

TRANSPORT FOR LONDON

BOARD

SUBJECT: ANNUAL REPORT AND STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009

DATE: 24 JUNE 2009

1 PURPOSE AND DECISION REQUIRED

- 1.1 The purpose of this report is to present TfL's Annual Report and Accounts for the year ended 31 March 2009, to request the Board's approval of the Statement of Accounts included in the Annual Report and to seek the Board's approval for the publication of TfL's 2008/09 Annual Report.
- 1.2 The Annual Report and the Statement of Accounts for the year ended 31 March 2009 were considered by the Audit Committee at its meeting on 10 June 2009.

2 BACKGROUND

- 2.1 TfL is legally required under section 161 of the Greater London Authority (GLA) Act 1999 to produce a report on its achievements and the performance of its functions during the year. Approval of the Annual Report is a matter reserved to the Board under TfL's Standing Orders. The Annual Report includes the information that is required under the GLA Act.
- 2.2 The 2008/09 Annual Report will include TfL's Statement of Accounts for the year ended 31 March 2009. While this is not a legal requirement, it is regarded as good practice and will assist key audiences in understanding TfL's financial and operational performance over the year.

3 STATEMENT OF ACCOUNTS

- 3.1 The Statement of Accounts has been prepared in accordance with the provisions of the Audit Commission Act 1998 and the Accounts and Audit Regulations 2003 ('the Regulations'). The form, content and accounting policies followed in preparing the Statement are as prescribed in the Regulations and by the Code of Practice on Local Authority Accounting developed and published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) joint committee ('the SORP'). This SORP is updated annually.
- 3.2 As well as prescribing the format of the Statement of Accounts, the Regulations require that the income and expenditure account and balance sheet are approved by a resolution of a Committee of the Board, or otherwise by a resolution of the members of TfL, meeting as a whole. Such approval is to take place as soon as practicable and in any event by 30 June 2009.
- 3.3 Prior to the approval, the Regulations further require that the responsible financial officer (in the case of TfL, the Chief Finance Officer) shall sign and

date the Statement of Accounts and certify that it presents fairly the financial position of TfL at the end of the year to which it relates and its income and expenditure for the year.

- 3.4 In addition, the Statement of Accounts must be made available for public inspection for a period of four weeks following advertisement of the inspection period. Immediately following the inspection period, the auditors may receive questions or objections to the accounts from local government electors in London. Should any such questions or objections be raised, these will be reported to the Audit Committee at its next meeting. Should any matters arise from questions or objections which require, in the opinion of the Chief Finance Officer, a material change to the Statement of Accounts, he will seek the approval of the Board to these changes.

4 ANNUAL REPORT

- 4.1 The narrative has been restructured this year to reflect the Mayoral and TfL's business priorities. As well as explaining the organisation's achievements, there is a section outlining progress against the current Mayor's Transport Strategy (a requirement of the GLA Act).

5 INFORMATION

- 5.1 The Annual Report will require the insertion of the Mayor's Foreword and may still require some changes for design and editorial purposes, but no substantive changes are expected.
- 5.2 The Annual Report and Statement of Accounts will be available electronically and also in audio, Braille and a range of other languages.

6 RECOMMENDATIONS

- 6.1 The Board is asked to:
- (a) APPROVE the 2008/09 Annual Report, subject to any comments it might have;
 - (b) DELEGATE authority to the Managing Director, Group Marketing and Communications, to insert the Mayor's Foreword and make any further design or editorial changes to the Annual Report as may be required; and
 - (c) APPROVE the Statement of Accounts and to agree that the Chief Finance Officer will make any adjustments arising from the ongoing work prior to the auditors signing their opinion. Should any changes be required to the Statement of Accounts which, in the opinion of the Chief Finance Officer, are material, he will seek the approval of the Board to these changes.

7 CONTACT

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Transport for London



Annual Report and
Statement of Accounts
2008/09



DRAFT

> Contents

> The year at a glance	4
> Message from the Mayor	6
> Commissioner's foreword	8
> Operational performance	10
> Expanding public transport capacity	12
> Smoothing traffic flow	20
> A revolution in cycling and walking in London	26
> Delivering our London 2012 transport projects	32
> Improving safety and security	36
> Improving the travel experience in London	44
> Delivering sustainability	56
> Improving efficiency, equality and partnerships	66
> The Mayor's Transport Strategy	74
> Statement of accounts	80
> Chief Officers	160
> Board Members	161

> The year at a glance

> April 08

- > The refurbishment of the District line fleet completed 11 months early and under budget
- > London Overground stations deep-cleaned and revitalised

> May 08

- > An extra 440 police officers announced to tackle bus crime and antisocial behaviour
- > Metronet Rail transferred to TfL control

> June 08

- > Free travel announced for war veterans, war widows and widowers
- > Alcohol banned on TfL's transport network

> July 08

- > Royal Assent received for the Crossrail Act with the project on track for delivery in 2017
- > Additional charging points announced for electric cars

> August 08

- > Thirty British Transport Police Neighbourhood Policing teams launched
- > Summer of Cycling campaign events held to boost pedal power

> September 08

- > Designs for new air-conditioned trains unveiled for the Metropolitan, Circle, District and Hammersmith & City lines
- > A total of 61 new, custom-built Dial-a-Ride vehicles announced

> **October 08**

- > A six-month trial of live CCTV took place on buses
- > Access to the Shepherd's Bush area was greatly improved with a range of new transport links

> **November 08**

- > Record funding announced for local transport initiatives
- > Plans revealed for new London Cycle Hire Scheme

> **December 08**

- > Winning designs announced for A New Bus for London competition
- > Twenty-five new eco-friendly hybrid buses entered service

> **January 09**

- > Half-price bus and tram travel introduced for Londoners on Income Support
- > Woolwich Arsenal Docklands Light Railway extension opened ahead of schedule

> **February 09**

- > A £326m upgrade of London Overground began to provide greater passenger benefits
- > The second phase of the East London line extension given the go-ahead

> **March 09**

- > Consultation started on a permit scheme to coordinate roadworks and smooth traffic flow
- > Smarter Travel scheme launched in Richmond

> Message from the Mayor

TEXT TO FOLLOW

> Commissioner's foreword

We have gripped the Mayor's transport agenda and got on with the job of implementing it.

