger use will continue to rise when the DLR network connects with the Elizabeth line from the end of 2018.

Custom House

Further work to improve capacity on the DLR has included upgrading Custom House station. Closed in February 2017, it reopened in January, although work will continue until spring 2018.

When complete, the station will have a 50 per cent greater capacity and will be ready for Elizabeth line services to run from late 2018.

The work will also shorten walking routes between DLR platforms and the surrounding area.


Image 39: The Elizabeth line will boost rail capacity in central London by 10 per cent

The Elizabeth line: the final countdown
The Elizabeth line, which launches in December 2018, will redefine travel in London with quicker, easier, more accessible journeys. It will reduce congestion on the Tube and an extra 1.5 million people will be within a 45-minute commute of the city's main employment districts.

The new stations and travel links are expected to boost the economy by £42bn and support thousands of new jobs and homes in London and the South East.

In a significant milestone, a train was driven through the new tunnels for the first time in February. The maiden voyage beneath the streets of London was made possible after a section of the 25kV overhead lines was successfully activated.

In December, we released a Tube map featuring the line. It is among the most significant changes to the iconic map in recent decades.

The first phase of the new railway, including 10 step-free stations, will be unveiled in December 2018. When it opens fully a year later, it will boost central London's rail capacity by 10 per cent, connecting Reading and Heathrow in the west with Shenfield and Abbey Wood in the east.

In March, we confirmed that 'pay as you go' go fares on the Elizabeth line in central London will be the same as the Tube equivalent, ensuring affordable travel for millions of people.

'The Elizabeth line will transform many journeys to work, home, the airport or around London, allowing many more people across the South East to enjoy one of the greatest cities in the world'

Mike Brown MVO
London's Transport Commissioner

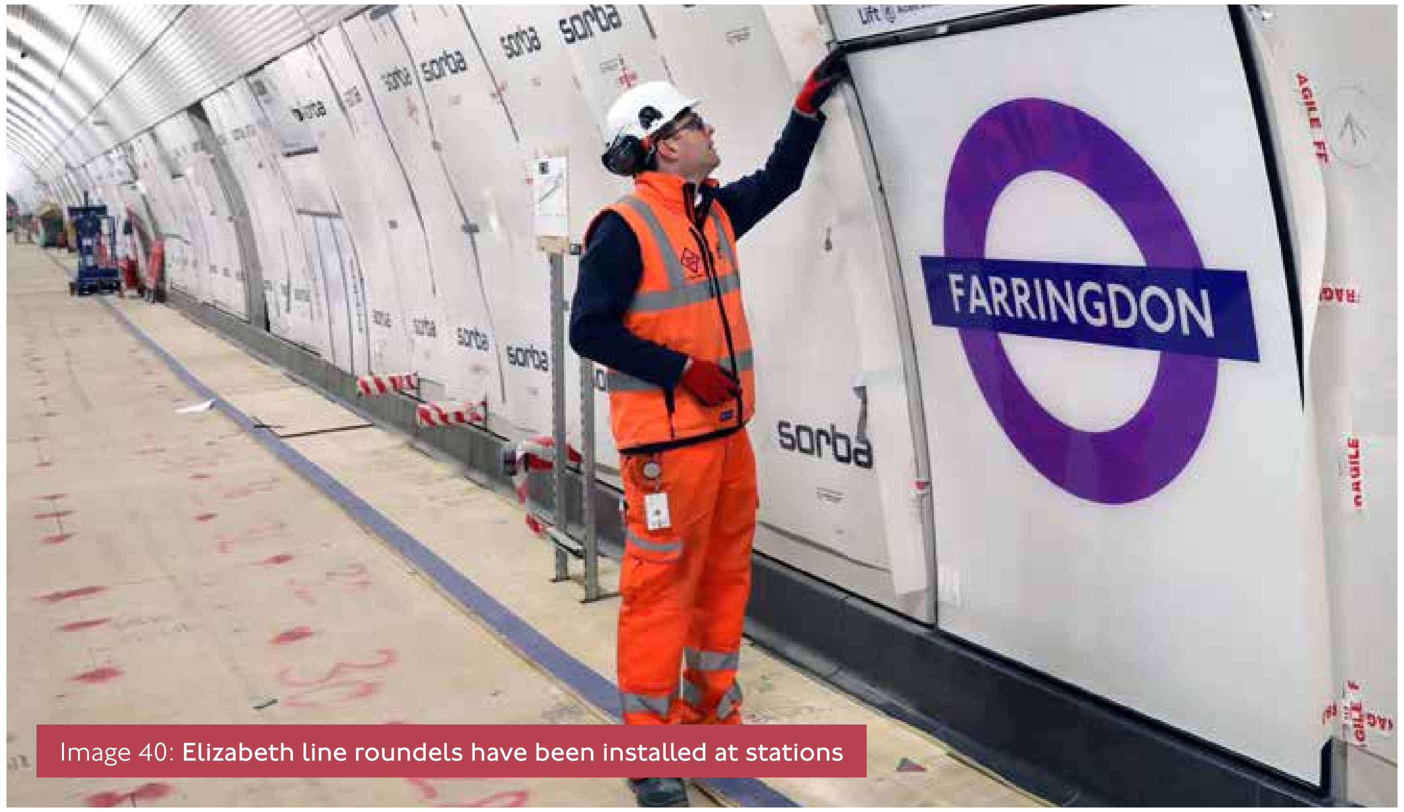


Image 40: Elizabeth line roundels have been installed at stations

Purple roundels

In January, brand new purple Elizabeth line roundels were installed at stations including Tottenham Court Road, Farringdon and Custom House, although they will remain under wraps until the launch date.

In June, customers were given a taste of the state-of-the-art fleet that will serve the railway. After extensive testing, the first walk-through, air-conditioned train began running between Liverpool Street and Shenfield on the TfL Rail route. There will be 70 trains in the fleet when the Elizabeth line fully opens in December 2019.

£42bn
boost to the UK economy from the Elizabeth line

200 million
passengers carried a year on the Elizabeth line

Increased services

Initially, 15 trains an hour will run through the new Elizabeth line tunnels, rising to 24 an hour in the central section by May 2019. In July, we announced that services would be more extensive and frequent than originally anticipated – 70 trains in total rather than 66.

When the line is fully operational, 20 trains an hour will run off-peak services between Paddington and Whitechapel, rather than the planned 16. A further two trains an hour will operate between Paddington and Shenfield, and between Paddington and Abbey Wood during off-peak hours.

Peak services to destinations west of Paddington will be improved significantly, with services from Reading doubled from two to four trains an hour, and services to Maidenhead increased from four to six. Trains will also call at Heathrow Terminal 5, meaning all Heathrow terminals will be served by the Elizabeth line.

Changing technology

London is widely regarded as Europe's leading technology hub, with a growing sector of more than 40,000 digital businesses employing almost 200,000 people. It is also home to major bases belonging to many leading global tech companies.

While London leads the way in tech growth, there are areas of the city where slow and unreliable broadband

Elizabeth line timeline to launch

May 2018: TfL Rail service opens between Paddington and Heathrow, replacing the existing Heathrow Connect service and part of the Great Western inner suburban service. (TfL Rail continues to operate its Liverpool Street to Shenfield route)

December 2018: The Elizabeth line opens as three services:

– Paddington (Elizabeth line station) to Abbey Wood via central London
– Paddington (mainline station) to Heathrow (Terminals 2 & 3 and 4)
– Liverpool Street (mainline station) to Shenfield

May 2019: Direct services operate between Paddington and Shenfield, and Paddington and Abbey Wood. Services from Paddington to Heathrow will continue to start and end at the mainline station

December 2019: The Elizabeth line is fully open, with services running from Reading and Heathrow, including Terminal 5, in the west through the central tunnels to Shenfield and Abbey Wood in the east

Launch

Image 41: We are tackling poor connectivity across the Underground

frustrates both businesses and residents, for instance Rotherhithe and parts of Westminster and the City of London.

A package of measures to tackle areas of poor connectivity was announced in August. This includes appointing a troubleshooting 'Not Spot Team' to work with London Underground on providing better connectivity for Tube customers.

Significant progress was made last year following tests of 4G mobile on the Waterloo & City line. The trial, which took place during the summer, saw the technology tested in tunnels and stations. Once live, it will, for the first time, allow customers to check their emails, read the latest news and social media updates, and access live travel information while underground.

All four major mobile network operators (Vodafone, O2, Three and EE) participated in the design of the trial, with Vodafone and O2 carrying out testing in tunnels, which took place outside customer hours. As well as providing valuable insight into how this technology could be introduced more widely on the Tube, the trial tested how easy it would be to make data calls from one station to another, without dropping mobile reception.

Leading the way

In June, the Mayor outlined his vision for London to become the world's leading 'Smart City' – with digital technology and data at the heart of making it an even better place to live, work and invest.

As part of his plans, he has unveiled 'Better Futures', a new £1.6m incubator fund to help 100 London-based small businesses deliver low-carbon and clean-tech products to tackle the causes and effects of climate change.

Open data

We commissioned research from Deloitte that showed the release of our free open data is generating economic benefits and savings of up to £130m a year.

For almost a decade, we have been releasing a significant amount of data – timetables, service status updates and disruption information – in an open format for anyone to use, free of charge.

'Business needs fast and reliable connections across our Capital – in the office, for people working from home and when they're on the move'

David Leam
Infrastructure Director,
London First

30
Oyster card top-ups can now be collected in just 30 minutes

Our open data is generating annual economic benefits and savings of up to
£130m

‘Open data is changing our everyday lives and how organisations like TfL work. In fact, data is becoming as important as other types of infrastructure, such as roads and electricity, which means building strong data infrastructure is vital to economic growth and wellbeing’

Jeni Tennison
CEO, Open Data Institute

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There are 675 apps that are powered using our open data feeds. These are accessed by 41 per cent of Londoners.

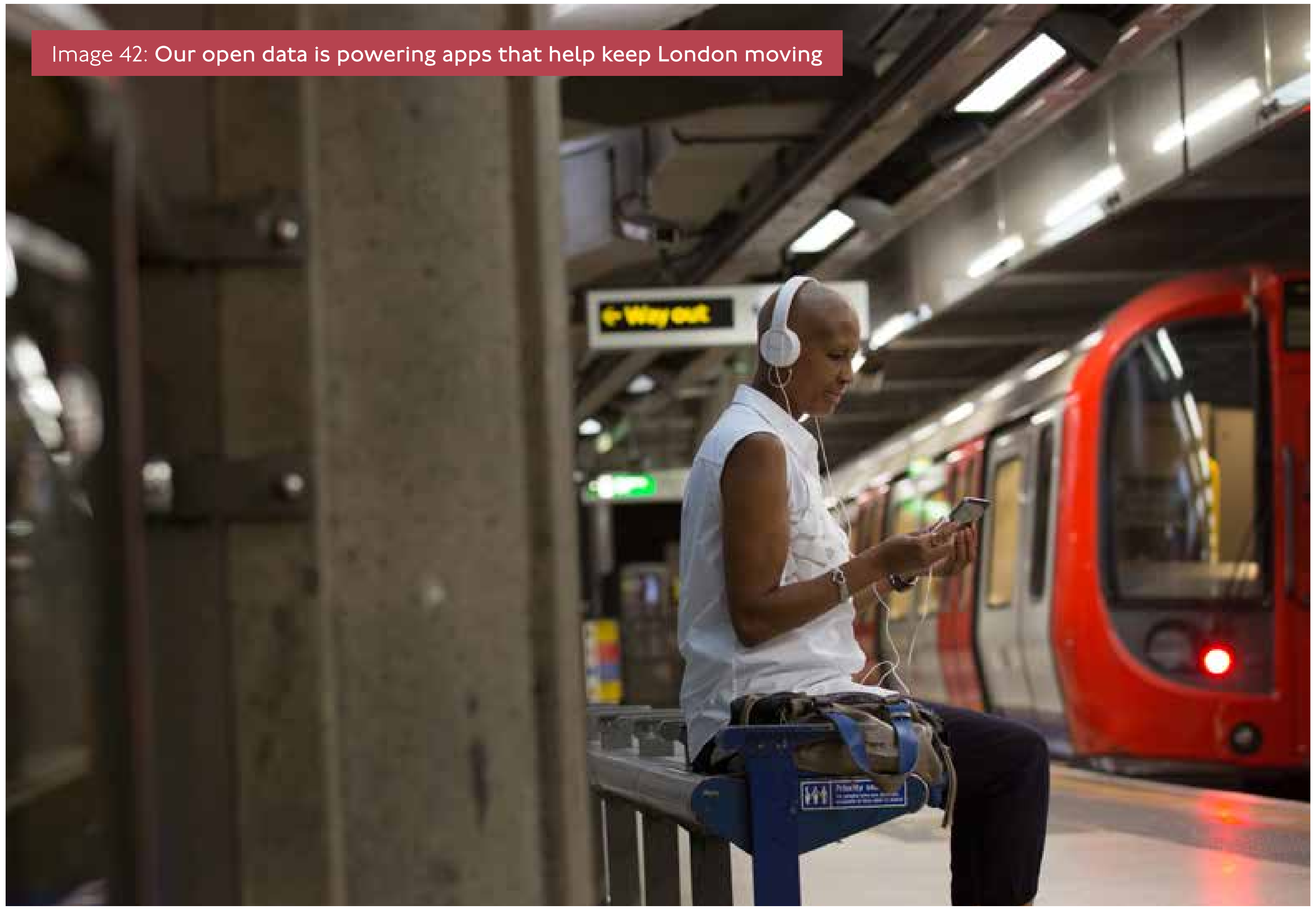


Image 42: Our open data is powering apps that help keep London moving

Case study

Expanding our data

Earlier in the year we challenged app designers to improve our services for cyclists after expanding the data we make available to them.

We have added mapping information for eight Cycle Superhighways and one Quietway to our open data portal, so developers can help more Londoners find the best cycle options for them. New routes will be added as they open.

The information, which is provided at cycling.data.tfl.gov.uk, allows developers to accurately map out the existing network within apps and on websites. This can be combined with previously released open data, such as the location of cycle parking at Tube stations and availability of Santander Cycles bikes at docking stations.

This allows developers and partners to quickly bring new products and services to market and extend the reach of our own information channels in stations, at bus stops and online. Our data powers 675 apps, which are used by 41 per cent of Londoners.

The research also shows that by providing open data to developers, we are improving journeys, saving people time, supporting innovation and creating jobs.

Using tech to improve customer service

In June, we launched the next generation in customer service technology with our first ever ‘TravelBot’. The new social media tool, which is powered by artificial intelligence, can ‘chat’ with customers using Messenger and, for instance, tell them when their next bus is due and provide service updates and Tube maps. It can also link directly to one of our Customer Service Agents, making it easier than ever to ask us a question.

We already deal with a huge number of queries every day through our two Facebook pages. The technology makes it even easier for customers to get information on the Messenger platform in a way that is fast and straightforward.

In September, we published the results of a four-week pilot that we ran between November and December 2016 that studied how depersonalised WiFi connection data from customers’

Case study

Blackwall Tunnel trials

Delays at the Blackwall Tunnel caused by drivers running out of fuel have been reduced following innovative trials involving us, social navigation app Waze and Eurotunnel.

More than 36 million journeys are made through the tunnel every year and it is one of the busiest sections on London's road network.

Cars running out of petrol, and lorry drivers unaware their vehicles are over-height, cause tail-backs, costing London almost £7m, and resulting in nearly 400 hours of delays each year.

Over the six-month trial, 459 drivers acted on the fuel alert message and re-routed to petrol stations, reducing the risk of breaking down. There were fewer tunnel breakdowns compared with the same period last year.

We worked with Eurotunnel Le Shuttle Freight to tackle over-height incidents. We targeted lorries entering the UK via Eurotunnel with leaflets informing drivers of the best choice between the Blackwall Tunnel and Dartford Crossing, dependent on the time of day, vehicle and height restrictions.

We also ran a campaign advising on the busiest times, which saw two per cent of drivers re-time their journeys.

mobile devices could be used to better understand how people navigate the Tube network, and help us improve their journeys. It focused on 54 stations in Zones 1-4 and saw more than 509 million de-personalised pieces of data, collected from 5.6 million mobile devices on around 42 million journeys.

The pilot revealed a number of results that could not have been detected from ticketing data or paper-based surveys. This has given us a better and more detailed understanding of how passengers move through some of our busiest stations, which means we can better manage crowding during peak times or disruption.

All data was depersonalised, no individuals could be identified and no browsing data was collected.

Apps make travelling easier

We have introduced a range of improvements to our Oyster ticketing system over the past year to make travel easier.

Passengers who top up their credit or buy Travelcards using Oyster online can now collect their purchase from any Tube or rail station, bus or tram stop or River Bus pier when they touch in, rather than having to nominate a station when they make their purchase.

The upgrade has also significantly reduced the time it takes for the product to become available at ticket gates. It previously took up to 24 hours but can now be done in just 30 minutes.

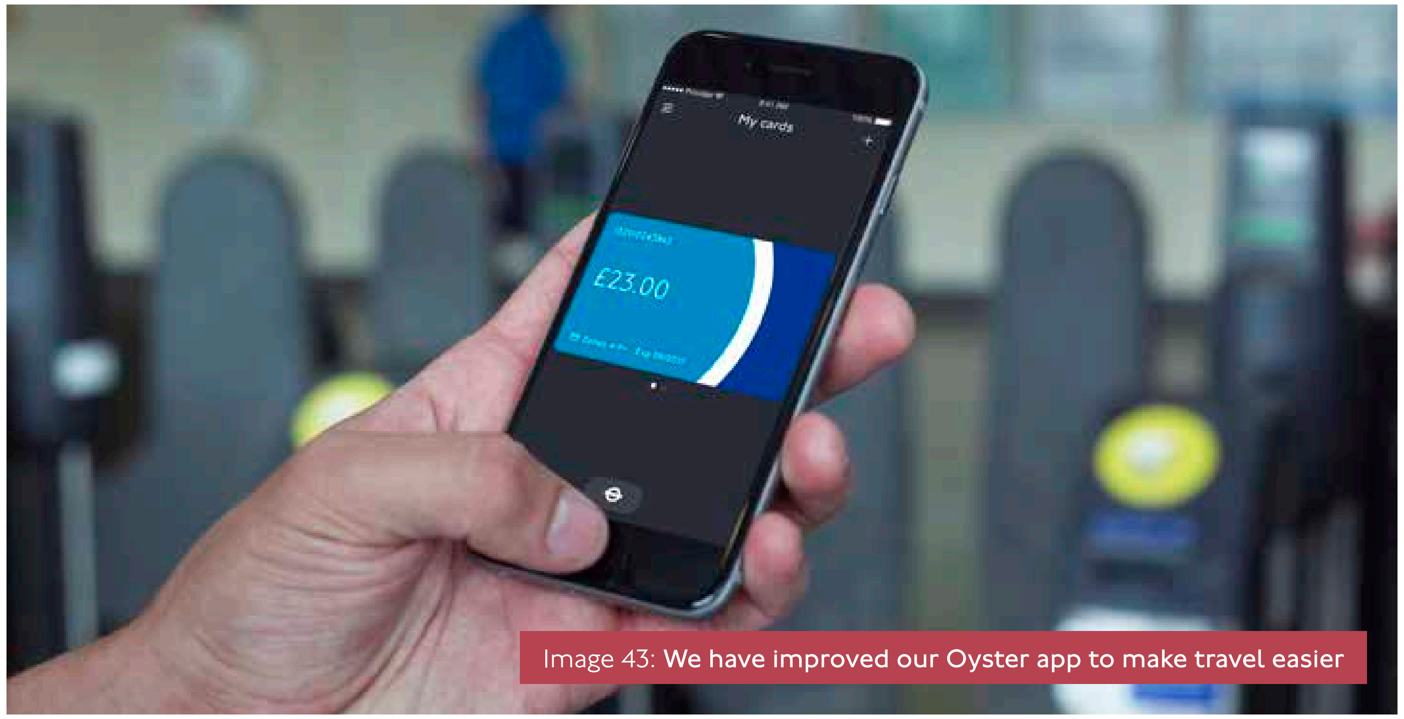


Image 43: We have improved our Oyster app to make travel easier

In addition, with just a few quick taps on their smartphone, customers can check their balance, add pay as you go credit and Travelcards, and top up their card using our new Oyster app. They can also view the last eight weeks of their journey history and, for the first time, receive 'low balance' alerts.

Our app is free to download via the Apple App Store and Google Play Store.

Customers can now also use Samsung Pay on their mobile phone to travel. The app, which can be downloaded from the Samsung Galaxy Apps Store, supports MasterCard plus Visa credit and debit cards from major UK financial institutions. It can be used for pay as you go journeys on buses, the Tube, trams, DLR, London Overground, TfL Rail, the Emirates Air Line, River Bus services and most National Rail routes in London.

1 billion
journeys made by contactless payment on London's transport network

36 million
journeys are made through the Blackwall Tunnel every year

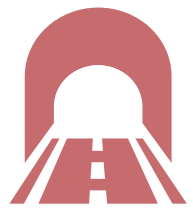



Image 44: Transport is helping to transform parts of London

New homes and jobs

Transport shapes our cities and regions, develops economies and supports new homes and jobs.

Transport encourages growth, which is essential for London's continued success. But it has to be the right type of growth – the type that encourages people to walk, cycle and swap their cars for public transport.

We are working to develop some key infrastructure themes, such as Crossrail 2 and the Bakerloo Line Extension, which will deliver hundreds of thousands of homes and jobs across London.

By developing our land and property, we are adding to this growth. Unlocking our land has the ability to transform dozens of neighbourhoods across London, create thousands of jobs, and generate hundreds of millions of pounds to plough back into the transport network, alongside operational improvements such as step-free access at stations. We are also helping to deliver the Mayor's vision of creating more affordable homes.

Working in partnership to benefit Londoners

We are now an established property developer, creating partnerships to deliver thousands of homes on our land, as well as generate vital long-term revenue. Over the course of the year, we brought forward 22 sites, capable of providing more than 3,800 new homes, half of which will be affordable.

Landmark Court

In July, we announced Triangle London Developments as our preferred bidder to create a joint venture to develop Landmark Court in Southwark.

Triangle London Developments is a consortium of U+I and Notting Hill Housing and is one of the partners on our Property Partnership Framework.

The currently underused site is within walking distance of London Bridge station, Borough Market, Tate Modern and the Globe Theatre. It will be transformed into a local cultural and social hub, where people will want to live, work and visit.

The site has the potential for about 130,000 sq ft of new commercial, retail and work space, and around 80 new homes (at least 35 per cent of which will be affordable). Proposals will make the most of outdoor public space and improve walking routes in the area.

Landmark Court is one of the first five locations fast-tracked for development by the Mayor, which overall comprise 50 per cent affordable housing.

‘There is huge opportunity to create something very special at Landmark Court that really adds to and complements the fabric of the neighbourhood’

Richard Upton
Deputy Chief Executive, U+I

i

More than 60 per cent of our procurement is with companies outside London and this investment supports around 50,000 jobs beyond the Capital. Over the past three years, we have spent more than £700m in the North West, including £400m in Manchester alone.

The joint venture will consult with Londoners to develop a detailed design before applying for planning permission. Work is expected to start in 2019, with completion anticipated by 2022.

Blackhorse Road

We named BLLQ LLP as our preferred bidder for a joint venture partnership to develop a 1.8-acre site opposite Blackhorse Road station in northeast London. Currently used as a car park, it has the potential to provide around 350 new homes by 2022, 50 per cent of which will be affordable. Subject to permissions, work could begin in 2019.

The site is surrounded by a number of developments, which are creating a new neighbourhood made up of around 1,700 homes, plus retail, commercial and leisure spaces. It is ideally placed for public transport owing to its close proximity to Blackhorse Road station, which is served by the Victoria line and London Overground. Local bus routes, as well as walking and cycling connections will provide even more options for commuters.

Limmo Peninsula

In February, we also announced plans to transform a key Elizabeth line tunnelling site into a new neighbourhood with 1,500 homes, 40 per cent of which will be affordable.

The 12.3-acre Limmo Peninsula site in Canning Town is the largest site we have released, and will deliver 600 much-needed affordable homes in a new neighbourhood in east London.

Image 45: Limmo Peninsula will deliver 600 affordable homes in east London

Elizabeth line over-station development

We are also progressing a huge programme of retail, commercial and residential developments above Elizabeth line stations in central London.

Plans are in place for 12 major property developments that cover more than three million square feet of high-quality office, retail and residential space between Paddington in the west and Woolwich in the east.

These schemes will raise an income of around £500m for reinvesting in improving transport in London.

Greater rail capacity

In August, the Government gave the go-ahead for a vital new London Overground extension to Barking Riverside.

The 4.5km extension of the Gospel Oak to Barking line to Barking Riverside Development is being part-financed by our Growth Fund and will see four trains running every hour. It will help breathe life into the area, supporting 10,800 new homes and creating a school, healthcare facilities and a new district centre with commercial and leisure opportunities. Construction is due to start in summer 2018, with services operating from 2021.

‘This is fantastic news and shows Barking Riverside is on track to become Barcelona on Thames. It’s also yet another sign that Barking and Dagenham is at the epicentre of London’s eastward shift’

Cllr Darren Rodwell
Leader, Barking and Dagenham Council

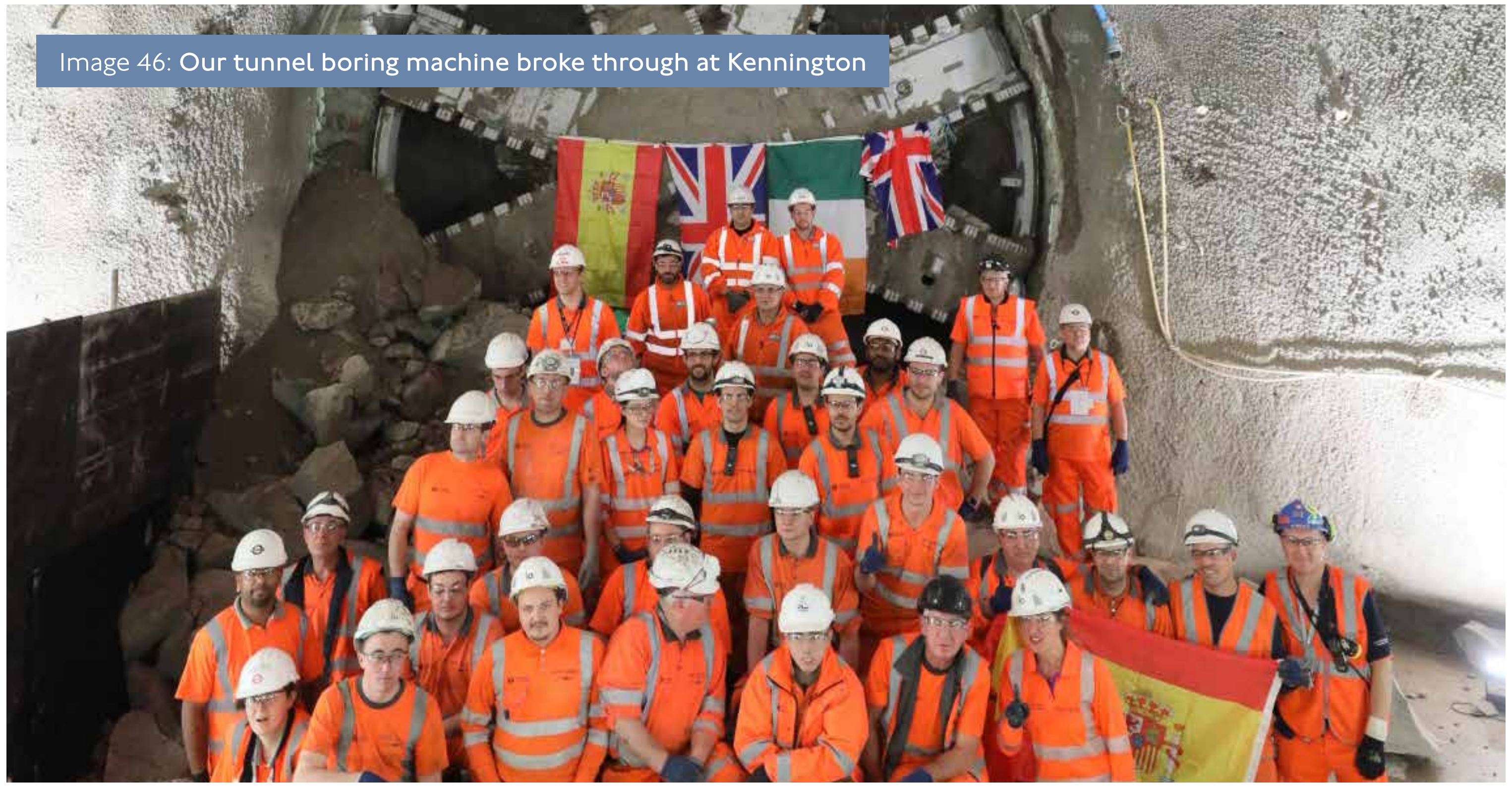


Image 46: Our tunnel boring machine broke through at Kennington

London Overground passengers could also benefit from two new stations, at Hythe Road and Old Oak Common. They would provide additional connections to HS2 and the Elizabeth line, and help contribute to the regeneration of Old Oak and Park Royal in west London.

In December, we published results from a five-week consultation that showed there is strong public support for the new stations.

Around 1,000 people responded, with 94 per cent backing the overall plan. Many said they would encourage regeneration, promote inward investment and create new jobs in the area. The findings will now help to shape the next stage of the project.

Old Oak and Park Royal represents one of London’s largest Opportunity Areas and one of the UK’s biggest development sites. It has the potential to provide 25,500 new homes and 65,000 jobs.

Building a better Tube

We are transforming the world’s oldest metro into one of the most modern.

The extension of the Northern line moved a step closer in November, when boring machine Amy broke through at Kennington. It meant the two 3.2km tunnels from Battersea Power Station, via Nine Elms, had been completed.

Since their launch in spring 2017, Amy and sister tunnelling machine Helen had been working around the clock to create the north and southbound tunnels that will extend the Charing Cross branch of the line.

Due for completion in 2020, it is the first major Tube extension since the Jubilee line in the late 1990s. Construction of two new stations at Battersea and Nine Elms is progressing well and services on the line have continued uninterrupted while the work has taken place.

The scheme will add vital capacity to London’s transport network and enable regeneration of the Vauxhall, Nine Elms and Battersea areas, supporting around 25,000 jobs and more than 20,000 homes. In addition, construction of the extension is adding to the UK economy and supporting a further 1,000 jobs, including around 50 apprenticeships.

Bakerloo line extension

We continued working on proposals to extend the Bakerloo line beyond Elephant & Castle, which could support at least 25,000 new homes and 5,000 jobs in southeast London. The line would also reduce journey times and relieve congestion on local bus and National Rail services.

In July, we published the results of a public consultation on potential stations at Lewisham and New Cross Gate, plus another two along Old Kent Road. Ventilation shafts were proposed between Elephant & Castle and Old Kent Road, between New Cross Gate and Lewisham, and at the end of the line in Lewisham.

Partnership spotlight

Small Sites, Small Builders

In February, we released 10 small sites into the Mayor's 'Small Sites, Small Builders' programme. This initiative will help to support small and medium-sized builders.

The sites range in size from one or two house plots to 42 new home developments. The 10 sites will deliver 111 new homes, of which 68 per cent will be affordable.

Land at Cable Street, near the Shadwell DLR in Tower Hamlets, and a site at Christchurch Road in Lambeth, were both earmarked for community-led housing and will deliver 100 per cent affordable housing.

Overall, around two thirds of respondents expressed support for the Bakerloo line extension. Findings are being carefully considered and will help us to develop our plans. Once a decision has been made on the preferred locations of the stations and ventilation shafts, more work will be done to finalise the tunnelled route. A further public consultation is likely to take place in 2018.

Crossrail 2

We are working alongside an Independent Affordability Review, set up by the Transport Secretary, Chris Grayling, and the Mayor to look at ways of making the Crossrail 2 scheme more affordable.

Crossrail 2 would link National Rail networks in Surrey and Hertfordshire with a tunnel from Wimbledon in the south to Tottenham Hale and New Southgate in the north. By freeing up space on main lines to run faster, longer-distance trains, it would transform journey times and connections across the South East, as well as linking with HS2 at Euston. By boosting the capacity of London's rail network, it would also help to relieve congestion on the Underground.

Blackhorse Road site could provide

350

new homes by 2022
(50 per cent will be affordable)

130,000 sq ft

potential for commercial, retail and work space at Landmark Court

Image 47: Our commercial railway arches are used by many different small businesses

Crossrail 2 would also boost the economy by up to £150bn and support around 200,000 new homes and 200,000 jobs.

The scheme enjoys widespread support. Last spring, councils across London and the South East, as well as 59 MPs, pledged their support for Crossrail 2 and called on ministers to push ahead with it.

More than 70 business leaders and in excess of 60 homebuilders and developers have told ministers that Crossrail 2 is essential to fixing the housing crisis.

We await a decision from the Transport Secretary on our updated business case and funding following the latest review. Construction could start in the early 2020s and the railway could be operational in the mid-2030s.

Kingsland Road arches

We own roughly 700 commercial arches across London, conventionally viewed as being suitable for storage or light industrial use.

Seven commercial units in railway arches under the East London line in Shoreditch are set to be renovated to bring a new lease of life to this part of London.

The arches are located close to the junction of Kingsland Road and Old Street. Plans include creating an expanded space and opening up opportunities for retail, food and drink outlets, which would also create jobs. ◆

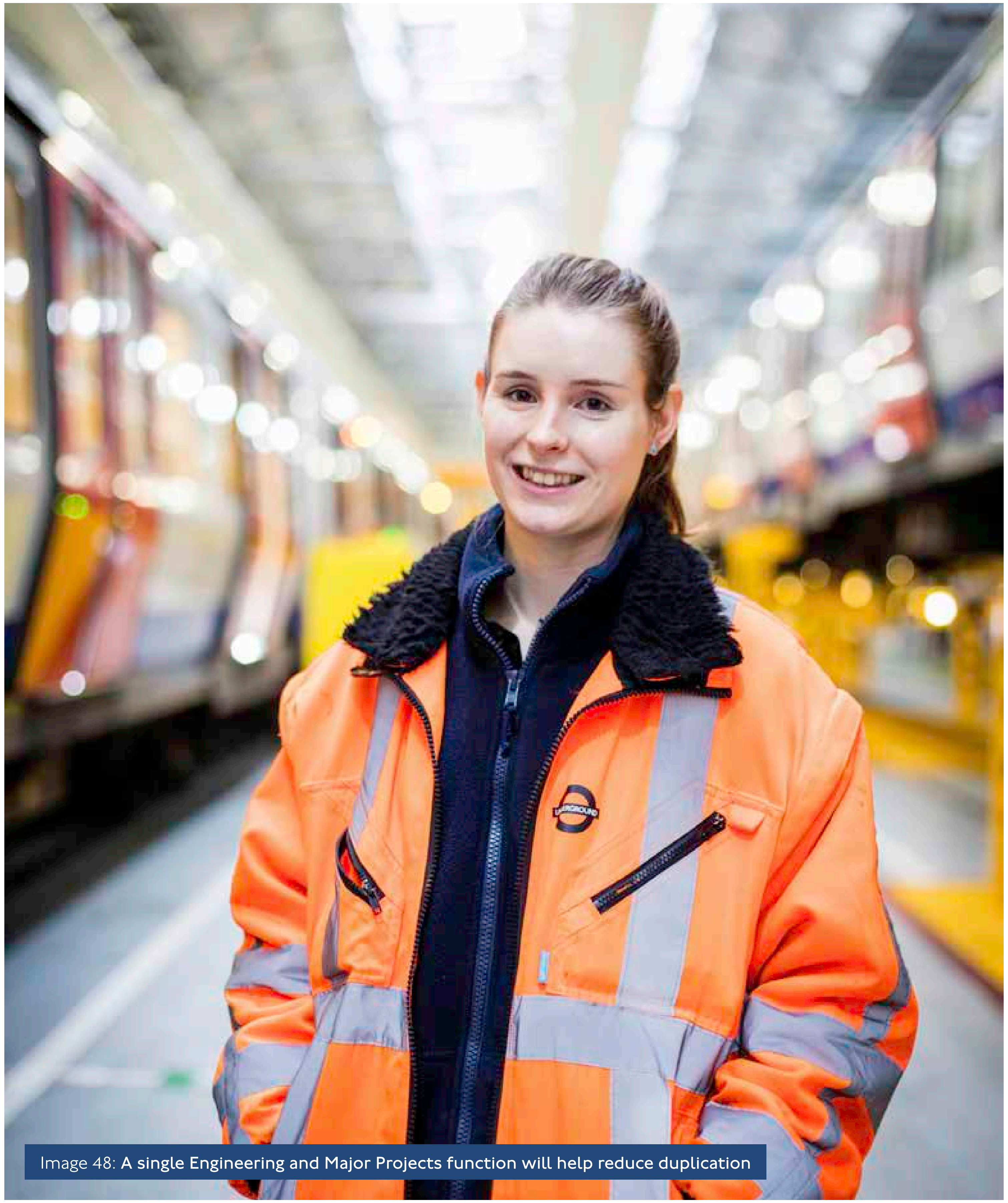


Image 48: A single Engineering and Major Projects function will help reduce duplication

Operating our business

At the heart of our work is a cost reduction and modernisation programme designed to make sure we are providing the safest, most affordable and efficient transport service for Londoners.

This was our first year without a direct operational grant from the government, which means we had to manage the loss of more than £700m in funding and a subdued economic climate, which affected our passenger numbers and revenue. Despite this, we are making good progress in reducing costs and are on track to achieve our 2022/23 net operating surplus target. We continue to rigorously identify opportunities to make further savings and will always seek to capitalise on commercial opportunities in order to reinvest in improving transport.

Delivering in a changing world

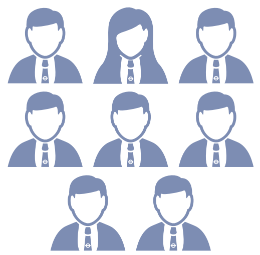
We have consolidated our head office accommodation, vacating older buildings and co-locating staff to our new hub in Stratford, which will save more than £100m by 2022/23. This will improve collaboration and enable smarter, more flexible working.

Over the past year, we have identified and implemented new business structures and ways of working that will enable us to function more efficiently and at a lower cost.

We have redesigned 30 business areas, reviewed more than 10,000 roles, reduced management layers and consolidated activity, including creating single Engineering and Major Projects functions. This work has helped to remove duplication, ensure efficiencies and speed up decision making. These major organisational changes will create annual savings of £111m over the life of our Business Plan.

Through our transformation programme, we have taken our responsibilities to our people, and their welfare, very seriously. Wherever possible we have done all

1 in 8
engineering professionals are women



200
TfL employees promote STEM to young people

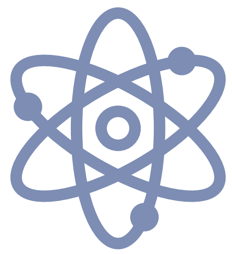


Image 49: We have consolidated 50 facilities management contracts

we can to avoid losing staff. This includes stopping external recruitment, reducing agency workers and redeploying staff across the business. Engaging with staff during this period has been a key focus for our leaders. Other activities to drive down costs by 2022/23 include:

- Reviewing, re-tendering and re-negotiating bus contracts, saving £375m
- Continuing the modernisation of London Underground, including exiting a private partnership maintenance contract that will save around £200m
- Developing plans to deliver £1.2bn of value engineering efficiencies in our Investment Programme

Trade unions

We recognise seven trade unions for the purposes of collective bargaining: ASLEF, PCS, Prospect, RMT, TSSA, Unite the Union and Unison. We have worked with the unions throughout the year and always strive to have a constructive and professional relationship, recognising the vital role they play within the organisation at all levels. This includes negotiations and consultation activities, as well as supporting their members on individual issues.

During the significant transformational change in 2017/18, our union representatives have devoted their working time to representing employees' interests. This includes scrutinising and challenging change proposals to ensure they are well thought out and working with management teams to avoid redundancies wherever possible.

Our unions also continue to make a valuable contribution to the health, safety and wellbeing of our staff, with union health and safety representatives throughout the company. Representatives also play an active role in equality and learning matters.

More transparency

Since publishing our Transparency Strategy in October 2015, we have increased the amount of data we make available. Since January 2017, we have published responses to all Freedom of Information (FOI) requests online. We also look for ways to reduce the need for people to submit FOI requests, by making as much data as possible easily accessible.

In September, we launched a six-week consultation to help inform the next phase of our strategy. This looked at how we could improve in terms of providing the information that stakeholders want, as well as the data formats and regularity in which they should be published. It also asked for wider comments about how this data should be grouped or presented on our website and whether further support should be provided to developers, stakeholders and researchers who regularly use the data.

Contracting cleaners

In September, a five-year contract was signed with ABM UK to provide cleaning services for Tube stations, trains, bus depots and our buildings. The deal guarantees that 2,800 people will receive the London Living Wage and is one of six facilities management contracts that have been consolidated from 50 – saving money that could be invested in the transport network.

All companies were required to submit an equality and diversity plan as part of their bids, and ABM UK will be measured against this. It will create 150 apprenticeship positions, offering people the chance to earn while they learn. It will also provide opportunities for those who may have previously encountered barriers to employment.