In terms of our core operational delivery, London Underground carried almost 1.1 billion passengers in 2008/09, the highest in its 146-year history. Reliability improved and customer satisfaction levels are at an all-time high, despite an intensification of planned closures while we rebuild the Tube's ageing infrastructure.

Bus passenger numbers rose to 2.2 billion and already high levels of customer satisfaction improved further. More services were run than ever before with new links and greater capacity introduced where needed. Further significant progress was made in improving London Overground services and stations.

The huge programme of investment under way in London's transport infrastructure will further improve delivery of our core services, enabling London's future growth and prosperity. However, the financial challenges faced by TfL remain intense. We have a £39bn funding settlement from Government taking us

to 2017/18 and it is absolutely essential that this remains in place. Rebuilding the Tube and delivering Crossrail are two of the most important infrastructure projects this country has seen in decades and they must be delivered, on time and to budget, if we are to provide the greater reliability and capacity that London urgently needs. It is not a question of 'either/or' – we must have both.

The quid pro quo, of course, is that TfL must clearly demonstrate delivery of value for money. We have already instigated an Operating Cost Reduction programme (see p67) that will deliver at least £2.4bn of savings. This is part of our ongoing commitment to provide maximum value for taxpayers' and farepayers' money while protecting front line services. Our pursuit of savings and efficiencies will be relentless.

We have also made good progress in strengthening our work with key partners, particularly London's 33 boroughs. This includes introducing much greater flexibility into TfL funding of local transport projects.

This glance over the past year would not be complete without acknowledging the exemplary leadership of Tim O'Toole who

stepped down as Managing Director of London Underground in April 2009. During his six years at the helm, Tim led the organisation to its highest levels of performance while carrying record numbers of passengers – all at a time of great transformation. Tim's leadership in responding to the July 2005 terror attacks in London was simply inspiring. He will be sorely missed, both as a colleague and a friend. We all wish him the very best.

I am grateful to our staff and partners who work relentlessly, day in, day out, to deliver a better transport system for London. There is much left to do, and we are getting on with it.



A handwritten signature in black ink that reads "Peter Henty". The signature is written in a cursive, slightly slanted style.

Peter Henty CBE
Commissioner
Transport for London

> Operational performance

> Buses

	2008/09	2007/08	2006/07	2005/06	2004/05
Passenger journeys (millions)	2,247	2,176	1,880	1,816	1,702
Kilometres operated (millions)	478	468	458	454	450
Percentage of schedule operated (per cent)	97.0	97.5	97.5	97.7	97.7
Excess wait time (high frequency) (minutes)	1.1	1.1	1.1	1.1	1.1
Passenger satisfaction (score)	80	79	78	78	78

Note: The methodology for calculating bus passenger journeys changed from April 2007 and the re-based figure for 2006/07 for comparison is 2,069 million.

> London Underground

	2008/09	2007/08	2006/07	2005/06	2004/05
Passenger journeys (millions)	1,089	1,072	1,014	971	976
Kilometres operated (millions)	70.6	70.5	69.8	68.8	69.5
Percentage of schedule operated (per cent)	96.4	94.8	94.5	93.6	95.3
Excess journey time (weighted) (minutes)	6.6	7.8	8.1	7.5	7.2
Passenger satisfaction (score)	79	77	76	78	78

> Docklands Light Railway

	2008/09	2007/08	2006/07	2005/06	2004/05
Passenger journeys (millions)	66	67	61	54	50
Kilometres operated (millions)	3.9	4.4	4.4	3.6	3.3
On-time performance (per cent)	94.6	97.3	97.8	97.3	96.0
Passenger satisfaction (score)	92.0	97.3	96.8	95.4	94.9

> London Overground

London Overground services started operation in November 2007. Previously, services were operated by Silverlink Metro. Journey data are not reported at present as passenger numbers are derived from revenue allocations based on passenger surveys and can only be considered as estimations.

> Expanding public transport capacity



The Tube carried record numbers of passengers at a time of intense activity to transform the service. New transport links were delivered in west London and the preparations for Crossrail got under way.

> Transforming the Tube

In 2008/09, London Underground again carried more passengers than ever before, with almost 1.1 billion journeys made during the year – around 3.5 million each weekday.

It also operated record volumes of train service – nearly 71 million train kilometres – despite an increasing level of planned works and closures as upgrades continued across the network to provide greater reliability, increased capacity and faster journeys, while delivering value for taxpayers' and farepayers' money.

In May, the former Metronet Rail companies exited from Administration and became part of TfL. In December, Metronet staff were transferred to London Underground to create a single organisation responsible for operating, maintaining and renewing the Underground on the eight Tube lines covered by the former contract. The incorporation of Metronet has provided an

opportunity to produce significant cost savings, particularly in 'back-office' and support functions. An organisational change programme has been put in place to enable London Underground to complete the massive programme of rebuilding while delivering the efficiencies set out in TfL's Business Plan. The upgrading of the Jubilee, Northern and Piccadilly lines remains the responsibility of Tube Lines under the Public Private Partnership.

Across the Tube network, 116 station modernisations and refurbishments have now been completed.

Blackfriars station closed for major refurbishment in March to allow Network Rail to start redeveloping the station complex as part of the Thameslink upgrade programme. When it re-opens it will be step-free and have improved access to platforms, as well as a larger ticket hall to ease congestion.

Work continued at King's Cross St. Pancras throughout the year on the northern ticket hall to provide better interchanges between rail services and the deep-level Tube lines (Northern, Piccadilly and Victoria), and step-free access to all six Underground lines served by the station. This has involved installing escalators and lifts. Tunnelling work to create new passageways to the Northern, Piccadilly and Victoria line



platforms has been completed. A ventilation shaft on the western side of King's Cross station is also under construction.

Plans to upgrade Victoria station progressed, including completion of a Public Inquiry and undertaking of enabling works in preparation for the main scheme. One of central London's busiest stations, Victoria, is currently closed on an almost daily basis for short periods during peak times to avoid overcrowding. The upgrade will reduce existing congestion, provide extra capacity for the expected increase in passenger numbers, cut journey times and improve access, including new lift access to the platforms.

Passengers on the District line are benefiting from a major refurbishment

of the train fleet, which was completed in April, 11 months early and under budget. All 75 trains were fitted with renewed interiors, CCTV cameras, fire-retardant seats and flooring, plus accessibility features including tip-up seats to better accommodate wheelchairs, buggies and luggage.

Testing began at the start of the year on a state-of-the-art signalling system for the Jubilee line. The upgrade is due to be completed by the contractor, Tube Lines, in December 2009 and will result in faster journeys and shorter waiting times for passengers.

In addition, London Underground announced that, also from December 2009, Circle line services will be extended from

A number of transport facilities opened in the White City and Shepherd's Bush area in October, as part of a £200m transport upgrade

Edgware Road to Hammersmith, almost doubling the frequency on this route. This will mean trains have a start and end point which will enable services to recover more quickly if there is disruption.

London Underground's achievements were recognised at the London Transport Awards in March when London Underground was named 'Public Transport Operator of the Year' for the second year running. In addition, it won the Transport Partnership Project of the Year award jointly with private companies Tube Lines and Alstom for work to improve the Northern line. London Underground was also named 'Best Metro Europe' at The Metros, the international metro industry awards.

> White City and Shepherd's Bush

A number of transport facilities opened in the White City and Shepherd's Bush area in October, as part of a £200m transport upgrade financed by developer Westfield in partnership with TfL. The links serve the new Westfield London retail centre – Europe's largest 'in-town' shopping venue – and provide more travel options and better access to shops and jobs in the area.

The transformation included the opening of Wood Lane, the first new Tube station to be built on an existing line in 70 years. Shepherd's Bush Central line

station also re-opened in July, having been completely rebuilt, and now has twice its original capacity. These, along with the improvements to nearby White City station, provide better access to the area as well as links to the City and St. Pancras International.

Shepherd's Bush Overground station also opened at the end of September, providing links to the rest of London. It is fully accessible with low-height ticket office windows and two lifts, and is staffed during train operating hours.

Further transformation came with the opening of the White City bus station, with bus routes in the area extended to serve it, and a new interchange area for bus, Tube and rail services. This represented a major improvement in access to the area for all Londoners, as well as local residents.

> On track with Crossrail

A major milestone towards revolutionising rail travel in the South was reached in July with Royal Assent for the Crossrail Act. In December, the core funding and governance agreements were signed between the Department for Transport (DfT), TfL and Crossrail Limited underpinning the delivery of the project. At the same time, Crossrail Limited became a subsidiary of TfL.

Crossrail is vital to help secure London's position as a world-leading business and financial centre

Crossrail will be the largest addition to the transport network in the South East for more than 50 years. A £15.9bn funding package is secured for the construction of the 118km service, which will run from Maidenhead and Heathrow in the west to Shenfield and Abbey Wood in the east.

As Europe's largest construction project, Crossrail is vital to help secure London's position as a world-leading business and financial centre. It will generate at least £20bn for the UK economy (with some

estimates as high as £36bn) and support the creation of thousands of extra jobs.

It will connect the key business districts of the West End, City, Docklands and Heathrow with the outer suburbs. The project will also create annual transport and economic benefits for every London borough and across the South East. New stations will be built at Paddington, Bond Street, Tottenham Court Road, Farringdon, Liverpool Street, Whitechapel and Canary Wharf.



Journey times will be massively improved – a typical trip from Heathrow to the West End will take around 30 minutes compared with the current 52 minutes. There will be a 10 per cent increase in the Capital's rail capacity – 24 trains will run per hour in each direction through central London in the peak period. It will also provide congestion relief for other rail lines and the Tube.

Crossrail will offer a safe and secure environment for all passengers. Stations will be fully accessible, with marked routes and simple signage to allow independent travel. They will also be well-lit and have comprehensive CCTV monitoring. In addition, the service will

have a fleet of dedicated air-conditioned trains, which will have wider doors and spaces for wheelchairs, plus audio and visual travel information displays.

Enabling and surveying works have already started and, in March, Crossrail and TfL appointed joint venture company Transcend as programme partner for construction works following a competitive tender. Building work begins at Canary Wharf station in May 2009 and the main construction programme along the route starts in 2010. Services will start in 2017.

July saw plans for the rebuilding of Tottenham Court Road station go on



Construction began in Barking town centre, in January, on the first section of the East London Transit

display at a public exhibition which was attended by around 1,500 people. The station will serve both Underground and new Crossrail passengers and the ticket hall will be nearly six times the size of the existing one. A new piazza will also be created outside Centre Point, where a new entrance will be located. Preliminary works are now under way, including the taking down of some of the existing buildings. Construction will start in early 2010.

> Bus services

In 2008/09, bus passenger numbers increased by three per cent to more than 2.2 billion. Customer satisfaction with bus services also rose to a score of 80 out of 100 – one point higher than the previous year.

Additionally, the level of bus service operated kilometres increased by two per cent to 478 million. All parts of the network are kept under regular review and improvements included new links and more capacity where needed.