60
digital displays allow Tube customers to watch full-motion ads on platforms

50
of our facilities contracts have been consolidated into six, saving us £34m

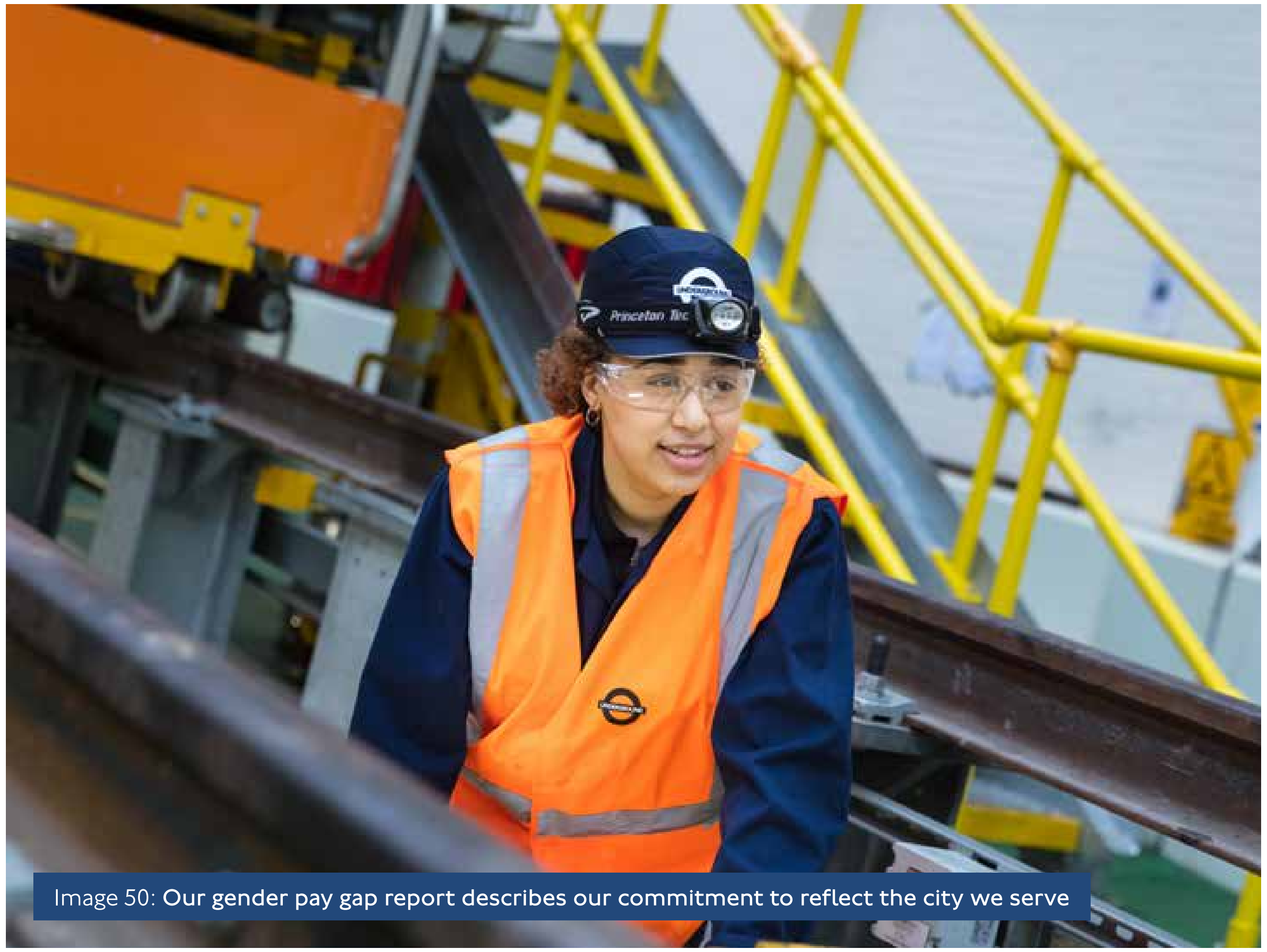


Image 50: Our gender pay gap report describes our commitment to reflect the city we serve

Overground maintenance contract
A new contract for maintaining London Overground's Dalston/Highbury & Islington – West Croydon/Crystal Palace/ New Cross line is providing job security for employees of previous supplier Carillion, which went into liquidation in January.

The agreement, which began in April 2018, allows them to transfer to new contractor Cleshar and guarantees continued work and pay.

Gender pay gap
London is one of the most diverse cities in the world. Our success as an organisation depends upon talented people from all communities, backgrounds and walks of life.

Roles within the transport industry have traditionally been dominated by men and, disappointingly, women account for less than a quarter of our current workforce.

We need to create an organisation that more women choose to join and that encourages women to progress their careers and be successful. This will also help us close the gender pay gap.

We are working hard to address discrepancies in equal pay, but the scarcity of women in leadership roles means we have a way to go. In February, we published our gender pay gap report, which describes our commitment to reflect the city we serve, and make the most of our talent.

We have made significant progress on our commitments:

- This year, we appointed a Diversity and Inclusion Director who is accountable to the Commissioner and responsible for leading our plans in this area
- We have added an 'inclusion index' to make everyone more accountable for diversity and inclusion
- We have partnered with the Cabinet Office's Behavioural Insights team to tackle the gender pay gap, using data and behavioural science to better understand and drive improvements

Engaging new engineers
Fewer young people are going into engineering, and consequently there is a skills gap in the transport sector. This year, we are supporting the DfT's Year of Engineering campaign, which aims to debunk some of the myths around the profession and inspire the next generation to consider it as a career choice.

Case study

Fairer pay and conditions for bus drivers

A landmark deal, brokered by the Mayor between us, trade union Unite and the bus companies, guarantees a fairer pay deal for drivers.

The agreement, called Licence for London, was announced in January. It ends the system where bus drivers moving from one company to another are paid the lowest possible wage, even though they might have years of experience.

Now, drivers can start at a new company at a pay grade that reflects their level of service and history. However, they will still need to complete a probationary period and their service will not technically be seen as continuous, as far as employment law is concerned.

In February, the Mayor also announced plans for improving working conditions for London's bus drivers by ensuring that all have access to a toilet on their routes for all hours of their working day. He will allocate £6m to install permanent toilets along 40 routes that currently only have limited access.

The unions and bus operators were closely involved in resolving this significant concern for drivers.

Image 51: All our advertising revenue is invested back into our services

Forecast figures show an anticipated shortfall of more than 55,000 people equipped to work in transport infrastructure by 2020. Also, only one in eight engineering professionals are women and representation from black, Asian and minority ethnic communities is low.

We have more than 200 employees who work with schools and young people to highlight careers in engineering. We also run the TfL Innovate programme, where schools develop ideas to improve transport (read more on page 90).

Unique proposition

In December, it was announced that the Elizabeth line would be launched in partnership with six brands.

The new railway will dramatically improve transport links throughout the South East. The commercial partners will be offered sector-exclusive advertising rights across the Elizabeth line environment, as well as the chance to work with us on marketing integration.

A total of 200 million passengers are expected to use the new line annually – more than all of London's airports combined. This offers an unrivalled opportunity for brands to align themselves with a moment in London's history.

Advertising, partnerships and licensing

In September, we published our first annual advertising report, which revealed an increase in our advertising revenue in 2016/17. More than 16,000 adverts ran on our network, earning us around £142m – up nearly 20 per cent from £120m in 2015/16. All of this was invested back into our services.

To ensure these adverts are appropriate for a diverse and growing city, we have revised our advertising policy, with a particular focus on addressing issues around body image. This followed a pledge from the Mayor to ban adverts that could potentially pressurise people to conform to unhealthy or unrealistic body standards.

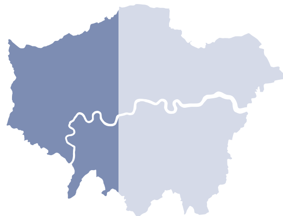
Partnership spotlight

Hello London

A partnership between us and Exterion Media has launched DX3, London's newest digital advertising channel. Since February, 60 new digital displays across the Tube network have allowed customers to watch full-motion ads while standing on station platforms. Jaguar, LG, Gillette, Tesco and EOS were among the first brands to display content this way.

16,000
adverts ran on our network, earning us around £142m

We own
40%
of London's outdoor advertising space



Case study

Innovate TfL

A unique programme – Innovate TfL – gives Year 12 and 13 students the chance to develop their skills and gain valuable work experience with us.

The programme, run in association with Cleshar, asks groups of young people to work together to come up with an innovative solution to a real challenge.

Supported by us and their school, college or youth organisation, they must produce:

- A filmed presentation in school (up to five minutes), with all team members contributing
- A 30-second advert
- A design of their innovation

Team members are assigned roles that reflect the real world, and the best teams are shortlisted to attend an event in central London with our senior staff, stakeholders and suppliers. Those teams also win work experience with us.

Other benefits include the chance to develop skills in communications, project and time management, analytics, research, creativity, numeracy and literacy.

Brand licensing

In May, we signed a five-year deal with the TSBA Group to expand our brand licensing programme, which includes the London Tube map and our roundel logo, to the global market.

Through TSBA, we licensed a weekly magazine, published by Hachette Partworks, that lets fans of London transport build their own authentic 1:12 scale model of the legendary Routemaster. Readers can also find out about London's transport history.

It is available from UK retailers, as well as through buildtheroutemaster.com. We are also working with Hachette Partworks to take the magazine to international markets in the future.

Investing in our people

Our employees are regularly offered mental health and trauma support training to enable them to assist both colleagues and customers.

Last summer we celebrated Pride by transforming parts of the transport network with a new rainbow design, created to raise awareness and show support for the LGBT+ community.

Highlighting #loveislove, the bold design could be seen above the Oxford Street entrance of Tottenham Court Road station. Rainbow roundels also went on display at Tottenham Court Road, Oxford Circus and Piccadilly Circus Tube stations.

Anyone hiring a Santander Cycle also had the chance to ride on one of the 50 bikes that featured rainbow livery on their rear mudguards. This initiative further demonstrated how proud we are of London's diversity.

Image 52: Our apprenticeships offer opportunities in a broad range of subjects

Opportunities for young people

Earlier this year, we started the search for around 180 new apprentices, offering exciting opportunities in areas including engineering, cyber security and finance.

Building on the success of our current apprenticeship programme, we have added a further six schemes. Half of these new opportunities will be level-six apprenticeships, meaning students will study for a degree qualification in areas such as civil engineering, quantity surveying and commercial property surveying, while earning and gaining real work experience.

Remuneration Report

Introduction

I am proud to have taken over from Baroness Grey-Thompson as the Chair of the Remuneration Committee earlier this year. In this role, my job is to ensure that TfL has an appropriate remuneration policy to recruit and retain senior employees with the capability and experience to deliver the Mayor's ambitious agenda for transport.

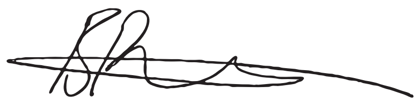
This year, the team at TfL will help people to make more than four billion journeys in and around London safely, reliably and efficiently, and be responsible for some £9.8bn of income and expenditure to keep the city moving and growing. TfL's capital investment programme is one of the largest in the world, and the decisions TfL makes are significant both to the national economy and overseas. We have to make sure our management team is qualified for this challenge.

At the same time, TfL is receiving less financial support from Government than ever before and is going through some of the biggest changes in its history. This Annual Report sets out all of the ways in which the management team is delivering in the face of those challenges, while also cutting year-on-year operating costs this year for the second year running.

Our independent market benchmarking shows that the remuneration of TfL's senior management is relatively low compared with the organisations with which it competes. The base salaries of the Commissioner and his most senior team have, where the accountabilities for the individuals have remained unchanged, been frozen for the four year duration of this Mayoral term.

TfL has completed some significant organisational change over the past 12 months, which brings with it unavoidable one-off costs. Once these are taken into account, the number of senior managers who earned more than £100,000 has fallen this year.

As TfL's Remuneration Committee, we are charged with setting a policy that allows the organisation to compete in a global market to secure the right talent, while always delivering value for money. We feel we have an appropriate and balanced approach to rewarding our senior staff that meets that goal.



Ben Story
Chair of TfL's Remuneration Committee

Governance

Remuneration Committee members

Ben Story (Chair)*
Kay Carberry CBE (Vice Chair)
Baroness Grey-Thompson DBE*
Ron Kalifa OBE
Valerie Shawcross CBE

* Ben Story took over as Chair of the Remuneration Committee from Baroness Grey-Thompson in December 2017

Remuneration Committee role and responsibilities

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

The Committee consists of five members as shown left. The Committee's terms of reference are published on the TfL website but essentially involve the review and setting of the remuneration of the Commissioner, Managing Directors, General Counsel and the Chief Finance Officer. The Committee also helps to review the remuneration strategies for the senior manager group, particularly regarding performance related pay.

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

The Crossrail Remuneration Committee operates to its own contractually agreed remuneration principles and remuneration framework, rather than the TfL remuneration framework.

Dates of meetings during 2017/18
While Committee members met informally on several occasions during the year, it met formally on two occasions: 19 July 2017 and 2 October 2017.

Activities of the Remuneration Committee during 2017/18
In July 2017, the Committee reviewed overall performance against the 2016/17 TfL and business area scorecards and agreed the final performance awards for the most senior employees.

The Committee asked that its terms of reference be reviewed, so that it considers wider strategic issues around our remuneration structure. This would include benchmarking, skill sets and gaps, talent management, equality and inclusion at senior levels and the ability to attract and retain key staff.

During 2017/18, the TfL Board and Executive Committee have been developing a new TfL Scorecard to provide a clear line of sight between the Mayor's Transport Strategy, our Business Plan, our Budget and how we monitor and drive our performance.

The scorecard focuses on the critical success factors for the year ahead and is an objective method for tracking our performance. The measures are directly linked to the overall Mayor's Transport Strategy objective of 80 per cent of journeys to be made by walking, cycling or public transport by 2041, and the three key themes:

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

These are also assessed against four key organisational areas: Safety and Operations; Customers; People; and Financial. Each area has a 25 per cent weighting, reflecting their equal importance to our delivery for London.

The measures to be used for the 2018/19 scorecard, together with their alignment to the Mayor's Transport Strategy outcomes and themes, are:

Healthy Streets and healthy people

1 **London's transport system will be safe and secure**
Measured by the reduction in the number of people killed or seriously injured (KSIs) on London's roads and from incidents involving buses and the number of injuries sustained on the public transport network

2 **London's streets will be used more efficiently and have less traffic**
Measured by operational improvements to sustainable travel cycling trips

3 **London's streets will be clean and green**
Measured by the number of London buses that are Euro VI compliant

4 **More Londoners will travel actively**
Measured by Healthy Streets scheme assessment

A good public transport experience

5 **Journeys by public transport will be fast and reliable**
Measured by excess journey time (London Underground) and average bus speeds

6 **Public transport will be accessible to all**
Measured by additional time to make step-free journeys

7 **Journeys by public transport will be pleasant**
Measured by the percentage of Londoners who agree we care about our customers

New homes and jobs

8 **Transport investment will unlock the delivery of new homes and jobs**
Measured by the percentage of housing units we take to market in year that are affordable

Mode share

9 **80 per cent of journeys will be made by sustainable modes in 2041**
Measured by sustainable mode share improvement

All Mayor's Transport Strategy themes

10 **All mayor's Transport Strategy outcomes**
Measured by key milestone delivery and opening the Elizabeth line central section on time

People

11 **A capable and engaged workforce representative of London**
Measured by workforce representativeness index (all employees) and workforce representativeness index (Director/ band 5), inclusion index and total engagement index

Financial

12 **We are prudent and cover our costs**
Measured by the net operating surplus and the investment programme

Policy

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

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

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

The remuneration for each member for the year ended 31 March 2018 is shown in appendix 5.

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

The reward structure that has been developed is commensurate with this policy. It includes a base salary and a performance award scheme against the achievement of a range of Public Transport, Customer, People and Financial targets.

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

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

Component	Purpose	Operation	Maximum
Base pay	To reflect the individual's role, experience and contribution. Set at a level to attract and retain individuals of the calibre required to lead a business of TfL's size and complexity.	The following factors are taken into account: • Remuneration benchmark information from a specific peer group to identify a market median range of base pay which reflects what TfL's Commissioner, Managing Directors, General Counsel and Chief Finance Officer would receive if they were to work in a similar role in another company of similar size, complexity and scope • The scope and responsibility of the role • The individual's skill, experience and performance against targets • Affordability for TfL	There is no prescribed maximum salary. There will be no increases to base pay (where the accountabilities for the role remain unchanged) for the Commissioner, Managing Directors, General Counsel, Chief Finance Officer and Directors during the Mayor's current term in office.
Performance related pay	To incentivise delivery of stretching one year key performance targets (both individual and collective) as measured through individual performance objectives and business scorecards.	Performance awards consist of three elements: i) A component for TfL's overall performance as measured by the TfL scorecard ii) A component for the performance of one of the four business areas they lead as measured by the business area scorecard iii) A component for personal performance. The three elements are combined to arrive at an appropriate award. Awards are paid in the following financial year.	The maximum award for the Commissioner is 50 per cent of base pay. The maximum award for Managing Directors, General Counsel and Chief Finance Officer is 30 per cent of base pay.

* Information not subject to audit

Component	Purpose	Operation	Maximum
Benefits	To provide a competitive total reward package that supports attraction, retention and motivation.	The Commissioner, Managing Directors, General Counsel and Chief Finance Officer receive the same core benefits as all other TfL employees. The only enhancements are full family cover for private medical benefit and an annual health assessment (which is available to all TfL Directors).	
		Membership of the TfL Pension Fund, a 'defined benefit' scheme which provides for a pension payable from age 65, based on 1/60th of pensionable salary for each year of service or, if invited and eligible, similar benefits provided on an unfunded basis.	Pensionable salary is capped at £154,200 from 6 April 2017 for members who joined after 31 May 1989.
		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.	

The remuneration received by the Commissioner, Managing Directors, General Counsel and Chief Finance Officer for 2017/18 are shown on pages 110 – 117

Performance related pay

The TfL Group scorecard below shows the performance targets for 2017/18, aligned to our 2017/18 Budget. The scorecard is balanced against four areas with each area receiving a 25 per cent weighting, reflecting their equal importance to our delivery. The table shows the measures used to determine any performance related pay.

Outcome	Unit of measure	2017/18 Target
Public Transport		
Safe and secure travel	Reduction in KSIs on London's Roads (%)	45.4
	Worforce and customer injuries	10,265
Tackling crowding and ensuring good growth	Available passenger km (bn)	116
Improving public transport services	Streets journey time reliability (%)	88.5
	Bus excess wait time (minutes)	1.1
	Average bus speeds (mph)	9.2
	Tube excess journey time (minutes)	4.30
Deliver critical infrastructure, and prepare for the Elizabeth line	Key milestone delivery (%)	100
Customer		
TfL works for its customers	Care metric (%)	51
Active and inclusive travel	PT and cycling journeys (m)	4,088
Reducing impact on air quality, carbon and environment	NO_2 concentrations (µg/m3)	61
Deliverable affordable housing	Affordable housing (%)	50
Creating an accessible public transport system	Step-free journeys (%)	16.7

Outcome	Unit of measure	2017/18 Target
People		
A workforce representative of London	All staff workforce diversity (%)	70.3
	B5+ workforce diversity (%)	40
	Action on Equality (%)	90
A capable, engaged workforce	Total engagement (score)	59
A more effective, efficient organisation	Transformation milestone (%)	100
	Transformation survey	+3
Financial		
We are financially sustainable	Net operating surplus (£m)	293
We are prudent	Daily cash above minimum (%)	95
	Period average cash balance (£m)	540

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

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

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

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

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

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

Remuneration

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

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

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

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

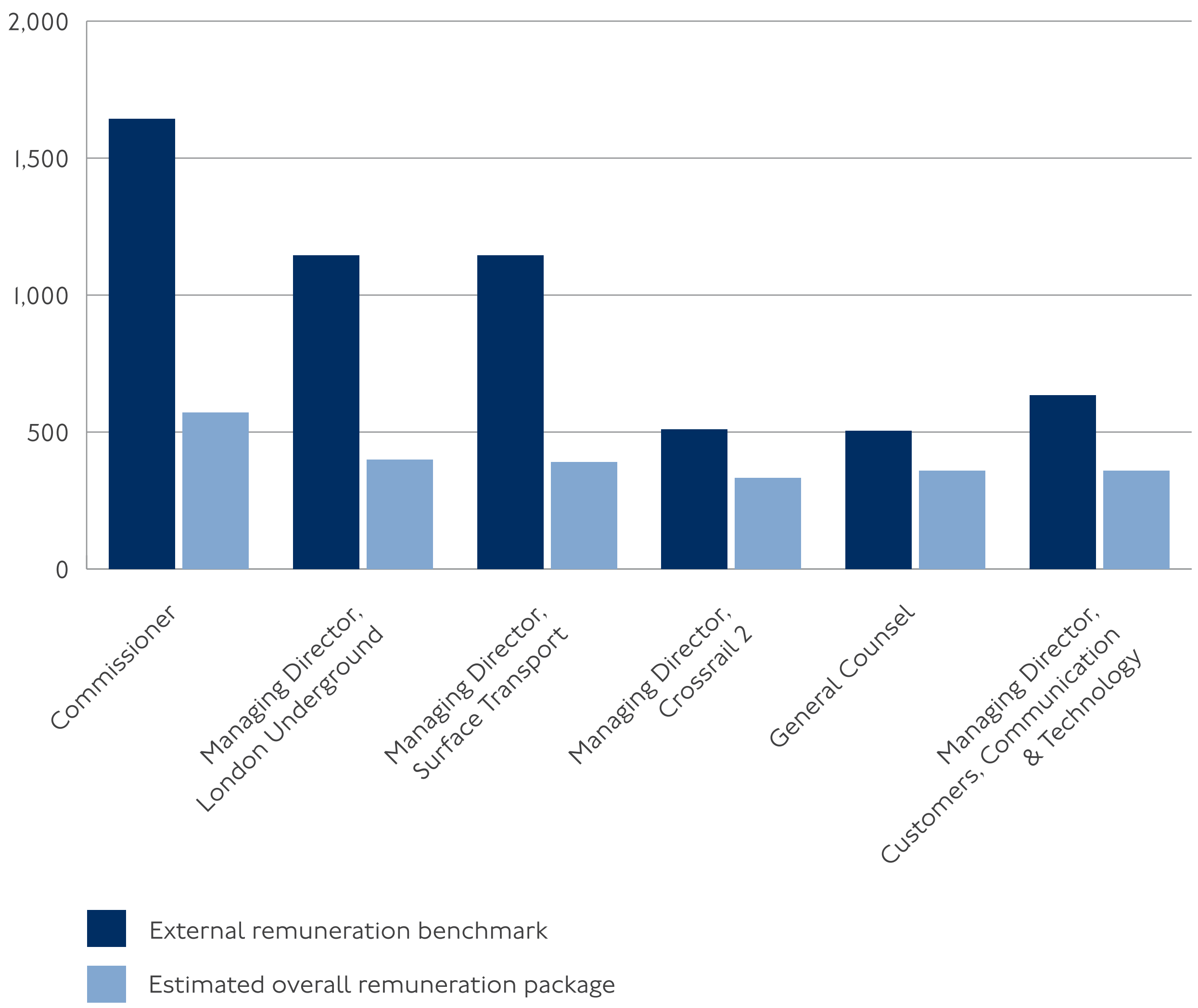
To enable a like-for-like comparison with the peer group, we have adjusted the remuneration of our senior executives to align it with the definitions provided by New Bridge Street.

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

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

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

Benchmarking of remuneration for Commissioner, Managing Directors and General Counsel (£000s)*



* Chief Finance Officer is excluded from the chart as no permanent Chief Finance Officer was in place at 31 March 2018

Comparison of senior executive pay to rest of TfL

The base salary of the Commissioner in 2017/18 was £355,944. This compares with the median base salary of £49,500 and the lowest base salary (excluding apprentices) of £18,900. The ratio between the Commissioner's salary and median base salary is 7.2 to 1 and the ratio to the lowest base salary is 18.8 to 1.

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

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

Note: employees' remuneration is consistent with the definition on pages 97 and 98 and includes salaries, fees, performance related pay, benefits in kind, lump sums and termination payments. It excludes employer pension contributions and employer national insurance contributions paid, and is based on remuneration received by employees during the relevant year.

Summary of employee information

Total headcount (including agency staff) reduced from 29,189 on 31 March 2017 to 28,456 on 31 March 2018. The average headcount (permanent and fixed-term contract) has reduced by 137 since last year and the average number of agency staff has reduced by 944.

Headcount management has helped maintain remuneration costs at a similar level despite inflation linked pay increases for some employees and increased severance payments.

Our median cash earnings have decreased from £51,832 to £51,530. The ratio of Commissioner's cash earnings to the pan-TfL median earnings is 7.3:1.

Year	Average headcount (1)	Total remuneration costs £m (1)
2013/14	25,294	1,737.9
2014/15	26,090	1,803.6
2015/16	27,501	1,942.0
2016/17	27,131	1,963.9
2017/18	26,994	2,250.6

(1) From statutory accounts

Note: average headcount and total renumeration costs include permanent, and fixed-term contract (FTC). Total remuneration costs include non-cash pension charges of £595.5m in 2017/18 (2016/17 £365.6m). Group employee costs and average employee numbers for 2013/14-2014/15 have been restated to exclude the costs of British Transport Police Authority staff and officers working on the London Underground. Costs of these individuals have been reclassified as non-employee costs within other service expenditure.

Other employees' remuneration (including Crossrail)

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

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

The remuneration disclosure is also affected by the Crossrail project. The number of employees of Crossrail Limited receiving total remuneration of £50,000 or more decreased from 304 in 2016/17 to 292 in 2017/18. The corresponding figures for those receiving total remuneration of more than £100,000 per year decreased from 61 in 2016/17 to 53 in 2017/18.

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

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

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

In 2017/18, 169 people earned a total remuneration of more than £100,000 during the course of the financial year and had a base salary of £100,000 or more per year, compared with 189 in 2016/17. Nineteen people have now left the organisation, a number of whom will not be replaced.

Overtime was worked by specialist engineers and highly skilled project employees, 71 of whom earn a base salary of less than £100,000 per year, but the overtime they earned took their total remuneration above the threshold, compared with 88 in 2016/17. Many of these people are specialist engineers working overnight and at weekends on major projects, such as installing new signalling on the Circle, District, Hammersmith & City and Metropolitan lines.

A total of 224 people (compared with 122 in 2016/17) who were on a base salary of less than £100,000 per year, received a one-off voluntary severance payment that took their total remuneration above this threshold. This is largely due to people leaving as part of our transformation programme, which is working to reduce management layers and eliminate duplication in order to improve efficiency.

Therefore, the total number of TfL staff (excluding Crossrail) who received total remuneration of more than £100,000 per year, including severance payments and overtime, was 564 in 2017/18 compared with 515 in 2016/17.

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

	2017/18	2016/17
Base salary more than £100k	169	189
Base salary between £80k and £100k	100	116
	269	**305**
Voluntary severance payments taking earnings over £100k	224	122
Level of overtime worked taking earnings over £100k	71	88
Total TfL	**564**	**515**
Crossrail	53	61
Total (including Crossrail)	**617**	**576**

Appendices

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

Employees' remuneration

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

*Information subject to audit

	Group 2018 number**	Group 2017 number	Corporation 2018 number***	Corporation 2017 number
50,000 – 54,999	5,245	5,466	713	499
55,000 – 59,999	2,582	2,540	615	413
60,000 – 64,999	1,723	1,839	481	304
65,000 – 69,999	1,370	1,352	390	253
70,000 – 74,999	963	1,036	283	206
75,000 – 79,999	721	729	223	161
80,000 – 84,999	510	494	156	92
85,000 – 89,999	336	378	115	64
90,000 – 94,999	223	234	74	46
95,000 – 99,999	146	167	56	34
100,000 – 104,999	119	135	49	28
105,000 – 109,999	68	92	33	21
110,000 – 114,999	67	69	35	17
115,000 – 119,999	51	52	30	9
120,000 – 124,999	34	31	19	13
125,000 – 129,999	31	18	23	4
130,000 – 134,999	36	26	25	8
135,000 – 139,999	23	11	12	2

	Group 2018 number**	Group 2017 number	Corporation 2018 number***	Corporation 2017 number
140,000 – 144,999	18	9	12	4
145,000 – 149,999	16	9	8	2
150,000 – 154,999	7	4	6	1
155,000 – 159,999	11	6	7	1
160,000 – 164,999	6	6	2	3
165,000 – 169,999	14	7	10	5
170,000 – 174,999	7	3	4	2
175,000 – 179,999	14	9	6	6
180,000 – 184,999	10	5	6	3
185,000 – 189,999	10	5	3	1
190,000 – 194,999	3	4	3	2
195,000 – 199,999	9	3	5	1
200,000 – 204,999	3	2	2	-
205,000 – 209,999	6	1	3	1
210,000 – 214,999	5	3	-	1
215,000 – 219,999	4	6	1	4
220,000 – 224,999	3	6	-	3
225,000 – 229,999	3	3	1	2

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

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

*Information subject to audit

	Group 2018 number**	Group 2017 number	Corporation 2018 number***	Corporation 2017 number
230,000 - 234,999	2	1	1	1
235,000 - 239,999	3	5	1	2
240,000 - 244,999	1	7	1	2
245,000 - 249,999	1	1	1	1
250,000 - 254,999	2	3	-	1
255,000 - 259,999	-	2	-	1
260,000 - 264,999	4	4	2	1
265,000 - 269,999	1	-	1	-
270,000 - 274,999	1	4	1	-
275,000 - 279,999	2	3	2	1
280,000 - 284,999	2	1	-	-
285,000 - 289,999	2	2	1	2
290,000 - 294,999	2	2	-	-
295,000 - 299,999	1	1	-	1
300,000 - 304,999	1	1	1	-
305,000 - 309,999	1	3	-	3
310,000 - 314,999	2	-	1	-
315,000 - 319,999	1	-	-	-
320,000 - 324,999	-	1	-	-
325,000 - 329,999	2	-	1	-
340,000 - 344,999	-	1	-	1
350,000 - 354,999	-	1	-	-

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

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

	Group 2018 number**	Group 2017 number	Corporation 2018 number***	Corporation 2017 number
360,000 - 364,999	1	-	-	-
365,000 - 369,999	2	-	-	-
370,000 - 374,999	1	1	1	-
375,000 - 379,999	-	2	-	2
390,000 - 394,999	1	-	-	-
410,000 - 414,999	-	1	-	-
435,000 - 439,999	1	-	-	-
470,000 - 474,999	-	1	-	-
490,000 - 494,999	-	1	-	-
510,000 - 514,999	-	1	-	1
640,000 - 644,999	1	-	1	-
705,000 - 709,999	1	-	-	-
945,000 - 949,999	-	1	-	-
Total	14,436	14,811	3,427	2,236

Remuneration for senior employees

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

Disclosure is made for each financial year under various categories, and set out in the tables from page 110.

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.

Appendices

2: named employees receiving a base annual salary in excess of £150,000 at 31 March 2018*

*Information subject to audit

	Notes	Salary (including fees and allowances) 2017/18 £	Performance related pay (PRP) for 2016/17 paid in the year 2017/18** £	Compensation for loss of employment 2017/18 £	Benefits in kind 2017/18 £	Total remuneration excluding pension contributions 2017/18 £	Employer's contribution to pension 2017/18^ £	Salary (including fees and allowances) 2016/17 £	PRP for 2015/16 paid in the year 2016/17 £	Total remuneration excluding pension contributions 2016/17**** £
TfL employees including subsidiary companies but excluding Crossrail										
Mike Brown, Commissioner	a	*372,845	-	-	2,115	374,959	-	*373,051	139,600	514,701
Howard Carter, General Counsel	b	*255,797	51,407	-	2,115	309,319	-	*255,208	63,249	320,507
Michele Dix, Managing Director, Crossrail 2	c	*169,056	31,363	-	1,651	202,070	-	*169,056	46,464	217,570
Vernon Everitt, Managing Director, Customers, Communication and Technology	d	243,812	55,761	-	2,115	301,688	-	244,016	63,860	309,926
Simon Kilonback, Interim Chief Finance Officer	e	*232,297	28,098	-	1,651	262,046	-	*208,401	33,430	243,431
Gareth Powell, Managing Director, Surface Transport	f	*277,417	34,413	-	1,781	313,611	9,382	*251,546	34,410	287,556
Mark Wild, Managing Director, London Underground and TfL Engineering	g	284,425	42,880	-	1,651	328,956	39,386	214,726	-	215,974
Sarah Bradley, Group Financial Controller	h	157,516	9,650	-	744	167,910	32,138	131,690	9,821	142,232
Justin Brand, Commercial Revenue Director		150,000	69,000	-	744	219,744	36,829	150,000	43,571	194,292
George Clark, Director of TfL Engineering		147,452	19,071	-	1,651	168,174	35,420	130,000	17,680	149,280
Andrea Clarke, TfL Legal Director	i	161,518	26,656	-	1,651	189,825	38,766	148,832	29,770	180,202
Jean Cockerill, Human Resources Director, Employee Relations		156,540	25,560	-	744	182,844	38,106	156,897	27,930	185,548
Tanya Coff, Divisional Finance Director, London Underground		162,000	17,426	-	1,661	181,087	39,386	156,335	16,937	173,993
Graeme Craig, Director of Commercial Development		185,000	30,266	-	1,651	216,917	39,386	185,000	29,000	215,600
Patrick Doig, Divisional Finance Director, Surface Transport		149,973	24,654	-	1,651	176,278	35,534	140,000	26,000	167,600
Stephen Field, Director of Pensions and Reward	j	*190,666	75,233	-	1,651	267,550	-	*190,873	34,400	226,874

*Information subject to audit

	Notes	Salary (including fees and allowances) 2017/18 £	Performance related pay (PRP) for 2016/17 paid in the year 2017/18** £	Compensation for loss of employment 2017/18 £	Benefits in kind 2017/18 £	Total remuneration excluding pension contributions 2017/18 £	Employer's contribution to pension 2017/18^ £	Salary (including fees and allowances) 2016/17 £	PRP for 2015/16 paid in the year 2016/17 £	Total remuneration excluding pension contributions 2016/17**** £
Lester Hampson, Property Development Director		177,157	129,063	-	1,651	307,871	39,386	177,341	42,579	221,520
Stuart Harvey, Major Projects Director	k	*265,036	51,340	-	1,651	318,027	-	*235,860	43,000	280,460
Nigel Holness, Director of Network Operations	l	227,267	65,388	-	1,651	294,306	39,386	186,058	66,549	254,207
David Hughes, Strategy and Network Development Director	m	182,364	31,755	-	1,651	215,770	39,386	177,979	26,680	206,259
Antony King, Divisional Finance Director, Major Projects Directorate	n	42,885	-	-	404	43,288	2,181	-	-	-
Chris Macleod, Customer Director		*206,620	30,228	-	-	236,848	-	*205,618	32,000	237,618
Peter McNaught, Asset Operations Director		162,674	23,472	-	1,651	187,797	39,362	162,596	27,680	191,876
Andrew Pollins, Transformation Director		222,788	25,217	-	1,651	249,656	39,386	231,961	24,820	258,381
Caroline Sheridan Renewals and Enhancements Director, London Underground	o	55,585	-	-	-	55,585	13,484	-	-	-
Paul Thomas, Head of Engineering, New Tube for London	p	171,920	5,950	-	1,901	179,772	39,386	171,806	10,591	184,247
Shashi Verma, TfL Strategy Director and Chief Technology Officer		205,397	36,090	-	744	242,231	48,941	205,398	37,000	243,119
Steve White, Four Lines Modernisation Implementation Director		*207,639	24,606	-	1,651	233,896	-	*210,334	59,880	271,814
Alex Williams, City Planning Director		203,818	23,240	-	-	227,058	470	164,305	19,880	184,185
Brian Woodhead, Customer Service Director		*230,786	59,700	-	1,651	292,137	-	*166,703	-	167,868
Patricia Wright, Chief People Officer	q	*236,225	35,966	-	744	272,935	-	*236,381	39,000	276,102
David Wylie, Chief Procurement Officer	r	171,027	10,000	-	1,651	182,678	39,386	27,730	-	27,990
Ken Youngman, Divisional Finance Director, Commercial Development	s	41,430	-	-	404	41,834	3,636	-	-	-

*Information subject to audit

	Notes	Salary (including fees and allowances) 2017/18 £	Performance related pay (PRP) for 2016/17 paid in the year 2017/18** £	Compensation for loss of employment 2017/18 £	Benefits in kind 2017/18 £	Total remuneration excluding pension contributions 2017/18 £	Employer's contribution to pension 2017/18^ £	Salary (including fees and allowances) 2016/17 £	PRP for 2015/16 paid in the year 2016/17 £	Total remuneration excluding pension contributions 2016/17**** £
Crossrail employees										
Sir Terry Morgan, Non-Executive Chairman	t	250,000	-	-	1,651	251,651	-	250,000	-	251,600
Jeremy Bates, Head of Integration		163,488	21,669	-	1,651	186,808	29,337	156,199	14,500	172,299
Chris Binns, Chief Engineer		170,980	23,039	-	1,651	195,670	17,098	165,456	12,142	179,198
Mathew Duncan, Finance Director		247,016	112,376	-	1,651	361,043	-	241,694	27,077	270,371
Mark Fell, Legal Services Director and Company Secretary		199,573	21,179	-	1,651	222,403	-	174,625	84,405	260,630
Paul Grammer, Commercial Director		238,147	89,900	-	1,651	329,698	-	233,015	27,149	261,764
Richard Palczynski, Programme Controls Director		161,635	10,222	-	744	172,601	16,163	157,350	9,886	167,957
Chris Sexton, Technical Director		230,707	30,057	-	1,651	262,415	29,532	216,499	39,900	257,999
Howard Smith, Director of Operations	u	*183,075	29,173	-	1,651	213,899	-	*183,303	29,930	214,833
Valerie Todd, Talent and Resources Director	v	*258,277	39,498	-	2,115	299,891	-	*249,064	41,076	292,190
Matthew White, Surface Director		156,943	19,713	-	1,651	178,307	29,511	151,406	24,000	177,006
Simon Wright, Programme Director		328,873	105,568	-	1,651	436,092	-	322,831	169,471	493,902
Former employees										
Leon Daniels, Managing Director, Surface Transport	w	195,353	-	444,598	1,528	641,480	-	270,264	70,831	343,145
Ian Nunn, Chief Finance Officer	x	105,136	58,355	-	813	164,305	-	271,095	37,583	310,727
Derek Baillie, Project Manager, Property Development	y	27,318	-	-	-	27,318	-	84,326	-	84,326
Garrett Emmerson, Chief Operating Officer, Surface Transport	z	*15,711	19,000	245,579	59	280,349	-	*190,539	36,000	227,260

*Information subject to audit

	Notes	Salary (including fees and allowances) 2017/18 £	Performance related pay (PRP) for 2016/17 paid in the year 2017/18** £	Compensation for loss of employment 2017/18 £	Benefits in kind 2017/18 £	Total remuneration excluding pension contributions 2017/18 £	Employer's contribution to pension 2017/18^ £	Salary (including fees and allowances) 2016/17 £	PRP for 2015/16 paid in the year 2016/17 £	Total remuneration excluding pension contributions 2016/17**** £
Andrew Wolstenholme, Chief Executive, Crossrail	aa	476,772	160,000	97,734	1,651	736,157	29,532	463,336	481,460	946,396
Ian Lindsay, Land and Property Director, Crossrail	ab	214,773	21,557	123,875	1,651	361,856	-	205,286	28,421	235,307
Will Parkes, External Affairs Director, Crossrail	ac	113,560	18,236	77,064	561	209,421	18,935	144,764	9,094	154,579
Duncan Pickard, Stations Delivery Director, Crossrail	ad	87,656	23,364	-	-	111,020	9,158	174,423	25,452	199,875

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

** refers to 2016/17 performance related pay awards

*** refers to 2015/16 performance related pay awards

**** total remuneration for 2016/17 also includes benefits in kind as reported in last year's Statement of Accounts

^ 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

a salary sacrificed for pension of £7,708 (2016/17 £7,504)

b salary sacrificed for pension of £7,708 (2016/17 £7,506)

c salary sacrificed for pension of £22,000 (2016/17 £22,000). Paid for providing services four days per week

d salary sacrificed for pension of £7,708 (2016/17 £7,504)

e assumed role of interim Chief Finance Officer following the death of Ian Nunn. Formerly Corporate Finance Director

f changed role in year, formerly Director of TfL Strategy and Contracted Services

g salary sacrificed for Cycle to Work scheme of £923 (2016/17 £nil), entered service 20 June 2016

h assumed role of statutory Chief Finance Officer following the death of Ian Nunn in addition to current role

i paid for providing services four and a half days per week , reverted to full-time 25 July 2017

j salary sacrificed for pension of £7,708 (2016/17 £7,504). Performance related pay disclosed as received in 2017/18 also includes one-off payments in respect of 2016/17 and 2017/18 totalling £43,750

k changed role in year, formerly Sub-Surface Programme Director

l previously on secondment to MTR Crossrail

m salary sacrificed for childcare vouchers of £112 (2016/17 £1,456)

n entered service 02 January 2018

o entered service 27 November 2017

p salary sacrificed for Cycle to Work scheme of £462 (2016/17 £538)

q salary sacrificed for pension of £7,708 (2016/17 £7,504)

r entered service 1 February 2017

s entered service 02 January 2018

t paid for providing services three days per week

u salary sacrificed for pension of £7,684 (2016/17 £7,504)

v employed by TfL but on secondment to Crossrail since January 2009

w left service 20 December 2017. Compensation for loss of employment includes payment in respect of contractual notice of £277,768. Payment was in accordance with voluntary severance policy. Salary sacrificed for pension of £5,553 (2016/17 £7,504)

x passed away 25 July 2017. Salary sacrificed for pension of £2,427 (2016/17 £7,504)

y left service 30 June 2017. Paid for providing services 1.5 days per week

z left service 30 April 2017. Salary sacrificed for pension of £631 (2016/17 £7,504)

aa left service 31 March 2018

ab left service 31 March 2018

ac left service 31 December 2017

ad left service 29 September 2017

Appendices

3: Severance payments*

We have also published the number and cost of compulsory and voluntary severance termination packages agreed during the year. This is fully in line with the Code. Our policy on severance is found on page 100.

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

*Information subject to audit

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

£	Group 2017 number	Group 2017 £m	Corporation 2017 number	Corporation 2017 £m
Non-compulsory exit packages				
0-20,000	112	1.4	2	-
20,001-40,000	152	4.8	2	0.1
40,001-60,000	231	11.3	7	0.4
60,001-80,000	160	11.3	4	0.3
80,001-100,000	122	10.7	2	0.2
100,001-150,000	36	4.2	10	1.3
150,001-200,000	21	3.8	9	1.6
200,001-250,000	6	1.3	2	0.5
250,001-300,000	3	0.8	1	0.3
300,001-350,000	3	1.0	-	-
350,000-400,000	1	0.4	1	0.4
400,001-450,000	-	-	-	-
Total non-compulsory exit packages	847	51.0	40	5.1
Compulsory exit packages				
0-20,000	1	-	-	-
Total	848	51.0	40	5.1

Appendices

4: Representation of equalities groups at different pay levels as at 31 March 2018* **

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

	<£20,000		£20,001 to £30,000		£30,001 to £40,000		£40,001 to £50,000		£50,001 to £60,000		£60,001 to £70,000		£70,001 to £80,000		£80,001 to £90,000		£90,001 to £100,000		>£100,000	
	No	%	No	%	No	%	No	%	No	%	No	%	No	%	No	%	No	%	No	%
Ethnicity																				
Black, Asian and minority ethnic	3	38%	607	31%	2,195	31%	1,226	25%	2,344	27%	514	20%	160	16%	25	7%	10	8%	11	7%
White	4	50%	669	34%	2,646	36%	2,674	55%	4,631	54%	1,611	62%	689	67%	246	70%	90	68%	119	74%
Not stated	1	12%	695	35%	2,351	33%	930	20%	1,640	19%	456	18%	183	17%	80	23%	32	24%	30	19%
Total	**8**		**1,971**		**7,192**		**4,830**		**8,615**		**2,581**		**1,032**		**351**		**132**		**160**	
Gender																				
Female	5	63%	763	39%	2,409	34%	1,122	23%	1,366	16%	365	14%	164	16%	64	18%	27	20%	40	25%
Male	3	37%	1,206	61%	4,779	66%	3,707	77%	7,245	84%	2,216	86%	868	84%	287	82%	105	80%	120	75%
Other	-	-	2	-	4	-	1	-	4	-	-	-	-	-	-	-	-	-	-	-
Total	**8**		**1,971**		**7,192**		**4,830**		**8,615**		**2,581**		**1,032**		**351**		**132**		**160**	
Disabled / Not disabled																				
Disabled	-	-	53	3%	149	2%	76	2%	140	2%	54	2%	14	1%	8	2%	4	3%	3	2%
Not disabled	6	75%	954	48%	3,203	45%	1,894	39%	3,732	43%	992	38%	433	42%	137	39%	60	45%	99	62%
Not stated	2	25%	964	49%	3,840	53%	2,860	59%	4,743	55%	1,535	60%	585	57%	206	59%	68	52%	58	36%
Total	**8**		**1,971**		**7,192**		**4,830**		**8,615**		**2,581**		**1,032**		**351**		**132**		**160**	

Appendices

5: Board Remuneration*

*Information not subject to audit

	For the year ended 31/03/18 £
Current Board Member	
Sadiq Khan	Not remunerated by TfL
Valerie Shawcross CBE	Not remunerated by TfL
Kay Carberry CBE	18,500
Greg Clark CBE	19,000
Baroness Tanni Grey-Thompson DBE	19,000
Bronwen Handyside	18,000
Ron Kalifa OBE	19,500
Michael Liebreich	19,000
Dr Alice Maynard CBE	18,000
Anne McMeel	20,000
Dr Mee Ling Ng OBE	20,000
Dr Nelson Ogunshakin OBE	19,000
Dr Nina Skorupska CBE	19,000
Dr Lynn Sloman	19,000
Ben Story	18,500

Appendices

6: Trade union facility time*

*Information not subject to audit

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

Within TfL the following trade unions are represented:

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

As at 31 March 2018, TfL had 731 members of staff who are elected as Union Representatives. These employees spent the following amount of their working hours on facility time:

Percentage of time	Number of employees
0%	0
1 – 50%	626
51 – 99%	68
100%	37
Total	**731**

We allow representatives paid time off to carry out union duties and meeting these costs represents 0.5 per cent of our total wage bill.

Total cost of facility time (£m)	10.8
Total remuneration costs for all TfL employees (£m)	2,250.6
Percentage of pay bill spent on facility time	0.5%

We do not provide paid time off for representatives to carry out union activities. The above approach to paid time off, and the number of representatives for our 28,000 employees is in line with legislation guidelines from ACAS and agreements with the trade unions.

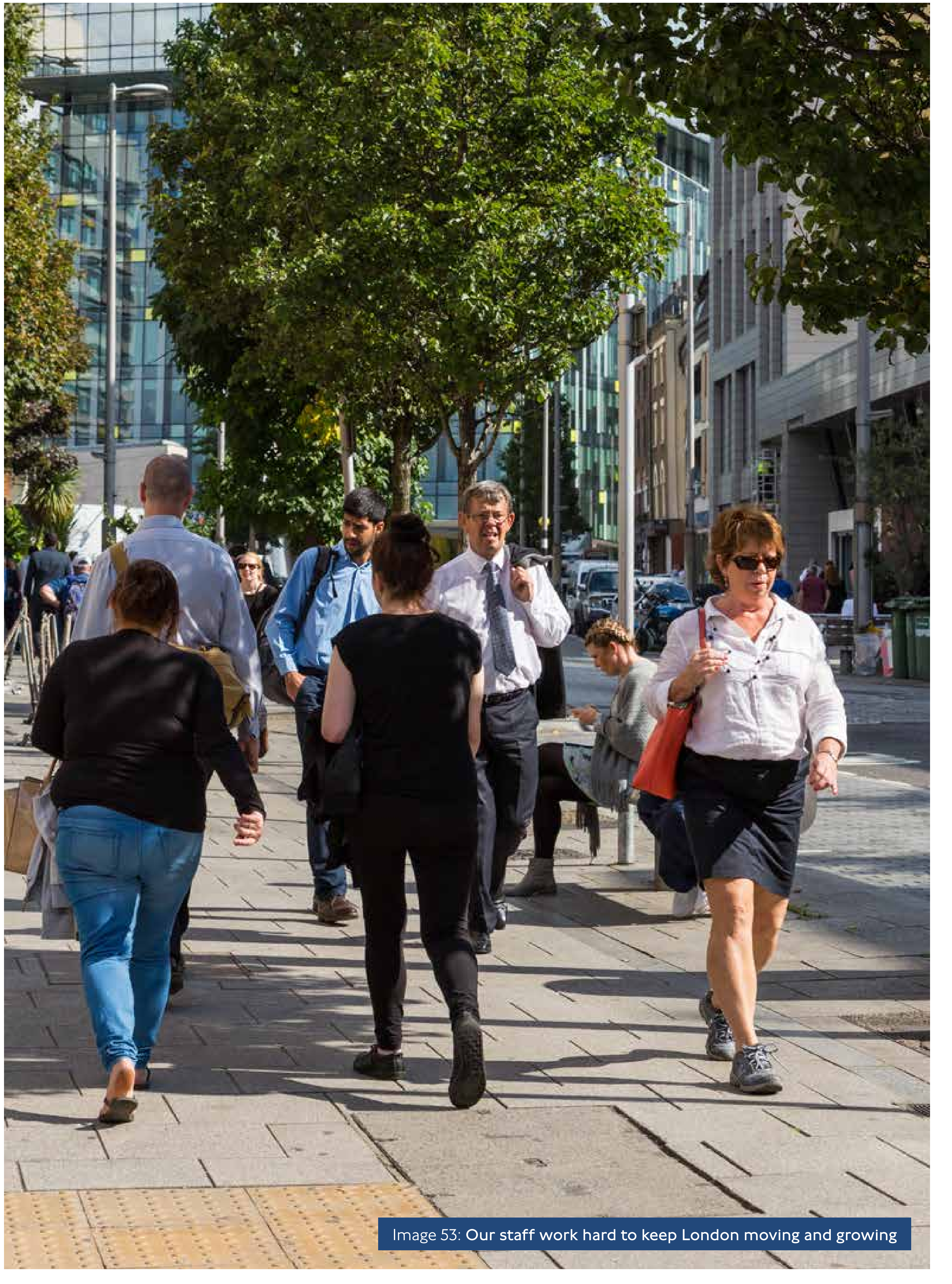


Image 53: **Our staff work hard to keep London moving and growing**

Image 54: London's roads support many different users, from bikes to buses

Statement of Accounts

Contents

Narrative Report and Financial Review

Highlights

2017/18 saw strong performance despite challenging external headwinds. We met our financial targets and successfully reduced our like-for-like operating costs for the second successive year. This helped to offset both inflation and a reduction in central government grant. The loss of more than £700m in operational grant funding adds to the substantial challenges faced by TfL, including challenging macroeconomic circumstances resulting in lower revenues than we had originally forecast. Furthermore, we have had to make difficult capital prioritisation decisions.

We remain on track to achieve a net operating surplus by 2021/22 – after operating, renewals, maintenance and financing costs. This net operating surplus, coupled with capital discipline and prioritisation of our investment decisions aligned to the Mayor's Transport Strategy, will ensure we maximise our cash flow to reinvest in transport infrastructure.

On the London Underground and on TfL Rail, we have seen passenger journeys reduce, although ridership on our services has been more resilient than on National Rail services in London and the South East. The reduction in 2017/18 for the Underground was 1.5 per cent and 4.3 per cent for TfL Rail. On an underlying basis bus performance has reversed the downward trajectory noted in 2016/17, with passenger journey growth of 0.8 per cent. However on a reported basis our result is impacted by Easter timing, leading to reduced reported passenger income of £21m (1.4 per cent decrease).

We continued to invest record amounts in new and improved infrastructure despite the reduction in operating grant funding. Steady and sustained capital investment is essential to ensure that transport can support greater productivity and new jobs and housing.

The significant investment programme has continued to deliver safety, reliability and capacity improvements as we maintain, improve and extend services across London. Major projects included Crossrail, infrastructure, signalling and station upgrades on the London Underground, congestion relief projects and road modernisation. During the year, a number of delivery milestones were achieved:

- In October 2017, multiple test trains ran on the new signalling system between Hammersmith and Latimer Road for the first time in London. We invested almost £350m on the vital digital upgrade to signalling our network needs on the Circle, District, Hammersmith & City and Metropolitan lines – when complete, this programme will improve capacity on these lines by 33 per cent

- The completion of the Bond Street station upgrade, one of the busiest stations in London, to allow an increased capacity of 30 per cent

- On the Northern Line Extension, 3.2km tunnel bores from Battersea Power Station to Kennington via Nine Elms were completed in November as well as the permanent link between the new extension and the existing Northern line

- New pedestrian tunnels linking Cardinal Place and the Circle and District lines in Victoria station were opened in May, allowing a more direct route for customers and improving the flow through the station. Escalator refurbishments at Angel, Chancery Lane, Westminster, Holborn and North Greenwich were completed on schedule and within budget

- The Crossrail project is now more than 90 per cent complete and progress is being made across all areas of the programme. Significant cost and schedule pressures exist across the project and these continue to be actively managed with the focus remaining on the successful introduction of Elizabeth line services in the central section in December this year, bringing a 10 per cent increase in rail capacity to central London

Financial performance

On the Underground, passenger income decreased by 1.4 per cent from £2,669m in 2016/17 to £2,632m in 2017/18 reflecting the downward trend in passenger volumes. Demand was lower than in 2016/17, largely a result of the external macro-economic climate. Underlying demand showed some improvement towards the end of the year.

Bus passenger income was partly affected by Easter timing, resulting in fewer fare-paying passenger journeys and a fall in passenger revenue from £1,474m in 2016/17 to £1,453m in 2017/18. Adjusting for these adverse conditions our underlying performance is improving year-on-year (0.8 per cent). Both the introduction of the Hopper fare and an improvement in bus speeds (particularly in central London), have helped support the underlying growth of our bus division.

Gross expenditure increased 3.8 per cent from £7,234m to £7,512m in 2017/18 resulting from inflationary pressures, higher business rates, utility costs and costs to run new services, together with one-off costs, offset by savings.

The level of capital works remained high, reflecting continued investment in Crossrail and Tube infrastructure and rolling stock. Capital expenditure during the year was £3,626m (2016/17 £3,585m).

Funding sources

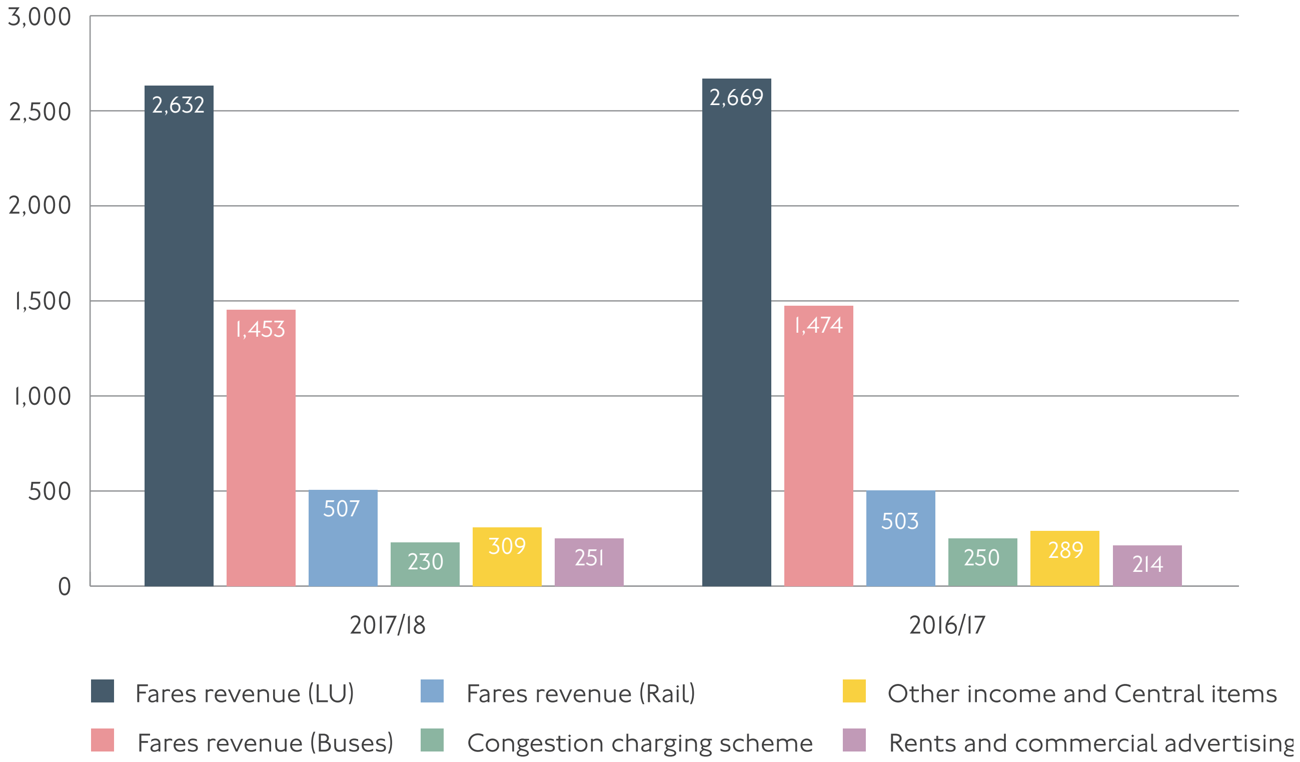
TfL's activities are funded from six main sources: Passenger income and income from the Congestion Charging scheme; a proportion of London's business rates; central government funding; prudential borrowing (the amount and profile of which has been agreed to 2020/21 with central government in the March 2017 Funding Agreement);commercial development in our estate, including advertising and property rental and development; and third-party funding.

TfL's 2017 Business Plan is financially balanced with planned funding sources sufficient to meet planned expenditure. Short-term timing differences between expenditure and funding are managed through transfers to or from TfL's cash reserves.

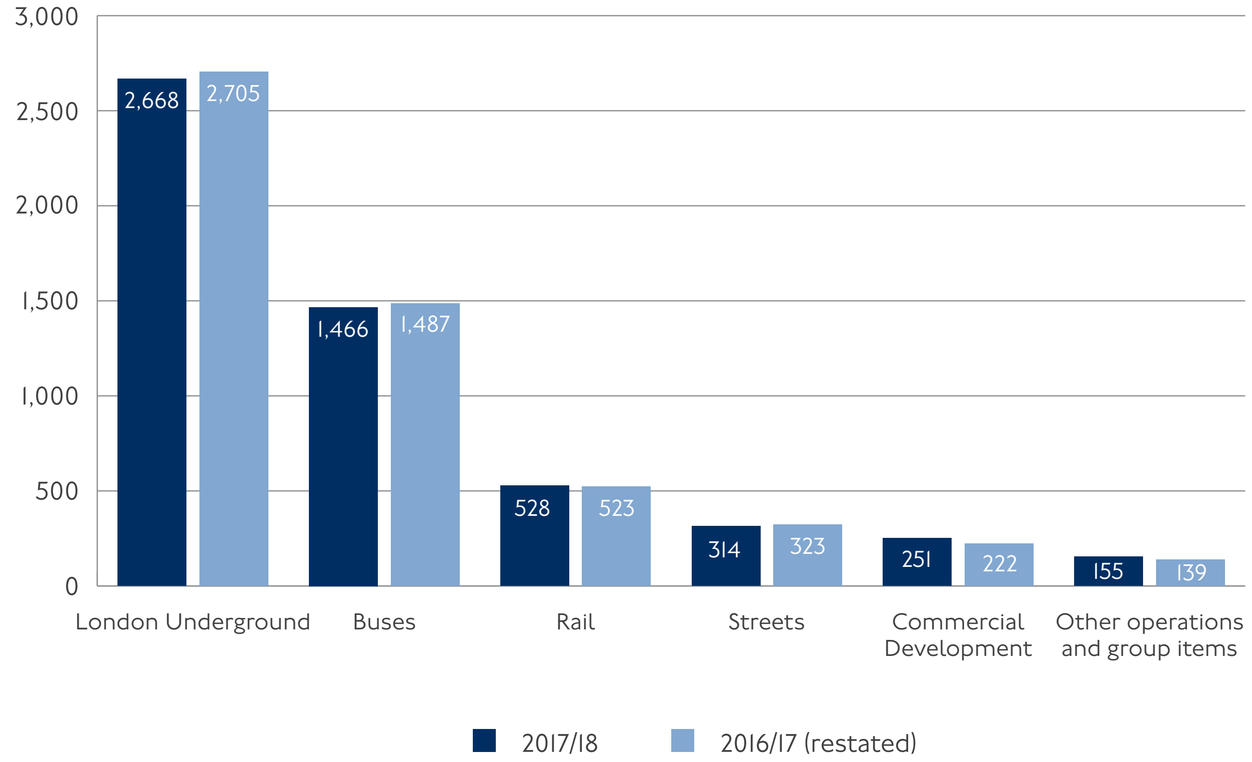
Narrative Report and Financial Review (continued)

Gross income

Gross income breakdown by type (£m)



Total gross income by operating division (£m)



Total gross income decreased by 0.3 per cent from £5,399m in 2016/17 to £5,382m in 2017/18.

TfL's primary source of gross income comes from passenger income on London Underground (LU), rail and bus networks. This represents 86.1 per cent of all revenue generated. TfL fares decisions are taken annually by the Mayor and he has frozen all TfL fares until 2020.

Total gross income in LU was £2,668m, 1.4 per cent down on 2016/17. Underlying demand is just under one per cent lower than the same period last year. Overall demand is down for rail travel in London.

Underlying passenger income per journey has improved compared with the equivalent period last year. This is partly due to the impact of the National Rail average fares increase in January 2018, which increases a proportion of TfL tickets e.g. Travelcards. Rail passenger income ended one per cent above previous financial year, driven by the impact of the annual Travelcard fare increase, despite a slight fall in passenger numbers.

In the buses division, total network income fell to £1,466m, 1.4 per cent below the prior year total of £1,487m. This was due to the full year impact of the Hopper fare and a slight dip in absolute passenger numbers. The introduction of the popular Hopper fare contributed to the stabilisation of passenger numbers, along with a year-on-year improvement in bus speeds, and in ticket machine reliability following software improvements.

Narrative Report and Financial Review (continued)

These factors contributed to underlying improvement in bus journeys of 0.8 per cent, with the absolute reduction in passenger numbers solely due to seasonal factors and one-offs.

Streets operating income has reduced mainly as a result of lower volumes of chargeable vehicles entering the Congestion Charging zone, with revenues falling eight per cent from £250m in 2016/17 to £230m in 2017/18. This decrease in volume can be seen as a positive move towards achieving the Mayor's Transport Strategy goal of reducing the dependency on private vehicles in favour of walking, cycling and using public transport.

Commercial development income increased by 13 per cent to £251m, reflecting increased media contract income, higher property income from the rental portfolio, including back dated rent charges, and a one-off income recognition on a Crossrail site.

Other income increased 11.5 per cent from £139m in 2016/17 to £155m in 2017/18. Other income comprises a broad range of revenue streams, including taxi licensing, Dial-a-Ride services, London River Services, cycle hire and the Victoria Coach Station.

Government grants and other funding

The main source of grant income for 2017/18 was a share of Business Rate Retention received from the Greater London Authority (GLA), which is classified as resource grant. Other sources of grant income include specific capital grants from the Department for Transport (DfT) and the GLA for the Crossrail project and other projects, such as the Northern Line Extension.

As part of the Government's devolution strategy, the Chancellor announced a trial in the 2016 Budget whereby the DfT will not pay any Investment Grant to TfL from April 2017. Instead the GLA receives an equivalent amount through the retention of a larger proportion of London's business rates, and takes on responsibility for funding TfL capital projects. Next year will also be the first year that TfL receives no general grant funding for operations from central Government.

The total of general and capital grants receivable by TfL in 2017/18, excluding specific Crossrail funding, amounted to £2,477m (2016/17 £2,660m).

Prudential borrowing

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

Movement in borrowing (£m)

Opening borrowing at 1 April 2017 per the accounts	9,795
European Investment Bank (EIB) loans – £150m due in 2035; £150m due in 2036; £250m due in 2037; £250m due in 2038	800
Export Development Canada (EDC) loans – £150m due in 2037	150
Issuance of rolling short-term commercial paper debt	12
Repayment of Bond at maturity and scheduled repayments on EIB loan	(343)
Fair value movements, issue premia/discounts and fee adjustments	1
Closing borrowing at 31 March 2018 per the accounts	10,415

The Authorised borrowing limit for the Corporation set by the Mayor for 2017/18 was £11,154.7m.

At 31 March 2018, TfL had three committed facilities with the EIB and EDC. Funds under these facilities will be drawn down in multiple tranches over the next three years.

Narrative Report and Financial Review (continued)

Uses of funding

Operating costs

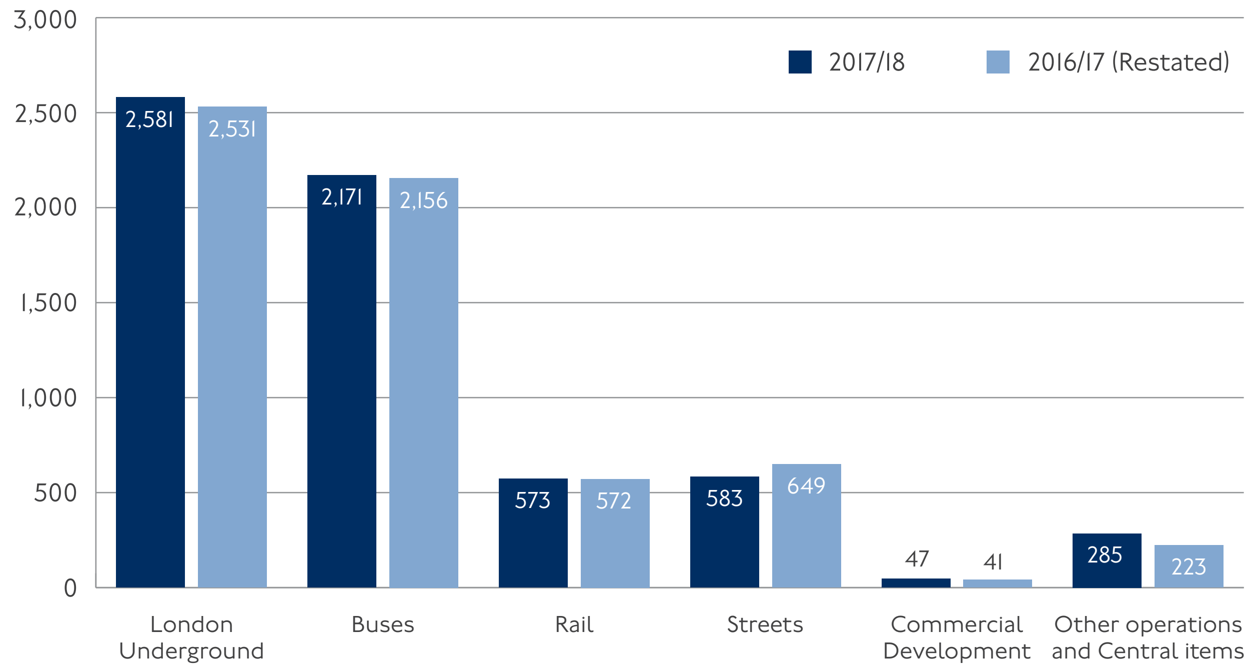
Last year, for the first time since TfL began in 2000, there was a reduction of £153m in the day-to-day operating costs. We have reduced like-for-like operating costs again in 2017/18, offsetting both a reduction in central government grant and inflationary pressures. Operating costs were also under budget as a result of ongoing cost reduction initiatives, including a reduction in management layers, reduced numbers of non-permanent labour and eliminating duplication.

Year-on-year costs of operations

	2018	2017
Cost of operations per internal management reports	(7,354)	(7,259)
Adjust for depreciation	1,114	1,087
Cost of operations excluding depreciation	**(6,240)**	**(6,172)**
Adjust for one-off items incurred	138	39
Adjust for Elizabeth line operating cost increases	14	19
Cost of operations (like-for-like basis)	**(6,088)**	**(6,114)**
Year-on-year savings	26	

One off items include £68m in costs relating to TfL's transformation programme, £23m in costs relating to the Metropolitan Line Extension project, which was discontinued during the year and a £48m pension recovery plan payment. Upfront costs, such as the transformation programme, have been incurred in order to achieve substantial future cost savings and a rigorous cost benefit analysis process has been undertaken ahead of these difficult decisions.

Operating expenditure by operating division (excluding depreciation) (£m)



Operating expenditure, including day-to-day operating costs but excluding depreciation and amortisation, has increased by 1.1 per cent from £6,172m in 2016/17 to £6,240m in 2017/18 before adjusting for one-off items.

On the Underground, operating costs rose by £50m in the current year. There are a number of cost saving initiatives including reducing the number of non-operational staff, delivering maintenance more efficiently and re-profiling certain projects and maintenance costs into future years, but offsetting this has been one-off costs associated with the ongoing modernisation programme. Excluding these, the underlying direct core operating cost base has fallen as inflationary pressures have been more than offset by effective cost control. LU successfully achieved target of 'the £2bn railway' on LU in 2017/18. This means our direct core operating costs, excluding indirect and project costs, and depreciation, came in under £2bn. This is an outstanding achievement and sets us up for strong continued performance.

Streets' operating costs saw an 11.3 per cent year-on-year reduction, from £649m in 2016/17 to £583m in 2017/18 due to delivery of the transformation programme reducing headcount, plus lower congestion charging costs from penalty credit for service failures and lower bad debt from falling charge volumes.

Narrative Report and Financial Review (continued)

TfL continued to support Borough schemes that prioritise health and wellbeing, with the overall objective of delivering a transport system where everyone can travel safely by the healthiest and most resource and space-efficient modes. TfL has provided financial assistance to Boroughs to implement measures to improve bus speeds and reliability as well as to deliver TfL's major investment in cycling on Borough roads, including a Mini-Hollands programme.

In the Rail division, operating costs in 2017/18 have remained broadly in line with 2016/17, however improved performance from our DLR operator has resulted in higher bonus payments.

In the Buses division, operating costs increased by 0.7 per cent to £2,171m. This was driven principally by the annual contracted price inflation (average of 2.5 per cent) within the bus operator's contracts and the roll out of cleaner vehicles, offset by savings that have been delivered with a target of maintaining our cost base broadly flat year-on-year.

In the Commercial Development division, operating costs increased to £47m from £41m in 2016/17, largely due to a one-off cost related to Crossrail activities.

Other operations includes the cost of running operations such as London River Services, Taxi and Private Hire, Santander Cycles and the Victoria Coach Station. Also included are certain central items, such as the payment of a £47m deficit contribution to the TfL Pension Fund.

Net interest and finance charges

Total financing and investment expenditure for the year was £487m, £54m above the prior year.

Within this overall total, interest payable on direct borrowings increased by 4.9 per cent from £371m to £389m. The increase in interest payable reflects a full year of interest costs on borrowings of £609m raised in 2016/17 coupled with the increase in the nominal value of borrowings during the 2017/18 year of £619m. As at 31 March 2017, TfL had a nominal £9.828bn of debt, of which approximately £0.8bn was short-term borrowing under the Commercial Paper Programme. The weighted average interest rate was 3.56 per cent and the borrowings had a weighted average remaining life to maturity of 19.5 years. As at 31 March 2018, the nominal value of debt outstanding had increased to £10.447bn, of which £0.8bn was short-term Commercial Paper. The weighted average interest rate was 3.63 per cent and the borrowings had a weighted average life to maturity of 19.2 years.

Interest payable on direct borrowings is offset to a degree by the amount of interest capitalised into the cost of qualifying property, plant and equipment. Interest capitalised in 2017/18 is £94m (£109m in 2016/17). Interest payable on finance leases, including contingent rentals in respect of Private Finance Initiatives, fell from £58m in 2016/17 to £52m in 2017/18 as the remaining capital balance of lease liabilities continued to be paid down.

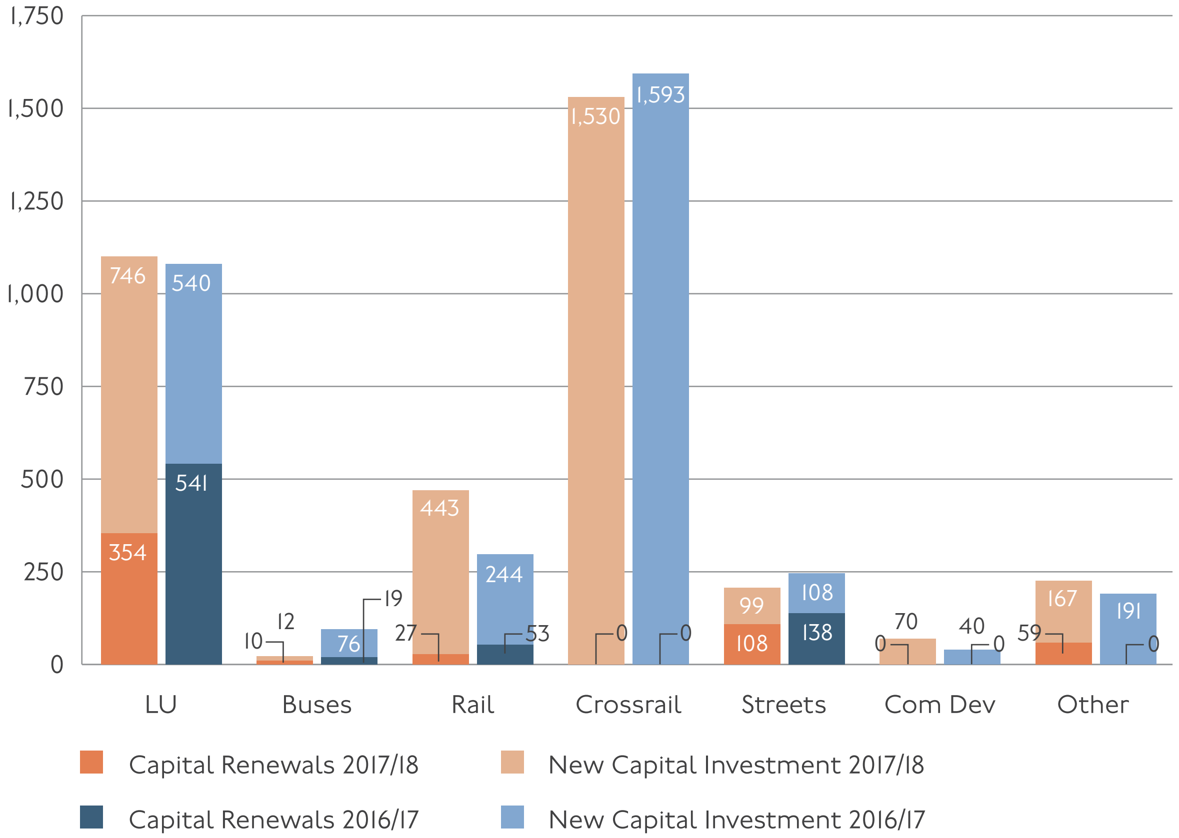
The Group's net interest expense in respect of its defined benefit pension scheme obligations increased from £111m in 2016/17 to £137m in 2017/18.

Financing and investment income totalled £69m, an increase of £22m from 2016/17. This was due to increased gains on the revaluation of investment properties from £30m in 2016/17 to £42m in 2017/18 and an increase of £11m in gains realised on the disposal of investment properties. Investment returns during 2017/18 fell from £9m in the prior year to £8m in 2017/18 as cash balances were utilised to fund planned investment in capital renewals and infrastructure.

Narrative Report and Financial Review (continued)

Capital expenditure

Capital expenditure by business area (£m)



Total capital expenditure for the year was £3,626m (2016/17 £3,585m).

On the Underground, capital expenditure totalled £1,100m in 2017/18, including £746m of new capital investment.

In addition there is increased expenditure on the Central Line Improvement Programme and refurbishment of the Jubilee line.

We unveiled the completed upgrade of Bond Street station, one of the busiest stations in central London. We increased capacity by 30 per cent following the opening of the new entrance and ticket hall on the north side of Oxford Street in November.

On the Northern Line Extension, we achieved a major milestone in November, completing the two 3.2km tunnel bores from Battersea Power Station to Kennington via Nine Elms. We also successfully completed the permanent link between the new extension and the existing Northern line.

We achieved a significant step forward in October when multiple test trains ran on the new signalling system between Hammersmith and Latimer Road for the first time in London. In 2018, customers will see improvements to reliability and customer information on sections of the Hammersmith & City line.

At Victoria, new pedestrian tunnels linking Cardinal Place and the Circle and District line platforms opened in May. These tunnels provide a more direct route for customers, improving the flow through the station and reducing interchange times. After being closed for five years, the Victory Arch in the Network Rail station re-opened to customers on 25 January, together with a new entrance on Wilton Road and an enlarged south ticket hall.

We completed escalator refurbishments at Angel, Chancery Lane, Westminster, Holborn and North Greenwich on schedule and within budget. At Chancery Lane, we also replaced the central staircase, which marks the completion of a complex project that started in November 2016.

We have optimised our capital investment programme to make the most efficient use of current capacity and financial resources, and have temporarily paused our plans to buy more trains for the Jubilee and Northern lines. This resulted in a write off of £18.4m of assets under construction. Furthermore, assets related to the discontinued Metropolitan Line Extension to the value of £55.1m, including costs of £32.4m incurred by Hertfordshire County Council prior to transfer of the project to TfL, were also written off in the year.

Within the Streets division, £207m was spent on capital works. Capital renewals are lower than the prior year, primarily because of reduced activity arising from more targeted investment to achieve value for money. New investment is also lower this year; 2016/17 saw major construction activity on the Cycle Superhighways programme, in particular the first phase of the East-West route. We continue to invest in replacement of the Woolwich Ferries as the current ferries approach the end of their useful economic life.

Capital expenditure of £470m was incurred by Rail in 2017/18. A public inquiry into the Barking Riverside extension scheme, which will serve the development site at Barking Riverside, was held in October 2016. After receiving the inspector's report, the Secretary of State for Transport granted powers for the extension on 4 August 2017. This scheme adds 4 km to the London Overground Gospel Oak to Barking line, and takes it from Barking to a new station at Barking Riverside. Construction is expected to begin in 2018, with train services starting during 2021.

Narrative Report and Financial Review (continued)

During the year, £1,530m was spent on the Crossrail project. By the end of the year, the Crossrail project was more than 90 per cent complete including completion of both track concrete and track installation. The new Elizabeth line central stations are 93 per cent complete with installation of platform screen door panels, escalators and lifts nearing completion. At Paddington station, installation of the impressive glass cloud canopy marked the first of the completed art works for the Elizabeth line.

Stage 1 operational services between Shenfield and Liverpool Street (mainline) was achieved when the first Class 345 train, operating as TfL Rail, entered passenger service departing from Liverpool Street station for Shenfield. Ongoing electrification works have allowed dynamic testing to commence in the central section, with the Class 345 train travelling under its own power between Abbey Wood and Connaught Tunnel.

Principal testing, integration testing of rail systems, and the functional set up of the Route Control Centre to support signalling testing have all now commenced to prepare for Stage 2 operational services between Paddington and Heathrow (mainline), and the Stage 3 central section opening. The directors continue to be confident that the project will be delivered successfully and fully completed in 2019.

Total capital expenditure within the Buses division of £22m in 2017/18 represents a reduction in spend compared to 2016/17, as the programme to purchase new Routemaster buses, introduced by the previous Mayor, was completed in June 2017. There are no plans to expand this programme.

Within Commercial Development, the increase in capital expenditure included installation of digital media equipment to upgrade the advertising estate, which will protect and grow revenue streams into the future. In 2015/16, the Group invested £447m investment in its associated undertaking, Earls Court Partnership Limited. Despite some delivery challenges, progress was made during the year in land assembly and proposals for planning. There was a small additional capital investment in the development of £1.4m during the year.

Other capital expenditure of £149m in 2017/18 included investment in Santander cycles and on London River Services. Also included within this sub-heading was £94m of interest on borrowings capitalised into the cost of fixed assets during the year.

Cash and investments

Total cash, cash equivalents and investments with maturities greater than three months held by the Group at 31 March 2018 amounted to £1,932m, down from £1,961m as at 31 March 2017. The average yield from TfL's cash investments for 2017/18 was 0.33 per cent, 0.42 per cent in 2016/17. The low investment yields reflect low interest rates environment and the conservative nature of TfL's investment strategy. Earmarked reserves for our future Investment Programme at 31 March 2018 amount to £948m, with an additional £672m being set aside for Crossrail.

Treasury risk management

The Board approves treasury policies that have regard to both the principles of the CIPFA Prudential Code and the revised investment guidance (effective 1 April 2010) issued by the Ministry of Housing, Communities and Local Government.

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

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

Senior management continually monitor the Group's overall exposure to currency, inflation and interest rates as they affect its operating and commercial activities and its financial activities (financial costs and investment returns on cash balances). TfL's objective under the 2017/18 borrowing strategy was to manage its borrowings in a manner that is affordable and sustainable 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 2017/18, 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, these included investments in Euros, which were swapped back into Sterling as a matter of course, and Canadian Dollars. The amounts that can be invested with the UK Government and its DMO were not limited, while amounts invested with other institutions were based on their credit rating. The minimum rating was P-2/A-2. Credit ratings are obtained from the three main ratings agencies and are kept under constant review.

Narrative Report and Financial Review (continued)

Funding and liquidity

To ensure continuity of affordable funding, debt maturities are spread over a range of dates that broadly equate to the lives of assets purchased with the proceeds of debt. The maturity profile of debt outstanding at 31 March 2018 is set out in Note 31 to the accounts. Diverse sources of funding available include: capital markets, bank loans and direct access to the DMO via the Public Works Loan Board. These diverse sources significantly mitigate funding and liquidity risk.

Foreign exchange rates

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

Interest rates

The Board has approved parameters of a minimum of 75 per cent fixed-rate on existing and forecast debt. The proportion of fixed-rate debt borrowings (including Commercial Paper swapped to fixed through the use of interest rate derivatives) at the year end was 97.1 per cent; the remaining 2.9 per cent constituted unhedged Commercial Paper debt 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 2018, the majority of TfL employees were members of the TfL Pension Fund. Over the past year, as a result of a change in financial assumptions, the actuarial value of future liabilities recorded by the Group in respect of this scheme decreased slightly by £190.6m. This was accompanied by an increase in the fair value of the assets recorded, which rose by £468.1m. As a consequence, the deficit of pension scheme assets to future liabilities recognised in respect of the TfL Pension Fund decreased by a total of £658.7m to £4,535.2m.

The total deficit recognised in respect of all funded and unfunded pension arrangements at 31 March 2018 amounted to £4,707m (2016/17 £5,364m).

The latest available full actuarial valuation of the TfL Pension Fund was carried out as at 31 March 2015. The 2015 valuation showed a combined deficit on the Public Sector and Tube Lines Sections for funding purposes of £396m, and as a result of this the employers agreed a revised Schedule of Contributions with the Pension Fund.

Prospects and outlook

In December 2017, TfL published an updated Business Plan for the next five years to 2022/23. The activities and investment outlined in the Business Plan are designed to deliver the Mayor's Transport Strategy, making commuting in London and travelling around the city more affordable and creating a fairer, greener, healthier, more prosperous London.