Construction began in Barking town centre, in January, on the first section of the East London Transit. This transport scheme will feature new buses running from Ilford to Dagenham Dock via Barking town centre. It will be a major boost to local residents and support regeneration in the area.

An orbital express service, route X26, which operates between Croydon and Heathrow, was also doubled to run every half hour.

> Rail services

On London Overground, work has started on the construction of another station at Imperial Wharf, which has been funded in partnership with a developer and the London Borough of Hammersmith & Fulham.

The first part of a three-year programme of engineering, which included track upgrades, bridge and tunnel work, was completed on part of the London Overground network between September and November.

When finished, the programme will enable more flexible routing of freight and passenger trains, where the two share tracks, resulting in a more reliable and efficient service for passengers.

In June, TfL took over Tramlink. The south London tram service, which carries an average of 26.5 million passengers a year, is now owned and managed by TfL London Rail following the £98m deal. Almost immediately after the takeover, additional off-peak services began operating on the Elmers End and Beckenham Junction service. Additionally, a major milestone was reached in February, when one of Tramlink's 24 trams passed the million kilometre mark.



> Smoothing traffic flow



New initiatives were launched to improve the reliability of journeys by road.

> Coordinating roadworks

A major priority for TfL and the Mayor is to ensure the smoother flow of traffic. In March, a three-month consultation began on a new scheme to regulate streetworks. The proposed London Permit Scheme has been designed to help ensure that any company wanting to dig up the Capital's roads causes minimum disruption.

Eighteen boroughs were involved in setting up the scheme and more than 500 organisations have been given the opportunity to provide feedback on the proposals. The consultation period ends in June 2009. It will then be necessary to submit an application to the DfT for approval and, if this is granted, the scheme could be in place by early 2010.

To encourage companies to provide quality information so that roadworks can be more easily coordinated, a fixed penalty notice scheme was introduced in May. The scheme is designed to avoid Court proceedings, except in the worst cases.

During this first year to the end of March 2009, 229 fixed penalty notices were served, of which 190 have been

paid, totalling £17,320. In cases where companies have failed to sign and guard their roadworks properly, or have failed to cooperate with TfL, nine offences have been taken to Court resulting in fines of £11,500.

The timings at 1,000 sets of traffic lights were reviewed to reflect changes to traffic flows or land-use. Smoother traffic flow is best achieved through improved coordination between adjacent traffic lights, so most timing reviews were carried out along routes or in small areas of linked junctions.

Traffic engineers have developed an award-winning product to link London's live traffic light computer system to a traffic simulator modelling package. This innovation means that complex traffic light control strategies can be developed and tested before being applied on the street. The development received the 'Innovative Product of the Year' award from the UK Intelligent Transport Society in March.

> Reducing disruption and delay

The London Traffic Control Centre managed almost 15,000 planned and unplanned events on the Capital's road network in 2008/09, a 15 per cent increase on last year.



The control centre reduces the potential disruption of a range of occurrences including roadworks, public events and accidents. The centre's staff liaise closely with the police, providing information through TfL's website, tfl.gov.uk, the media and on TfL's 130 variable message signs. They also adjust traffic light timings to reduce disruption.

Deployment of new technology to further improve its capability to detect and manage unplanned incidents has now started. Twenty of the centre's 1,200 CCTV cameras have been fitted with a system that automatically detects certain traffic conditions, such as congestion, and alerts

operators, helping them to intervene more quickly and reduce delays.

A new contract is in place for the maintenance of London's traffic control equipment, including traffic lights, CCTV, over-height vehicle detectors and variable message signs. The new contract has resulted in higher levels of equipment availability at a lower cost.

> **Keeping London moving**

In January, an 18-month trial began to allow motorcycles, mopeds, scooters and tricycles to travel in most red route bus lanes during operational hours. The trial is

TfL's work to help freight operators move their goods within and around the Capital took another step forward

being carefully monitored in terms of safety and effects on traffic flow to determine whether to make the regulation permanent. It does not include bus lanes on borough roads as these lie under the jurisdiction of individual boroughs.

TfL's work to help freight operators move their goods within and around the Capital took another step forward with the industry launch of the Freight Operator Recognition Scheme (FORS) in April. The scheme offers membership to all van and lorry operators, and aims to set industry benchmarks and acknowledge operational efficiency. Those signing up can get practical advice and assistance in meeting their legal obligations and compliance with statutory regulations.

FORS also aims to educate and encourage operators to follow best practice in safety, reducing emissions and improving economic efficiency. From February, members have been able to access an online benchmarking system, which allows them to compare their performance anonymously with that of similar London operators.

The positive effects of the Congestion Charge continue to be felt in central London. The sixth Annual Impacts Monitoring Report revealed that traffic is still 21 per cent lower in charging hours than pre-charge levels, with 70,000 fewer

cars now entering the original zone each day. The Mayor committed to start legal processes to remove the western extension of the Congestion Charge zone, following a non-statutory public consultation in which 69 per cent of all respondents indicated that they preferred this option. The proposed removal will be included in the revised Mayor's Transport Strategy which will be subject to public consultation later in 2009, followed by a statutory consultation on a variation to the Congestion Charging Scheme Order.

During 2008/09, Congestion Charging and Traffic Management merged to form one team. One of its major focuses this year has been to deliver a fairer deal to motorists subject to traffic enforcement activity. TfL has been working with key stakeholders, such as Brewery Logistics and the British Security Industry Association, to actively reduce the level of traffic enforcement penalties issued to their members through agreed memorandums of understanding. In addition, previously rigid enforcement policy has been reviewed and a revised set of fairer, common sense policy initiatives have been devised. Examples of these changes, which are either in place or will be delivered by the end of the year, include not issuing penalties to vehicles that simply clip bus lanes, consideration

The Directorate of Traffic Operations has successfully delivered, below budget, three new traffic control maintenance contracts

of appeals against penalties outside the statutory timeframes, and the inclusion of a plain English leaflet with every penalty outlining the reasons for issue and how the motorist can challenge it.