The core financial objective of the Business Plan is to achieve break-even on the cost of day-to-day operations, including financing, by 2021/22. This is against a backdrop of very substantial external challenges, including the loss of more than £700m in operating grant funding from government, a subdued economic climate that has affected passenger numbers, and the economic uncertainty caused by Brexit. We have continued to keep a tight grip on our costs, and this will remain a focus. Despite the challenges, our investment programme will continue at pace in 2018 with the introduction of the Elizabeth line this financial year delivering a significant step up in operating costs as this service comes into operation – while also providing opportunity for increased passenger income and commercial revenues.

In order to make sure that our services are able to meet the demands of a growing London, the following projects and initiatives are in progress:

- The opening of the Elizabeth line is the largest milestone in the Business Plan. The first new railway to pass through central London in decades, it will fully open in 2019. Serving 41 stations and stretching more than 60 miles it will increase rail capacity in London by 10 per cent and provide a safe, reliable, accessible public transport option for more than 200 million passenger journeys each year. Services between Paddington and Heathrow terminals 2,3 and 4, and the central section from Paddington through central London to Abbey Wood will begin in 2018, along with the continuation of services between Liverpool Street and Shenfield in the east. The Elizabeth line is expected to boost TfL passenger income by £900m per annum by 2022/23
- Continued investment in our accessibility programme which includes delivering on our ambitious target of making more than 40 per cent of Tube stations step-free by 2022
- Tunnelling work was completed in 2017 on the Northern Line Extension from Kennington to Battersea Power Station. This extension will significantly improve services and support regeneration in the local area, which includes 25,000 new jobs and more than 20,000 homes, and services will start running in 2020
- Major upgrades to improve stations, like Victoria, which will be completed in 2018 providing 40 per cent more capacity and Bank due to be finished in 2022 and towards the end of the plan, Camden Town and Holborn
- Delivery of the Four Lines Modernisation programme to upgrade the Circle, District, Hammersmith & City and Metropolitan lines adding 33 per cent more capacity by 2023. These lines make up 40 per cent of the Underground network and the investment will improve reliability and ensure a world-class service on these lines

Narrative Report and Financial Review (continued)

- DLR rolling stock replacement will deliver 43 new full-length trains by early 2020s, increasing total capacity on the DLR network by around 30 per cent. The first stage of the Piccadilly Line Upgrade is to procure 94 new trains and associated enabling works. This will be approved later this year. These new trains will be delivered in the mid-2020s and will increase capacity from the current 24 to 27 trains per hour by the end of 2026. The second stage of the project is to deliver new signalling which will have the capacity to increase the number of trains per hour to 36

- The Barking Riverside extension will provide an additional 4.5km of London Overground line to connect Barking Riverside, supporting the creation of new homes and jobs in the area, with services beginning in 2021.

- Modernising our bus fleet so it is among the least polluting in the world and introducing Low Emission Bus Zones in areas with the poorest air quality and from 2018, only hybrid or zero-emission double-decker buses will be purchased

- The Healthy Streets portfolio aims to create far-reaching improvements on London's roads such as improving safety, increasing walking and cycling and public transport use and creating pleasant environments. As part of the Mayor's Transport Strategy this will also reduce road danger, improve air quality and enhance freight services

- Subject to consultation, the Ultra Low Emission Zone will be introduced in central London in 2019 and expanded across greater London by 2021, reducing bus fleet emissions and licensing requirements for zero emission capable taxis and private hire vehicles

- The Emissions Surcharge (T-Charge) was introduced in October 2017. Drivers of the oldest, most polluting vehicles pay £10 on top of the existing charge to enter the Congestion Charge zone

- Subject to planning and consents, developing new river crossings, including the Silvertown Tunnel which could open by the early 2020s easing congestion on the Blackwall tunnel, and a new pedestrian and cycling crossing between Rotherhithe and Canary Wharf delivering reduced journey times and encouraging healthier travel

- Westminster City Council's sudden and unexpected decision to pull out of the Oxford Street transformation project, despite previous commitments to work in partnership with us, raises questions about the future of Oxford Street, which is one of London's most important economic hubs and supports thousands of jobs. We are exploring whether any benefits of the scheme can still be delivered

- We will progress property development sites by 2021, providing over 10,000 homes half of which will be affordable and over a million square feet of commercial space

- The development and sale of property is expected to generate more than £500m to support transport investment over the next five years

- We will absorb the cuts in government funding as we become one of the only major cities in the world with a public transport and road network that receives no Government subsidy to support our operating costs

We will continue with our comprehensive organisational review, making significant structural and cultural changes to become more efficient and effective. We continue to reduce our operating cost base and transform how we work in order to absorb the funding cuts. Activities include:

- Reviewing, retendering and re-negotiating bus contracts, saving £375m by 2022/23

- Consolidating our head office accommodation, vacating older buildings and co-locating staff to our new hub in Stratford, saving more than £100m by 2022/23. This will also improve collaboration and enable smarter, more flexible working

- Continuing the modernisation of London Underground, including exiting a private partnership maintenance contract saving around £200m by 2022/23

- Developing plans to deliver £1.2bn of value engineering efficiencies in our Investment Programme by 2022/23

- Reducing the number of organisational layers to make our structure less complex, so decisions can be made more effectively

Key Risks

We have a risk policy and an enterprise risk management framework which enables a consistent approach to risk management across TfL. This includes identification, management and reporting of risks against the Mayor's Transport Strategy and our Corporate Strategy, and an enterprise-wide approach to risk tolerance and appetite. We manage a wide range of risks which includes potential impacts and benefits to our customers and stakeholders, health, safety and the environment, our finances and our licence to operate.

The key strategic risks we are currently managing and the strategic objectives to which they relate include:

Mayor's Transport Strategy: Healthy Streets and healthy people

- TfL's activities could impact on the environment affecting the health and wellbeing of people

- Safety systems might be inadequate or not complied with, resulting in loss of life or serious injury to customers and staff

- Catastrophic events, ranging from accidents to deliberate actions could overwhelm our ability to respond

Narrative Report and Financial Review (continued)

- Technological failure or cyber security attack could result in loss of personal data, interruption to key business systems or interference with operational activities

Mayor's Transport Strategy:
New homes and jobs
- Externally driven events may result in commercial income streams not being able to meet revenue targets

- London's population changes may lead to TfL networks being unable to respond to changing demand

- Internal or external events may impact projects, possibly resulting in an inability to efficiently deliver our investment programme and achieve the associated benefits

- Opening of the Elizabeth Line may be delayed partly due to testing and commissioning issues

Mayor's Transport Strategy:
A good public transport experience
- TfL might not meet operational targets and deliver less reliable services for customers and other users

- Events related to the environment, such as the risk of extreme weather due to climate change could result in significant disruption

Corporate Strategy:
People and Stakeholders
- We may fail to attract and retain the skills and critical capabilities required

- Governance structures at TfL may not provide enough support to meet the changing demands faced by the organisation

- Changes in external stakeholder requirements may affect the best value delivery of TfL's strategic goals

Corporate Strategy: Finance
- A challenging macro-economic environment and externally driven events may affect our ability to maintain minimum cash levels or result in unexpected loss of income

- A lack of strategic foresight might affect TfL's ability to shape the future and adapt

- Technological or market developments may outpace our ability to adapt, leading to an inability to deliver the expectations of stakeholders

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

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

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

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

- The TfL Group, which is made up of the Corporation and its subsidiaries and associated undertakings as set out in notes 14 and 15

Under the GLA Act 1999, the Corporation is treated as a Local Authority for accounting purposes and the Statement of Accounts, which includes the individual financial statements of the Corporation, has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code), which is based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements.

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

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

The Statement of Accounts comprises:

- The Group and Corporation Comprehensive Income and Expenditure Statements, Balance Sheets, Cash Flow Statements and the Movement in Reserves Statements

- The Expenditure and Funding Analysis

- The Statement of Accounting Policies

- The Statement of Responsibilities for the Accounts

- Notes to the Group and Corporation financial statements

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

Narrative Report and Financial Review (continued)

income and expenditure comprises unrealised gains and losses including revaluation gains on property, plant and equipment, fair value movements on derivative financial instruments and remeasurement gains or losses on defined benefit pension schemes.

The Balance Sheet

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

The Cash Flow Statement

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

Movement in Reserves Statement

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

Expenditure and Funding Analysis

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

Statement of Responsibilities for the Accounts

The Corporation is required to:

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

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

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

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Corporation and Group at the accounting date and of the income and expenditure for the year ended 31 March 2018.

Sarah Bradley
Group Financial Controller and Statutory Chief Finance Officer

2018

Independent Auditor's Report to Transport for London

Opinion

We have audited the financial statements of Transport for London for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Corporation and Group Movement in Reserves Statement
- Corporation and Group Comprehensive Income and Expenditure Statement
- Corporation and Group Balance Sheet
- Corporation and Group Cash Flow Statement
- Expenditure and Funding Analysis note
- Related notes 1 to 42

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 2017/18.

In our opinion the financial statements:

- Give a true and fair view of the financial position of Transport for London Corporation and Group as at 31 March 2018 and of its expenditure and income for the year then ended
- Have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18

Basis for opinion

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

Conclusions relating to going concern

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

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

Overview of our audit approach

Key audit matters	• Revenue recognition • Capital projects • Significant accounting estimates • Property valuation • Pension deficit
Materiality	• Overall group materiality of £106m which represents one per cent of group operating and capital Expenditure

Key audit matters

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

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

Revenue recognition

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

Capital projects

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Refer to note 12 in the consolidated financial statements. The TfL Group undertakes multiple capital projects at any point in time. These projects vary in size, complexity and length of time to complete, therefore an amount of judgement is needed when determining the amount of cost capitalised on each individual project. In addition such projects often involve other parties, which can give rise to judgement as to whether TfL has a capital asset. Further, there can be changes in TfL priorities driven by updated Mayoral priorities which can result in changes in individual project scopes. This can give rise to a risk of impairment of expenditure previously capitalised.	Testing of capital projects included both tests of controls and substantive testing. We have gained an understanding of key controls and governance surrounding capital project accounting and management. The following procedures were performed as part of our substantive testing: • Testing of major projects during the financial period to supporting project documentation has been performed • We have also met with project management and visited for a sample of projects to understand the scope and progress of the project • We have compared the latest positions recorded in respect of pain or gain arrangements to contract terms and conditions and to latest project outturn forecasts to assess the appropriateness of related amounts recorded • We have also performed detailed testing on a sample of capital accruals to source documentation to test completeness of costs recognised at 31 March 2018 • We have also performed detailed testing on a sample of capital accruals to source documentation to test completeness of costs recognised at 31 March 2018 • For projects involving third party assets, such as roads, cycle highways and track access, we have understood the contractual terms surrounding the projects and assessed whether the criteria for recognising a capital asset have been met by TfL	We are satisfied that the capitalised costs in the year are appropriate. We also consider that management's forecasts of future cost commitments, including those related to Crossrail, demonstrate the availability of cashflows, reserves and borrowing facilities to meet such commitments. We note that the funding required for the completion of Crossrail (declared in the report to Parliament on 24 July), is disclosed in the accounts. We agree that there should be no impact on current projects, but unforeseen additional funding could well impact TFLs ability to fund future projects.

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

Capital projects (continued)

Risk	Our response to the risk	Key observations communicated to the Audit Committee
	• For material projects in progress at the year end, we have tested whether the completion of the projects are included in the latest business plan and whether there is available funding to complete the expenditure • We have considered the post balance sheet statement to Parliament on 24 July 2018, in respect of the latest Crossrail forecast outturn cost and the related funding to be provided by the Department for Transport and TfL. We have compared the proposed funding commitment by TfL to available resources set out in the latest business plan, borrowing facilities and reserves. We have also considered the impact of sensitivity calculations performed by management to assess the impact of additional overruns in costs	

Significant accounting estimates

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Refer to note 27 in the consolidated financial statements. We have identified certain provisions and accruals that are complex estimates involving high levels of management judgment and future uncertainty. A large proportion of the TfL Group's provisions relate to capital investment activities based on complex contracts and commercial arrangements. In particular CPO provisions and contractual disputes are subject to significant estimation and include uncertainty around negotiations.	We have gained an understanding of material provisions and accruals. The following procedures were performed as part of our testing: • We have tested material provisions and accruals for business purpose and appropriateness of estimation techniques, by comparing actual costs to prior year provisions to identify the accuracy of the provision made. For each provision we have ensured that each satisfies the recognition criteria under IAS 37 • We have reviewed and critically evaluated management's judgement and estimates applied in the calculation of provisions in the financial statements. This included obtaining and reviewing payroll information and business cases relating to the severance provision	We have concluded that the provisions made are within an acceptable range, based on latest available information and are therefore materially correct.

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

Property valuation

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

Pension deficit

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Refer to note 32 in the consolidated financial statements. The TfL Group's defined pension scheme forms part of the Local Government Pension Scheme. The Local Government Pension Scheme is in a deficit and the TfL Group shares in this deficit. The assumptions used to arrive at the value of the pension deficit are judgmental. Assumption used to determine the value is in accordance with IAS19(R) Employment Benefits.	The following procedures were performed as part of our substantive testing: • We have benchmarked the discount and inflation rates applied, using our internal valuation experts to assist in our review of whether management's assumptions are within an acceptable range based on comparative market data • We have obtained information from TfL's pension scheme auditors, including information on their audit work on the investment fund, asset values and membership data submitted to the actuary. We agreed the information submitted to the actuary was consistent with contributions from the payroll system. We compared the assets per the pension fund, as tested by KPMG, to the assets identified by the actuary in the IAS19 report. We found that the assets in the IAS19 report were consistent • We have audited the disclosure of deficit and assumptions in the financial statements to ensure that it complies with disclosure requirements	We have concluded that the assumptions used in determining the actuarial valuations are within an acceptable range.

The above risk areas are consistent with those in the prior year

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

An overview of the scope of our audit

Tailoring the scope

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

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the three reporting components, Transport Trading Limited (which consolidates Crossrail limited), London Transport Insurance (Guernsey) Limited, and TFL Trustee Company, only Transport Trading Limited is material to the group, represent 88 per cent of the Group's gross expenditure, the other two entities represent less than one per cent of Group's gross expenditure and are considered immaterial to the Group.

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

Materiality

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

We determined materiality for the Group to be £106.0m (2017: £107.7m), which is one per cent (2017 one per cent) of group operational and capital expenditure. TfL Group's key responsibilities are to provide transportation services across London and to continue to develop the capital's transport infrastructure. TfL has two key purposes; operational responsibilities for transport services and the development of London's transport infrastructure. Both of these elements are of significant interest to the users of the financial statements identified above and therefore TfL expenditure in these areas is of most interest to the users of the financial statements

Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75 per cent (2017: 75 per cent) of our planning materiality, namely £79.5m (2017: £80.8m). In setting performance materiality at this percentage we have considered previous year audit findings, and the historic trend of adjustments. Based on prior year audits, as well as our own work to date, we have found that there is a history of low instance of error.

Reporting threshold

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

We agreed with the Audit Committee that we would report all uncorrected audit differences in excess of £5m (2017: £5m), which is set at five per cent of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

The other information comprises the information included in the Annual Report, other than the financial statements, parts of the remuneration report that are described as being subject to audit and our auditor's report thereon. The Statutory Chief Finance Officer is responsible for the other information.

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

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

We have nothing to report in this regard.

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

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

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in November 2017, we are satisfied that, in all significant respects, Transport for London put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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 Council
- We issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014
- We make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014
- We make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014
- We issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014
- We make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014

We have nothing to report in these respects.

Responsibility of the Statutory Chief Finance Officer

As explained more fully in the Statement of Responsibilities for the Accounts set out on page 149, the Statutory Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2017, as to whether the Transport for London had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether 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 2018.

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

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

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

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

Delay in certification of completion of the audit

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

Use of our report

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

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

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

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

Image 55: Black cabs and red buses are some of London's most iconic sights

Group Comprehensive Income and Expenditure Statement

Year ended 31 March	Note	Gross income 2018 £m	Gross expenditure 2018 £m	Net expenditure 2018 £m	Gross income 2017 restated £m*	Gross expenditure 2017 restated £m*	Net expenditure 2017 restated £m*
Operating segment							
London Underground		**2,668.0**	**(3,277.0)**	**(609.0)**	2,705.0	(3,210.0)	(505.0)
Buses		**1,466.0**	**(2,218.0)**	**(752.0)**	1,487.0	(2,201.0)	(714.0)
Rail		**528.0**	**(712.0)**	**(184.0)**	523.0	(704.0)	(181.0)
Streets		**314.0**	**(725.0)**	**(411.0)**	323.0	(783.0)	(460.0)
Commercial Development		**251.0**	**(47.0)**	**204.0**	222.0	(41.0)	181.0
Other operations		**166.0**	**(375.0)**	**(209.0)**	151.0	(320.0)	(169.0)
Net cost of operations per internal management reports	2	**5,393.0**	**(7,354.0)**	**(1,961.0)**	5,411.0	(7,259.0)	(1,848.0)
Central items	2	**(10.6)**	**(157.5)**	**(168.1)**	(11.8)	25.1	13.3
Net cost of services	2	**5,382.4**	**(7,511.5)**	**(2,129.1)**	5,399.2	(7,233.9)	(1,834.7)
Other net operating expenditure	6			**(47.3)**			(13.8)
Financing and investment income	7			**69.1**			46.7
Financing and investment expenditure	8			**(486.7)**			(433.3)
Grant income	9			**2,476.9**			2,660.0
Group share of (loss)/profit after tax of associated undertakings	15			**(62.7)**			(104.8)
(Deficit)/surplus on the provision of services before tax				**(179.8)**			320.1
Taxation income	10			**3.5**			6.5
(Deficit)/surplus on the provision of services after tax				**(176.3)**			326.6

Group Comprehensive Income and Expenditure Statement (continued)

Year ended 31 March	Note	Gross income 2018 £m	Gross expenditure 2018 £m	Net expenditure 2018 £m	Gross income 2017 restated £m*	Gross expenditure 2017 restated £m*	Net expenditure 2017 restated £m*
(Deficit)/surplus on the provision of services after tax				**(176.3)**			**326.6**
Other comprehensive income and expenditure							
Items that will not be subsequently reclassified to profit or loss							
Surplus/(deficit) on the revaluation of property, plant and equipment**	12			**20.3**			(3.8)
Net remeasurement gain/(losses) on defined benefit pension schemes**	32			**1,007.4**			(2,009.0)
				1,027.7			(2,012.8)
Items that may be subsequently reclassified to profit or loss							
Movement in the fair value of derivative financial instruments**	35			**15.5**			29.1
Derivative fair value loss recycled to income and expenditure**	35			**8.2**			7.8
				23.7			36.9
				1,051.4			(1,975.9)
Total comprehensive income and expenditure				**875.1**			(1,649.3)

* Figures for 2016/17 have been restated to show the split of net cost of services by internal management operating segment (see note 2).

** There is no tax effect of these items on other comprehensive income and expenditure in the years ended 31 March 2018 or 2017 (note 10).

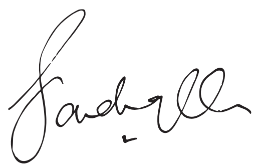
Group Balance Sheet

	Note	31 March 2018 £m	31 March 2017 restated £m
Long-term assets			
Intangible assets	11	**118.2**	140.1
Property, plant and equipment	12	**39,274.0**	36,838.9
Investment property	13	**537.2**	558.0
Equity accounted investment in associated undertakings	15	**319.0**	368.2
Derivative financial instruments	26	**11.7**	18.2
Long-term finance lease receivables	16	**17.4**	3.5
Long-term debtors	18	**27.7**	25.8
		40,305.2	37,952.7
Current assets			
Inventories	17	**64.2**	71.7
Short-term debtors	18	**560.6**	1,820.2
Assets held for sale	19	**83.2**	15.0
Short-term derivative financial instruments	26	**5.9**	12.3
Short-term finance lease receivables	16	**8.2**	0.9
Short-term investments	20	**692.3**	1,024.6
Cash and cash equivalents	21	**1,239.5**	936.8
		2,653.9	3,881.5
Current liabilities			
Short-term creditors	22	**(2,348.6)**	(2,146.6)
Short-term borrowings and overdrafts	23	**(846.2)**	(1,105.7)
Short-term finance lease liabilities	24	**(69.9)**	(76.7)
Short-term derivative financial instruments	26	**(1.5)**	(3.6)
Short-term provisions	27	**(334.1)**	(194.3)
		(3,600.3)	(3,526.9)

Group Balance Sheet (continued)

	Note	31 March 2018 £m	31 March 2017 restated £m
Long-term liabilities			
Long-term creditors	22	**(65.7)**	(56.5)
Long-term borrowings	23	**(9,569.4)**	(8,689.6)
Long-term finance lease liabilities	24	**(418.2)**	(488.1)
Long-term derivative financial instruments	26	**(52.0)**	(79.2)
Long-term provisions	27	**(84.3)**	(43.6)
Retirement benefit obligation	32	**(4,707.3)**	(5,363.5)
		(14,896.9)	(14,720.5)
Net assets		**24,461.9**	23,586.8
Reserves			
Usable reserves		**1,789.5**	1,860.5
Unusable reserves	35	**22,672.4**	21,726.3
Total reserves		**24,461.9**	23,586.8

The Expenditure and Funding Analysis on page 178 and the notes on pages 182 to 317 form part of these financial statements. These financial statements were approved by the Board on 25 July 2018 and signed on its behalf by:



Sadiq Khan,
Chair of TfL

Group Movement in Reserves Statement

	Note	General fund £m	Earmarked reserves £m	**General fund and earmarked reserves £m**	Street works reserve £m	Capital grants unapplied account £m	**Usable reserves £m**	Unusable reserves £m	**Total reserves £m**
At 1 April 2016		150.0	1,275.1	**1,425.1**	13.9	1,794.2	**3,233.2**	22,002.9	**25,236.1**
Movement in reserves during 2016/17									
Surplus on the provision of services after tax		(40.5)	-	**(40.5)**	-	-	**(40.5)**	367.1	**326.6**
Other comprehensive income and expenditure		-	-	**-**	-	-	**-**	(1,975.9)	**(1,975.9)**
Total comprehensive income and expenditure		(40.5)	-	**(40.5)**	-	-	**(40.5)**	(1,608.8)	**(1,649.3)**
Adjustments between accounting basis and funding basis under regulations	36	(172.0)	-	**(172.0)**	4.1	(1,164.3)	**(1,332.2)**	1,332.2	**-**
Net (decrease)/increase before transfer to/from earmarked reserves		(212.5)	-	**(212.5)**	4.1	(1,164.3)	**(1,372.7)**	(276.6)	**(1,649.3)**
Transfer to/from earmarked reserves		212.5	(212.5)	**-**	-	-	**-**	-	**-**
(Decrease)/increase in 2016/17		-	(212.5)	**(212.5)**	4.1	(1,164.3)	**(1,372.7)**	(276.6)	**(1,649.3)**
Balance at 31 March 2017		**150.0**	**1,062.6**	**1,212.6**	**18.0**	**629.9**	**1,860.5**	**21,726.3**	**23,586.8**
Movement in reserves during 2017/18									
(Deficit)/surplus on the provision of services after tax		(53.9)	-	**(53.9)**	-	-	**(53.9)**	(122.4)	**(176.3)**
Other comprehensive income and expenditure		-	-	**-**	-	-	**-**	1,051.4	**1,051.4**
Total comprehensive income and expenditure		(53.9)	-	**(53.9)**	-	-	**(53.9)**	929.0	**875.1**
Adjustments between accounting basis and funding basis under regulations	36	(60.1)	-	**(60.1)**	1.4	41.6	**(17.1)**	17.1	**-**
Net (decrease)/increase before transfer to/from earmarked reserves		(114.0)	-	**(114.0)**	1.4	41.6	**(71.0)**	946.1	**875.1**
Transfer to/from earmarked reserves		114.0	(114.0)	**-**	-	-	**-**	-	**-**
(Decrease)/increase in 2017/18		-	(114.0)	**(114.0)**	1.4	41.6	**(71.0)**	946.1	**875.1**
Balance at 31 March 2018		**150.0**	**948.6**	**1,098.6**	**19.4**	**671.5**	**1,789.5**	**22,672.4**	**24,461.9**

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

Group Statement of Cash Flows

Year ended 31 March	Note	2018 £m	2017 restated £m
(Deficit)/surplus on the provision of services after tax		**(176.3)**	326.6
Adjustments to surplus after tax for non-cash movements	33 a	**936.0**	105.9
Net cash flows from operating activities		**759.7**	432.5
Investing activities	33 b	**(748.9)**	(1,950.9)
Financing activities	33 c	**291.9**	274.5
Increase/decrease in net cash and cash equivalents in the year		**302.7**	(1,243.9)
Net cash and cash equivalents at the start of the year		**936.8**	2,180.7
Net cash and cash equivalents at the end of the year	21	**1,239.5**	936.8

Corporation Comprehensive Income and Expenditure Statement

Year ended 31 March	Note	2018 £m	2017 £m
Highways and Transport Services			
Gross income		**388.8**	373.9
Gross expenditure	3	**(1,322.5)**	(1,059.5)
Net cost of services*		**(933.7)**	(685.6)
Other net operating expenditure	6	**(1.8)**	(1.3)
Financing and investment income	7	**356.5**	326.3
Financing and investment expenditure	8	**(515.6)**	(467.5)
Grant income	9	**2,440.2**	2,636.3
Grant funding of subsidiaries		**(1,399.5)**	(1,848.7)
(Deficit)/surplus on the provision of services		**(53.9)**	(40.5)
Other comprehensive income and expenditure			
Items that will not be subsequently reclassified to profit or loss			
Net remeasurement gains/(losses) on defined benefit pension schemes	32	**998.4**	(1,979.0)
		998.4	(1,979.0)
Total comprehensive income and expenditure		**944.5**	(2,019.5)

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

Corporation Balance Sheet

	Note	31 March 2018 £m	31 March 2017 restated £m
Long-term assets			
Intangible assets	11	**79.2**	99.4
Property, plant and equipment	12	**3,941.3**	3,829.9
Investment property	13	**11.0**	10.8
Investments in subsidiaries	14	**8,762.5**	8,562.5
Long-term debtors	18	**9,992.4**	9,372.3
		22,786.4	21,874.9
Current assets			
Inventories	17	**-**	0.8
Short-term debtors	18	**884.5**	809.0
Assets held for sale	19	**-**	1.5
Short-term investments	20	**669.8**	1,014.9
Cash and cash equivalents	21	**1,102.4**	808.4
		2,656.7	2,634.6
Current liabilities			
Short-term creditors	22	**(666.8)**	(639.2)
Short-term borrowings	23	**(846.1)**	(1,105.7)
Short-term finance lease liabilities	24	**(10.8)**	(11.4)
Short-term provisions	27	**(124.5)**	(113.4)
		(1,648.2)	(1,869.7)

	Note	31 March 2018 £m	31 March 2017 restated £m
Long-term liabilities			
Long-term creditors	22	**(16.9)**	(16.2)
Long-term borrowings	23	**(9,576.0)**	(8,696.8)
Long-term finance lease liabilities	24	**(131.3)**	(142.1)
Long-term provisions	27	**(25.1)**	(33.3)
Retirement benefit obligation	32	**(4,681.2)**	(5,331.5)
		(14,430.5)	(14,219.9)
Net assets		**9,364.4**	8,419.9
Reserves			
Usable reserves		**1,789.5**	1,860.5
Unusable reserves	35	**7,574.9**	6,559.4
Total reserves		**9,364.4**	8,419.9

The notes on pages 182 to 317 form part of these financial statements. These financial statements were approved by the Board on 25 July 2018 and signed on its behalf by:

Sadiq Khan,
Chair of TfL

Corporation Movement in Reserves Statement

	Note	General fund £m	Earmarked reserves £m	**General fund and earmarked reserves £m**	Street works reserve £m	Capital grants unapplied account £m	**Usable reserves £m**	Unusable reserves £m	**Total reserves £m**
At 1 April 2016		150.0	1,275.1	**1,425.1**	13.9	1,794.2	**3,233.2**	7,206.2	**10,439.4**
Movement in reserves during 2016/17									
Deficit on the provision of services		(40.5)	-	**(40.5)**	-	-	**(40.5)**	-	**(40.5)**
Other comprehensive income and expenditure		-	-	**-**	-	-	**-**	(1,979.0)	**(1,979.0)**
Total comprehensive income and expenditure		(40.5)	-	**(40.5)**	-	-	**(40.5)**	(1,979.0)	**(2,019.5)**
Adjustments between accounting basis and funding basis under regulations	36	(172.0)	-	**(172.0)**	4.1	(1,164.3)	**(1,332.2)**	1,332.2	**-**
Net (decrease)/increase before transfer to/from earmarked reserves		(212.5)	-	**(212.5)**	4.1	(1,164.3)	**(1,372.7)**	(646.8)	**(2,019.5)**
Transfer to/from earmarked reserves		212.5	(212.5)	**-**	-	-	**-**	-	**-**
(Decrease)/increase in 2016/17		-	(212.5)	**(212.5)**	4.1	(1,164.3)	**(1,372.7)**	(646.8)	**(2,019.5)**
Balance at 31 March 2017		150.0	1,062.6	**1,212.6**	18.0	629.9	**1,860.5**	6,559.4	**8,419.9**
Movement in reserves during 2017/18									
Deficit on the provision of services		(53.9)	-	**(53.9)**	-	-	**(53.9)**	-	**(53.9)**
Other comprehensive income and expenditure		-	-	**-**	-	-	**-**	998.4	**998.4**
Total comprehensive income and expenditure		(53.9)	-	**(53.9)**	-	-	**(53.9)**	998.4	**944.5**
Adjustments between accounting basis and funding basis under regulations	36	(60.1)	-	**(60.1)**	1.4	41.6	**(17.1)**	17.1	**-**
Net (decrease)/increase before transfers to/from earmarked reserves		(114.0)	-	**(114.0)**	1.4	41.6	**(71.0)**	1,015.5	**944.5**
Transfer to/from earmarked reserves		114.0	(114.0)	**-**	-	-	**-**	-	**-**
(Decrease)/increase in 2017/18		-	(114.0)	**(114.0)**	1.4	41.6	**(71.0)**	1,015.5	**944.5**
Balance at 31 March 2018		**150.0**	**948.6**	**1,098.6**	**19.4**	**671.5**	**1,789.5**	**7,574.9**	**9,364.4**

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

Corporation Statement of Cash Flows

Year ended 31 March	Note	2018 £m	2017 restated £m
(Deficit)/surplus on the provision of services		**(53.9)**	(40.5)
Adjustments to (deficit)/surplus after tax for non-cash movements	33 a	**(38.6)**	(110.1)
Net cash flows from operating activities		**(92.5)**	(150.6)
Investing activities	33 b	**66.1**	(1,403.7)
Financing activities	33 c	**320.4**	314.5
Increase/(decrease) in net cash and cash equivalents in the year		**294.0**	(1,239.8)
Net cash and cash equivalents at the start of the year		**808.4**	2,048.2
Net cash and cash equivalents at the end of the year	21	**1,102.4**	808.4


Image 56: We are working to create a fairer, greener and more prosperous city

Expenditure and Funding Analysis

For the year ended 31 March 2018	Net expenditure chargeable to the General Fund £m	Adjustments between accounting basis and funding basis under regulations (note 36) £m	Total per the Corporation Comprehensive Income and Expenditure Statement £m	Surplus on the provision of services after tax in subsidiaries (note 35) £m	Total per the Group Comprehensive Income and Expenditure Statement £m
Net cost of services					
London Underground	(337.0)	-	(337.0)	(272.0)	(609.0)
Buses	(39.0)	-	(39.0)	(713.0)	(752.0)
Rail	(22.0)	-	(22.0)	(162.0)	(184.0)
Streets	(246.9)	(141.1)	(388.0)	(23.0)	(411.0)
Commercial development	5.0	-	5.0	199.0	204.0
Other operations	(147.8)	(27.2)	(175.0)	(34.0)	(209.0)
Central items	357.1	(334.8)	22.3	(190.4)	(168.1)
Net cost of services	(430.6)	(503.1)	(933.7)	(1,195.4)	(2,129.1)
Other net operating expenditure	-	(1.8)	(1.8)	(45.5)	(47.3)
Financing and investment income	340.1	16.4	356.5	(287.4)	69.1
Financing and investment expenditure	(378.4)	(137.2)	(515.6)	28.9	(486.7)
Grant income	509.1	531.6	1,040.7	1,436.2	2,476.9
Group share of profit after tax of associated undertakings	-	-	-	(62.7)	(62.7)
(Deficit)/surplus on the provision of services before tax	40.2	(94.1)	(53.9)	(125.9)	(179.8)
Taxation income	-	-	-	3.5	3.5
(Deficit)/surplus on the provision of services after tax	40.2	(94.1)	(53.9)	(122.4)	(176.3)
Employer's pension contributions and direct payments to pensioners payable in the year	(123.7)	123.7	-		
Minimum Revenue provision	(18.7)	18.7	-		
Amortisation of premium on financing	(11.8)	11.8	-		
Net (decrease)/increase in 2017/18	(114.0)	60.1	(53.9)		
Balance of General Fund and Earmarked Reserves at 1 April 2017	1,212.6				
Balance of General Fund and Earmarked Reserves at 31 March 2018	1,098.6				

Expenditure and Funding Analysis (continued)

For the year ended 31 March 2017 (restated)	Net expenditure chargeable to the General Fund £m	Adjustments between accounting basis and funding basis under regulations (note 36) £m	Total per the Corporation Comprehensive Income and Expenditure Statement £m	Surplus on the provision of services after tax in subsidiaries (note 35) £m	Total per the Group Comprehensive Income and Expenditure Statement £m
Net cost of services					
London Underground	(301.0)	-	(301.0)	(204.0)	(505.0)
Buses	(42.0)	-	(42.0)	(672.0)	(714.0)
Rail	(17.0)	-	(17.0)	(164.0)	(181.0)
Streets	(305.5)	(129.5)	(435.0)	(25.0)	(460.0)
Commercial Development	4.0	-	4.0	177.0	181.0
Other operations	(104.8)	(35.2)	(140.0)	(29.0)	(169.0)
Central items	354.3	(108.9)	245.4	(232.1)	13.3
Net cost of services	(412.0)	(273.6)	(685.6)	(1,149.1)	(1,834.7)
Other net operating expenditure	-	(1.3)	(1.3)	(12.5)	(13.8)
Financing and investment income	324.7	1.6	326.3	(279.6)	46.7
Financing and investment expenditure	(357.4)	(110.1)	(467.5)	34.2	(433.3)
Grant income	337.3	450.3	787.6	1,872.4	2,660.0
Group share of profit after tax of associated undertakings	-	-	-	(104.8)	(104.8)
(Deficit)/surplus on the provision of services before tax	(107.4)	66.9	(40.5)	360.6	320.1
Taxation income	-	-	-	6.5	6.5
Surplus on the provision of services after tax	**(107.4)**	**66.9**	**(40.5)**	**367.1**	**326.6**
Employer's pension contributions and direct payments to pensioners payable in the year	(74.6)	74.6	-		
Minimum Revenue provision	(18.7)	18.7	-		
Amortisation of premium on financing	(11.8)	11.8	-		
Net (decrease)/increase in 2016/17	(212.5)	172.0	(40.5)		
Balance of General Fund and Earmarked Reserves at 1 April 2016	1,425.1				
Balance of General Fund and Earmarked Reserves at 31 March 2017	1,212.6				

Accounting Policies

a) Code of practice

TfL is required to prepare an annual Statement of Accounts under Section 3 of the Local Audit and Accountability Act 2014, and by the Accounts and Audit Regulations 2015 (the 2015 Regulations). The 2015 Regulations require the Statement of Accounts to be prepared in accordance with proper accounting practices. The Statement of Accounts have therefore been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (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 2017/18 is based on International Financial Reporting Standards (IFRS) adopted by the EU (Adopted IFRS) and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements. It requires that local authorities prepare their financial statements in accordance with the International Accounting Standards Board (IASB) 'Framework for the Preparation and Presentation of Financial Statements' as interpreted by the Code.

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

Capital grants and contributions

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

FRS 102 The Financial Reporting Standard: Heritage assets

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

IAS 36 Impairment of Assets

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

b) Basis of preparation

The accounts are made up to 31 March 2018. The Corporation is a single service authority and all expenditure is attributable to the provision of highways, roads and transport services.

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

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

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

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 using the equity accounting method. Associate undertakings are those where the Group is considered to have the power to significantly influence, but not control, the financial and operating policies of the investee.

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

Accounting Policies (continued)

d) Going concern
The financial statements have been prepared on a going concern basis as it is considered by the Board that TfL will continue in operational existence for the foreseeable future and meet its liabilities as they fall due for payment. Under the Greater London Authority Act 1999, TfL has a legal requirement to produce a financially balanced Budget each year. As at 31 March 2018, the Group had usable reserves totalling £1,789.5m.

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:

- Amendments to IAS 7 Disclosure Initiative (mandatory for years beginning on or after 1 January 2017). The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes

- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses (mandatory for years on or after 1 January 2017). The amendments clarify that (i) unrealised losses on a debt instrument measured at fair value for which the tax base remains at cost give rise to a deductible temporary difference, irrespective of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use, or whether it is probable that the issuer will pay all the contractual cash flows. (ii) The carrying amount of an asset does not limit the estimation of probable future taxable profits. (iii) Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. (iv) An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type

- Amendments to IFRS 12 included in Annual Improvements to IFRS Standards 2014-2016 Cycle (mandatory for years beginning on or after 1 January 2017). IFRS 12 Disclosure of Interests in Other Entities states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests

The application of these and any other standards, amendments or interpretations issued by the IASB and applicable for the first time to these financial statements has not had a material impact on the accounts.

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 9 Financial Instruments (as revised in 2014) (mandatory for years beginning on or after 1 January 2018). IFRS 9 (as revised in 2014) will supersede IAS 39 Financial Instruments: Recognition and Measurement. The new standard contains the requirements for three areas: a) the classification and measurement of financial assets and financial liabilities, b) impairment methodology and c) general hedge accounting. With respect to classification and measurement, all recognised financial assets that are currently within the scope of IAS 39 will be subsequently measured at either amortised cost or fair value. The standard also contains requirements for the classification and measurement of financial liabilities and derecognition requirements. With respect to impairment methodology, the revised model reflects expected credit losses as opposed to the incurred credit losses recognised under IAS 39. And with regards to hedge accounting, IFRS 9 (as revised in 2014) introduces greater flexibility to the types of transactions eligible, specifically broadening the types of instruments that qualify as hedging instruments

TfL will apply IFRS 9 from 1 April 2018. The full impact of adopting IFRS 9 on TfL's consolidated financial statements will depend on the financial instruments that the Group has during 2018/19 as well as on economic conditions and judgements made as at the year end. TfL has performed a preliminary assessment of the potential impact of adopting IFRS 9 based on the financial instruments and hedging relationships as at the date of initial application of IFRS 9.

Following management review, the only area of significant though immaterial change identified arising from IFRS 9 relates to impairment. The impairment model under IFRS 9 reflects expected credit losses, as opposed to only incurred credit losses under IAS 39. Under the impairment approach in IFRS 9, it is not necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date.

The IFRS 9 impairment model will need to be applied to TfL's financial instruments. TfL expects to apply the simplified approach to recognise

Accounting Policies (continued)

lifetime expected credit losses for its trade receivables as permitted under IFRS 9. In relation to other financial instruments to which TfL is party, these are deemed to have low credit risk and there has not been a significant increase in credit risk since initial recognition. As such, although a loss allowance for 12 month expected credit losses will need to be recognised upon transition to IFRS 9, this is not expected to lead to a material impact on the TfL's financial statements

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

  Detailed analysis of IFRS 15 has been undertaken and the introduction of this standard is not expected to have a material impact on the consolidated financial statements. Material revenue streams including passenger income, revenue in respect of free travel for older customers, congestion charging and commercial advertising income have been assessed. Contracts with customers and service recipients in these areas are readily identifiable, performance obligations are clear, transaction prices can be determined and allocated under existing processes, and recognition criteria are materially unchanged from current policies.

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

- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (mandatory for years beginning on or after a date yet to be determined). The amendments require gains and losses resulting from transactions involving assets that do not constitute a business between an investor and its associate or joint venture to be recognised to the extent of the unrelated investors' interest in the associate or joint venture. Gains or losses from downstream transactions involving assets that constitute a business between an investor and its associate or joint venture should be recognised in full in the investor's financial statements

- Amendments to IAS 40 Transfers of Investment Property (mandatory for years commencing on or after 1 January 2018). The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred

- IFRIC 22 Foreign Currency Transactions and Advance Consideration (mandatory for years commencing on or after 1 January 2018). IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability. The interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration

- IFRIC 23 Uncertainty over tax treatments (not yet endorsed by the EU, effective for periods beginning on or after 1 January 2019). The interpretation clarifies application of recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments

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

g) Discontinued operations

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

h) Uses of estimates and judgements

The preparation of financial statements in conformity with the Code requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements are disclosed

Accounting Policies (continued)

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.

Post-retirement benefits
The pension costs and defined benefit plan obligations of the Group's defined benefit plans are calculated on the basis of a range of assumptions, including the discount rate, inflation rate, salary growth and mortality. Differences arising as a result of actual experience differing from the assumptions, or future changes in the assumptions will be reflected in subsequent periods. A small change in assumptions can have a significant impact on the valuation of the liabilities. More details are given in note 32.

Useful economic life of property, plant and equipment
In determining the useful economic life of property, plant and equipment judgement needs to be exercised in estimating the length of time that the assets will be operational. During the year the expected useful lives of items of property, plant and equipment in London Underground Ltd were reviewed, resulting in a change in some of the asset lives. More details are given in note 12.

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

Derivative financial instruments
The Group uses derivative financial 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 31 and the Accounting Policy on financial instruments (policy ah) 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.

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

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

Provisions
Judgement and 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 27.

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

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

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

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. Revenue received in advance and not recognised in the Comprehensive

Accounting Policies (continued)

Income and Expenditure Statement is recorded in the balance sheet and held within current liabilities – receipts in advance for Travelcards, bus passes and Oyster cards. 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 in respect of free and reduced fare travel for older and disabled customers
Revenue from the London Borough Councils in respect of free travel for older customers and disabled customers is recognised on a straight line basis 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, net of a provision for 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 they become due. Each increase in charge results in income being recognised in full at the date the increase is applied.

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

Commercial advertising
Commercial advertising revenue is recognised on an accruals basis as adverts are displayed in accordance with the detail of the relevant agreements.

Rental income
Rental income is recognised on a straight line basis over the term of the lease.

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:

- London Underground – Provision of passenger rail services and refurbishment and maintenance of certain parts of the rail network including Elizabeth line
- Buses – Provision of bus services
- Rail – Provision of passenger rail services through contracted third party operators
- Streets – Maintenance of London's roads and cycle routes
- Commercial Development – Property investment and commercial advertising
- Other operations – Provision of other operations, including Dial-a-Ride, London River Services, Taxi and Private Hire, Santander Cycles and Victoria Coach Station

k) Grants and other funding

The main source of grant funding is a share of Business Rate Retention received from the Greater London Authority, which is classified as a resource grant; and specific capital grants from the Department for Transport and the Greater London Authority for the Crossrail project.

In the accounts of the Corporation and Group, all non-specific grants are credited to the Comprehensive Income and Expenditure Statement upon receipt or when there is reasonable assurance that the grant will be received. If a capital grant is received, but has certain conditions as to when it may be applied, it will be held, in the first instance, as capital grants received in advance, within the payables section of the balance sheet. Once any relevant conditions have been met, the capital grant is credited to the Comprehensive Income and Expenditure Statement.

Where expenditure on property, plant and equipment is financed either wholly or partly by capital or non-specific grants or other contributions, the amount of the grant applied is credited to the Capital Adjustment Account through the Movements in Reserves Statement. Amounts not utilised in the year are credited to the Capital Grants Unapplied Account, a usable reserve, for application in future periods.

Amounts of non-specific grants not used in the year are credited to the General Fund balance or to an Earmarked Reserve for specific use in future periods, where appropriate.

l) Overheads

Overheads are recognised in the Comprehensive Income and Expenditure Statement on an accruals basis. The total absorption costing principles of the CIPFA Service Reporting Code of Practice 2016/17 (SERCOP) are not applicable to TfL as it is a single service authority.

m) Financing and investment income and expenses

Financing and investment income comprises interest income on funds invested and premiums received on the early settlement of borrowings. Interest income is recognised in the Comprehensive Income and Expenditure Statement as it accrues, using the effective interest rate method.

Financing and investment costs comprise the interest expense on borrowings and finance lease liabilities and the net financing cost on defined benefit

Accounting Policies (continued)

pension obligations. Also included are premiums paid on the early settlement of borrowings and interest rate derivatives. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the Comprehensive Income and Expenditure Statement using the effective interest rate method (see also Accounting Policy x) Borrowing costs).

n) VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

o) Taxation

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the Comprehensive Income and Expenditure Statement except to the extent that they relate to a business combination, or to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are disclosed net to the extent that they relate to taxes levied by the same authority and the Group has the right of offset.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

p) Business combinations

On the acquisition of a business, fair values are attributed to the identifiable assets and liabilities and contingent liabilities unless the fair value cannot be measured reliably in which case the value is subsumed into goodwill. Where fair values of acquired contingent liabilities cannot be measured reliably, the assumed contingent liability is not recognised but is disclosed in the same manner as other contingent liabilities.

Goodwill is the difference between the fair value of the consideration payable and the fair value of net assets acquired.

q) Intangible assets

Goodwill

Where the cost of a business combination exceeds the fair values attributable to the net assets acquired, the resulting goodwill is capitalised and tested for impairment at each balance sheet date. Goodwill is allocated to income-generating units for the purpose of impairment testing.

Other intangible assets

Software costs are measured at cost less accumulated depreciation and accumulated impairment losses.

Where components of an asset are significant in value in relation to the total value of the asset as a whole, and they have substantially different economic lives, they are recognised separately.

Amortisation is charged to the Comprehensive Income and Expenditure Statement on a straight line basis over the estimated useful lives of intangible assets, from the date that they are available for use, unless such lives are indefinite.

The useful lives and amortisation methods for software costs are as follows:

Software costs	Straight-line	3-5 years

r) Property, plant and equipment

Recognition and measurement

Infrastructure consists of roads, tunnels, viaducts, bridges, stations, track, signalling, bus stations and stands; properties attached to infrastructure which are not separable from infrastructure; and properties attached to infrastructure that are used to facilitate the service provision but are limited in use by operational constraints. Some of these properties generate revenues which are considered to be incidental to the Group's activities.

Infrastructure, plant and equipment and rolling stock are measured at cost less accumulated depreciation and accumulated impairment losses. Assets under construction are measured at cost less any recognised impairment loss.

Office buildings are valued at fair value by external, professionally qualified surveyors in accordance with RICS Guidelines. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement methodology assumes the valuation is based on the highest and best use of the asset. Office buildings are measured using the income approach, by means of the discounted cash flow

Accounting Policies (continued)

method, where the expected cash flows from the properties are discounted (using a marked-derived discount rate) to establish the present value of the net income stream. Properties are therefore categorised as Level 3 in the fair value hierarchy, as the measurement technique uses significant unobservable inputs to determine the fair value measurements. Valuations are performed on a rolling basis, with approximately 75 per cent of the portfolio by value being valued each year. Between formal valuations fair values are adjusted by the application of annual indexation. Movements in the fair value of the property are taken to the Revaluation Reserve, with the exception of permanent diminutions in value which are recognised in profit or loss.

The cost of certain items of property, plant and equipment was determined by reference to a revalued amount determined under a previous accounting regimen. The Group elected to apply the optional exemption to use this previous valuation as deemed cost at 1 April 2009, the date of transition to IFRS.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, borrowing costs on qualifying assets for which the commencement date for capitalisation is on or after 1 April 2009, and any other costs directly attributable to bringing the assets to a working condition for their intended use. Where there is a legal obligation to remove the asset and/or restore the site on which it is located at the end of its useful economic life, the costs of dismantling and removing the items and restoring the site on which they are located are also included in the cost of the asset.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. When components are replaced, the costs of the overhaul are capitalised as additions and the carrying amounts of the replaced components are written off to profit or loss.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the item, and are recognised net within other gains and losses in the Comprehensive Income and Expenditure Statement.

Depreciation

Depreciation is calculated on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less the expected residual value at the end of its useful economic life.

Depreciation is recognised in the Comprehensive Income and Expenditure Statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Tunnels and embankments	up to 120 years
Bridges and viaducts	up to 120 years
Track	up to 100 years
Road pavement	up to 40 years
Road foundations	up to 50 years
Signalling	15 to 40 years
Stations	up to 120 years
Other property	20 to 120 years
Rolling stock	30 to 50 years
Lifts and escalators	25 to 40 years
Plant and equipment	3 to 40 years
Computer equipment	3 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate, the effect of such adjustment being prospectively recognised as a change of estimate.

During the current year, a review of the estimated useful lives of assets within London Underground Ltd resulted in revised useful lives of certain asset classes. This is reflected above as an increase in the useful lives of civil works assets within Tunnels and embankments and Bridges and viaducts from 100 years to 120 years. Further details provided in Note 12.

s) Heritage assets

Property, plant and equipment includes a number of assets classified as heritage assets in accordance with the Code. Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. These provisions apply to the collection of transport-related artefacts held at London Transport Museum. Due to the diverse nature of the assets held and the lack of comparable market values, the cost of obtaining a valuation of TfL's heritage assets is such that it would not be commensurate with the benefits provided to users of the financial statements. TfL has therefore taken the exemption available under the Code to hold its heritage assets at historical cost less any accumulated depreciation or impairment losses.

t) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the supply of services or for administrative purposes.

Investment property is measured initially at cost, including transaction costs, and subsequently measured at fair value with any change therein recognised in profit or loss. When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting. Investment properties held at fair value are not subject to depreciation.

Accounting Policies (continued)

Investment properties are valued at fair value by external, professionally qualified surveyors in accordance with RICS Guidelines. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement methodology assumes the valuation is based on the highest and best use of the asset. Properties are measured using the income approach, by means of the discounted cash flow method, where the expected cash flows from the properties are discounted (using a marked-derived discount rate) to establish the present value of the net income stream. Properties are therefore categorised as Level 3 in the fair value hierarchy, as the measurement technique uses significant unobservable inputs to determine the fair value measurements.

Properties with a carrying value in excess of £5,000,000 are valued annually. Properties with a value in excess of £250,000 but less than £5,000,000 are revalued every three years. Properties with a value in excess of £100,000 but less than £250,000 are revalued every five years. Between formal valuations fair values are adjusted by the application of annual indexation.

u) Investment in associated undertakings
An associate is an entity over which the Group has significant influence, but not control. The results and assets and liabilities of associates are incorporated in these consolidated accounts using the equity method of accounting from the date on which the investee becomes an associate. Under the equity method, the investment is initially recognised on the balance sheet at cost, and is thereafter adjusted to recognise the Group's share of the profit or loss and other comprehensive income of the associate.

v) Inventories
Inventories consist primarily of fuel, uniforms, and materials required for the operation of services and maintenance of infrastructure. Equipment and materials held for use in a capital programme are accounted for as inventory until they are issued to the project, at which stage they become part of assets under construction.

Inventories are stated at cost less a provision for excess and obsolete inventories. Cost comprises direct materials, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method.

w) Assets held for sale
Long-term assets (and disposal groups comprising a group of assets and potentially some liabilities that an entity intends to dispose of in a single transaction) are classified as held for sale if their carrying amount will be recovered principally through sale rather than continuing use, they are available for immediate sale and sale is highly probable.

On initial classification as held for sale, long-term assets or disposal groups are measured at the lower of their previous carrying amount and fair value less costs to sell. No amortisation or depreciation is charged on long-term assets (including those in disposal groups) classified as held for sale.

x) Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets (those necessarily taking a substantial period of time to get ready for their intended use) are added to the cost of those assets, until such time as the assets are ready for their intended use. The Group has opted to use the date of transition to IFRS (1 April 2009) as the effective date for applying IAS 23 Borrowing Costs (IAS 23).

All other finance and borrowing costs are recognised in the Comprehensive Income and Expenditure Statement in the period in which they are incurred.

y) Provisions
Provisions are recognised on the balance sheet when a present legal or constructive obligation exists for a future liability in respect of a past event and where the amount of the obligation can be estimated reliably. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

z) Foreign currencies
Transactions in currencies other than sterling are recognised at the rates of exchange prevailing at the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks (see Accounting Policy ah) below for hedging accounting policies).

aa) Leases (the Group as lessee)
Leased assets
Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised in the Group's balance sheet.

Lease payments
Payments made under operating leases are recognised in the Comprehensive Income and Expenditure Statement on a straight-line basis over the term of

Accounting Policies (continued)

the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Determining whether an arrangement contains a lease
At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

ab) Leases (the Group as lessor)

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases and initial direct costs are recognised on a straight line basis over the term of the relevant lease.

ac) Private Finance Initiative (PFI) transactions and similar contracts

The Code requires the Group to account for infrastructure PFI schemes where it controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement. TfL therefore recognises such PFI assets as items of property, plant and equipment together with a liability to pay for them. The fair values of services received under the contract are recorded as operating expenses.

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:

a) The service charge

b) Repayment of the capital

c) The interest element (using the interest rate implicit in the contract)

Services received
The fair value of services received in the year is recorded under the r elevant expenditure headings within 'gross expenditure'.

Assets
Assets are recognised as property, plant and equipment or intangible assets when they come into use. The assets are measured initially at fair value in accordance with IAS 17 Leases.

Where the operator enhances assets already recognised in the balance sheet the fair value of the enhancement in the carrying value of the asset is recognised as an asset.

Liabilities
A PFI liability is recognised at the same time as the assets are recognised. It is measured initially at the same amount as the fair value of the PFI assets and is subsequently measured as a finance lease liability in accordance with IAS 17.

An annual finance cost is calculated by applying the implicit interest rate in the lease to the opening lease liability for the year, and is charged to financing and investment expenditure within the Comprehensive Income and Expenditure Statement.

The element of the unitary payment that is allocated as a finance lease rental is applied to meet the annual finance cost and to repay the lease liability over the contract term.

Life cycle replacement
Components of the asset replaced by the operator during the contract (lifecycle replacement) are capitalised where they meet the Group's criteria for capital expenditure. They are capitalised at the time they are provided by the operator and are measured initially at their fair value.

PFI arrangements which are accounted for as operating leases are dealt with as detailed in Accounting Policy aa) above.

ad) Impairment of non-financial assets

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired. Other intangible assets, property, plant and equipment and investments in subsidiaries and associated companies are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss.

Impairment occurs when an asset's carrying value exceeds its recoverable amount. An asset's recoverable amount is the higher of its value in use and its fair value less costs to sell.

In accordance with the Code, when an asset is not held primarily for the purpose of generating cash flows but for service provision, value in use is the present value

Accounting Policies (continued)

of the asset's remaining service potential, which can be assumed to be at least equal to the cost of replacing that service potential. This is the case for the majority of the Group's assets.

ae) Employee benefits

Defined benefit 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 they occur. 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.

af) Reserves

Reserves consist of two elements, usable and unusable.

Usable reserves are those that can be applied to fund expenditure. They are made up of the General Fund, Earmarked Reserves, the Capital Grants Unapplied Account and the Street Works Reserve. Amounts in the Street Works Reserve represent the net income/expenditure generated from lane rental revenues. These net revenues may only be employed in funding the reduction of disruption and other adverse effects caused by street works.

Unusable reserves cannot be applied to fund expenditure as they are not cash backed. They include the Capital Adjustment Account, Pension Reserve, the Hedging Reserve, the Available for Sale Reserve, the Financial Instruments Adjustment Account, the Retained Earnings Reserve in subsidiaries and the fixed asset Revaluation Reserve.

ag) Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (grants, business rates etc.) by local authorities

Accounting Policies (continued)

in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between TfL's operating segments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

ah) Financial instruments

Financial assets within the scope of IAS 39 Financial Instruments: Recognition and Measurement (IAS 39) are classified as:

- Financial assets at fair value through the Comprehensive Income and Expenditure Statement
- loans and receivables
- available for sale financial assets

Financial liabilities within the scope of IAS 39 are classified as either financial liabilities at fair value through the Comprehensive Income and Expenditure Statement or financial liabilities measured at amortised cost.

The Group determines the classification of its financial instruments at initial recognition and re-evaluates this designation when circumstances dictate. When financial instruments are recognised initially, they are measured at fair value, being the transaction price plus any directly attributable transaction costs. The exception to this is for assets and liabilities measured at fair value, where transaction costs are immediately expensed.

The subsequent measurement of financial instruments depends on their classification as follows:

Financial assets at fair value through the Comprehensive Income and Expenditure Statement (held for trading)

Financial assets are classified as held for trading if they are acquired for sale in the short term. Derivatives are also classified as held for trading unless they are designated as hedging instruments. Assets are carried in the balance sheet at fair value with gains or losses recognised in the Comprehensive Income and Expenditure Statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market, do not qualify as trading assets and have not been designated as either 'fair value through the Comprehensive Income and Expenditure Statement' or 'available for sale'. Such 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 loans and receivables are derecognised or impaired, as well as through the amortisation process.

The fair value of loans advanced to third parties at nil interest rate or below the prevailing market rate of interest is estimated as the present value of all future cash receipts discounted using the prevailing market rate of interest for a similar instrument. The loan is subsequently amortised up to its repayment amount using the effective rate of interest.

Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as such or are not classified in any of the other categories. 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 the Available for Sale Reserve until the investment is derecognised, or until the investment is deemed to be impaired at which time the cumulative gain or loss previously reported in reserves is included in the Comprehensive Income and Expenditure Statement.

Other investments

Other investments include short and long-term deposits with Government or financial institutions, including Money Market Fund investments and Repurchase Agreements. Short-term investments are classified as loans and receivables. Long-term investments quoted in an active market are classified as available for sale financial assets.

Trade and other receivables

Trade and other receivables are classified as loans and receivables financial assets and are recognised initially at fair value and subsequently at amortised cost. For trade receivables this is after an allowance for estimated impairment. The allowance is based on objective evidence that the Group will not be able to recover all amounts due, through a review of all accounts and prior experience of collecting outstanding balances. Changes in the carrying amount of the allowance are recognised in the Comprehensive Income and Expenditure Statement.

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an outstanding maturity, at the date of acquisition, of less than or equal to three months. Other investments with an outstanding maturity at the date of acquisition of less than or equal to three months are classified as short-term investments on the basis that they are not readily convertible to cash without penalty.

Cash equivalents are classified as loans and receivables financial instruments.

Accounting Policies (continued)

Financial liabilities at fair value through the Comprehensive Income and Expenditure Statement (held for trading)
Derivative liabilities are classified as held for trading unless they are designated as hedging instruments. They are carried in the balance sheet at fair value with gains or losses recognised in the Comprehensive Income and Expenditure Statement.

Financial liabilities measured at amortised cost
All non-derivative financial liabilities are classified as financial liabilities measured at amortised cost. Non-derivative financial liabilities are initially recognised at the settlement date at the fair value of the consideration received, less directly attributable issue costs. After initial recognition, non-derivative financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the Comprehensive Income and Expenditure Statement when the liabilities are derecognised or impaired, as well as through the amortisation process.

Trade and other creditors
Trade and other creditors are recognised initially at fair value and subsequently at amortised cost using the effective interest rate method.

Interest bearing loans and borrowings
All loans and borrowings are classified as financial liabilities measured at amortised cost.

Obligations under finance leases and PFI arrangements
All obligations under finance leases and PFI arrangements are classified as financial liabilities measured at amortised cost.

Derivative financial instruments
The Group uses derivative financial 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 policies, approved by the Board. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of the foreign currency risk of firm commitments (cash flow hedges).

The fair value of hedging derivatives is classified as a long-term asset or a long-term liability if the remaining maturity of the hedge relationship is more than 12 months and as a short-term asset or a short-term liability if the remaining maturity of the hedge relationship is less than 12 months. Derivatives not designated into an effective hedge relationship are classified as a short-term asset or a short-term liability.

Hedge accounting
In order to qualify for hedge accounting, at inception of the transaction the Group formally designates and documents the hedging relationship, which includes the Group's risk management objective and strategy for undertaking the hedge, identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness. In addition, an instrument is only designated as a hedge when it is expected to be highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk as designated and documented and where effectiveness is capable of reliable measurement.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Derivatives qualify for hedge accounting if changes in the fair value or cash flows of the hedging instrument attributable to the hedged risk are expected to be highly effective in offsetting the changes in the fair value or cash flows of the hedged item on a prospective basis and on a retrospective basis where actual results are within a range of 80 per cent to 125 per cent. Where derivatives or portions of hedges do not qualify for hedge accounting, they are recorded at fair value through the Comprehensive Income and Expenditure Statement and any change in value is immediately recognised in the Comprehensive Income and Expenditure Statement.

Cash flow hedges
Derivative instruments are classified as cash flow hedges when they hedge the Group's exposure to variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction. Derivative instruments qualifying for treatment as cash flow hedges are principally interest rate swaps and foreign currency forward exchange contracts.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is deferred in reserves. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Accounting Policies (continued)

Amounts deferred in reserves are recycled in profit or loss in the periods when the hedged items (the hedged asset or liability) are recognised in the Comprehensive Income and Expenditure Statement. However, 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 included in the initial measurement of the cost of the related asset or liability.

Hedge accounting is discontinued when the Group revokes the hedging instrument relationship, or the hedging instrument expires, is sold, terminated, exercised or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in reserves at that time remains in reserves and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in reserves is recognised immediately in profit or loss.

Fair value measurement of -financial instruments

The fair value of quoted investments is determined by reference to bid prices at the close of business on the balance sheet date, within Level 1 of the fair value hierarchy as defined within IFRS 7.

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 7.

Impairment of financial assets

Financial assets are assessed at each balance sheet date to determine whether there is any objective evidence that they are impaired. Individually significant financial assets are tested for impairment on an individual basis. All impairment losses 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 their risks and characteristics are not closely related to those of the host contracts, and the host contracts are not carried at fair value. Embedded derivatives are 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.

1. Gross income

a) Group gross income

Year ended 31 March	2018 £m	% of total	2017 £m	% of total
Passenger income	**4,319.4**	**80.3**	4,365.7	80.9
Revenue in respect of free travel for older and disabled customers	**325.0**	**6.0**	328.2	6.1
Congestion Charging	**229.8**	**4.3**	249.6	4.6
Charges to London Boroughs and Local Authorities	**12.5**	**0.2**	13.1	0.2
Charges to transport operators	**11.8**	**0.2**	13.4	0.2
Road Network compliance income	**49.2**	**0.9**	42.6	0.8
Commercial advertising receipts	**152.1**	**2.8**	142.1	2.6
Rents receivable	**73.8**	**1.4**	71.4	1.3
Contributions from third parties to operating costs	**59.4**	**1.1**	26.6	0.5
Taxi licensing	**27.0**	**0.5**	26.6	0.5
Ticket and photocard commission income	**24.9**	**0.5**	25.6	0.5
ATM and car parking income	**18.1**	**0.3**	17.2	0.3
Museum income	**8.9**	**0.2**	9.7	0.2
Training and specialist services	**4.3**	**0.1**	4.7	0.1
Cycle hire scheme	**11.1**	**0.2**	11.3	0.2
Other	**55.1**	**1.0**	51.4	1.0
	5,382.4	**100.0**	5,399.2	100.0

1. Gross income (continued)

b) Corporation gross income

	2018 £m	% of total	2017 £m	% of total
Congestion Charging	**229.8**	**59.1**	249.6	66.8
Charges to London Boroughs and Local Authorities	**11.6**	**3.0**	11.4	3.0
Road Network compliance income	**49.2**	**12.7**	42.6	11.4
Commercial advertising receipts	**6.3**	**1.6**	5.3	1.4
Rents receivable	**1.6**	**0.4**	1.6	0.4
Contributions from third parties to operating costs	**25.8**	**6.7**	3.3	0.9
Taxi licensing	**27.0**	**6.9**	26.6	7.1
Other	**37.5**	**9.6**	33.5	9.0
	388.8	**100.0**	373.9	100.0

c) Congestion Charging

	Group and Corporation 2018 £m	Group and Corporation 2017 £m
Income	**229.8**	249.6
Toll facilities and traffic management	**(57.5)**	(74.8)
	172.3	174.8
Administration, support services and depreciation	**(16.4)**	(10.9)
Net income from Congestion Charging	**155.9**	163.9

The net revenues from the Congestion Charge are spent on improving transport in line with the Mayor's Transport Strategy.

1. Gross income (continued)

d) Street works

	Group and Corporation 2018 £m	Group and Corporation 2017 £m
Income	**6.1**	8.1
Allowable operating costs of managing the lane rental scheme	**(1.9)**	(1.6)
Application of Street Works Reserve to projects reducing the adverse effects caused by street works	**(2.4)**	(1.6)
Net income recognised within net cost of services	**1.8**	4.9
Allowable capital costs of managing the lane rental scheme	**(0.4)**	(0.8)
Net income for the year transferred to the Street Works Reserve	**1.4**	4.1

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.

2. Segmental analysis

Decisions taken by the Board about resource allocation are made using internal management reports which show the net cost of operations before financing. These management reports are presented on a segmental basis as shown below.

Year ended 31 March 2018

	London Underground £m	Buses £m	Rail £m	Streets £m	Commercial Development £m	Other operations £m	Total per internal management reports £m	Central items £m	Total £m
Passenger income	2,632.0	1,453.0	507.0	-	-	51.0	4,643.0	1.4	4,644.4
Other operating income	36.0	13.0	21.0	314.0	251.0	115.0	750.0	(12.0)	738.0
Gross income	2,668.0	1,466.0	528.0	314.0	251.0	166.0	5,393.0	(10.6)	5,382.4
Direct operating cost	(2,136.0)	(2,104.0)	(539.0)	(499.0)	(47.0)	(265.0)	(5,590.0)	(161.3)	(5,751.3)
Indirect operating cost	(445.0)	(67.0)	(34.0)	(84.0)	-	(20.0)	(650.0)	-	(650.0)
Depreciation and amortisation	(696.0)	(47.0)	(139.0)	(142.0)	-	(90.0)	(1,114.0)	3.8	(1,110.2)
Gross expenditure	(3,277.0)	(2,218.0)	(712.0)	(725.0)	(47.0)	(375.0)	(7,354.0)	(157.5)	(7,511.5)
Net cost of services	(609.0)	(752.0)	(184.0)	(411.0)	204.0	(209.0)	(1,961.0)	(168.1)	(2,129.1)

Year ended 31 March 2017 (restated*)

	London Underground £m	Buses £m	Rail £m	Streets £m	Commercial Development £m	Other operations £m	Total per internal management reports £m	Central items £m	Total £m
Passenger income	2,669.0	1,474.0	503.0	-	-	48.0	4,694.0	(0.1)	4,693.9
Other operating income	36.0	13.0	20.0	323.0	222.0	103.0	717.0	(11.7)	705.3
Gross income	2,705.0	1,487.0	523.0	323.0	222.0	151.0	5,411.0	(11.8)	5,399.2
Direct operating cost	(2,108.0)	(2,086.0)	(539.0)	(571.0)	(41.0)	(209.0)	(5,554.0)	21.1	(5,532.9)
Indirect operating cost	(423.0)	(70.0)	(33.0)	(78.0)	-	(14.0)	(618.0)	-	(618.0)
Depreciation and amortisation	(679.0)	(45.0)	(132.0)	(134.0)	-	(97.0)	(1,087.0)	4.0	(1,083.0)
Gross expenditure	(3,210.0)	(2,201.0)	(704.0)	(783.0)	(41.0)	(320.0)	(7,259.0)	25.1	(7,233.9)
Net cost of services per the Funding and Expenditure Analysis	(505.0)	(714.0)	(181.0)	(460.0)	181.0	(169.0)	(1,848.0)	13.3	(1,834.7)

*Prior year figures have been restated to include Commercial Development as a separate operating segment

2. Segmental analysis (continued)

The segmental analysis is prepared using internal management reporting accounting methodologies. In some cases, these methodologies are different from the accounting policies used in the financial statements. Differences between the methodologies are collectively referred to as 'Central items' and are explained below:

- The cost of retirement benefits in the management reports is based on cash flows rather than the current service costs of benefits accrued in the year
- The capital elements (i.e. capital repayment and financing costs) relating to certain PFI contracts are included in the management reports in net operating expenditure but they are not included in net cost of services in the Comprehensive Income and Expenditure Statement
- Certain items which do not fit into any of the reporting segments are known internally as 'other Central items'. Other Central items are reported separately to management and are not included in the segmental analysis

A reconciliation of amounts reported per internal management reports to those included in these statutory financial statements is included in the analyses below.

Reconciliation of net cost of services per internal management reports to net cost of services per the Comprehensive Income and Expenditure Statement for the year ended 31 March 2018

	Gross income £m	Gross expenditure £m	Net cost of services £m
Net cost of services per internal management reports	**5,393.0**	**(7,354.0)**	**(1,961.0)**
Central items:			
Amounts included in the Comprehensive Income and Expenditure Statement not reported in management reports			
Pension service costs (note 32)	**-**	**(599.8)**	**(599.8)**
Other Central items	**(10.6)**	**25.2**	**14.6**
	(10.6)	**(574.6)**	**(585.2)**
Amounts included in management reports not reported in the Comprehensive Income and Expenditure Statement			
Capital and interest payments under the PFI schemes	**-**	**42.6**	**42.6**
Pension payments charged to operating costs	**-**	**374.5**	**374.5**
	-	**417.1**	**417.1**
Net cost of services per the Comprehensive Income and Expenditure Statement	**5,382.4**	**(7,511.5)**	**(2,129.1)**

2. Segmental analysis (continued)

Reconciliation of net cost of services per internal management reports to net cost of services per the Comprehensive Income and Expenditure Statement for the year ended 31 March 2017 (restated)

	Gross income £m	Gross expenditure £m	Net cost of services £m
Net cost of services per internal management reports	5,411.0	(7,259.0)	(1,848.0)
Central items:			
Amounts included in the Comprehensive Income and Expenditure Statement not reported in management accounts			
Pension service costs (note 32)	-	(364.6)	(364.6)
Other Central items	(11.8)	23.9	12.1
	(11.8)	(340.7)	(352.5)
Amounts included in management reports not reported in the Comprehensive Income and Expenditure Statement			
Capital and interest payments under the PFI schemes	-	49.5	49.5
Pension payments charged to operating costs	-	316.3	316.3
	-	365.8	365.8
Net cost of services per the Comprehensive Income and Expenditure Statement	5,399.2	(7,233.9)	(1,834.7)

The segmental reporting analysis only deals with Group information, and no disclosures are included for the Corporation. This is because the Corporation's results are not reported to the Board on a segmental basis.

No balance sheet information is reported internally by segment, and there is accordingly no requirement under the Code to disclose segmental balance sheet information in the Statement of Accounts.

3. Gross expenditure

Gross expenditure recognised in the Comprehensive Income and Expenditure Statement comprises:

	Note	**Group 2018 £m**	Group 2017 £m	**Corporation 2018 £m**	Corporation 2017 £m
Staff costs:					
Wages and salaries*		**1,494.4**	1,436.6	**324.8**	331.5
Social security costs		**161.8**	161.7	**33.2**	34.2
Pension costs	32	**594.4**	365.6	**326.6**	101.1
		2,250.6	1,963.9	**684.5**	466.8
Other service expenditure**		**4,150.7**	4,187.0	**468.3**	423.9
Depreciation	12	**1,042.6**	1,017.5	**127.7**	131.7
Amortisation of software intangibles	11	**67.5**	65.5	**42.0**	37.1
		7,511.4	7,233.9	**1,322.5**	1,059.5

* Wages and salaries include amounts provided for the cost of voluntary severance.

** Included in the Corporation's other service expenditure is £183.4m (2016/17 £195.2m) relating to financial assistance to London Boroughs and other third parties (see note 39 for detailed analysis). Other service expenditure also includes payments made under operating leases for the year of £96.3m for the Group (2016/17 £104.1m) and of £26.9m (2016/17 £24.5m) for the Corporation.

The average number of persons employed in the year was:

	Group 2018 Number	Group 2017 Number	**Corporation 2018 Number**	Corporation 2017 Number
Permanent staff (including fixed term contracts)	**26,994**	27,131	**5,704**	5,810
Agency staff	**1,735**	2,679	**621**	861
	28,729	29,810	**6,325**	6,671

4. External audit fees

External audit fees are made up as follows:

	Group 2018 £m	Group 2017 £m	**Corporation 2018 £m**	Corporation 2017 £m
Auditor's remuneration:				
for statutory audit services	**0.9**	1.0	**0.2**	0.2
for non-statutory audit services	**-**	0.1	**-**	0.1
for non-audit services*	**-**	0.2	**-**	-
	0.9	1.3	**0.2**	0.3

* The Audit and Assurance Committee reviews and notes the nature and extent of non-audit services provided by TfL's external auditor to ensure that independence is maintained.

5. Remuneration

Disclosures in respect of the remuneration of employees (including senior employees) and of termination payments made during the year may be found in the Remuneration Report on pages 92 to 123 of the Annual Report and Financial Statements.

6. Other operating expenditure

	Group 2018 £m	Group 2017 £m	Corporation 2018 £m	Corporation 2017 £m
Net loss on disposal of property, plant and equipment	**(46.7)**	(13.8)	**(1.2)**	(1.3)
Net loss on disposal of intangibles	**(0.6)**	-	**(0.6)**	-
Total other operating expenditure	**(47.3)**	(13.8)	**(1.8)**	(1.3)

7. Financing and investment income

	Note	Group 2018 £m	Group 2017 £m	Corporation 2018 £m	Corporation 2017 £m
Interest income on bank deposits and other investments		**7.5**	9.4	**7.3**	9.2
Interest income on loans to subsidiaries		**-**	-	**332.8**	315.5
Change in fair value of investment properties	13, 19	**41.7**	29.5	**0.6**	0.7
Net gain on disposal of investment properties		**19.0**	7.7	**15.8**	0.9
Interest receivable on finance lease debtors		**0.6**	0.1	**-**	-
Other investment income		**0.3**	-	**-**	-
		69.1	46.7	**356.5**	326.3

8. Financing and investment expenditure

	Note	Group 2018 £m	Group 2017 £m	Corporation 2018 £m	Corporation 2017 £m
Interest payable on loans and derivatives		**389.0**	371.4	**361.2**	340.3
Interest payable on finance lease liabilities		**35.4**	41.3	**6.8**	7.3
Contingent rentals on PFI contracts		**16.8**	17.1	**9.3**	8.7
Net interest on defined benefit obligation	32	**138.0**	110.5	**137.2**	110.1
Other financing and investment expenditure		**1.8**	1.6	**1.1**	1.1
		581.0	541.9	**515.6**	467.5
Less: amounts capitalised into qualifying assets	12	**(94.3)**	(108.6)	**-**	-
		486.7	433.3	**515.6**	467.5

9. Grant income

	Group 2018 £m	Group 2017 £m	Corporation 2018 £m	Corporation 2017 £m
Non ring-fenced resource grant from the DfT used to fund operations	**255.1**	311.2	**255.1**	311.2
Non ring-fenced Business Rates Retention from the GLA used to fund operations	**1,036.5**	854.3	**1,036.5**	854.3
Other revenue grant received	**50.8**	19.6	**50.8**	19.6
Council tax precept	**6.0**	6.0	**6.0**	6.0
Total grants allocated to revenue	**1,348.4**	1,191.1	**1,348.4**	1,191.1
Non ring-fenced resource grant from the DfT used to fund capital	**-**	163.2	**-**	163.2
Investment grant from the DfT used to fund capital	**-**	944.0	**-**	944.0
Non ring-fenced Business Rates Retention from the GLA used to fund capital	**777.8**	-	**777.8**	-
Community Infrastructure Levy used to fund capital expenditure	**100.4**	148.3	**100.4**	148.3
Other capital grants and contributions received	**250.3**	213.4	**213.6**	189.7
Total grants allocated to capital	**1,128.5**	1,468.9	**1,091.8**	1,445.2
Total grants	**2,476.9**	2,660.0	**2,440.2**	2,636.3

Allocation of capital grants

	Group 2018 £m	Group 2017 £m	Corporation 2018 £m	Corporation 2017 £m
Capital grant funding of subsidiaries	**-**	-	**560.2**	994.9
Applied capital grants (note 35)	**1,086.9**	2,633.2	**490.0**	1,614.6
Transfer to/(from) unapplied capital grants (note 36)	**41.6**	(1,164.3)	**41.6**	(1,164.3)
Total capital grants	**1,128.5**	1,468.9	**1,091.8**	1,445.2

10. Taxation

TfL Corporation is exempt from Corporation Tax but its subsidiaries are assessable individually to taxation in accordance with current tax legislation. All companies, with the exception of Crossrail Limited, are able to claim group relief.

a) Corporation Tax
The Group tax income for the year, based on the rate of Corporation Tax of 19 per cent (2016/17 20 per cent) comprised:

	Group 2018 £m	Group 2017 £m
UK Corporation Tax – current year charge	**-**	0.1
UK Corporation Tax – adjustments in respect of prior years	**(3.5)**	(6.6)
Total tax income for the year	**(3.5)**	(6.5)

Reconciliation of tax income

	Group 2018 £m	Group 2017 £m
Surplus/(deficit) on the provision of services before tax	**(179.8)**	320.1
Surplus/(deficit) on the provision of services before tax multiplied by standard rate of Corporation Tax in the UK of 19% (2016/17 20%)	**(34.2)**	64.0
Effects of:		
Non-taxable income/non-deductible expenses	**44.8**	(41.9)
Permanent difference in TfL Corporation	**10.2**	8.1
Amount charged to current tax for which no deferred tax was recognised	**(16.1)**	1.9
Utilisation of tax losses carried forward for which no deferred tax was recognised	**(5.7)**	(33.7)
Overseas earnings	**1.0**	1.7
Adjustments in respect of prior years	**(3.5)**	(6.6)
Total tax income for the year	**(3.5)**	(6.5)

10. Taxation (continued)

b) Unrecognised deferred tax assets
The Group has a potential net deferred tax asset of £1,467.3m (2017 £1,443.1m) in respect of the following items:

	Group 2018 £m	Group 2017 £m
Deductible temporary differences	1,467.3	572.0
Tax losses	-	871.1
Unrecognised deferred tax asset	**1,467.3**	1,443.1

No net deferred tax asset has been recognised as it is not considered probable that there will be sufficient future taxable profits available against which the unused tax credits can be utilised. The tax losses and the deductible temporary differences do not expire under current tax legislation.

The net deferred tax asset excludes any amounts connected to the pension deficit.

c) Movement in recognised deferred tax assets and liabilities during the year
Deferred tax assets have been recognised to the extent of the deferred tax liabilities as at the balance sheet date. Their movements during the year were in respect of the following items:

For the year ended 31 March 2018	Balance at 1 April 2017 £m	Movement in period £m	Balance at 31 March 2018 £m
Deferred tax assets			
Property, plant and equipment (net of losses)	57.2	22.8	80.0
Derivative financial instruments	23.2	(4.2)	19.0
Total	80.4	18.6	99.0
Deferred tax liabilities			
Investment properties	(78.1)	(6.8)	(84.9)
Assets held for sale	(2.3)	(11.8)	(14.1)
Total	(80.4)	(18.6)	(99.0)
Net deferred tax asset/(liability)	-	-	-

10. Taxation (continued)

c) Movement in recognised deferred tax assets and liabilities during the year (continued)

For the year ended 31 March 2017	Balance at 1 April 2016 £m	Movement in period £m	Balance at 31 March 2017 £m
Deferred tax assets			
Property, plant and equipment	42.6	14.6	57.2
Derivative financial instruments	35.3	(12.1)	23.2
Total	77.9	2.5	80.4
Deferred tax liabilities			
Investment properties	(77.9)	(0.2)	(78.1)
Assets held for sale	-	(2.3)	(2.3)
Total	(77.9)	(2.5)	(80.4)
Net deferred tax asset/(liability)	-	-	-

The key movements in the period were due to the following:

- The deferred tax liability arising on investment properties, including those classified as assets held for sale, has increased due to the revaluation uplift recognised during the year.
- The property, plant and equipment deferred tax asset has changed in the period due to assets acquired in the year, movements in the market value of assets held and capital allowances claimed.
- Included in the deferred tax balances for property, plant and equipment and investment properties is the deferred tax movement on revaluation gains of £20.3m recognised in Other Comprehensive Income.
- The deferred tax asset arising in respect of derivative financial instruments has fallen due to movement in the fair value of derivatives.

The Corporation Tax rate was reduced from 21 per cent to 20 per cent on 1 April 2015. On 18 November 2015, further legislation was enacted setting the Corporation Tax rate at 19 per cent for the years starting 1 April 2017, 2018 and 2019. In September 2016, the main rate of Corporation Tax was further reduced to 17 per cent from 1 April 2020. As the Group's deferred tax balances are not expected to be settled until after April 2020 deferred tax balances at 31 March 2018 have been calculated at the enacted rate of 17 per cent.

No deferred tax asset has been recognised on the Corporation's pension deficit of 4,681.2m 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 2018, no deferred tax assets have been recognised in these entities.

11. Intangible assets

a) Group intangible assets

	Note	Software costs £m	Intangible assets under construction £m	Goodwill £m	Total £m
Cost					
At 1 April 2016		390.3	3.3	349.2	742.8
Additions		26.5	2.0	-	28.5
Net transfers from property, plant and equipment	12	14.8	39.5	-	54.3
Transfers between asset classes		41.9	(41.9)	-	-
Disposals		(15.0)	-	-	(15.0)
At 31 March 2017		458.5	2.9	349.2	810.6
Additions		**23.7**	**1.1**	**-**	**24.8**
Acquisitions		**-**	**-**	**2.6**	**2.6**
Net transfers from property, plant and equipment	12	**19.0**	**(0.2)**	**-**	**18.8**
Disposals		**(44.7)**	**-**	**-**	**(44.7)**
At 31 March 2018		**456.5**	**3.8**	**351.8**	**812.1**
Amortisation and impairment					
At 1 April 2016		270.8	-	349.2	620.0
Amortisation charge for the year	3	65.5	-	-	65.5
Disposals		(15.0)	-	-	(15.0)
At 31 March 2017		321.3	-	349.2	670.5
Amortisation charge for the year	3	**67.5**	**-**	**-**	**67.5**
Disposals		**(44.1)**	**-**	**-**	**(44.1)**
At 31 March 2018		**344.7**	**-**	**349.2**	**693.9**
Net book value at 31 March 2018		**111.8**	**3.8**	**2.6**	**118.2**
Net book value at 31 March 2017		137.2	2.9	-	140.1

Intangible assets under construction comprise software assets under development by the Group.