The reorganisation of the Congestion Charging and Traffic Management teams has also resulted in reduced costs with more than 100 posts being removed. Additionally, the service provider contracts for Congestion Charging and the Low Emission Zone were put out to

competitive tender and were let to IBM, which takes over from Capita in November 2009. A series of other contracts have been terminated as they are no longer required. These include Congestion Charging's on-street enforcement and mobile detection vans, and Traffic Enforcement's vehicle removals contract.

As part of the review of its operating costs (see p67), TfL has also reorganised the Road Network Management directorate to better meet future business needs.



The new structure is more focused on operational efficiency, commercial and contractual robustness and providing cost-effectiveness in engineering design and delivery.

Additionally, the Directorate of Traffic Operations has successfully delivered, below budget, three new traffic control maintenance contracts which place a greater emphasis on contractor accountability and performance.



> A revolution in cycling and walking in London



The number of people cycling on the city's main roads increased for the sixth year running. In June, new figures showed a 91 per cent rise on the TfL road network since 2000, with more than 500,000 cycle journeys made daily in the Capital.

> London Cycle Hire Scheme

A total of £45m was invested in cycling, parking, routes and training. As part of the record £111m investment in cycling for 2009/10, funding will also go towards creating a new and iconic central London Cycle Hire Scheme, which will be introduced in May 2010.

Working in a similar way to the Vélib scheme in Paris, it will allow hire bikes to be picked up and returned to docking stations across the city. In November, a feasibility study concluded that it would be achievable to have an initial 6,000 bikes at 400 locations in nine central London boroughs. The scheme is expected to generate around 40,000 extra daily cycle trips in the Capital.

Companies were invited to tender for delivering and operating the scheme and a Statement of Requirements has been

finalised. Sites for the cycle docking stations have been identified and the planning application process started. A single company is also being sought to sponsor the scheme. Marketing information has been produced which includes a stakeholder pack, factsheet, leaflet and exhibition material. An awareness campaign has also begun in a number of external publications.

> Encouraging enthusiasm for cycling

Once again, London successfully hosted a series of major cycling events, building on the public's passion for pedal power. These included a Sky Sports London Freewheel mass cycle ride, which gave cyclists of all ages traffic-free access to central London. On 7 September, London again welcomed the opening stage of the Tour of Britain. This prestigious race will return to the Capital every year, up to and including 2011.

In May, TfL launched the 2008 Workplace Cycle Challenge to get more people thinking seriously about commuting by bicycle. This free competition, which took place in June, encouraged organisations to form teams and compete to see which one could get the most people cycling to work. A total of 283 teams participated from a range of organisations, and around 426,000 kilometres were cycled.



Other initiatives to tempt an estimated 1.1 million Londoners who own bicycles but don't use them back on to two wheels included activities to support National Bike Week in June and TfL's Summer of Cycling campaign, in July. Children were also encouraged to cycle with Bike to School Week, which aims to harness their enthusiasm and develop safe and responsible cyclists at an early age.

Underpinning the rise in numbers of cycle trips has been a raft of campaigns to promote safety. This included the second phase of a cinema advertising campaign, in October, which carried the stark message 'It's easy to miss what you're not looking for. Look out for cyclists'. Also in the same month, TfL distributed 10,000 free

Fresnel safety lenses to freight operating companies to attach to the passenger-side window of their lorries. These lenses improve the driver's vision of cyclists as they pass. TfL also invested £3m in cycle training schemes throughout London to encourage safer cycling and introduce more people, both children and adults, to the joys of cycling. The Community Cycling Fund for London also continued to sow grass roots support for cycling among community-based, charity and volunteer groups.

During 2008/09, more than 6,000 cycle parking spaces were introduced at workplaces, rail stations and schools, adding to an existing 10,000 free cycle spaces across the city.

TfL created 20km of new Greenways, providing more off-road cycling routes that are shared by cyclists and pedestrians

TfL extended the new London Cycle Network+ by 50km, bringing its network of radial and orbital routes for cyclists to more than 600km. The London Cycle Network+ continues to receive funding in the TfL Business Plan and, going forward, TfL will look to make the best possible use of the programme. However, the Mayor's new direction for cycling will focus on integrated and targeted initiatives, such as bike hire, cycle highways and cycle hubs. This approach is seen as the best way to develop and increase cycling to meet a target of a 400 per cent increase in cycle journeys in London by 2025.

Additionally, TfL created 20km of new Greenways, providing more off-road cycling routes that are shared by cyclists and pedestrians.

TfL also revamped its cycling web pages (tfl.gov.uk/cycling), which now provide an invaluable one-stop-shop for cyclists. They feature downloadable cycle guides, advice on bike maintenance, event information, safety tips and the opportunity to share news, views and pictures.

> Improvements for walkers

To encourage thousands more Londoners to walk, TfL introduced a range of schemes to get people moving. These included Walk to Work Day in April, which prompted commuters to walk for at least 15 minutes

of their journey. In May, TfL funded Spring into Summer, which was organised by Walk London and provided 39 free guided walks around the city.

To ensure improved access for all on foot, TfL also introduced 170 walking infrastructure schemes across 135 borough roads and 35 TfL road network routes. These projects improved street lighting and crossings, removed unnecessary furniture and made pavements generally easier to navigate.

During 2008/09, TfL launched and hosted the first training courses on street design, which focused on accessibility for pedestrians and disabled people. The courses, which are intended for engineers and street designers, offer technical and practical training. Two sessions were held and around 70 people attended.

> Legible London

As part of the Mayor's drive to make travel accessible to all, work continued this year on the Legible London system of on-street signs and maps, which are designed to make it quicker and easier to walk around central London. The first prototype signs were installed in November 2007 around Bond Street. Work has also focused on evaluating the prototype and, in light of its effectiveness, developing proposals for the three pilot schemes to further test the

TfL will combine the delivery of its walking, cycling and Smarter Travel initiatives by setting up a new directorate for these areas

concept. These schemes have been confirmed for the West End (Covent Garden, Bloomsbury and Holborn); South Bank and Bankside; and Richmond and Twickenham town centres. Design work on the pilot is ongoing and the schemes are scheduled for implementation during 2009/10.

TfL will combine the delivery of its walking, cycling and Smarter Travel (see p62) initiatives by setting up a new directorate for these areas. This will provide significant cost savings, a more efficient service and will eliminate duplication.





> Delivering our London 2012 transport projects



Work has continued on delivering a range of new and extended services to provide a significant transport and regeneration legacy to follow a successful 2012 Games.

> Olympic Route Network

TfL has agreed with the Olympic Delivery Authority to deliver the Olympic Route Network (ORN) for the 2012 Games in London. The core and venue elements of the ORN cover approximately 170km of London's road network. The aim is to achieve agreed target journey times and reliability with the Olympic Committee.

Planning has started for a programme of work over the next three-and-a-half years of both permanent and temporary highway and traffic enhancements.

> London Overground improvements

In February, a £326m upgrade of the London Overground network began which will see longer trains, more frequent services and reliable connections to the main London 2012 Olympic and Paralympic Games Park in Stratford.

An additional seven, four-carriage trains, costing £23m, were ordered for London Overground (in addition to 44 already on order). The walk-through trains will have the look and feel of Tube trains with improved passenger information displays, wide-aisle gangways and air conditioning. They will be delivered between mid-2009 and early 2010 and, along with the upgrades to the network, will allow London Overground to increase the frequency of its service to eight trains per hour at peak times between Camden Road and Stratford – a requirement of London's Olympic and Paralympic Games Transport Plan.

> Extending the East London line

The East London line will provide fast, frequent, air-conditioned trains from Dalston Junction to New Cross, Crystal Palace and West Croydon when it re-opens in 2010. A year later it will be connected with the rest of the London Overground network at Highbury & Islington and Canonbury stations. Four new stations are being built on the northern extension – Shoreditch High Street, Hoxton, Haggerston and Dalston Junction – and all existing stations on the line will be refurbished by summer 2010.



Following negotiations, the Mayor has successfully achieved an agreement with the Government on funding for the second phase of works on the East London line extension. TfL funds totalling £15m are to be invested with the balance coming from the DfT.

The scheme will link Surrey Quays to Clapham Junction, providing direct links to the City and Docklands. It will complete London Overground's 'orbital' network, reducing congestion on radial routes and at central London stations, with four trains an hour in each direction between Dalston Junction and Clapham Junction. The agreement means that the works can be completed before the 2012 Games.

> **New Docklands Light Railway links**

Work continued on vital Docklands Light Railway links, including the completion, seven weeks early, of the extension connecting George V station, north of the river, to a new station – Woolwich Arsenal – in the south. The station will help boost the local economy, support regeneration and join up communities across the Thames, enabling better access to jobs, health services and other facilities.

Journey times between the station and the City have been cut, with a trip to Bank taking 28 minutes, Canary Wharf just 20 minutes, Stratford 23 minutes, and only five minutes to London City Airport.

Tower Gateway Docklands Light Railway station received a major makeover and re-opened for services in March

North Woolwich residents believe the London City extension has had a positive impact on the local area, according to a report compiled by Social Research Associates in September. It showed that almost 90 per cent of respondents believe the extension has improved access to central London, jobs and shopping opportunities, and attracted new people to the area.

The report was the second to look at the impact of the Docklands Light Railway in North Woolwich since the extension opened in December 2005. The first, published in 2007, found residents had little confidence in their community and low expectations of getting better jobs or education. The new report found that 74 per cent of respondents felt the Docklands Light Railway had benefited them personally.

Work to introduce three-car operation on the Docklands Light Railway has progressed. This included extending platforms at 17 stations; strengthening viaducts and bridges; and the construction of new junctions adjacent to West India Quay, Canning Town and Tower Gateway to improve reliability and frequency at these locations. Additionally, work continued on the construction of a new South Quay station, which will have improved access, four escalators and extra lifts.

Progress was also made on the Stratford International extension which will open in 2010. It will meet the growing demand for public transport in the area and provide a vital link for the 2012 Games.

Tower Gateway Docklands Light Railway station received a major makeover and re-opened for services in March, two months ahead of schedule. The raft of improvements included: a 'horseshoe-style' platform that makes it easier and quicker to get on and off trains, and reduces the risk of accidents and congestion; extensive platform and track remodelling, which will allow three-car trains to run from early 2010; and new canopies to protect people from the elements.

This year, Langdon Park Docklands Light Railway station won the British Construction Industry award for regeneration. It opened in December 2007 and was honoured with a series of awards for its contribution towards regenerating the local area and improving opportunities for travelling to work, college, school and leisure facilities. Residential and business development is now taking shape around the station.

> Improving safety and security



TfL and the Mayor are working hard to improve the safety and security of the travelling public in London with, among other things, an increased police presence, more CCTV cameras and licensing of the Capital's private hire vehicles.

> London's bus network

In 2008/09, bus-related crime was down in all London boroughs. Figures from the Metropolitan Police revealed bus-related crime was 18.3 per cent lower (6,063 fewer offences) than in 2007/08, with greatest reductions in criminal damage and robbery. There were 12 crimes per million passenger journeys made on the bus network compared to 15.2 in 2007/08. The level and rate of crime are at their lowest since recording began five years ago.