11. Intangible assets (continued)

b) Corporation intangible assets

	Note	Software costs £m	Intangible assets under construction £m	Total £m
Cost				
At 1 April 2016		216.4	0.4	216.8
Additions		21.1	0.2	21.3
Net transfers from property, plant and equipment	12	13.3	39.5	52.8
Transfers between asset classes		39.9	(39.9)	-
Disposals		(14.1)	-	(14.1)
At 31 March 2017		276.6	0.2	276.8
Additions		**16.3**	**0.2**	**16.5**
Net transfers from property, plant and equipment	12	**5.8**	**-**	**5.8**
Transfers between asset classes		**0.1**	**(0.1)**	**-**
Disposals		**(7.7)**	**-**	**(7.7)**
At 31 March 2018		**291.1**	**0.3**	**291.4**
Amortisation and impairment				
At 1 April 2016		154.3	-	154.3
Amortisation charge for the year	3	37.1	-	37.1
Disposals		(14.0)	-	(14.0)
At 31 March 2017		177.4	-	177.4
Amortisation charge for the year	3	**42.0**	**-**	**42.0**
Disposals		**(7.2)**	**-**	**(7.2)**
At 31 March 2018		**212.2**	**-**	**212.2**
Net book value at 31 March 2018		**78.9**	**0.3**	**79.2**
Net book value at 31 March 2017		99.2	0.2	99.4

Intangible assets under construction comprise software assets under development by the Corporation.

12. Property, plant and equipment

a) Group property, plant and equipment at 31 March 2018 comprised the following elements:

	Note	Infrastructure and office buildings £m	Rolling stock £m	Plant and equipment £m	Assets under construction £m	Total £m
Cost or valuation						
At 1 April 2017		31,613.1	5,243.8	1,863.6	13,838.8	52,559.3
Additions		**124.2**	**105.7**	**30.6**	**3,292.7**	**3,553.2**
Transfers to intangible assets	11	**(10.4)**	**-**	**-**	**(8.4)**	**(18.8)**
Disposals		**(28.9)**	**-**	**(14.9)**	**-**	**(43.8)**
Write offs		**(73.6)**	**-**	**-**	**-**	**(73.6)**
Transfers to investment properties	13	**(1.0)**	**-**	**-**	**-**	**(1.0)**
Transfers between asset classes		**974.6**	**146.1**	**38.3**	**(1,159.0)**	**-**
Revaluation		**6.2**	**-**	**-**	**-**	**6.2**
At 31 March 2018		**32,604.2**	**5,495.6**	**1,917.6**	**15,964.1**	**55,981.5**
Depreciation						
At 1 April 2017		12,407.0	2,095.7	1,217.7	-	15,720.4
Depreciation charge for the year	3	**788.5**	**138.1**	**116.0**	**-**	**1,042.6**
Disposals		**(26.0)**	**-**	**(14.6)**	**-**	**(40.6)**
Transfers to investment properties	13	**(0.8)**	**-**	**-**	**-**	**(0.8)**
Revaluation		**(14.1)**	**-**	**-**	**-**	**(14.1)**
At 31 March 2018		**13,154.6**	**2,233.8**	**1,319.1**	**-**	**16,707.5**
Net book value at 31 March 2018		**19,449.6**	**3,261.8**	**598.5**	**15,964.1**	**39,274.0**
Net book value at 31 March 2017		19,206.1	3,148.1	645.9	13,838.8	36,838.9

12. Property, plant and equipment (continued)

b) Group property, plant and equipment at 31 March 2017 comprised the following elements:

	Note	Infrastructure and office buildings £m	Rolling stock £m	Plant and equipment £m	Assets under construction £m	Total £m
Cost or valuation						
At 1 April 2016		30,263.9	5,210.6	1,742.1	12,064.0	49,280.6
Additions		205.2	4.9	95.7	3,235.1	3,540.9
Net transfers to intangible assets	11	-	-	(13.7)	(40.6)	(54.3)
Disposals		(138.4)	(3.9)	(42.6)	-	(184.9)
Transfers to investment properties	13	(13.5)	-	-	-	(13.5)
Transfers between asset classes		1,305.4	32.2	82.1	(1,419.7)	-
Revaluation		(9.5)	-	-	-	(9.5)
At 31 March 2017		31,613.1	5,243.8	1,863.6	13,838.8	52,559.3
Depreciation						
At 1 April 2016		11,846.0	1,963.3	1,068.7	-	14,878.0
Depreciation charge for the year	3	671.9	133.4	212.2	-	1,017.5
Disposals		(127.2)	(1.0)	(41.2)	-	(169.4)
Transfers between asset classes		22.0	-	(22.0)	-	-
Revaluation		(5.7)	-	-	-	(5.7)
At 31 March 2017		12,407.0	2,095.7	1,217.7	-	15,720.4

The Group holds its office buildings at fair value. All other items of property, plant and equipment are held at cost.

Borrowing costs are included in the costs of qualifying assets to the extent that the asset is funded by borrowings. As a result, the total borrowing costs capitalised during the year were £94.3m (2017 £108.6m). The cumulative borrowing costs capitalised are £506.2m (2017 £411.9m).

At 31 March 2018, the Group had capital commitments which are contracted for but not provided for in the financial statements amounting to £2,034.4m (2017 £2,854.6m).

12. Property, plant and equipment (continued)

c) Group PFI assets and other leased assets
The net book value above includes the following amounts in respect of PFI assets and other leased assets:

	Infrastructure and office buildings £m	Rolling stock £m	Plant and equipment £m	Total £m
Gross cost				
PFI assets	**976.6**	**45.3**	**16.7**	**1,038.6**
Other leased assets	**-**	**407.7**	**-**	**407.7**
	976.6	**453.0**	**16.7**	**1,446.3**
Depreciation				
PFI assets	**471.6**	**41.4**	**16.7**	**529.7**
Other leased assets	**-**	**168.9**	**-**	**168.9**
	471.6	**210.3**	**16.7**	**698.6**
Net book value at 31 March 2018	**505.0**	**242.7**	**-**	**747.7**
Net book value at 31 March 2017	562.1	256.9	-	819.0

d) Depreciation charge
The total depreciation charge for the Group for the year comprised:

	2018 £m	2017 £m
Depreciation of owned assets	**960.1**	972.4
Depreciation of assets held under PFI	**70.6**	33.2
Depreciation of assets held under other leases	**11.9**	11.9
Total depreciation	**1,042.6**	1,017.5

During the year a review of the London Underground Limited asset register was performed with the objective of rationalising the current asset pools and reassessing their useful lives. As a result of this exercise, the estimated useful lives of certain assets were revised to better reflect the economic reality of the lifespan over which these assets will be used. This has been accounted for prospectively as a change in estimate, resulting in an increase in depreciation in the current year of £4.2m.

12. Property, plant and equipment (continued)

e) Group office buildings
The fair value of office buildings at 31 March 2018 has been arrived at on the basis of a valuation carried out at that date by Cushman & Wakefield, a property valuation company not connected with the Group, and by chartered surveyors working for TfL. Values are calculated under level 3 of the fair value hierarchy using a discounted cash flow approach and are based on current rental income plus anticipated uplifts at the next rent review, lease expiry or break option, taking into consideration lease incentives. Uplifts and the discount rate are derived from rates implied by recent market transactions on similar properties. In estimating fair value, the highest and best use of the properties is assumed to be their current use. There were no transfers of properties in or out of level 3 of the fair value hierarchy during the year (2016/17 none).

Properties are valued in accordance with the RICS Valuation – Professional Standards UK January 2014 (revised April 2015) published by the Royal Institution of Chartered Surveyors.

Valuations are performed on a rolling basis, with approximately 75 per cent of the portfolio by value being valued each year. The value of these buildings at 31 March 2018 was £318.3m (2017 £313.3m) and the depreciated historic cost value was £32.2m (2017 £32.5m). A related revaluation gain for the year of £20.3m (2016/17 a loss of £3.8m) 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 over 400,000 items and is housed at the Museum's sites in Covent Garden and Acton.

These assets are primarily former operational assets of the TfL Group whose legal title is retained by the Corporation. Due to the diverse nature of the assets held and the lack of comparable market values, the cost of obtaining a valuation of TfL's heritage assets is such that it would not be commensurate with the benefits provided to users of the financial statements. The assets therefore remain recorded in the accounts at historical cost less accumulated depreciation. The collections have been externally valued for insurance purposes only. Management do not consider these insurance valuations to be necessarily indicative of open market fair value and hence have not incorporated the insurance values into the financial statements. As at 31 March 2018, the latest available insurance value for the collection was £36.2m (2017 £36.5m). The net book value of these assets at 31 March 2018 was £nil (2017 £nil).

12. Property, plant and equipment (continued)

g) Corporation property, plant and equipment at 31 March 2018 comprised the following elements:

	Note	Infrastructure and office buildings £m	Plant and equipment £m	Assets under construction £m	Total £m
Cost or valuation					
At 1 April 2017		4,990.5	200.9	991.8	6,183.2
Additions		**76.0**	**0.9**	**169.2**	**246.1**
Net transfers to intangible assets	11	**-**	**-**	**(5.8)**	**(5.8)**
Transfers between asset classes		**84.2**	**2.2**	**(86.4)**	**-**
Disposals		**(1.2)**	**-**	**-**	**(1.2)**
At 31 March 2018		**5,149.5**	**204.0**	**1,068.8**	**6,422.3**
Depreciation					
At 1 April 2017		2,220.3	133.0	-	2,353.3
Depreciation charge for the year	3	**107.3**	**20.4**	**-**	**127.7**
At 31 March 2018		**2,327.6**	**153.4**	**-**	**2,481.0**
Net book value at 31 March 2018		**2,821.9**	**50.6**	**1,068.8**	**3,941.3**
Net book value at 31 March 2017		2,770.2	67.9	991.8	3,829.9

12. Property, plant and equipment (continued)

h) Corporation property, plant and equipment at 31 March 2017 comprised the following elements:

	Note	Infrastructure and office buildings £m	Plant and equipment £m	Assets under construction £m	Total £m
Cost or valuation					
At 1 April 2016		4,817.8	207.5	1,030.4	6,055.7
Additions		150.7	6.5	107.2	264.4
Transfers from intangible assets	11	-	(13.3)	(39.5)	(52.8)
Transfers between asset classes		66.1	40.2	(106.3)	-
Disposals		(44.1)	(40.0)	-	(84.1)
At 31 March 2017		4,990.5	200.9	991.8	6,183.2
Depreciation					
At 1 April 2016		2,158.7	145.9	-	2,304.6
Depreciation charge for the year	3	105.8	25.9	-	131.7
Disposals		(44.2)	(38.8)	-	(83.0)
At 31 March 2017		2,220.3	133.0	-	2,353.3

The Corporation holds all its property, plant and equipment at depreciated cost.

Direct borrowing costs are included in the cost of qualifying assets to the extent that the asset is funded by borrowings. Total borrowing costs capitalised during the year were £nil (2017 £nil). The cumulative borrowing costs capitalised are also £nil (2017 £nil).

At 31 March 2018, the Corporation had capital commitments which are contracted for but not provided for in the financial statements amounting to £65.3m (2017 £129.1m).

12. Property, plant and equipment (continued)

i) Corporation PFI assets, and other leased assets
The net book value above includes the amounts in the table below in respect of PFI assets:

	Infrastructure and office buildings £m	Plant and equipment £m	Total £m
Gross cost			
PFI assets	**209.1**	**16.7**	**225.8**
Depreciation			
PFI assets	**88.3**	**16.7**	**105.0**
Net book value at 31 March 2018	**120.8**	**-**	**120.8**
Net book value at 31 March 2017	123.4	-	123.4

j) Depreciation charge
The total depreciation charge for the Corporation for the year comprised:

	2018 £m	2017 £m
Depreciation of owned assets	**125.1**	129.0
Depreciation of assets held under PFI	**2.6**	2.7
Total depreciation	**127.7**	131.7

k) Corporation office buildings
The Corporation did not have any office buildings.

13. Investment properties

	Note	Group £m	Corporation £m
Valuation			
At 1 April 2016		517.7	13.0
Additions		16.0	-
Transfers to assets held for sale		(15.0)	(1.5)
Transfers from property, plant and equipment		13.5	-
Disposals		(3.7)	(1.4)
Fair value adjustments	7	29.5	0.7
At 31 March 2017		558.0	10.8
Additions		**0.4**	**-**
Acquired through business combinations	34	**11.5**	**-**
Transfers to assets held for sale	19	**(72.9)**	**-**
Transfers from property, plant and equipment	12	**0.2**	**-**
Disposals		**(1.0)**	**(0.4)**
Fair value adjustments	7	**41.0**	**0.6**
At 31 March 2018		**537.2**	**11.0**

The fair value of the Group's investment properties at 31 March 2018 has been arrived at on the basis of valuations at that date by Cushman & Wakefield, a property valuation company not connected with the Group, and by chartered surveyors working for TfL. Values are calculated under level 3 of the fair value hierarchy using a discounted cash flow approach and are based on current rental income plus anticipated uplifts at the next rent review, lease expiry or break option, taking into consideration lease incentives. Uplifts and the discount rate are derived from rates implied by recent market transactions on similar properties. In estimating fair value, the highest and best use of the properties is assumed to be their current use. There were no transfers of properties in or out of level 3 of the fair value hierarchy during the year (2016/17 none).

Properties are valued in accordance with the RICS Valuation – Professional Standards UK January 2014 (revised April 2015) published by the Royal Institution of Chartered Surveyors. Properties with a carrying value in excess of £5,000,000 are valued annually. Properties with a value in excess of £250,000 but less than £5,000,000 are revalued every three years. Properties with a value in excess of £100,000 but less than £250,000 are revalued every five years. Between formal valuations fair values are adjusted by the application of annual indexation.

14. Investments in subsidiaries

	Corporation 2018 £m	Corporation 2017 £m
At 1 April	**8,562.5**	7,262.5
Investments in year	**200.0**	1,300.0
At 31 March	**8,762.5**	8,562.5

During the year, the Corporation increased its investment in the ordinary share capital of Transport Trading Limited (TTL) by £200.0m (2016/17 £1,300.0m). TTL subsequently increased its investment in the ordinary share capital of Crossrail Limited by the same amount.

14. 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	Maintenance of underground lines
LUL Nominee SSL Limited	Maintenance of underground lines
Rail for London Limited	Passenger transport by rail
Rail for London (Infrastructure) Limited	Maintenance of overground rail lines
TfL Trustee Company Limited	Pension Fund Trustee
Tramtrack Croydon Limited	Passenger transport by tram
Transport for London Finance Limited	Manages financial risk of the Group
Transport Trading Limited	Holding company
TTL Blackhorse Road Properties Limited*	Dormant company
TTL Earls Court Properties Limited	Holding company
TTL Kidbrooke Properties Limited*	Holding company
TTL Landmark Court Properties Limited*	Dormant company
TTL Properties Limited	Holding company
TTL Southwark Properties Limited**	Property investment
Tube Lines Limited	Maintenance of underground lines
Tube Lines Pension Scheme Trustees Limited	Pension Fund Trustee
Victoria Coach Station Limited	Coach station
Woolwich Arsenal Rail Enterprises Limited	Dormant company

The Group holds 100 per cent of the share capital of all subsidiaries. All companies with the exception of London Transport Insurance (Guernsey) Limited are registered in England and Wales; and their financial statements are lodged at Companies House and also at the Charity Commission for London Transport Museum Limited. London Transport Insurance (Guernsey) Limited is registered in Guernsey.

* Incorporated during the year

**Acquired during the year

15. Investment in associated undertakings

a) Earls Court Partnership Limited
The Group holds a 37 per cent holding in the ownership and voting rights of Earls Court Partnership Limited (ECP), a property development company, incorporated in England and Wales. Through its voting rights and representation on the Board of Directors of ECP, the Group has significant influence but not control over the relevant activities of ECP. The Group's investment is therefore accounted for using the equity method in these consolidated accounts.

In early 2015, ECP commenced trading and, on 2 April 2015, the Group granted a 999 year lease over land at Earl's Court into ECP. During 2015/16 the Group invested share capital and non-interest bearing loans totalling £447.1m into ECP. The loan notes are non-interest bearing and have no fixed repayment date. They have therefore been treated in these financial statements as an investment in the equity of ECP. During 2017/18 the Group invested an additional £1.37m in loan notes of ECP.

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 2017 have been used, and appropriate adjustments made for the effects of significant transactions between that date and 31 March 2018. Of the total £1.37m loan notes acquired during the year, £1.1m were issued after the entity's year end and have therefore been adjusted in the investment balance below.

Summarised financial information in respect of the Group's investment in ECP is set out below:

Balance sheet of Earls Court Partnership Limited at the 100 per cent level

	Group 2018 £m	Group 2017 £m
Short-term assets	**5.7**	5.9
Long-term assets	**890.5**	1,035.0
Short-term liabilities	**(8.4)**	(6.7)
Long-term liabilities	**(61.4)**	(39.1)

Reconciliation of net assets to amounts included in the consolidated Group accounts

	Group 2018 £m	Group 2017 £m
Net assets at 100%	**826.4**	995.1
Percentage held by the TfL Group	**37%**	37%
TfL Group share of net assets	**305.8**	368.2
Acquisition of loan notes after 31 December 2017	**1.1**	-
Carrying amount of the Group's equity interest in Earls Court Partnership Limited	**306.9**	368.2

15. Investment in associated undertakings (continued)

Group share of comprehensive income and expenditure of Earls Court Partnership Limited

	Group 2018 £m	Group 2017 £m
Group share of (loss)/profit from continuing operations	**(62.7)**	(104.8)
Group share of other comprehensive income	**-**	-
Total Group share of comprehensive income and expenditure for the year	**(62.7)**	(104.8)

b) Kidbrooke Partnership LLP
During the year the Group acquired a 49 per cent holding in the members' interest of Kidbrooke Partnership LLP (KP LLP), a property development partnership, for a cash consideration of £12.1m. The investment was purchased through a newly incorporated subsidiary of the Group, TTL Kidbrooke Properties Limited. Through its voting rights and representation on the Board of Members, the Group has significant influence but not control over the relevant activities of KP LLP. The Group's investment is therefore accounted for using the equity method in these consolidated accounts.

In late January 2018, KP LLP commenced trading and the Group granted a 299 year lease over the land lying to the South East of Kidbrooke Park Road to KP LLP for a consideration of £17.0m. The financial year end of KP LLP is 31 March.

Summarised financial information in respect of the Group's investment in KP LLP is set out below:

Balance sheet of Kidbrooke Partnership LLP at the 100 per cent level

	Group 2018 £m
Short-term assets	**24.8**
Long-term assets	**-**
Short-term liabilities	**-**
Long-term liabilities	**-**

15. Investment in associated undertakings (continued)

Reconciliation of net assets to amounts included in the consolidated Group accounts

	Group 2018 £m
Net assets at 100%	24.8
Percentage held by the TfL Group	49%
Carrying amount of the Group's equity interest in Kidbrooke Properties LLP	12.1

There were no post-acquisition transactions in KP LLP and therefore no impact on Group consolidated profits relating to the associate.

16. Finance lease receivables

Group finance lease receivables
The Group leases certain items of plant and equipment related to its media activities to a third party under a finance lease arrangement.

Finance lease receivables on the balance sheet are calculated as the present value of minimum lease payments outstanding. Interest is accrued at a rate of 6.29 per cent per annum.

	2018 £m	2017 £m
Principal outstanding		
Short-term	8.2	0.9
Long-term	17.4	3.5
	25.6	4.4

17. Inventories

	Group 2018 £m	Group 2017 £m
Raw materials and consumables	63.3	70.2
Goods held for resale	0.9	1.5
	64.2	71.7

	Corporation 2018 £m	Corporation 2017 £m
Raw materials and consumables	-	0.8

There is no material difference between the balance sheet value of inventories and their net realisable value.

The movement on inventories was as follows:

	Group £m	Corporation £m
Balance at 1 April 2016	70.6	2.2
Purchases in the year	82.7	0.1
Recognised as an expense in the year:		
Consumed in the year	(80.5)	(1.5)
Goods sold in the year	(1.3)	-
Net write-backs in the year	0.2	-
Balance at 31 March 2017	71.7	0.8
Purchases in the year	73.2	-
Recognised as an expense in the year:		
Consumed in the year	(80.0)	-
Goods sold in the year	(1.5)	-
Net write-backs/(write-offs) in the year	0.8	(0.8)
Balance at 31 March 2018	64.2	-

18. Debtors

	Group 2018 £m	Group 2017 £m
Short term		
Trade debtors	**125.3**	138.5
Capital debtors	**10.2**	9.8
Other debtors	**54.2**	1,319.2
Other tax and social security	**92.1**	81.2
Grant debtors	**69.4**	65.2
Interest debtors	**0.7**	0.3
Accrued income	**97.8**	85.4
Prepayments for goods and services	**110.9**	120.6
	560.6	1,820.2
Long term		
Other debtors	**10.3**	8.9
Prepayments for goods and services	**17.4**	16.9
	27.7	25.8

Short and long-term other debtors for 2016/17 included funds totalling £1,268.2m advanced to Network Rail Infrastructure Limited to provide interim financing for the construction of assets related to the Crossrail project. The financing was fully repaid during year (£17.2m repaid in 2016/17). For 2016/17, this receivable was non-interest bearing and was discounted to its fair value of £1,264.8m using a discount rate of 0.633 per cent.

18. Debtors (continued)

	Corporation 2018 £m	Corporation 2017 £m
Short term		
Trade debtors	**30.3**	18.0
Amounts due from subsidiary companies	**674.4**	618.8
Capital debtors	**10.2**	4.6
Other debtors	**5.0**	2.6
Other tax and social security	**11.9**	8.7
Grant debtors	**66.2**	60.5
Interest debtors	**0.6**	0.3
Accrued income	**66.2**	72.5
Prepayments for goods and services	**19.7**	23.0
	884.5	809.0
Long term		
Loans made to subsidiary companies	**9,988.0**	9,369.3
Other debtors	**0.2**	0.2
Prepayments for goods and services	**4.2**	2.8
	9,992.4	9,372.3

Long-term loans made to subsidiary companies accrue market rates of interest reflecting rates achieved on debt issued to third parties by the Corporation. The average rate of interest accruing on loans outstanding at 31 March 2018 was 3.9 per cent (2017 3.9 per cent).

19. Assets held for sale

	Note	Group £m	Corporation £m
Balance at 1 April 2016		-	-
Investment properties		15.0	1.5
Disposals:			
Investment properties		-	-
Balance at 31 March 2017		15.0	1.5
Assets newly classified as held for sale:			
Investment properties	13	**72.9**	**-**
Revaluation gains/(losses)	7	**0.7**	**-**
Disposals:			
Investment properties		**(5.4)**	**(1.5)**
Balance at 31 March 2018		**83.2**	**-**

As at 31 March 2018, certain development sites and surplus land were being actively marketed for sale. Disposals are expected to complete within the next 12 months.

20. Other investments

	Group 2018 £m	Group 2017 restated £m*
Short term		
Investments held at amortised cost	**692.3**	1,024.6

	Corporation 2018 £m	Corporation 2017 restated £m*
Short term		
Investments held at amortised cost	**669.8**	1,014.9

Short-term investments relate to investments in UK Treasury bills, other Sovereign bills, deposits with UK clearing banks, and repurchase agreement investments with a maturity of greater than three but less than twelve months.

* Certain short term investments have been reclassified to cash and cash equivalents in the current year as they have a maturity of less than three months. Prior year figures have been restated for comparability.

21. Cash and cash equivalents

	Group 2018 £m	Group 2017 restated £m*
Cash at bank	**167.3**	187.1
Short term investments with maturity less than three months	**1,045.6**	726.6
Cash in hand and in transit	**26.6**	23.1
	1,239.5	936.8

	Corporation 2018 £m	Corporation 2017 restated £m*
Cash at bank	**56.8**	81.8
Short term investments with maturity less than three months	**1,045.6**	726.6
	1,102.4	808.4

* Short-term investments are largely comprised of money market funds. These have been reclassified to cash and cash equivalents in the current year as they have a maturity of less than three months. Prior year figures have been restated for comparability.

22. Creditors

	Group 2018 £m	Group 2017 £m
Short term		
Trade creditors	**132.2**	157.0
Accrued interest	**187.3**	98.4
Capital works	**818.8**	650.1
Retentions on capital contracts	**4.8**	6.3
Capital grants received in advance	**36.5**	99.1
Wages and salaries	**94.5**	99.9
Other taxation and social security creditors	**43.8**	44.0
Receipts in advance for Travelcards, bus passes and Oyster cards	**402.3**	426.1
Other deferred income	**63.1**	57.9
Accruals and other payables	**565.3**	507.8
	2,348.6	2,146.6
Long term		
Trade creditors	**0.2**	8.0
Capital grants received in advance	**4.0**	3.8
Retentions on capital contracts	**17.2**	13.2
Other deferred income	**36.7**	23.6
Accruals and other payables	**7.6**	7.9
	65.7	56.5

22. Creditors (continued)

	Corporation 2018 £m	Corporation 2017 £m
Short term		
Trade creditors	**46.5**	28.3
Accrued interest	**184.3**	93.6
Capital works	**71.7**	71.4
Capital grants received in advance	**36.5**	93.4
Amounts due to subsidiary companies	**71.9**	162.0
Wages and salaries	**20.4**	19.2
Other taxation and social security creditors	**1.6**	2.9
Other deferred income	**19.0**	14.2
Accruals and other payables	**214.9**	154.2
	666.8	639.2
Long term		
Capital grants received in advance	**4.0**	3.8
Other deferred income	**12.9**	12.4
	16.9	16.2

23. Borrowings and overdrafts

	Group 2018 £m	Group 2017 £m
Short term		
Borrowings	**846.1**	1,105.7
Bank overdraft	**0.1**	-
	846.2	1,105.7
Long term		
Borrowings	**9,569.4**	8,689.6

	Corporation 2018 £m	Corporation 2017 £m
Short term		
Borrowings	**846.1**	1,105.7
Bank overdraft	**-**	-
	846.1	1,105.7
Long term		
Borrowings	**9,576.0**	8,696.8

Further information about the maturity and interest rate profiles of the Group and Corporation's borrowings is provided in note 31 (Funding and financial risk management).

We have a number of loan facilities with the EIB and EDC, which contribute to the financing of a range of our projects. These facilities support contracts and projects including the Crossrail rolling stock and depot contract, Victoria and Bank station upgrades, cycling infrastructure and track replacements.

During the year, we signed a new £250m 10-year corporate loan facility with EDC to finance part of the procurement of Automatic Train Control signalling for the Circle, District, Hammersmith & City and Metropolitan lines.

23. Borrowings and overdrafts (continued)

A total of £950m was drawn under our EIB and EDC facilities at fixed interest rates during the year. A further £250m was fixed for drawdown in 2018/19 and a total of £200m remains available for drawdown in future years. These borrowings are expected to form part of our incremental borrowing agreed with Government and have not been recognised as a liability in these financial statements in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

In addition to these loan facilities we continue to manage borrowings from a number of other sources, including the Public Works Loans Board (PWLB) and the capital markets. We use our active £2bn Commercial Paper programme throughout the year to manage our liquidity requirements.

Changes in liabilities arising from financing activities

	Group 2018 £m	Group 2017 £m
Balance at 1 April 2017		
Current	1,182.4	926.4
Non-current	9,177.7	8,845.8
	10,360.1	9,772.2
Additions	961.3	733.4
Repayment of borrowings	(342.8)	(53.0)
Repayment of finance leases	(76.8)	(94.3)
Other movements*	1.8	1.8
As at 31 March 2018	10,903.6	10,360.1
Current	916.1	1,182.4
Non-current	9,987.5	9,177.7
	10,903.6	10,360.1

23. Borrowings and overdrafts (continued)

	Corporation 2018 £m	Corporation 2017 £m
Balance at 1 April 2017		
Current	1,117.1	843.2
Non-current	8,838.9	8,442.3
	9,956.0	9,285.5
Additions	961.3	733.4
Repayment of borrowings	(342.8)	(53.0)
Repayment of finance leases	(11.4)	(11.1)
Other movements*	1.1	1.2
As at 31 March 2018	10,564.2	9,956.0
Current	856.9	1,117.1
Non-current	9,707.3	8,838.9
	10,564.2	9,956.0

* Other movements are non-cash relating to unwind of discounts and fees

24. Finance lease liabilities

a) Group finance lease liabilities
The Group holds a proportion of its property, plant and equipment under finance lease arrangements as outlined in note 12.

Finance lease liabilities on the balance sheet are calculated as the present value of minimum lease payments outstanding.

	Minimum lease payments £m	Interest £m	Principal (present value of minimum lease payments) £m
At 31 March 2018			
Not later than one year	**100.5**	**(30.6)**	**69.9**
Later than one year but not later than two years	**96.4**	**(26.2)**	**70.2**
Later than two years but not later than five years	**150.4**	**(58.9)**	**91.5**
Later than five years	**316.3**	**(59.8)**	**256.5**
	663.6	**(175.5)**	**488.1**
At 31 March 2017			
Not later than one year	112.1	(35.4)	76.7
Later than one year but not later than two years	100.5	(30.7)	69.8
Later than two years but not later than five years	236.6	(67.6)	169.0
Later than five years	327.4	(78.1)	249.3
	776.6	(211.8)	564.8

	2018 £m	2017 £m
Principal outstanding		
Short term	**69.9**	76.7
Long term	**418.2**	488.1
	488.1	564.8

24. Finance lease liabilities (continued)

b) Corporation finance lease liabilities
The Corporation holds a proportion of its property, plant and equipment under finance lease arrangements as outlined in note 12.

Finance lease liabilities on the balance sheet are calculated as the present value of minimum lease payments outstanding.

	Minimum lease payments £m	Interest £m	Principal (present value of minimum lease payments) £m
At 31 March 2018			
Not later than one year	**17.0**	**(6.2)**	**10.8**
Later than one year but not later than two years	**16.7**	**(5.7)**	**11.0**
Later than two years but not later than five years	**43.7**	**(14.5)**	**29.2**
Later than five years	**104.9**	**(13.8)**	**91.1**
	182.3	**(40.2)**	**142.1**
At 31 March 2017			
Not later than one year	18.2	(6.8)	11.4
Later than one year but not later than two years	17.0	(6.2)	10.8
Later than two years but not later than five years	45.5	(15.8)	29.7
Later than five years	119.9	(18.3)	101.6
	200.6	(47.1)	153.5

	2018 £m	2017 £m
Principal outstanding		
Short term	**10.8**	11.4
Long term	**131.3**	142.1
	142.1	153.5

25. Private finance initiative contracts

Private Finance Initiative contracts
The Group is party to the following PFI arrangements where the Group controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement. These arrangements are treated as service concession arrangements and, as stipulated by the Code, are accounted for in accordance with IFRIC 12 Service Concession Arrangements.

The Group therefore recognises PFI assets as items of plant, property and equipment together with a liability to pay for them (see note 12 for details of PFI assets). The fair values of services received under the contract are recorded as operating expenses.

The unitary charge is apportioned between the repayment of the liability, financing costs and charges for services. The service is recognised as an expense in net operating costs and the finance costs are charged to financial expenses in the Comprehensive Income and Expenditure Statement.

Contract	Contract dates	Description
TfL		
A13 Thames Gateway contract	2000 to 2030	Design and construction of improvements to the A13 infrastructure (including communication and traffic signals systems) and ongoing maintenance and operation of the A13 between Butcher Row and Wennington. The contract requires TfL to make an annual unitary payment, charged monthly and calculated according to the service provided by the concession company and the payment mechanisms defined in the contract.

25. Private finance initiative contracts (continued)

Contract	Contract dates	Description
London Underground Limited (LU)		
Connect	1999 to 2019 with a voluntary break option on provision of 12 months' written notice	Design, installation, management and maintenance of an integrated digital radio system. The contract requires LU to make an annual unitary payment which is adjusted for indexation and performance as specified in the contract.
British Transport Police (London Underground)	1999 to 2021 with a voluntary break option on provision of 12 months' written notice	Provision and ongoing management and maintenance of operational infrastructure to support efficient policing of the Jubilee Line Extension and the delivery of the long-term policing strategy for LU. The contract requires LU to make a base annual unitary payment which is adjusted for indexation and performance as specified in the contract.
Docklands Light Railway Limited (DLR)		
Greenwich	1996 to 2021	Design, construction and ongoing maintenance of the Greenwich extension to the Docklands Light Railway. The contract requires DLR to make payments, which are charged monthly and adjusted for any penalties relating to adverse performance against output measures describing all relevant aspects of the contract.

25. Private finance initiative contracts (continued)

PFI finance lease liabilities
The following PFI finance lease liabilities are included within total finance lease liabilities in note 24.

	Group 2018 £m	Group 2017 £m	Corporation 2018 £m	Corporation 2017 £m
At 1 April	292.5	363.5	152.6	162.7
Payments	(72.8)	(90.3)	(17.1)	(17.2)
Interest	15.2	19.3	6.6	7.1
At 31 March	234.9	292.5	142.1	152.6

Group
Amounts payable under the PFI arrangements cover payments for repayment of capital, payments of interest and payment of service charges. The total amount payable breaks down as follows:

	Payments of interest £m	Repayment of capital £m	Payments for service charges £m	Total amount payable under non-cancellable PFI arrangements £m
At 31 March 2018				
Less than 1 year	11.9	55.3	71.0	138.2
Between 2 and 5 years	23.5	88.6	174.0	286.1
Between 6 and 10 years	13.1	78.4	156.2	247.7
Between 11 and 15 years	0.8	12.6	47.3	60.7
	49.3	234.9	448.5	732.7
At 31 March 2017				
Less than 1 year	15.2	57.7	86.3	159.2
Between 2 and 5 years	31.0	133.1	210.2	374.3
Between 6 and 10 years	16.4	75.3	162.5	254.2
Between 11 and 15 years	1.9	26.4	76.0	104.3
	64.5	292.5	535.0	892.0

25. Private finance initiative contracts (continued)

Corporation
Amounts payable under the PFI arrangements cover payments for repayment of capital, payments of interest and payment of service charges. The total amount payable breaks down as follows:

	Payments of interest £m	Repayment of capital £m	Payments for service charges £m	Total amount payable under non-cancellable PFI arrangements £m
At 31 March 2018				
Less than 1 year	6.2	10.8	19.9	36.9
Between 2 and 5 years	20.2	40.3	104.5	165.0
Between 6 and 10 years	13.1	78.4	156.2	247.7
Between 11 and 15 years	0.8	12.6	47.3	60.7
	40.3	142.1	327.9	510.3
At 31 March 2017				
Less than 1 year	6.6	10.5	18.9	36.0
Between 2 and 5 years	22.0	40.5	90.1	152.6
Between 6 and 10 years	16.4	75.2	161.8	253.4
Between 11 and 15 years	1.9	26.4	76.0	104.3
	46.9	152.6	346.8	546.3

26. Derivative financial instruments

Group cash flow hedges

	Fair value 2018 £m	Notional amount 2018 £m	Fair value 2017 £m	Notional amount 2017 £m
Long-term assets				
Interest rate swaps	**7.0**	**96.0**	5.7	96.0
Foreign currency forward contracts	**4.7**	**126.2**	12.5	92.1
	11.7	**222.2**	18.2	188.1
Short-term assets				
Foreign currency forward contracts	**5.9**	**510.4**	12.3	234.5
Short-term liabilities				
Interest rate swaps	**0.7**	**100.0**	2.9	250.0
Foreign currency forward contracts	**0.8**	**94.9**	0.7	201.6
	1.5	**194.9**	3.6	451.6
Long-term liabilities				
Interest rate swaps	**50.4**	**482.9**	77.2	581.5
Foreign currency forward contracts	**1.6**	**30.9**	2.0	93.5
	52.0	**513.8**	79.2	675.0

The Corporation has not entered into any derivative financial instrument contracts.

27. Provisions

a) Group provisions

	At 1 April 2017 £m	Payments in the year £m	Charge for the year £m	Releases in the year £m	At 31 March 2018 £m
Compensation and contractual	61.9	(8.1)	158.5	(8.9)	**203.4**
Capital investment activities	99.2	(21.9)	8.6	(4.9)	**81.0**
Environmental harm	1.4	-	-	-	**1.4**
Severance and other	75.4	(39.5)	113.5	(16.8)	**132.6**
	237.9	(69.5)	280.6	(30.6)	**418.4**

	2018 £m	2017 £m
Due		
Short term	**334.1**	194.3
Long term	**84.3**	43.6
At 31 March	**418.4**	237.9

27. Provisions (continued)

b) Corporation provisions

	At 1 April 2017 £m	Payments in the year £m	Charge for the year £m	Releases in the year £m	At 31 March 2018 £m
Compensation and contractual	19.3	(4.1)	7.5	(0.1)	**22.6**
Capital investment activities	99.2	(21.9)	8.6	(4.9)	**81.0**
Severance and other	28.2	(30.8)	59.8	(11.3)	**45.9**
	146.7	(56.8)	75.9	(16.3)	**149.5**

	2018 £m	2017 £m
Due		
Short term	**124.4**	113.4
Long term	**25.1**	33.3
At 31 March	**149.5**	146.7

27. Provisions (continued)

c) Nature of provisions

Compensation and contractual

The Group has provisions for expected compensation and contractual claims that arise in respect of disputes arising in the ordinary course of business. The provisions recorded 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.

28. 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 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.

29. Guarantees

Section 160 of the Greater London Authority Act 1999 (the GLA Act) sets out the conditions under which TfL may give certain guarantees, indemnities or similar arrangements. Under section 161 of the GLA Act, TfL is obliged to disclose in its annual report details of all guarantees etc. so given.

TfL and its subsidiaries have entered into joint and several guarantees in favour of HSBC Bank plc as security for any bank indebtedness outstanding from time to time. TfL has also separately guaranteed any liabilities owing to HSBC Bank plc by its subsidiary, Crossrail Limited.

TfL has given guarantees in respect of some of its subsidiary companies' contracts. The amount that could be payable by TfL under the guarantees (as described below) varies depending on a number of factors, including, inter alia, responsibility for the costs arising from an early termination of the underlying contract, which are not known before the event. For information only, the approximate maximum amounts of debt that were envisaged to be drawn by the counterparty at the signing of the agreements are disclosed below. For the avoidance of doubt, these amounts do not represent the amounts that could be payable by TfL under the guarantees but are shown here to give an indication of the relative size of each contract.

	Estimated maximum debt drawn by counterparty at start of contract £m
Agreement with CityLink Telecommunications Ltd	502
Agreements with QW Rail Leasing Ltd	380
Agreement with London Rail Leasing Ltd	350
Agreement with Pittville Leasing Ltd	51
Agreement with Lombard North Central Plc	7
Agreement with TLD (Landmark Court) Ltd	6
Agreement with TLD Kidbrooke LLP	5
Agreement with APSLL	4

29. Guarantees (continued)

In addition, TfL also guarantees the payments of certain of its subsidiaries under a number of other service and construction contracts. It guarantees Crossrail Limited's payments to Canary Wharf Properties (Crossrail) Limited under a Development Agreement. It guarantees pension liabilities due to the London Pension Fund Authority from Briggs Marine Contractors Limited in respect of employees working on the Woolwich Ferry. It has guaranteed amounts owed by London Bus Services Limited to the Fuel Cells and Hydrogen Joint Undertaking under a Grant agreement for the 3EMOTION Environmentally Friendly, Efficient Electric Motion project. It has guaranteed London Underground Limited's payment obligations as a tenant in respect of an operating lease for the Stratford City Business District. It has also provided an indemnity to Berkeley 55 Limited in respect of 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 2018 is £35.9m (2017 £52.3m).

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 2018 the fair value of all financial guarantees granted has been recorded as £nil (2017 £nil).

30. Financial commitments

a) Operating leases – The Group as lessee
The Group operating lease agreements primarily relate to office space, motor vehicles and rail access. All leases have been entered into on commercial terms.

The Group is committed to the following future minimum lease payments under non-cancellable operating leases:

	Land and buildings £m	Rail access £m	Motor vehicles £m	Rolling stock £m	Total £m
At 31 March 2018					
Within one year	**52.4**	**12.5**	**3.3**	**26.9**	**95.1**
Between one and two years	**44.3**	**11.5**	**2.1**	**42.5**	**100.4**
Between two and five years	**122.0**	**22.1**	**3.1**	**119.9**	**267.1**
Later than five years	**620.3**	**24.7**	**-**	**342.4**	**987.4**
	839.0	**70.8**	**8.5**	**531.7**	**1,450.0**
At 31 March 2017					
Within one year	52.1	13.0	3.2	26.6	94.9
Between one and two years	42.2	11.8	2.2	40.6	96.8
Between two and five years	98.6	26.2	2.1	115.0	241.9
Later than five years	456.3	21.0	-	373.2	850.5
	649.2	72.0	7.5	555.4	1,284.1

30. Financial commitments (continued)

b) Operating leases – The Group as lessor
The Group leases out commercial, retail and office property, rail access and land that it holds as a result of its infrastructure holdings.

At the balance sheet date, the Group had contracted with customers for the following future minimum lease payments:

	Land and buildings £m	Rail access £m	Motor vehicles £m	Total £m
At 31 March 2018				
Within one year	**64.0**	**9.8**	**-**	**73.8**
Between one and two years	**57.1**	**10.0**	**-**	**67.1**
Between two and five years	**128.6**	**22.8**	**-**	**151.4**
Later than five years	**690.7**	**8.9**	**-**	**699.6**
	940.4	**51.5**	**-**	**991.9**
At 31 March 2017				
Within one year	55.5	9.4	0.1	65.0
Between one and two years	49.3	5.1	0.1	54.5
Between two and five years	109.4	16.0	-	125.4
Later than five years	739.2	6.3	-	745.5
	953.4	36.8	0.2	990.4

30. Financial commitments (continued)

c) Operating leases – The Corporation as lessee
The Corporation's operating lease agreements primarily relate to office space. It also leases motor vehicles under operating leases from a subsidiary undertaking. All leases have been entered into on commercial terms.

The Corporation is committed to the following future minimum lease payments under non-cancellable operating leases:

	Land and buildings £m	Motor vehicles £m	Total £m
At 31 March 2018			
Within one year	**19.6**	**0.1**	**19.7**
Between one and two years	**19.1**	**0.1**	**19.2**
Between two and five years	**55.8**	**0.1**	**55.9**
Later than five years	**222.2**	**-**	**222.2**
	316.7	**0.3**	**317.0**
At 31 March 2017			
Within one year	19.7	0.1	19.8
Between one and two years	19.6	-	19.6
Between two and five years	56.5	-	56.5
Later than five years	240.7	-	240.7
	336.5	0.1	336.6

30. Financial commitments (continued)

d) Operating leases – The Corporation as lessor
The Corporation leases out commercial, retail and office property and land that it holds as a result of its infrastructure holdings.

At the balance sheet date, the Corporation had contracted with customers for the following future minimum lease payments:

	Land and buildings £m	Total £m
At 31 March 2018		
Within one year	**4.8**	**4.8**
Between one and two years	**4.5**	**4.5**
Between two and five years	**9.9**	**9.9**
Later than five years	**8.4**	**8.4**
	27.6	**27.6**
At 31 March 2017		
Within one year	3.8	3.8
Between one and two years	3.7	3.7
Between two and five years	9.5	9.5
Later than five years	6.5	6.5
	23.5	23.5

31. Funding and financial risk management

Introduction
TfL is a statutory corporation established under the Greater London Authority Act 1999 (the GLA Act). TfL is funded by revenues (predominantly passenger income), grant and prudential borrowing. The Group's debt is issued by the statutory corporation, Transport for London, in the form of loans from the Public Works Loan Board, the European Investment Bank and Export Development Canada (export credit agency), Medium Term Notes under the £5bn TfL Euro Medium Term Note programme, and short-term Commercial Paper under the £2bn TfL Euro Commercial Paper programme.

Treasury Management
TfL has a Treasury Management Policy, which requires the TfL Board to approve a Treasury Management Strategy on at least an annual basis, prior to the commencement of each financial year.

The Treasury Management Strategy for 2017/18 has been prepared having regard to the Local Government Act 2003 and the Local Authorities (Capital Finance and Accounting) Regulations 2003 (as amended), as well as the key recommendations of the Code of Practice and Cross-Sectoral Guidance Notes for Treasury Management in the Public Services (the Treasury Management Code) issued by the Chartered Institute of Public Finance & Accountancy (CIPFA) in 2011, and the fully revised second edition of the Prudential Code for Capital Finance in Local Authorities (the Prudential Code) issued by CIPFA in 2011.

The revised Prudential Code for Capital Finance in Local Authorities (2017 Edition) and Treasury Management Code were published in December 2017 and have been reflected in the Treasury Management Strategy for 2018/19.

The Group's principal financial instruments comprise borrowings, investments, derivatives, finance lease liabilities, 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.

The Group monitors the risk profile of its borrowing, investment and derivative programmes against approved benchmarks and provides regular reports to the Chief Finance Officer. Semi-annual reports on overall performance against the approved strategy are considered by the Finance Committee (a committee of the TfL Board). Section 49 of the TfL Act 2008 confers upon TfL the powers to use derivative financial instruments for risk management purposes only via qualifying subsidiaries.

31. Funding and financial risk management (continued)

The Prudential Borrowing Regime
TfL has the power to borrow as it is treated as a local authority for the purposes of financial management under the Local Government Act 2003. In accordance with this Act, the Mayor, in consultation with TfL, sets an affordable borrowing limit for external debt (including direct borrowing and other long-term liabilities). In setting these limits, the Mayor and the Corporation are required by regulation to have regard to the Prudential Code. Accordingly, the TfL Board annually approves 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
- Liquidity risk
- Market risk
- Currency risk

Each of these risks is managed in accordance with the Group's comprehensive risk management process. The TfL Board, through its Finance Committee, has approved and monitors the risk management processes, including documented treasury policies, counterparty limits, and controlling and reporting structures.

Credit risk
Credit risk is managed on a Group-wide basis. Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet contractual obligations. The following categories comprise the main credit exposures of the Group.

31. Funding and financial risk management (continued)

(i) Trade and other receivables
The Group earns the majority of revenue through prepaid fares, and the receivables relate to penalty charges. The Group makes all reasonable attempts to recover penalty charges before providing against them. Other trade receivables include amounts due under contractual arrangements with suppliers, and include prepayments for work to be performed. These counterparties are assessed individually for their creditworthiness at the time of entering into contract and termination provisions are included to mitigate the Group's risk.

Age of trade debtors that are past due but not impaired

	Overdue by less than 3 months £m	Overdue by between 3 and 6 months £m	Overdue by between 6 months and 1 year £m	Overdue by more than 1 year £m	Total £m
Group – 2018					
Trade debtors	**16.6**	**2.7**	**0.6**	**1.1**	**21.0**
Group – 2017					
Trade debtors	11.5	5.1	1.2	0.2	18.0

	Overdue by less than 3 months £m	Overdue by between 3 and 6 months £m	Overdue by between 6 months and 1 year £m	Overdue by more than 1 year £m	Total £m
Corporation – 2018					
Trade debtors	**9.2**	**1.6**	**-**	**-**	**10.8**
Corporation – 2017					
Trade debtors	2.1	1.8	1.1	-	5.0

31. Funding and financial risk management (continued)

(ii) Investments
All cash balances are invested in accordance with TfL's Treasury Management Strategy which was developed with regard to the Treasury Management Code and Ministry of Housing and Local Government Guidance, which requires a prudent approach to the investment of surplus funds with priority given to security and liquidity.

Investments are made within limits approved by the TfL Board annually. Counterparty limits are set according to the assessed risk of each counterparty and exposures are monitored against these limits on a regular basis. Investment limits per institution and the maximum term of such investments, are linked to the credit rating of the institution.

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, corporate instruments 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 2018, the fair value of the collateral held amounted to £nil (2017 £150.0m).

The centrally managed cash reserves at 31 March 2018 totalled £1,715.3m (2017 £1,593.5m).

31. Funding and financial risk management (continued)

As at 31 March funds managed centrally on behalf of the Group and placed on deposit by the Corporation were as follows:

	Amount £m	Credit Rating (S&P/ Moody's/ Fitch)	Weighted average days to maturity
At 31 March 2018			
UK Debt Management Office	**374.2**	**P-1/A-1+**	**81**
Other Government Agencies	**155.4**	**P-1/A-1+/F1+**	**48**
Money Market Funds	**581.7**	**AAA/AAA/AAA**	**1**
Banks (including Gilt backed repos)	**351.2**	**P-1/Minimum A-1/ Minimum F1**	**45**
Corporates	**252.9**	**P-1/Minimum A-2/ Minimum F1**	**58**
Total	**1,715.4**		**40**
At 31 March 2017			
UK Debt Management Office	481.4	AA/Aa1/AA	57
Other Government Agencies	298.3	Minimum AA-/Aa3/AA	138
Money Market Funds	476.6	AAA/Aaa/AAA	1
Banks (including Gilt backed repos)	212.0	Minimum A+/Aa3/AA-	60
Corporates	125.2	Minimum A/A2/A	61
Total	1,593.5		56

31. Funding and financial risk management (continued)

(iii) Derivative financial instruments
Counterparty limits are established and monitored in accordance with TfL's Policy relating to the use of Derivative Instruments. 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 credit risk with regard to derivative financial instruments is limited because TfL has arrangements in place that limit the exposure with each bank to a threshold, which if breached, allow TfL to require 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 29, which are deemed necessary for the fulfilment of its policies. The Group's policy is to recognise financial guarantees at fair value initially and amortise this over the life of the guarantee. Where indications are that a payment is likely to occur under a guarantee, this is accounted for as a provision, in accordance with the Code. As at 31 March 2018, the fair value of the Corporation's financial guarantees has been assessed as £nil (2017 £nil).

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Corporation manages liquidity risk by maintaining access to a number of sources of funding which are sufficient to meet anticipated funding requirements. As long as the affordable borrowing limit set by the Mayor is not exceeded, the Corporation is able to borrow from the Public Works Loan Board, raise debt on the capital markets through both its established Medium Term Note programme and Commercial Paper programme, borrow from commercial banks or utilise its overdraft facility and, subject to meeting the relevant criteria, borrow at competitive interest rates from the European Investment Bank and Export Development Canada. There is therefore no significant risk that it will be unable to raise finance to meet its planned capital commitments.

The contractual maturities of the Group and Corporation's financial liabilities are listed later in this note.

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 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 IAS 39 Financial Instruments: Recognition and Measurement (IAS 39), hedge accounting ceases and the derivative is fair valued immediately through the Comprehensive Income and Expenditure Statement.

31. Funding and financial risk management (continued)

The use of derivative instruments can itself give rise to credit and market risk. Market risk is the possibility that future changes in interest rates may make a derivative more or less valuable. Since the Group uses derivatives for risk management, market risk relating to derivative instruments is principally offset by changes in the cash flows of the transactions being hedged.

For the years ended 31 March 2018 and 2017, no ineffectiveness was recognised and all derivatives in designated hedge relationships were assessed as highly effective. Accordingly, the movement in the fair value of those derivatives was taken to reserves.

Foreign exchange risk
During 2017/18, TfL held certain short term investments denominated in Euros and Canadian Dollars. Investments denominated in Canadian Dollars were placed where the currency was bought in advance of a payment in that currency. The Euro denominated investments were swapped back to GBP at the Group level through the use of forward foreign exchange contracts. These contracts were not in formally designated hedging relationships for accounting purposes, as the currency gain or loss on retranslation of the investments is offset within net cost of services at the Group level by the movement in the fair value of the derivative instruments. As at 31 March 2018, the Group held foreign exchange contracts to hedge €514.0m future Euro receipts in relation to its Euro investments (2017 €430.0m). An unrealised exchange net loss of £0.8m was recognised on retranslation of these Euro investment balances as at 31 March 2018 (2016/17 a net loss of £21.7m). This loss (2017/18 loss) was offset by an unrealised fair value net gain of £0.9m (2016/17 a net gain of £22.6m) arising from the fair value movement of the related forward foreign exchange contracts. These derivative instruments mature in the period to August 2018.

For 2017/18, the broad policy on managing transactional foreign exchange risk arising from contractual obligations with overseas providers was to retain the risk where there was a value in doing so, where the exposure was highly probable and the risk profile highly certain. These exchange rate exposures were managed through the use of forward foreign exchange contracts. Hedge accounting is applied to these derivative instruments. For exposures not meeting these criteria, the exchange risk was passed on to the vendor.

At 31 March 2018, the Group held forward foreign derivative contracts in Euros, US Dollars, Canadian Dollars, Swiss Francs, Swedish Krona and Chinese Yuan Renminbi to hedge planned foreign currency capital expenditure payments with a nominal value of £219.5m (2017 £251.1m). At 31 March 2018, these contracts had a combined net fair value of £4.7m (2017 £19.5m). It is expected that the hedged purchases will take place in the period to 29 September 2023. The maturity of all these contracts is disclosed later in this note. All hedging relationships have been assessed as 100 per cent effective.

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.

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.

Image 57: Transport can help support London's development

31. Funding and financial risk management (continued)

Sensitivity analysis on foreign exchange risk

	2018 Net nominal value £m	2018 Fair value £m	2018 Fair value after a 10% increase in GBP against other currency	2018 Fair value after a 10% decrease in GBP against other currency	2017 Net nominal value £m	2017 Fair value £m	2017 Fair value after a 10% increase in GBP against other currency	2017 Fair value after a 10% decrease in GBP against other currency
Net sell								
Euros	**372.5**	**4.7**	**38.1**	**(36.1)**	276.1	3.3	28.1	(27.0)
Net buy								
US dollars	**0.3**	**-**	**-**	**0.1**	0.7	0.2	0.1	0.3
Canadian dollars	**84.2**	**5.1**	**(3.0)**	**14.9**	116.4	19.4	7.0	34.4
Swiss Francs	**3.2**	**(0.3)**	**(0.6)**	**-**	3.2	(0.1)	(0.4)	0.3
Swedish Krona	**28.7**	**(1.5)**	**(3.9)**	**1.5**	23.6	(0.7)	(2.8)	1.8
Chinese Yuan Renminbi	**6.9**	**0.1**	**(0.5)**	**1.0**	7.1	-	(0.6)	0.8
Total asset/(liability)	n/a	8.1	30.1	(18.6)	n/a	22.1	31.4	10.6

The Group has no other material exposure to foreign exchange rate movements.

Interest rate risk
As at 31 March 2018, 97.1 per cent (2017 99.6 per cent) of the Group's borrowings were at fixed rates of interest after hedging. The remaining 2.9 per cent was unhedged Commercial Paper which, although having fixed rates of interest for the duration of the note, in practice behaves more like variable rate debt if used on a revolving basis.

The Group is mainly exposed to interest rate risk on its planned future borrowings, which are agreed with Government. As TfL is required by legislation to produce a balanced Budget and produces a balanced Business Plan annually, any uncertainty over the cost of future borrowing requires funding to be set aside in the Business Plan against that risk rather than invested in the transport system.

In order to achieve certainty over the cost of a portion of its planned borrowings, TfL employs a number of interest rate swaps and gilt locks, allowing additional funds to be allocated for investment in the transport infrastructure in the Business Plan. As at 31 March 2018, the Group, through its wholly owned subsidiary Transport for London Finance Limited, held 15 interest rate swaps at a total notional value of £678.9m (2017 20 interest rate swaps at a total notional value of £927.5m). The net fair value of these contracts at 31 March 2018 was a liability of £44.1m (2017 £74.4m). As the hedging was assessed as fully effective these unrealised losses have been recognised in the hedging reserve. Amounts held in the hedging reserve are expected to impact the Comprehensive Income and Expenditure Statement over the period to December 2042.

The maturity of these derivatives is disclosed later in this note.

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.

Sensitivity analysis on interest rate risk
(i) Fair value sensitivity analysis for fixed interest instruments
All of the Group's non-derivative financial instruments with fixed rates of interest are accounted for at amortised cost. Fluctuations in market interest rates would therefore have no impact on the balance sheet or net income figures in respect of these items.

(ii) Fair value sensitivity analysis for derivative instruments
As at 31 March 2018, the Group holds interest rate derivative contracts with a combined notional value of £678.9m (2017 £927.5m) 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 £39.5m/£(35.8)m (2017 £48.2m/£(44.0)m).

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.

31. Funding and financial risk management (continued)

Maturity profile of derivatives
The Group's foreign currency derivatives have the following maturities:

	2018 Average exchange rate	2018 Fair value £m	2018 Notional amount £m	2017 Average exchange rate	2017 Fair value £m	2017 Notional amount £m
Foreign currency forward contracts						
Buy euro						
Less than one year	0.878	0.3	66.8	0.807	1.7	25.9
Between one and two years	0.881	0.2	10.8	0.878	(0.3)	20.1
Between two and five years	0.900	0.8	43.2	0.896	(0.5)	39.5
After 5 years	0.928	-	5.8	0.923	(0.3)	11.9
Sell euro						
Less than one year	0.886	3.4	499.1	0.862	2.7	373.4
Total euro	0.884	4.7	625.7	0.864	3.3	470.8
Buy US Dollars						
Less than one year	0.638	-	0.3	0.640	0.1	0.4
Between one and two years	-	-	-	0.638	0.1	0.3
Total US Dollars	0.638	-	0.3	0.639	0.2	0.7
Buy Canadian Dollars						
Less than one year	0.513	1.7	23.1	0.500	7.0	35.5
Between one and two years	0.515	1.7	25.7	0.503	3.7	19.9
Between two and five years	0.511	1.7	35.4	0.513	8.7	60.9
Total Canadian Dollars	0.513	5.1	84.2	0.507	19.4	116.3

31. Funding and financial risk management (continued)

Maturity profile of derivatives (continued)
The Group's foreign currency derivatives have the following maturities:

	2018 Average exchange rate	2018 Fair value £m	2018 Notional amount £m	2017 Average exchange rate	2017 Fair value £m	2017 Notional amount £m
Foreign currency forward contracts						
Buy Swiss Francs						
Less than one year	0.839	-	0.4	0.824	-	0.1
Between one and two years	0.851	(0.1)	0.5	0.839	-	0.4
Between two and five years	0.873	(0.2)	2.0	0.867	(0.1)	2.3
After five years	0.905	-	0.3	0.899	-	0.4
Total Swiss Francs	0.868	(0.3)	3.2	0.867	(0.1)	3.2
Buy Swedish Krona						
Less than one year	0.092	(0.2)	2.6	0.092	-	0.4
Between one and two years	0.093	(0.2)	3.6	0.093	(0.1)	2.1
Between two and five years	0.093	(1.0)	20.0	0.094	(0.4)	15.2
After five years	0.093	(0.1)	2.5	0.094	(0.2)	5.9
Total Swedish Krona	0.093	(1.5)	28.7	0.094	(0.7)	23.6
Buy Chinese Yuan Renminbi						
Less than one year	0.113	0.1	6.7	0.115	-	0.5
Between one and two years	0.106	0.2	6.5	0.109	-	6.2
Between two and five years	0.101	-	0.4	0.103	-	0.4
Sell Chinese Yuan Renminbi						
Less than one year	0.109	(0.2)	6.2	-	-	-
Between one and two years	0.103	-	0.4	-	-	-
Total Chinese Yuan Renminbi	0.106	0.1	20.3	0.109	-	7.1
Grand total	n/a	8.1	762.4	n/a	22.1	621.7

31. Funding and financial risk management (continued)

Maturity profile of derivatives (continued)
The Group's interest rate derivatives have the following maturities:

	2018 Average contracted fixed interest rate (%)	2018 Fair value £m	2018 Notional amount £m	2017 Average contracted fixed interest rate (%)	2017 Fair value £m	2017 Notional amount £m
Interest rate hedges						
Less than one year	**3.566**	**(0.8)**	**100.0**	3.273	(2.9)	250.0
Between one and two years	**3.849**	**(5.4)**	**150.0**	3.566	(3.9)	100.0
Between two and five years	**4.024**	**(21.4)**	**200.0**	3.815	(24.0)	250.0
After five years	**2.492**	**(16.5)**	**228.9**	3.036	(43.6)	327.5
Total	**3.401**	**(44.1)**	**678.9**	3.367	(74.4)	927.5

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.

31. Funding and financial risk management (continued)

Maturity profile of derivatives (continued)
The following tables detail the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

	Less than one year £m	Between one and two years £m	Between two and five years £m	More than five years £m	Total £m
Group – 2018					
Derivatives settled gross					
Foreign exchange forward contracts:					
Amounts receivable	**507.0**	**48.3**	**102.4**	**8.5**	**666.2**
Amounts payable	**(501.8)**	**(46.6)**	**(101.0)**	**(8.6)**	**(658.0)**
Derivatives settled net					
Interest rate swaps	**(15.5)**	**(10.2)**	**(18.9)**	**(3.6)**	**(48.2)**
	(10.3)	**(8.5)**	**(17.5)**	**(3.7)**	**(40.0)**
Group – 2017					
Derivatives settled gross					
Foreign exchange forward contracts:					
Amounts receivable	445.0	52.5	126.0	17.7	641.2
Amounts payable	(433.5)	(49.1)	(118.4)	(18.2)	(619.2)
Derivatives settled net					
Interest rate swaps	(24.1)	(16.9)	(31.2)	(26.6)	(98.8)
	(12.6)	(13.5)	(23.6)	(27.1)	(76.8)

The total asset or liability due to the Group as recognised on the balance sheet is the fair value of the derivatives, as this represents the cost to terminate. As such it differs from the total net contractual payments shown in the table above. At 31 March 2018, the fair value of the interest rate derivatives was a net liability of £44.1m (2017 £74.4m). The fair value of forward foreign exchange derivatives was a net asset of £8.1m (2017 a net asset of £22.1m).

31. Funding and financial risk management (continued)

Contractual maturity of financial liabilities

The following table details the Group and the Corporation's remaining contractual maturity for their non derivative financial liabilities. The table has been drawn up on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group or Corporation can be required to pay and, therefore differs from the carrying value and the fair value. The table includes both interest and principal cash flows.

	Less than one year £m	Between one and two years £m	Between two and five years £m	More than five years £m	Total £m
Group – 2018					
Trade and other creditors	**1,846.7**	**25.0**	**-**	**-**	**1,871.7**
Borrowings – principal	**846.8**	**96.8**	**936.8**	**8,566.6**	**10,447.0**
Borrowings – interest	**375.1**	**455.1**	**1,079.7**	**5,697.4**	**7,607.3**
Finance lease liabilities	**100.5**	**96.4**	**150.4**	**316.3**	**663.6**
	3,169.2	**673.3**	**2,166.9**	**14,580.3**	**20,589.7**
Group – 2017					
Trade and other creditors	1,563.5	29.1	-	-	1,592.6
Borrowings – principal	1,106.3	71.6	374.5	8,275.8	9,828.2
Borrowings – interest	262.0	342.0	1,082.2	5,539.2	7,225.4
Finance lease liabilities	112.1	100.5	236.6	327.4	776.6
	3,043.9	543.2	1,693.3	14,142.4	19,422.8

31. Funding and financial risk management (continued)

Contractual maturity of financial liabilities

	Less than one year £m	Between one and two years £m	Between two and five years £m	More than five years £m	Total £m
Corporation – 2018					
Trade and other payables	**611.3**	**-**	**-**	**-**	**611.3**
Borrowings – principal	**846.8**	**96.8**	**936.8**	**8,566.6**	**10,447.0**
Borrowings – interest	**375.1**	**455.1**	**1,079.7**	**5,697.4**	**7,607.3**
Finance lease liabilities	**17.0**	**16.7**	**43.7**	**104.9**	**182.3**
	1,850.2	**568.6**	**2,060.2**	**14,368.9**	**18,847.9**
Corporation – 2017					
Trade and other payables	531.6	-	-	-	531.6
Borrowings – principal	1,106.3	71.6	374.5	8,275.8	9,828.2
Borrowings – interest	262.0	342.0	1,082.2	5,539.2	7,225.4
Finance lease liabilities	18.2	17.0	45.5	119.9	200.6
	1,918.1	430.6	1,502.2	13,934.9	17,785.8

31. 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 7
- 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 7:
  - Forward exchange contracts – based on market data and exchange rates at the balance sheet date
  - Interest rate swaps and forward starting interest rate swaps – based on the net present value of discounted cash flows
- Trade and other creditors – approximates to the carrying amount
- Long-term borrowings – determined by calculating the discounted value of the future cash flows (redemption and interest) using appropriate discount rates, based on observable market data, in effect at the balance sheet date at Level 2 of the fair value hierarchy. Fair value approximates to the carrying amount in the case of short-term commercial paper
- Finance lease liabilities – approximates to the carrying amount

31. Funding and financial risk management (continued)

Fair values (continued)
The fair values of the Group's financial assets and liabilities together with the carrying amounts recorded in the balance sheets are illustrated below:

	2018 Carrying value £m	2018 Fair value £m	2017 Carrying value restated £m	2017 Fair value restated £m
Cash and cash equivalents	1,239.5	1,239.5	936.8	936.8
Short-term investments	692.3	692.3	1,024.6	1,024.6
Trade and other debtors	460.0	460.0	1,708.5	1,708.5
Finance lease receivables	25.6	25.6	4.4	4.4
Derivative financial instruments	17.6	17.6	30.5	30.5
Total financial assets	2,435.0	2,435.0	3,704.8	3,704.8
Trade and other creditors	1,871.8	1,871.8	1,592.6	1,592.6
Borrowings	10,415.6	14,443.3	9,795.3	13,806.8
Finance lease liabilities	488.1	488.1	564.8	564.8
Derivative financial instruments	53.5	53.5	82.8	82.8
Total financial liabilities	12,829.0	16,856.7	12,035.5	16,047.0
Net financial liabilities	(10,394.0)	(14,421.7)	(8,330.7)	(12,342.2)

31. Funding and financial risk management (continued)

Fair values (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:

	2018 Carrying value £m	2018 Fair value £m	2017 Carrying value restated £m	2017 Fair value restated £m
Cash and cash equivalents	1,102.4	1,102.4	808.4	808.4
Short-term investments	669.8	669.8	1,014.9	1,014.9
Trade and other debtors	10,853.0	10,853.0	10,155.5	10,155.5
Total financial assets	12,625.2	12,625.2	11,978.8	11,978.8
Trade and other creditors	611.3	611.3	531.6	531.6
Borrowings	10,422.1	14,443.3	9,802.5	13,806.8
Finance lease liabilities	142.1	142.1	153.5	153.5
Total financial liabilities	11,175.5	15,196.7	10,487.6	14,491.9
Net financial assets	1,449.7	(2,571.5)	1,491.2	(2,513.1)

32. 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 Section of the Railways Pension Scheme or the Tube Lines defined contribution scheme.

a) Amount included in net cost of services

	Note	Group 2018 £m	Group 2017 £m	Corporation 2018 £m	Corporation 2017 £m
TfL Pension Fund		575.8	356.7	316.2	104.2
Local Government Pension Fund		2.8	1.3	2.8	1.3
Crossrail Section of the Railways Pension Scheme		5.6	3.3	-	-
Unfunded schemes provision		15.6	3.3	15.6	3.3
Total for schemes accounted for as defined benefit		599.8	364.6	334.6	108.8
Principal Civil Service Pension Scheme		0.5	0.6	0.5	0.6
Other schemes		6.0	11.6	3.3	2.9
Amounts included in net cost of services		606.3	376.8	338.4	112.3
Less: scheme expenses		(11.9)	(11.2)	(11.8)	(11.2)
Amount included in staff costs	3	594.4	365.6	326.6	101.1

32. 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 2015 by the Actuary, a partner of consulting actuaries 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.

Employer's contributions for the period from 1 April 2016 until 31 March 2022 will continue to be 31.0 per cent, and an additional lump sum payment of £47.6m was made during the year ended March 2018. The recovery plan states that the expectation is that the funding shortfall will be eliminated by March 2022.

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 for accounting purposes on an IAS 19 basis as at 31 March 2018. The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions, whilst 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 2015. 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 2017 projections with a long term improvement rate of 1.25 per cent per annum.

The discounted scheme liabilities have an average duration of 18 years.

London Pension Fund Authority Pension Fund (Local Government Pension Fund)
The London Pension Authority Pension Fund is a funded multi-employer defined benefit scheme, administered by the London Pensions Fund Authority. The Corporation is able to identify its share of the assets and defined benefit obligation of the scheme and this scheme has therefore been accounted for as a defined benefit scheme under IAS 19. Employer's contributions were payable at the rate of 15.9 per cent for 2017/18 (2016/17 12 per cent) of pensionable pay. The Corporation's share of the underlying assets and defined benefit obligation resulted in a deficit of £48.2m (2017 £51.0m). The discounted scheme liabilities have an average duration of 20 years.

The last full actuarial valuation available was carried out at 31 March 2016. The annual report and financial statements for the whole scheme can be found on the London Pensions Fund Authority website (www.lpfa.org.uk). A separate valuation has been prepared for accounting purposes on an IAS 19 basis as at 31 March 2018.

Crossrail Shared Cost Section of the Railways Pension Scheme (Crossrail Section)
On 31 October 2016 Crossrail Limited (CRL) transferred its participation in the Railways Pension Scheme from the Omnibus Section of the Railways Pension Scheme to a newly established Crossrail Section of the Railways Pension Scheme. From this date the Crossrail Section has been accounted for in these financial statements as a defined benefit pension scheme under IAS 19. The Group's share of the underlying assets and defined benefit obligation resulted in a deficit of £26.1m (2017 £32.0m). The discounted Crossrail Section liabilities have a duration of approximately 25 years.

A full actuarial valuation of the Scheme was carried out at 31 December 2016. A separate valuation has been prepared for accounting purposes on an IAS 19 basis as at 31 March 2018.

The defined benefit obligation for the Crossrail Section has been calculated using the mortality assumptions adopted for the latest available funding valuation as at 31 December 2016. Standard mortality tables were used, adjusted to reflect the recent mortality experience of the Scheme's pensioners at that date. An allowance was made for future mortality improvements based on the CMI 2017 projections with a long term improvement rate of 1.25 per cent per annum.

Until 31 October 2016, Crossrail Limited contributed to the Omnibus Section of the Railways Pension Scheme (RPS). The RPS is a defined benefit arrangement for rail industry employees. The Omnibus Section is made up of 31 Participating employers. The Omnibus Section of the RPS is a multi-employer scheme and was valued as a whole. As a result of this, CRL was unable to identify its share of the underlying assets and defined benefit obligation. It was therefore accounted for as a defined contribution scheme under IAS 19. The pension charge for the period from 1 April 2016 to 31 October 2016 that was recognised as a defined contribution charge in respect of this scheme was £7.0m.

Unfunded pension costs
The Corporation bears the cost of the augmentation of the pensions of certain employees, who retire early under voluntary severance arrangements.

In addition, the Corporation also bears the cost of:

- ex-gratia payments which are made to certain former employees on retirement in respect of service prior to the establishment of pension funds for those employees
- supplementary pensions, which are made to certain former employees who retired prior to index linking of pensions
- pensions of London Regional Transport (LRT) former board members who did not qualify to join the TfL Pension Fund
- other unfunded defined benefit pensions accruing to certain employees

Punter Southall, consulting actuaries, were instructed to report on the financial position of the unfunded pension defined benefit obligation as at 31 March 2018 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 2018 was £97.8m (2017 £86.6m), and is fully provided for in these financial statements.

32. Pensions (continued)

(b) Defined benefit schemes (continued)

Assumptions for defined benefit sections
The main actuarial assumptions used for the TfL Pension Fund, the Crossrail Shared Cost Section of the Railways Pension Scheme, the Local Government Pension Scheme (together the Schemes) and unfunded schemes were:

	IAS 19 valuation at 31 March 2018 %	IAS 19 valuation at 31 March 2017 %
RPI Inflation	**3.05-3.30**	3.35-3.60
CPI Inflation	**2.05-2.30**	2.35-2.70
Rate of increase in salaries	**3.05-3.80**	3.35-4.20
Rate of increase in pensions in payment and deferred pensions	**1.95-3.08**	2.25-3.30
Discount rate	**2.45-2.55**	2.65-2.80

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 £310.1m/(increase by £320.0m)
- If the expected salary growth were increased/(decreased) by 0.1 per cent, the defined benefit obligation would increase by £78.9m/(decrease by £77.7m)
- If life expectancy were increased/(decreased) by one year, the defined benefit obligation would increase by £493.0m/(decrease by £491.8m)
- If the inflation rate were 0.1 per cent higher/(lower), the defined benefit obligation would increase by £290.3m/(decrease by £277.3m)

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.

32. Pensions (continued)

c) Accounting for defined benefit schemes
The total assets in the Schemes were:

	Value at 31 March 2018 £m	Value at 31 March 2017 £m
Equities and alternatives	**7,940.4**	7,713.2
Bonds	**2,283.6**	2,100.7
Cash and other	**155.7**	90.1
Total fair value of assets	**10,379.7**	9,904.0

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:

	31 March 2018 %	31 March 2017 %
Equities	**77**	78
Bonds	**22**	21
Cash and other assets	**1**	1
	100	100

The unfunded pension schemes have no assets to cover their defined benefit obligation.

32. Pensions (continued)

Total pension deficit at the end of the year

Group	2018 £m	2017 £m
Fair value of scheme assets	10,379.7	9,904.0
Actuarial valuation of defined benefit obligation	(15,087.0)	(15,267.5)
Deficit recognised as a liability in the balance sheet	(4,707.3)	(5,363.5)

Group	2018 £m	2017 £m
TfL Pension Fund	(4,535.2)	(5,193.9)
Local Government Pension Fund	(48.2)	(51.0)
Crossrail Section of the Railways Pension Scheme	(26.1)	(32.0)
Unfunded schemes provision	(97.8)	(86.6)
Deficit recognised as a liability in the balance sheet	(4,707.3)	(5,363.5)

Corporation	2018 £m	2017 £m
Fair value of scheme assets	10,310.1	9,839.1
Actuarial valuation of defined benefit obligation	(14,991.3)	(15,170.6)
Deficit recognised as a liability in the balance sheet	(4,681.2)	(5,331.5)

Corporation	2018 £m	2017 £m
TfL Pension Fund	(4,535.2)	(5,193.9)
Local Government Pension Fund	(48.2)	(51.0)
Unfunded schemes provision	(97.8)	(86.6)
Deficit recognised as a liability in the balance sheet	(4,681.2)	(5,331.5)

32. Pensions (continued)

Analysis of amounts included in the Comprehensive Income and Expenditure Statement

Analysis of amounts charged to net cost of services

	Group 2018 £m	Group 2017 £m	Corporation 2018 £m	Corporation 2017 £m
Current service cost	572.1	350.9	566.6	347.6
Less contributions paid by subsidiaries	-	-	(259.6)	(252.5)
Past service cost	15.8	2.5	15.8	2.5
Total included in staff costs	587.9	353.4	322.8	97.6
Scheme expenses	11.9	11.2	11.8	11.2
Total amount charged to net cost of services	599.8	364.6	334.6	108.8

Amounts charged to financing and investment expenditure

	Group 2018 £m	Group 2017 £m	Corporation 2018 £m	Corporation 2017 £m
Net interest expense on scheme defined benefit obligation	138.0	110.5	137.2	110.1

Amount recognised in other comprehensive income and expenditure

	Group 2018 £m	Group 2017 £m	Corporation 2018 £m	Corporation 2017 £m
Net deficit on Crossrail Section at initial recognition	-	30.3	-	-
Other net remeasurement (gains)/losses recognised in the year	(1,007.4)	1,978.7	(998.4)	1979.0
Total net remeasurement (gains)/losses recognised in the year	(1,007.4)	2,009.0	(998.4)	1,979.0

Analysis of scheme defined benefit obligation into amounts arising from schemes that are wholly or partly funded and wholly unfunded

	Group 2018 £m	Group 2017 £m	Corporation 2018 £m	Corporation 2017 £m
Wholly unfunded schemes	97.8	86.6	97.8	86.6
Wholly or partly funded schemes	14,989.2	15,180.9	14,893.5	15,084.0
Total scheme defined benefit obligation	15,087.0	15,267.5	14,991.3	15,170.6

32. Pensions (continued)

Reconciliation of defined benefit obligation

	Group 2018 £m	Group 2017 £m	Corporation 2018 £m	Corporation 2017 £m
Actuarial value of defined benefit obligation at start of year	**15,267.5**	11,395.6	**15,170.6**	11,395.6
Current service cost	**572.1**	350.9	**566.6**	347.6
Interest cost	**400.6**	406.5	**398.0**	405.4
Employee contributions	**53.7**	52.4	**52.9**	52.1
Remeasurement gains on scheme liabilities:	**-**		**-**	
Obligation recognised at 31 October 2016 in respect of the Crossrail Section		91.8	**-**	-
Net remeasurement – financial	**(187.3)**	3,353.1	**(183.4)**	3,352.0
Net remeasurement – experience	**(396.6)**	(120.3)	**(393.1)**	(120.3)
Net remeasurement – demographic	**(286.0)**	103.7	**(284.6)**	103.7
Actual benefit payments	**(352.8)**	(368.7)	**(351.5)**	(368.0)
Past service cost	**15.8**	2.5	**15.8**	2.5
Actuarial value of defined benefit obligation at end of year	**15,087.0**	15,267.5	**14,991.3**	15,170.6

32. Pensions (continued)

Reconciliation of fair value of the scheme assets

	Group 2018 £m	Group 2017 £m	Corporation 2018 £m	Corporation 2017 £m
Fair value of assets at start of year	**9,904.0**	8,187.4	**9,839.1**	8,187.4
Assets recognised at 31 October 2016 in respect of the Crossrail Section	**-**	61.5	**-**	-
Expected return on assets net of expenses	**262.6**	296.0	**260.8**	295.3
Scheme expenses	**(11.9)**	(11.2)	**(11.8)**	(11.2)
Return on assets excluding interest income	**137.6**	1,357.8	**137.3**	1,356.4
Actual employer contributions	**379.8**	324.2	**116.9**	70.0
Contributions paid by subsidiaries	**-**	-	**259.6**	252.5
Employee contributions	**53.7**	52.4	**53.0**	52.1
Actual benefits paid	**(346.1)**	(364.1)	**(344.8)**	(363.4)
Fair value of assets at end of year	**10,379.7**	9,904.0	**10,310.1**	9,839.1

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 £400.3m (2016/17 a gain of £1,653.8m).

Total contributions of £340.4m are expected to be made to the schemes in the year ending 31 March 2019.

32. Pensions (continued)

32. Pensions (continued)

d) Other pension arrangements

Principal Civil Service Pension Scheme

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme. The Group is unable to identify its share of the underlying assets and defined benefit obligation on a consistent and reasonable basis and, as permitted by the multi-employer exemption in IAS 19, the Group treats contributions to the PCSPS as if they were contributions to a defined contribution plan. A full actuarial valuation was carried out at 31 March 2012. Details can be found in the Civil Service Superannuation Resource Accounts (www.civilservice.gov.uk/pensions).

From 1 April 2015 employers' contributions are payable to the PCSPS at one of four rates in the range 20.0 per cent to 27.9 per cent of pensionable pay, based on salary bands. Employer contributions are reviewed every four years. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Docklands Light Railway Pension Scheme

The Docklands Light Railway Pension Scheme (DLR) is a defined benefit scheme established under trust in the UK that provides both pensions in retirement and death benefits to members. The Trustees are responsible for the operation and governance of the DLR Scheme, including making decisions regarding funding and investment strategy in conjunction with Docklands Light Railway Limited (DLR), a subsidiary of the TfL Group, as the Principal Employer of the Scheme.

Actuarial valuations are carried out every three years with the last available valuation being carried out at 31 March 2015.

Keolis Amey Docklands Limited (KAD) was awarded the franchise to operate the Docklands Light Railway from 7 December 2014 and is a Participating Employer in the DLR Scheme. Under the franchise agreement between DLR and KAD, KAD is required to pay 35.7 per cent of pensionable salaries into the DLR Scheme, the PPF levy and additional contributions if actual pensionable salary increases exceed RPI + 1.5 per cent per annum. The previous franchisee, Serco Limited, ceased paying contributions towards future benefit and accrual and expenses from 7 December 2014, and its final deficit reduction contribution to the DLR Scheme, of £8.25m, was received on 2 January 2018.

DLR, as the Principal Employer of the scheme, is responsible for meeting any further costs towards the cost of accruing benefits and removing the deficit, over and above contributions payable by KAD and Serco Limited, if necessary. Following the completion of the 2015 valuation, it was agreed that DLR will pay 12.8 per cent per annum of pensionable salaries towards future benefit accrual, plus additional contributions towards the deficit of £0.1m per annum until 1 April 2020. In addition, it was agreed that DLR will pay additional contributions if actual pensionable salary growth exceeds RPI + 0.75 per cent per annum (up to RPI + 1.5 per cent per annum). Under this clause DLR paid £695k by July 2017 in respect of salary growth in the year to 1 April 2016.

Over the year beginning 1 April 2018 the contributions payable to the DLR Scheme are expected to be around £6.2m from KAD and £2.3m from DLR.

The discounted DLR Scheme liabilities have a duration of approximately 25 years.

A valuation of the DLR Scheme has been prepared for accounting purposes by Punter Southall on an IAS 19 basis at 31 March 2018. This valuation showed a defined benefit obligation as at 31 March 2018 of £31.9m (2017 £47.6m). The scheme's funding arrangements outlined above, however, mean that DLR is currently unable to identify its share of this obligation on a consistent and reasonable basis. The Group has therefore taken the exemption permitted under IAS 19 for multi-employer schemes and treats contributions to the DLR Scheme as if they were contributions to a defined contribution plan. No defined benefit obligation has been recognised in the balance sheet in respect of this scheme.

No contributions were paid by the Group in 2017/18 (2016/17 £nil).

Defined contribution schemes

The Group contributes to a number of defined contribution schemes, with total contributions, including contributions to the PCSPS and RPS schemes as outlined in the paragraphs above, amounting to £5.1m (2016/17 £12.2m).

33. Cash flow notes

a) Adjustments to net surplus/(deficit) for non-cash movements

	Group 2018 £m	Group 2017 £m	Corporation 2018 £m	Corporation 2017 £m
Depreciation of property, plant and equipment and amortisation of intangibles	**1,110.1**	1,083.0	**169.7**	168.8
Loss on disposal of property, plant and equipment and intangibles	**47.3**	13.8	**1.8**	1.3
Net gain on sale of investment properties	**(19.0)**	(7.7)	**(15.8)**	(0.9)
Movements in the value of investment properties	**(41.7)**	(29.5)	**(0.6)**	(0.7)
Reversal of unrealised losses/(gains) on retranslation of foreign currency investments	**0.8**	21.7	**0.8**	21.7
Reversal of fair value movements on derivatives not in hedging relationships for accounting purposes	**(0.9)**	(22.6)	**-**	-
Financing income	**(8.4)**	(9.7)	**(340.1)**	(324.7)
Financing expense	**486.7**	433.3	**515.6**	467.5
Capital grants received	**(1,128.5)**	(1,468.9)	**(1,091.8)**	(1,445.2)
Capital grants paid to subsidiaries	**-**	-	**560.2**	994.9
Reversal of share of losses/(profits) from associated undertakings	**62.7**	104.8	**-**	-
Reversal of defined benefit pension service costs	**599.8**	364.6	**334.6**	108.8
Reversal of taxation credit	**(3.5)**	(6.5)	**-**	-
Adjustments to net surplus/(deficit) for non-cash movements before movements in working capital	**1,105.4**	476.3	**134.4**	(8.5)
(Decrease)/increase in creditors	**13.2**	(84.7)	**(5.9)**	22.7
Decrease/(increase) in debtors	**(5.8)**	45.1	**(65.2)**	(79.6)
(Increase)/decrease in inventories	**7.5**	(0.9)	**0.8**	1.4
(Decrease)/increase in provisions	**198.7**	(7.8)	**21.0**	28.5
Adjustments to net surplus/(deficit) for non-cash movements after movements in working capital	**1,319.0**	428.0	**85.1**	(35.5)
Net cash payments for employers' contributions to defined benefit pension funds and direct payments to pensioners	**(386.5)**	(328.6)	**(123.7)**	(74.6)
Taxation received	**3.5**	6.5	**-**	-
Total adjustments to net surplus/(deficit) for non-cash movements	**936.0**	105.9	**(38.6)**	(110.1)

33. Cash flow notes (continued)

b) Investing activities

	Group 2018 £m	Group 2017 restated £m	Corporation 2018 £m	Corporation 2017 restated £m
Interest and other investment income received	**7.4**	11.6	**339.8**	326.8
Capital grants received	**1,061.9**	1,506.5	**1,029.4**	1,489.0
Capital grants paid to subsidiaries	**-**	-	**(560.2)**	(994.9)
Purchase of property, plant and equipment and investment property	**(3,400.6)**	(3,561.2)	**(269.8)**	(305.9)
Purchase of intangible assets	**(24.7)**	(28.5)	**(16.5)**	(21.3)
Proceeds from the sale of property, plant and equipment and intangible assets	**30.0**	1.7	**-**	(0.4)
Net sales of other investments*	**331.6**	87.4	**344.3**	81.1
Repayment/(advance) of interim funding to third parties in respect of the Crossrail project	**1,268.2**	17.2	**-**	-
Issue of loans to subsidiaries (net of repayments)	**-**	-	**(618.7)**	(680.5)
Finance leases granted in year	**(20.6)**	(4.4)	**-**	-
Proceeds from sale of investment property	**25.4**	18.8	**17.8**	2.4
Investment in equity loan notes of associated undertakings	**(1.4)**	-	**-**	-
Investment in share capital of associated undertakings	**(12.1)**	-	**-**	-
Investment in share capital of subsidiaries	**(1.4)**	-	**(200.0)**	(1,300.0)
Shareholder loan repaid on acquisition of subsidiary	**(12.6)**	-	**-**	-
Net cash flows from investing activities	**(748.9)**	(1,950.9)	**66.1**	(1,403.7)

* Proceeds from sale of short term investments has been restated in the prior year to include items previously included in short term investments that have been reclassified to cash and cash equivalents in the current year. Refer to Note 21 for further details.