In May, the Mayor delivered on his commitment to improve safety and security with the announcement that 440 additional uniformed officers would be brought in to patrol the bus network. The extra officers, jointly funded by TfL and the Metropolitan Police (Met), are being used to establish 32 dedicated Hub Teams in priority locations across London, and

increase the size of London's Safer Transport Teams. Sixteen of the Hub Teams were rolled out by the end of March; all 32 teams will be in operation by June 2009.

In October, a six-month trial of live CCTV on a north London bus route began to determine whether the technology could improve TfL's and/or the Met's response to incidents on buses. Twenty-one double-decker buses were fitted with the equipment that allows pictures to be beamed live to CentreComm (the emergency control centre shared by TfL and the Met). It allows staff to gain access to real-time images when a bus driver radio calls the joint control room.

The trial is being independently evaluated to assess the impact of live CCTV on call handling and follow-up. Results are expected in mid-2009.

The Transport Operational Command Unit's (TOCU's) Operation BusTag team, which launched in 2004 to tackle bus-related criminal damage, revealed that nearly 3,000 arrests have been made in its first four years – quadrupling the arrest rate for criminal damage on buses, and achieving a 95 per cent conviction rate. The team uses on-bus CCTV images to identify offenders and bring them to justice. It is run by TOCU in partnership with TfL and the bus operators.



As well as passenger safety, TfL is committed to ensuring the safety of its staff. In May, all of London's bus drivers were issued with DNA kits to help identify passengers guilty of assaults involving spitting. These kits have been used at Tube stations for a number of years and have proved successful in identifying around 70 per cent of assailants whose DNA samples were sent to the Police National Database for analysis. Also this year, TOCU set up a dedicated unit to investigate violence against staff on London's bus network.

> The Tube and Docklands Light Railway

Despite increasing passenger numbers, figures showed an eight per cent cut in the number of crimes on the Tube and Docklands Light Railway – from 16,445 in 2007/08 to 15,109 in 2008/09. The British Transport Police (BTP) statistics showed robbery also went down by 29.2 per cent (from 192 in 2007/08 to 136 in 2008/09). In addition, there were reductions in pickpocketing, criminal damage, violent crime and public order offences.

In January, 50 more BTP officers were pledged to patrol Network Rail trains and stations in Outer London

Improving these figures continues to be a priority.

In August, new Neighbourhood Policing teams were launched by the Mayor and BTP to cut crime and provide a reassuring presence for passengers. The teams, which comprise a sergeant, police constables and police community support officers, are supported by a 24-hour response team. Working in partnership with other BTP teams, Tube staff and the Met, they patrol the entire Underground.

Additionally, a hi-tech radio communications system used by the police is now improving safety and security across the network. Called Airwave, it was successfully rolled out three months ahead of schedule, and has proved invaluable at events such as the Notting Hill Carnival and New Year's Eve.

The £2.5m refurbishment at Shadwell Docklands Light Railway station, in Tower Hamlets, was a particular safety success. In August, figures showed that, since the completion of works at Shadwell, three months previously, only one crime had been committed at the station, compared to six that took place between May and June in 2007. An independent survey of 158 local residents found that many were too afraid to use the station before the refurbishment, while 75 per cent said they felt safer after the refit.

> Rail services

In June, all London Overground managed stations were officially recognised as helping to reduce crime through good design and management when they achieved the Government's 'secure station' status. Before TfL took control of the Overground network in November 2007, a survey revealed that almost a quarter of passengers believed the service was too dangerous to use. Now, all stations are staffed while trains are running and upgrades to security systems continue. Fare evasion has also significantly reduced.

In January, 50 more BTP officers were pledged to patrol mainline trains and stations in Outer London. The Mayor promised to crack down on low-level crime and disorder at stations in his election manifesto and the additional officers will provide reassurance and security at more than 100 locations. They will work closely with existing BTP neighbourhood police, plus the TfL-funded Safer Transport teams and TOCU.

> Tackling illegal cabs

The licensing of London's private hire industry has been fully implemented with all operators, vehicles and drivers now licensed by TfL. This raises standards

TfL is committed to tackling illegal touting activity in the Capital and does so through a variety of initiatives

and increases the capacity of licensed services, including some specialised transportation services, available to the public.

TfL is committed to tackling illegal touting activity in the Capital and does so through a variety of initiatives. In 2009, the number of dedicated enforcement officers is set to double. An additional 34 will provide greater coverage to clamp down on illegal touting. The majority should be in place by June.

TfL has also introduced tougher penalties for any licensed private hire driver convicted of illegal cab activity to send out a clear message that this will not be tolerated. From August, those drivers convicted of unlawful private hire activity now lose their licence for a minimum of one year.

The Public Carriage Office is modernising its driver and operator licensing services. New technology will enable applicants, licensed drivers and operators to apply and renew licences as well as manage their accounts



online using web or telephone-based services, similar to online and telephone banking. The effect of these arrangements on permanent jobs will be minimised through the use of fewer temporary and fixed-term contract staff, natural wastage and controlled permanent recruitment.

The award-winning Safer Travel at Night campaign carried on raising awareness of the dangers of using illegal cabs. Ongoing evaluation of the campaign has shown that it has been highly effective in reducing the demand for illegal cabs, particularly by lone women, and cutting other offences.

> Improving road safety

This year, work continued on various projects to improve road safety. In June, TfL figures showed the number of children killed or seriously injured (KSI) had dropped to the lowest rate since records began. Latest figures (for 2007) revealed that the total number fell by 16 per cent, from 392 to 331. Compared with the mid to late-1990s, this represented a 65 per cent reduction in the number of child KSIs.

In 2008/09, TfL invested £45m in road safety, including education and training, improved road layout and pedestrian



TfL's 'Don't Die Before You've Lived' teen road safety campaign was successfully delivered to more young people in July

crossings, plus safer cycling initiatives to ensure this positive trend continues.