33. Cash flow notes (continued)

c) Financing activities

	Group 2018 £m	Group 2017 £m	Corporation 2018 £m	Corporation 2017 £m
Cash payments for reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI arrangements	**(76.8)**	(94.3)	**(11.4)**	(11.1)
Net proceeds from new borrowing	**961.3**	733.4	**961.3**	733.4
Repayments of borrowings	**(342.8)**	(53.0)	**(342.8)**	(53.0)
Interest paid	**(249.8)**	(311.6)	**(286.7)**	(354.8)
Net cash flows from financing activities	**291.9**	274.5	**320.4**	314.5

34. Acquisitions

Development Securities (Southwark) Limited
On 21 March 2018, the acquisition of Development Securities (Southwark) Limited (DSSL) was completed, with 100 per cent of the shares acquired for a cash consideration of £1.4m.

DSSL owns land interests adjacent to Southwark Station including four residential flats in Styles House, one residential unit in the 'Chalet' building fronting The Cut and Algarve House (rebranded as the 'Platform' building). The TfL group purchased DSSL for the purpose of further developing this land together with land surrounding Southwark Station that is already owned by TfL. The development is subject to conclusion of a land swap agreement with London Borough of Southwark in order to create a uniform plot for a viable development site.

As part of the sale and purchase agreement, the Group was required to repay loans amounting to £12.6m which were advanced by the seller to DSSL.

In accordance with IFRS 3, adjustments are made to identifiable assets and liabilities on acquisition to reflect their fair value. As a result, the property in DSSL is reflected at a Group level at £11.5m, resulting in a downwards fair value adjustment of £0.5m. All other assets and liabilities were found to be reflective of their fair values. As part of the exercise, management have reviewed DSSL's activities and concluded that there are no intangible assets to be recognised in the fair valued acquisition balance sheet.

The fair value of the net liabilities acquired was £1.2m, which resulted in goodwill of £2.6m. This premium is reflective of the potential to unlock the additional value as a result of the land swap agreement.

34. Acquisitions (continued)

The assets and liabilities acquired are set out below:

	20 March 2018 Book value £m	20 March 2018 Fair value adjustments £m	20 March 2018 Fair value total £m
Investment property	12.0	(0.5)	11.5
Trade and other payables	(12.7)		(12.7)
Net liabilities acquired	(0.7)	(0.5)	(1.2)
Cash consideration			(1.4)
Total consideration			(1.4)
Goodwill			2.6

Reconciliation to Group Statement of Cash Flows	Note	Group 2018 £m
Cash consideration paid for acquisition for DSSL		(1.4)
Total payments to acquire subsidiaries per Group Statement of Cash Flows	33b	(1.4)

Subsequent to the acquisition, the entity has been renamed TTL Southwark Properties Limited.

In accordance with the purchase agreement, the shareholder loan was repaid immediately after acquisition. There were no post-acquisition transactions impacting the Group's consolidated profits.

35. Unusable reserves

	2018 £m	2017 £m
Group		
Capital adjustment account	**25,812.6**	25,617.4
Pension reserve	**(4,681.2)**	(5,331.5)
Accumulated absences reserve	**(7.5)**	(7.3)
Retained earnings reserve in subsidiaries	**1,066.1**	1,009.3
Revaluation reserve	**302.7**	294.2
Hedging reserve	**(115.4)**	(139.1)
Available for sale reserve	**-**	-
Financial instruments adjustment account	**(171.0)**	(182.8)
Merger reserve	**466.1**	466.1
At 31 March	**22,672.4**	21,726.3

	2018 £m	2017 £m
Corporation		
Capital adjustment account	**12,434.6**	12,081.0
Pension reserve	**(4,681.2)**	(5,331.5)
Accumulated absences reserve	**(7.5)**	(7.3)
Available for sale reserve	**-**	-
Financial instruments adjustment account	**(171.0)**	(182.8)
At 31 March	**7,574.9**	6,559.4

35. Unusable reserves (continued)

Capital adjustment account
The capital adjustment account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by TfL as finance for the costs of acquisition, construction and enhancement. The account also contains accumulated gains and losses on investment properties.

	Note	Group 2018 £m	Group 2017 £m	Corporation 2018 £m	Corporation 2017 £m
Balance at 1 April		**25,617.4**	23,826.1	**12,081.0**	10,616.2
Charges for depreciation and impairment of non-current assets		**(169.7)**	(168.8)	**(169.7)**	(168.8)
Gain on disposal of investment properties		**15.8**	0.9	**15.8**	0.9
Movements in the market value of investment properties		**0.6**	0.7	**0.6**	0.7
Capital grants and contributions	9	**1,086.9**	2,633.2	**490.0**	1,614.6
Minimum revenue provision		**18.7**	18.7	**18.7**	18.7
Loss on disposal of non-current assets		**(1.8)**	(1.3)	**(1.8)**	(1.3)
Adjustments between Group and Corporation financial statements	*	**(755.3)**	(692.1)	**-**	-
Balance at 31 March		**25,812.6**	25,617.4	**12,434.6**	12,081.0

* The adjustment between the Group financial statements and the Corporation financial statements arises due to an alignment of the accounting policies between the Group and its subsidiaries. Under the Code, capital grants are recognised in the Comprehensive Income and Expenditure Statement and are then transferred to the Capital Adjustment Account (CAA) when utilised. No amortisation of grants or disposal of grants is recognised in the Comprehensive Income and Expenditure Statement. TfL's subsidiary companies account under full EU-adopted IFRS (rather than the Code) and are required to recognise deferred capital grants on the balance sheet and recognise grant amortisation in arriving at their retained earnings. An accounting policy alignment is performed on consolidation to recognise the grant receipts in the Comprehensive Income and Expenditure Statement (from where they are then transferred to the CAA). Equally, the amortisation and grant disposals are removed from the Comprehensive Income and Expenditure Statement and are shown in the CAA so that the total CAA adjustment is equal to the deferred capital grant carried in the subsidiaries' books.

35. Unusable reserves (continued)

Pension reserve
The pension reserve represents pension and other post-retirement defined benefit obligations shown on the balance sheet, excluding those reflected on the balance sheets of the subsidiary companies. The pension reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Group and Corporation account for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the defined benefit obligations recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Group and Corporation make employer's contributions to pension funds or eventually pay any pensions for which they are directly responsible. The debit balance on the pension reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources that have been set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	Group 2018 £m	Group 2017 £m	**Corporation 2018 £m**	Corporation 2017 £m
Balance at 1 April	**(5,331.5)**	(3,208.2)	**(5,331.5)**	(3,208.2)
Net remeasurement gains/(losses) on pension assets and defined benefit obligations	**998.4**	(1,979.0)	**998.4**	(1,979.0)
Reversal of charges relating to retirement benefits	**(737.8)**	(471.4)	**(471.8)**	(218.9)
Employer's pension contributions, contributions from subsidiaries and direct payments to pensioners payable in the year	**389.7**	327.1	**123.7**	74.6
Balance at 31 March	**(4,681.2)**	(5,331.5)	**(4,681.2)**	(5,331.5)

35. Unusable reserves (continued)

Accumulated absences reserve
The accumulated absences reserve absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the reserve.

	Group 2018 £m	Group 2017 £m	**Corporation 2018 £m**	Corporation 2017 £m
Balance at 1 April	**(7.3)**	(7.2)	**(7.3)**	(7.2)
Settlement or cancellation of accrual made at the end of the preceding year	**7.3**	7.2	**7.3**	7.2
Amounts accrued at the end of the current year	**(7.5)**	(7.3)	**(7.5)**	(7.3)
Balance at 31 March	**(7.5)**	(7.3)	**(7.5)**	(7.3)

Retained earnings reserve in subsidiaries
The retained earnings reserve in subsidiaries represents the retained earnings in the Group's subsidiary companies. These are disclosed as unusable reserves as unless and until they are paid up in dividends to the Corporation, they are not available to fund the expenditure of the Corporation.

	Group 2018 £m	Group 2017 £m
Balance at 1 April	**1,009.3**	985.9
Surplus on the provision of services after tax	**(122.4)**	367.1
Transfer of capital grants and contributions to the Capital Adjustment Account	**(596.9)**	(1,018.6)
Transfer of adjustments between Group and Corporation financial statements to the Capital Adjustment Account	**755.3**	692.1
Remeasurement (losses)/gains on defined benefit pension plan assets and liabilities	**9.0**	(30.0)
Release of revaluation reserve relating to the difference between historic cost of disposal and fair value cost of disposal	**11.8**	12.8
Balance at 31 March	**1,066.1**	1,009.3

35. 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 2018 £m	Group 2017 £m
Balance at 1 April		**294.2**	310.8
Revaluation of assets	12	**20.3**	(3.8)
Release of revaluation reserve relating to the difference between fair value depreciation and historic cost depreciation		**(11.8)**	(12.8)
Balance at 31 March		**302.7**	294.2

The Corporation does not have a revaluation reserve as it does not hold any property, plant or equipment at a revalued amount (2017 £nil).

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 2018 £m	Group 2017 £m
Balance at 1 April	**(139.1)**	(176.0)
Net change in fair value of cash flow interest rate hedges	**30.3**	25.9
Net change in fair value of cash flow foreign exchange hedges	**(14.8)**	3.2
Recycling of interest rate fair value losses to profit and loss	**8.2**	7.8
Balance at 31 March	**(115.4)**	(139.1)

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.

35. Unusable reserves (continued)

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 2018 £m	Group 2017 £m	Corporation 2018 £m	Corporation 2017 £m
Balance at 1 April	**(182.8)**	(194.6)	**(182.8)**	(194.6)
Release of premium	**11.8**	11.8	**11.8**	11.8
Balance at 31 March	**(171.0)**	(182.8)	**(171.0)**	(182.8)

Merger reserve
The merger reserve of £466.1m arose as a result of the transfer of the net assets of London Regional Transport, including the share capital of London Underground Limited (LU), to TfL in 2003. It represents the share capital of LU and was taken as a credit to the merger reserve. The Group has taken advantage of the exemption in IFRS 1 not to restate business combinations occurring prior to the transition date of 1 April 2009.

	Group 2018 £m	Group 2017 £m	Corporation 2018 £m	Corporation 2017 £m
Balance at 1 April and 31 March	**466.1**	466.1	**-**	-

36. 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 2018

	Note	General fund £m	Capital adjustment account £m	Pension reserve £m	Street works reserve £m	Financial instruments adjustment account £m	Accumulated absences reserve £m
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement							
Charges for depreciation, amortisation and impairment of non-current assets	3	169.7	(169.7)	-	-	-	-
Net gain on disposal of investment properties	7	(15.8)	15.8	-	-	-	-
Movements in the market value of investment properties	7	(0.6)	0.6	-	-	-	-
Capital grants and contributions	9	(490.0)	490.0	-	-	-	-
Unapplied capital grants	9	(41.6)	-	-	-	-	-
Loss on disposal of non-current assets	6	1.8	(1.8)	-	-	-	-
Reversal of items relating to retirement benefits		471.8	-	(471.8)	-	-	-
Transfers to/from street works reserve		(1.4)	-	-	1.4	-	-
Difference between the remuneration charged on an accruals basis and the remuneration chargeable in accordance with statutory requirements		0.2	-	-	-	-	(0.2)
Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement which are required to be charged in accordance with statutory requirements							
Employer's pension contributions and direct payments to pensioners payable in the year		(123.7)	-	123.7	-	-	-
Minimum Revenue provision	38	(18.7)	18.7	-	-	-	-
Amortisation of premium on financing		(11.8)	-	-	-	11.8	-
		(60.1)	353.6	(348.1)	1.4	11.8	(0.2)

36. Adjustments between accounting basis and funding basis under regulations (continued)

Corporation 2017

	Note	General fund £m	Capital adjustment account £m	Pension reserve £m	Street works reserve £m	Financial instruments adjustment account £m	Accumulated absences reserve £m
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement							
Charges for depreciation, amortisation and impairment of non-current assets	3	168.8	(168.8)	–	–	–	–
Movements in the market value of investment properties	7	(0.7)	0.7	–	–	–	–
Net gain on disposal of investment properties	7	(0.9)	0.9	–	–	–	–
Capital grants and contributions	9	(1,614.6)	1,614.6	–	–	–	–
Unapplied capital grants	9	1,164.3	–	–	–	–	–
Loss on disposal of non-current assets	6	1.3	(1.3)	–	–	–	–
Reversal of items relating to retirement benefits		218.9	–	(218.9)	–	–	–
Transfers to/from street works reserve		(4.1)	–	–	4.1	–	–
Difference between the remuneration charged on an accruals basis and the remuneration chargeable in accordance with statutory requirements		0.1	–	–	–	–	(0.1)
Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement which are required to be charged in accordance with statutory requirements							
Employer's pension contributions and direct payments to pensioners payable in the year		(74.6)	–	74.6	–	–	–
Minimum Revenue provision	38	(18.7)	18.7	–	–	–	–
Amortisation of premium on financing		(11.8)	–	–	–	11.8	–
		(172.0)	1,464.8	(144.3)	4.1	11.8	(0.1)

37. Sources of finance

Capital expenditure analysed by source of finance:

	Note	Corporation 2018 £m	Corporation 2017 £m
Capital expenditure			
Intangible asset additions	11	**16.5**	21.3
Property, plant and equipment additions	12	**246.1**	264.4
Investments in year	14	**200.0**	1,300.0
Loans made to subsidiaries in year for capital purposes		**618.7**	680.5
Capital grants allocated to subsidiaries in year	9	**560.2**	994.9
Total capital expenditure		**1,641.5**	3,261.1
Sources of finance			
Transport grants used to fund capital	9	**-**	1,107.2
Business Rates Retention used to fund capital	9	**777.8**	-
Community Infrastructure Levy used to fund capital	9	**100.4**	148.3
Other third party contributions	9	**213.6**	189.7
Adjusted by amounts transferred (to)/from Capital Grants Unapplied Account	9	**(41.6)**	1,164.3
Prudential borrowing		**618.7**	680.5
Capital receipts		**0.9**	2.3
Transfer from street works reserve		**1.4**	0.8
Net repayment of finance leases		**(11.4)**	(11.1)
Working capital		**(18.3)**	(20.9)
Total sources of finance		**1,641.5**	3,261.1

38. 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 the Transport for London (the Corporation), that aims to build up a reserve on the Balance Sheet over the average useful economic life of the assets funded by borrowings in the Corporation, such that, at the end of that useful economic life, that reserve may be employed to either repay borrowings or to finance replacement capex for those assets that have reached the end of their lives. An MRP is effectively already made for borrowings passed down to the subsidiaries through TfL's existing processes for funding those entities. The MRP provision for 2017/18, shown as a transfer from the General fund to the Capital Adjustment Account in the Group and Corporation Movement in Reserves Statements, was a total of £18.7m (2016/17 £18.7m).

39. 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 Greater London Authority Act 1999 is outlined below:

	Corporation 2018 £m	Corporation 2017 £m
Financial assistance to subsidiaries		
Transport Trading Limited	54.5	78.9
London Underground Limited	858.0	1,110.2
London Bus Services Limited	682.9	723.2
Docklands Light Railway Limited	38.0	46.5
Rail for London Limited	327.9	293.2
London River Services Limited	17.3	11.3
Tramtrack Croydon Limited	28.7	22.4
London Transport Museum Limited	4.0	5.2
Crossrail Limited	6.9	238.3
	2,018.2	2,529.2

39. Financial assistance (continued)

	Note	Corporation 2018 £m	Corporation 2017 £m
Financial assistance to London Boroughs and other third parties			
Local Implementation Plan		112.0	131.5
Crossrail Complementary Measures		6.4	7.2
Taxicard		10.3	10.0
Safety schemes		0.1	0.4
Cycling		30.0	32.4
Bus stop accessibility		0.4	4.4
Other		24.2	9.3
Total financial assistance to London Boroughs and third parties	3	183.4	195.2

40. Related parties

Transport for London 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 Greater London Authority Act 1999 (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, Managing Directors, Commissioner, 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.

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 9.

During 2017/18 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 2018 £m
Greater London Authority (GLA)	6.8	2.1	2.4
Mayor's Office for Policing and Crime (MOPC) (formerly Metropolitan Police Authority)	0.2	-	(0.1)
London Legacy Development Corporation (LLDC)	1.1	-	0.3
London Fire and Emergency Planning Authority (LFEPA)	0.2	-	-

40. Related parties (continued)

Board Members and Officers
Board Members, the Mayor of London, and key management (comprising the Commissioner and the Managing Directors), are required to complete a declaration regarding any related party transactions. During the year, none of the Corporation Board, key management personnel or parties related to them have undertaken any material transactions with the Corporation or its subsidiaries (2016/17 none). Details of the remuneration of the Commissioner and his Managing Directors are disclosed in note 5.

TfL Pension Fund
The Accounts of the TfL Pension Fund are prepared separately and are subject to a separate audit opinion. Contributions payable to the TfL Pension Fund by TfL as employer are disclosed in note 32.

Central Government
Transport Grant is paid by the Department for Transport to the Greater London Authority, which in turn pays the grant to the Corporation. Details of Transport Grant are disclosed in the Corporation and Group Comprehensive Income and Expenditure Statements and Cash Flow Statements.

The Department for Transport sets the level of Transport Grant through the spending review process. The last such spending review was SR 2015, and the settlement covered grant funding and permitted levels of borrowing for the period up to 31 March 2021.

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 39.

TfL receives income from the London Boroughs for the provision of free travel for older and disabled customers, and students. This income is set out in note 1.

TfL has borrowings outstanding from the Public Works Loan Board (PWLB), and pays interest to PWLB in respect of those borrowings.

TfL makes payments to the British Transport Police for the provision of policing services on the Underground and Overground railways.

TfL makes payments to the Metropolitan Police Service for policing services provided by the Safer Transport Command.

Transactions between the Corporation and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

41. Trust Funds

The Corporation acts as the sole trustee for the TfL Healthcare Trust, a trust established in 2012 for the purpose of providing certain benefits relating to medical treatment for eligible employees of the Group and their family members. The Trust is administered by AXA PPP Healthcare Administration Services Limited, an independent third party. Under the terms of the Trust deed the funds held by the Trust do not represent the assets of the Corporation or its subsidiaries. Hence the Trust has not been consolidated into these financial statements.

	Income £m	Expenditure £m	Assets £m	Liabilities £m
At 31 March 2018				
TfL Healthcare Trust	**6.5**	**(4.9)**	**2.0**	**(0.1)**
At 31 March 2017				
TfL Healthcare Trust	5.1	(4.7)	0.6	(0.4)

42. Events after the balance sheet date

There have been no events occurring after the reporting date that would have a material impact on these financial statements.

On 24 July 2018, it was announced in a Ministerial Statement that additional funding will be provided to Crossrail Limited and Network Rail in respect of the Crossrail project in the next two years. Additional funding of £300m is being made available to Crossrail Limited for its remaining programme of works in the central section, specifically the complex systems installation and testing, prior to the opening of the railway for reliable passenger service. The additional funding is being provided by the Department for Transport and TfL, with each party providing £150m.

This additional funding requirement of £150m by TfL will be incorporated into the 2018 Business Plan due to be published in December this year, and will not have any impact on the ability of the TfL Group and its subsidiaries to continue as a going concern. This is considered a non-adjusting post balance sheet event as there is no impact on the 31 March 2018 financial statements, including the carrying values of current projects.

Annual Governance Statement

Scope of Responsibility
Transport for London (TfL) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. TfL also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, TfL is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Under section 127 of the Greater London Authority Act 1999, an individual must be given personal responsibility by appointment of TfL to 'make arrangements for the proper administration of financial affairs'. This role is performed by TfL's Chief Finance Officer (CFO). From 1 April to 24 July 2017, TfL's CFO was Ian Nunn, who was a member of TfL's leadership team, the 'Executive Committee'. Following Ian's sudden death on 24 July 2017, the CFO's role was covered by Simon Kilonback, who took on the financial management responsibilities and joined the Executive Committee and Sarah Bradley who took on the statutory CFO functions and reports to Simon Kilonback. TfL's financial management arrangements conform with the governance requirements of the Chartered Institute of Public Finance and Accountancy Statement on the Role of the Chief Finance Officer in Local Government (2010), except that from 24 July 2017, the statutory CFO post holder is not a member of the Executive Committee but plays an active part in TfL strategic decision-making through:

- Involvement in all key decisions with a significant financial implication
- Involvement with Executive Committee: Performance meetings
- Management responsibilities for the production of the Business Plan and statutory accounts

The statutory CFO post holder is appointed and removed by the Board, reviews in advance of submission all papers relating to financial management for the Executive Committee, the TfL Board and its Committees, attends all Board meetings and has unrestricted access to the Commissioner.

As a functional body of the Greater London Authority (GLA), TfL is a signatory to a GLA Group Framework Agreement, which was updated in 2016. The Agreement is an overarching commitment in relation to the culture and individual behaviours of the GLA Group and contains specific corporate governance commitments. The Agreement is a commitment by all parties to be open, transparent and accountable for their actions and behaviour. It is a high level document that sets common principles that apply across the Group, with the methods of implementation left to each Functional Body to determine. TfL has in place protocols and processes that address all of the requirements of the Agreement.

TfL has approved and adopted a Code of Governance, which is consistent with the principles of the CIPFA/Society of Local Authority Chief Executives Framework, Delivering Good Governance in Local Government.

A copy of the TfL Code of Governance is available online at tfl.gov.uk or can be obtained from the Secretariat, 55 Broadway, London, SW1H 0BD. This statement explains how TfL has complied with the Code and also meets the requirements of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

The Purpose of the Governance Framework
The governance framework comprises the systems, processes, culture and values by which TfL is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables TfL to monitor the achievement of its strategic objectives and the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk and provide reasonable, although not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of TfL's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at TfL since the year ended 31 March 2001. It remains in place at the date of approval of the 2017/18 Statement of Accounts.

The Governance Framework
The Mayor, who serves as its Chair, appoints the TfL Board members. The Board determines and agrees TfL's strategic direction and oversees the performance of the executive team.

The Board has four committees:

- Audit and Assurance
- Finance
- Programmes and Investment
- Remuneration

The Board has two panels, made up of Board members, which provide strategic advice to the Board on the development and execution of policy:

- Customer Service and Operational Performance
- Safety, Sustainability and Human Resources

The Audit and Assurance Committee has been delegated the responsibility for overseeing corporate governance in TfL. It has received reports on the implementation of the Code of Governance ('the Code'), the Annual Governance Statement contained in these accounts and the results of the compliance review. It receives regular reports from the General Counsel and the Director of Risk and Assurance (formerly the Director of Internal Audit) and is responsible for the annual assurance process.

The Commissioner of TfL and the Executive Committee are responsible and accountable for the delivery of the day-to-day operations of TfL. The General Counsel has the overall responsibility for the operation of the Code and for ensuring that it is integral to the routine functioning of TfL. In addition, the Director of Risk and Assurance annually comments on the adequacy and effectiveness of the Code and the extent of TfL's compliance with it. He also carries out a benchmarking exercise comparing TfL's governance arrangements with the UK Corporate Governance Code. TfL is compliant with the UK Corporate Governance Code where this is relevant, given TfL is a corporation rather than an entity with listed shares.

TfL is working to ensure that good governance is fully incorporated into the culture of the organisation and is applied consistently and transparently.

TfL identifies and communicates its vision of its purpose and intended outcomes for citizens and service users by:

- the Mayor developing and publishing a Transport Strategy reflecting national and local priorities
- the Budget and Business Plan reflecting the Transport Strategy and allocating resources accordingly
- reviewing on a regular basis the implications of the Transport Strategy for its governance arrangements
- ensuring that those making decisions are provided with information that is fit for purpose – relevant, timely and gives clear explanations of technical issues and their implications
- conducting its business on an open basis, subject only to the requirements of appropriate levels of individual and commercial confidentiality and security

TfL measures the quality of services for users, ensures they are delivered in accordance with TfL's objectives and ensures that they represent the best use of resources by:

- having in place sound systems for providing management information for performance measurement purposes
- ensuring performance information is collected at appropriate intervals across all activities
- having comprehensive and understandable performance plans in place
- monitoring and reporting performance against agreed targets
- maximising its resources and allocating them according to priorities
- having in place effective arrangements to identify and deal with failure in service delivery
- developing and maintaining an effective scrutiny function for its Investment Programme that encourages constructive challenge and enhances TfL's performance overall
- publishing operational and financial performance data each quarter

TfL defines and documents the roles and responsibilities of the Board, Committees, Panels and employees with clear delegation arrangements and protocols by:

- having a documented scheme of delegation that reserves appropriate responsibilities to the Board and provides employees with the authority to conduct routine business
- having the roles and responsibilities of Board members and senior employees clearly documented

TfL has developed and communicates the requirements of the Code of Conduct, defining the standards of behaviour for Board members and employees by:

- ensuring it is an organisation that has a climate of openness, support and respect
- ensuring that standards of conduct and personal behaviour expected of Board members and employees, between Board members and employees and between TfL, its partners and the community are defined and communicated through codes of conduct and protocols
- putting in place arrangements to ensure that Board members and employees of TfL are not influenced by prejudice, bias or conflicts of interest

- ensuring that an effective process, which includes an effective Remuneration Committee, is in place to set the terms and conditions for remuneration of the Commissioner and senior employees

- developing and maintaining shared values including leadership values for both the organisation and employees reflecting public expectations and communicating these to Board members, employees, the community and partners

- putting in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitoring their continuing effectiveness in practice

- setting targets for performance in the delivery of services to ensure equality for all

- using its shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within TfL

TfL reviews and updates Standing Orders, standing financial instructions, its scheme of delegation and supporting procedures that clearly define how decisions are taken and the processes and controls required to manage risks by:

- having a clear hierarchy of governance documentation whose components are regularly reviewed

- maintaining robust systems for identifying and evaluating all significant risks

- maintaining an effective risk management system

- ensuring that risk management is embedded into its culture, with Board members and employees at all levels recognising that risk management is part of their jobs

TfL ensures that the core functions of the Audit and Assurance Committee are delivered by:

- having an effective, independent Audit and Assurance Committee

- having the Audit and Assurance Committee develop and maintain an effective oversight

- having an internal audit department that complies with relevant professional standards and is regularly evaluated by external auditors

- having an Integrated Assurance Plan that is driven by an annual evidenced assessment of the key business risks facing TfL

- maintaining an Integrated Assurance Framework

TfL ensures compliance with relevant laws, internal policies and procedures, and that expenditure is lawful by:

- ensuring that a senior member or employees, currently the General Counsel, is responsible for all activities being legally correct, fully documented, appropriately authorised and carried on in a planned manner

- making a senior member or employees, currently the Group Financial Controller and Statutory Chief Finance Officer, responsible for ensuring that appropriate advice is given in all financial matters, for keeping proper financial records and accounts and for maintaining an effective system of internal financial control

- maintaining proper records to ensure that the annual accounts show a true and fair view and that expenditure has been properly authorised and allocated in an appropriate manner

- developing and maintaining open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based

- putting in place arrangements to safeguard against conflicts of interest

- ensuring that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately

- actively recognising the limits of lawful activity placed on it but also striving to utilise its powers to the full benefit of the public

- observing all legal requirements placed upon it and integrating the key principles of good public law – rationality, legality and natural justice – into its procedures and decision-making processes

TfL has made arrangements for whistle-blowing and for receiving and investigating complaints from the public by:

- ensuring that effective, transparent and accessible arrangements are in place for making, receiving and dealing with complaints

- ensuring that arrangements are in place for whistle-blowing to which employees and all those contracting with TfL have access including external independent reporting lines

TfL identifies the development needs of Board members and employees in relation to their strategic roles, supported by appropriate training by:

- ensuring that its Board members and employees are provided with the necessary training to perform their roles

- ensuring that its employees are competent to perform their roles

- ensuring that the Statutory Chief Finance Officer has the skills, resources and support necessary to perform effectively in this role and that this role is properly understood throughout TfL

- assessing the skills required by Board members and employees and committing to develop those skills to enable roles to be carried out effectively

- commissioning regular external reviews of Board effectiveness

- developing skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed

TfL establishes clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation by:

- having in place proper arrangements designed to encourage individuals and groups from all sections of the community to engage with, contribute to, and participate in the work of TfL

- making clear to employees and the public what it is accountable for and to whom

- publishing, publicising and making generally available an annual report as soon as practicable after the end of the financial year

- the annual report presenting an objective and understandable account of its activities and achievements and its financial position and performance

- cooperating with appropriate organisations to ensure there is independent scrutiny of its financial and operational reporting processes

- having a clear policy on the types of issues it will consult on or engage with the public and service users about, including a feedback mechanism for those consultees to demonstrate what has changed as a result

TfL incorporates good governance arrangements in respect of partnerships and other group working by:

- fostering effective delivery relationships and partnerships with other public sector agencies, the private and voluntary sectors

- establishing appropriate arrangements to engage with all sections of the public effectively

- establishing appropriate arrangements to engage with interest groups such as financial institutions, businesses and voluntary groups to ensure they are able to interact with TfL on matters of mutual interest

Review of Effectiveness

TfL has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior employees within TfL who have responsibility for the development and maintenance of the governance framework, the Director of Risk and Assurance's annual report and also by comments made by the external auditors and other review agencies and inspectorates.

TfL's General Counsel has the responsibility for overseeing the implementation and monitoring the operation of the Code and reporting annually to the Audit and Assurance Committee on compliance with the Code and any changes that may be necessary to maintain it and ensure its effectiveness in practice.

In addition, the Director of Risk and Assurance annually comments on the adequacy and effectiveness of the Code and the extent of TfL's compliance with it.

TfL's Audit and Assurance Committee has considered the review of the effectiveness of the governance framework and a plan to ensure continuous improvement is in place.

Significant Governance Issues

During the year 2017/18, TfL reviewed and refined the new decision making structure, introduced in September 2016, after its first year of operation. TfL's governance arrangements began to be reviewed and amended in light of the emerging Draft Mayor's Transport Strategy, which included structuring the regular Commissioner's Report to the Board around the key priorities. Work has since been undertaken on integrating monitoring information into the regular quarterly reports to Committees and Panels on progress against the Mayor's Transport Strategy, the TfL Business Plan and the TfL Scorecard – and these will be implemented during 2018/19.

TfL monitored its performance against a completely revised TfL Scorecard introduced in April 2017, which represented a step change from the quality of previous Scorecards. An Internal Audit assurance report on the end of year results for the 2017/18 Scorecard was reviewed by the Audit and Assurance Committee in correspondence in May 2018, with comments on review shared with the Remuneration Committee. During 2017/18, TfL had further developed the TfL Scorecard measures and monitoring arrangements, which were agreed by the Board in March 2018 for implementation from 1 April 2018.

Throughout 2017/18, the meetings of the Safety, Sustainability and Human Resources Panel primarily focussed on TfL's response to the tram derailment at Sandilands, Croydon on 9 November 2016. As well as considering how TfL addressed tram safety arising from the incident and the reports of the Rail Accident Investigation Branch and SNC-Lavalin, it also considered TfL's wider safety culture, including on major infrastructure project and other operational services like buses, as well as supporting the Vision Zero approach to road deaths adopted in the Mayor's Transport Strategy. Safety has also been brought to the front of the agenda for meetings of the Executive Committee and other leadership teams and for the monitoring reports submitted to the Board, Committees and Panels.

Each of the TfL's main operating businesses embedded the TfL health safety environmental management system (HSEMS) during the year. Each has continuous improvement plans in place to strengthen their maturity of compliance and benchmark their performance against each other to learn wider lessons to strengthen their management of HSE risks. The plans are revised annually. In addition a separate improvement programme ensures the tools and procedures used in support of the HSEMS remain effective and efficient.

TfL continued to embed, review and improve governance and transparency processes around procurement, arising from recommendations made following reviews of the Garden Bridge Project. In July 2017, the Board noted and endorsed the action taken and further action proposed to address the recommendations made by the Rt. Hon. Dame Margaret Hodge MP in her report on the Project published on 7 April 2017. The action taken and proposed included strengthened decision making arrangements at Board and staff level and greater transparency and monitoring of Mayoral Directions to TfL and the use of authority delegated to the Commissioner and Chief Finance Officer.

TfL further improved the quality, consistency and transparency of the finance, safety and other reporting information provided to Members and the public and continued the programme of publishing more information in line with the Transparency Strategy published in 2015.

As part of TfL's Transformation Programme, a new Risk and Assurance Directorate was established, based on the three lines of defence model. The new directorate brings together integrated enterprise risk management, internal audit, assurance and fraud prevention and investigation services.

A process for reviewing TfL's overall Risk Management process commenced, including internal workshops and training sessions on Risk Management across the Business Areas, as well as a Strategic Risk Management Workshop with Audit and Assurance Committee Members.

TfL's Gifts and Hospitality Policy was reviewed and information on the number of offers received and details of offers accepted by Board Members the most senior staff are now routinely reported to the Audit and Assurance Committee.

TfL proposes to continue to improve and develop its governance arrangements over the coming year. Issues to be addressed include: an externally led Board effectiveness review; a review of TfL's governance arrangements in light of the new Mayor's Transport Strategy published in March 2018 and Strategic Risks due to be agreed later in 2018; and continuous improvement in the quality, consistency and transparency of the information provided to members and the public

TfL is confident that the current governance processes and planned developments will enable it to meet the challenges identified.

Sadiq Khan
Chair of TfL Board

Mike Brown MVO
Commissioner

TfL Executive Committee Members 2017/18

Mike Brown MVO
Commissioner

Howard Carter
General Counsel

Michèle Dix CBE
Managing Director
Crossrail 2

Graeme Craig
Director of Commercial
Development

Mark Wild
Managing Director
London Underground

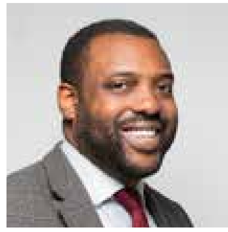
Gareth Powell[1]
Managing Director
Surface Transport

Vernon Everitt
Managing Director
Customers, Communication
and Technology

Simon Kilonback[2]
Chief Finance Officer

Andrew Pollins
Transformation Director

Stuart Harvey
Major Projects Director



Staynton Brown
Director of Diversity
and Inclusion

Shashi Verma[3]
Director of Strategy and
Chief Technology Officer

Alex Williams
Director of City Planning

Tricia Wright
Chief People Officer

1 Replaced Leon Daniels on 20 December 2017

2 Replaced Ian Nunn on 25 July 2017 and was permanently appointed as Chief Finance Officer on 17 April 2018

3 Joined the Executive Committee on 17 April 2018

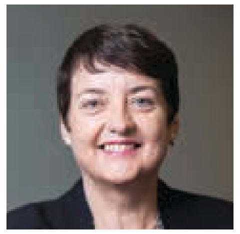
Image 58: **TfL Executive Committee Members 2017/18**

TfL Board Members 2017/18

Sadiq Khan
Chair

Dr Alice Maynard CBE

Kay Carberry CBE



Valerie Shawcross CBE
Deputy Chair

Baroness Grey-Thompson DBE

Professor Greg Clark CBE

Ron Kalifa OBE

Bronwen Handyside

Michael Liebreich

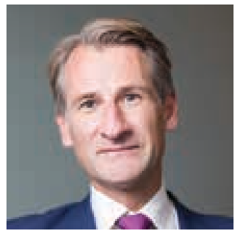
Dr Lynn Sloman

Anne McMeel

Dr Nina Skorupska CBE

Dr Mee Ling Ng OBE

Dr Nelson Ogunshakin OBE



Ben Story

Image 59: TfL Board Members 2017/18

Crossrail Ltd Directors 2017/18

Sir Terry Morgan CBE
Chairman

Pamela Alexander OBE

Michael Cassidy CBE

Matthew Duncan

Terry Hill CBE

Mark Wild

Robert Jennings CBE

Phil Gaffney

Simon Wright OBE

Image 60: Crossrail Ltd Directors 2017/18

Image 61: An Elizabeth line train travels through the new tunnel

Membership of TfL committees and panels

Members of TfL

Sadiq Khan – Chair
Valerie Shawcross CBE – Deputy Chair
Kay Carberry CBE
Prof Greg Clark CBE[4]
Baroness Grey-Thompson DBE[5]
Bronwen Handyside[6]
Ron Kalifa OBE
Michael Liebreich
Dr Alice Maynard CBE
Anne McMeel
Dr Mee Ling Ng OBE
Dr Nelson Ogunshakin OBE
Dr Nina Skorupska CBE
Dr Lynn Sloman
Ben Story[7]

Committees of TfL

Audit and Assurance Committee

Anne McMeel – Chair
Dr Lynn Sloman – Vice Chair
Kay Carberry CBE
Dr Mee Ling Ng OBE
Dr Nelson Ogunshakin OBE

Finance Committee

Ron Kalifa OBE – Chair
Ben Story – Vice Chair
Michael Liebreich
Anne McMeel
Valerie Shawcross CBE
Dr Nina Skorupska
Prof Greg Clark CBE[4]

Programmes and Investment Committee

Prof Greg Clark CBE – Chair
Dr Nelson Ogunshakin OBE – Vice Chair
Bronwen Handyside[6]
Ron Kalifa OBE
Dr Alice Maynard CBE
Dr Nina Skorupska CBE
Dr Lynn Sloman
Ben Story

Remuneration Committee

Ben Story – Chair[7]
Kay Carberry CBE – Vice Chair
Baroness Grey-Thompson DBE[5]
Ron Kalifa OBE
Valerie Shawcross CBE

Panels

Customer Service and Operational Performance Panel

Dr Mee Ling Ng OBE – Chair
Dr Alice Maynard CBE – Vice Chair
Prof Greg Clark CBE[4]
Baroness Grey-Thompson DBE
Anne McMeel
Dr Nelson Ogunshakin OBE
Dr Lynn Sloman
Bronwen Handyside[6]

Safety, Sustainability and HR Panel

Michael Liebreich – Chair
Dr Nina Skorupska CBE – Vice Chair
Kay Carberry CBE
Baroness Grey-Thompson DBE
Bronwen Handyside
Dr Mee Ling Ng OBE

4 Stood down from the Customer Service and Operational Performance Panel and joined the Finance Committee as of 6 March 2018

5 Stood down as Chair of the Remuneration Committee as of 9 November 2017 to be replaced by Ben Story

6 Stood down from the Programmes and Investment Committee and joined the Customer Service and Operational Performance Panel as of 9 November 2017

7 Became Chair of the Remuneration Committee as of 9 November 2017

TfL members' meeting attendance 2017/18

Current members

Board member	Board	Audit and Assurance Committee	Customer Service and Operational Performance Panel	Finance Committee	Programmes and Investment Committee	Remuneration Committee	Safety, Sustainability and Human Resources Panel
Sadiq Khan	5 (5)						
Kay Carberry CBE	5 (5)	4 (4)				2 (2)	5 (5)
Prof Greg Clark CBE	4 (5)		1 (3)		3 (4)		
Baroness Grey-Thompson DBE	4 (5)		2 (3)			2 (2)	3 (5)
Bronwen Handyside	5 (5)		1 (3)		1 (2)		4 (5)
Ron Kalifa OBE	3 (5)			4 (6)	1 (4)	2 (2)	
Michael Liebreich	2 (5)			2 (6)			5 (5)
Dr Mee Ling Ng OBE	5 (5)	4 (4)	3 (3)				4 (5)
Dr Alice Maynard CBE	3 (5)		3 (3)		3 (4)		
Anne McMeel	5 (5)	4 (4)	3 (3)	6 (6)			
Dr Nelson Ogunshakin OBE	3 (5)	3 (4)	3 (3)		3 (4)		
Valerie Shawcross CBE	5 (5)			4 (6)		1 (2)	
Dr Nina Skorupska CBE	4 (5)			5 (6)	2 (4)		5 (5)
Dr Lynn Sloman	4 (5)	4 (4)	3 (3)		4 (4)		
Ben Story	5 (5)			4 (6)	4 (4)	1 (2)	

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