Every week, two people are killed or seriously injured on London's roads by drivers who disregard traffic lights. Now, motorists detected jumping a red light may be given the choice of attending an instructive London Safety Camera Partnership workshop, rather than receiving a fixed penalty fine and points on their driving licence. The workshop aims to educate drivers of the danger they put themselves and other road users in when they ignore traffic signals. With the aim of changing driver behaviour, the course hopes to have a long-term impact on safety for all road users and help reduce KSI numbers.

In February, London became the first city in Europe to have a digital map of the Capital's road speed limits to help drivers keep within the law and reduce collisions. The technology, called Intelligent Speed Adaptation, features a map which is regularly updated and available free to download on the TfL website, tfl.gov.uk. It can be used with satellite navigation (sat-nav) devices, which display the current, accurate speed limit to the driver and alert them if they exceed it. GPS device manufacturers are being encouraged to take full advantage of this resource. It is estimated that

if everyone used the digital speed map, the number of road collisions could be reduced by 10 per cent.

TfL's 'Don't Die Before You've Lived' teen road safety campaign was successfully delivered to more young people in July through a link with social networking website Bebo. The initiative warns of the potential dangers on London's roads, and visitors were invited to watch episodes of the TV series *Debutantes*, a Channel 4 fly-on-the-wall show that followed six teenagers and their celebrity mentors as they pursued their dream career.

A number of other road safety campaigns were launched this year. In January, younger drivers were cautioned about the dangers of illegal driving, in particular drug driving, and the potential consequences if caught: losing their licence and the freedom that goes with it.

In March, TV and radio adverts warned of the dangerous optical illusion called the 'size-arrival effect' that causes drivers to underestimate the time and space they have available when pulling out in front of an approaching bike. It reminded drivers to give motorcycles 'a second thought' when manoeuvring near them. Additionally, in March, a hard-hitting campaign urged teens to 'look out for their mates' on the streets. Its warning theme was 'Don't let your friendship die on the road'.



**Don't let your
friendship die
on the road**

THINK Look out for your mates

> Improving the travel experience in London



More people can now travel on London's transport networks thanks to a range of fare concessions, accessibility improvements and further roll out of Oyster. Plans are also on track for a new iconic bus for the Capital.

> **Better, more enjoyable journeys**

In June, an alcohol ban came into force on the transport network. Consuming or carrying open containers of alcohol is now prohibited on Tube, tram, Docklands Light Railway and bus services. One of the Mayor's key manifesto pledges, the ban makes travelling on London's public transport a safer and more pleasant experience for passengers.

This was also a key driver in TfL launching a social networking site for Londoners who want to make the city a better place. Part of the second phase of the 'Together for London' campaign, the site, which was introduced in October, encourages people to consider others when travelling on public transport. It features live discussion pages, where people can join a debate, or create campaigns around their own pledges, such as 'I'll keep my feet off the seats'. The site

has received backing from community groups across the Capital.

Work also continued on finding long-term solutions to make the Tube cooler during the summer. At Victoria station, a groundwater cooling system kept temperatures lower for passengers, while industrial-sized fans were installed to improve air-flow at a number of stations.

In September, the designs for new air-conditioned trains were also unveiled to the public. They will serve around 40 per cent of the Tube network and will start to run on the Metropolitan line from 2010, and the Circle, District and Hammersmith & City lines from 2011. Other features include walk-through carriages, full CCTV coverage and improved accessibility.

In July, red route regulations were relaxed by the Mayor for a pilot scheme to allow licensed taxis and private hire vehicles with appropriate signage, to stop on red routes for up to five minutes (between 22:00 and 06:00). The change in rules means that cabs can stop safely for passengers to get money at cash machines when travelling late at night. Processes have now commenced to formalise this exemption.

> **Fares**

In September, a new affordable fares package for 2009 was unveiled, designed to sustain the required investment to increase



the capacity and reliability of London's transport network. New elements of the package include the extension of the older person's Freedom Pass to 24 hours, in line with the disabled person's Freedom Pass. This means older people can travel for free at any time of the day on TfL services.

A new daytime off-peak reduced Oyster single fare has been introduced on the Tube, Docklands Light Railway and London Overground. It is valid between 09:30 and 16:00, Monday to Friday. In some cases, a journey from Zone 6 to central London is now £1.60 cheaper than in 2008.

On 2 January, a half-price bus and tram concession, funded by TfL and the Mayor, was introduced for those on Income Support. In the same month, to help

people during tough economic times, the Mayor also announced that the half-price concessionary scheme would be extended from 2 April to Londoners on Employment and Support Allowance and those receiving Jobseekers' Allowance, for a minimum of 13 weeks. The scheme will help people get back to work by making it easier for them to travel to interviews, libraries and other amenities. The extension of the scheme is part of the Mayor's Economic Recovery Plan – a £3bn package of measures to keep the Capital on track through the economic downturn.

In November, eligible war veterans were given free travel on buses, the Tube, trams, Docklands Light Railway and London Overground, in recognition of their service

A new name, Zip, has been given to all concessionary travel schemes for under-18s

to the country. The Veterans Concessionary Travel Scheme applies to those who are either resident or visitors to the Capital, and who receive ongoing payments under the War Pensions Scheme or Guaranteed Income Payments under the Armed Forces Compensation Scheme. The concession is also available to war widows and widowers and eligible dependants who receive these payments.

> Expanding the benefits of Oyster

Work continues on making the Capital's entire transport system easier to use, with increased access to the Oyster card. The number of Oyster Ticket Stops rose by 75 per cent in 2008 – there are now around 3,800 convenient outlets across London where people can obtain and top up their cards with season tickets and pay as you go credit.

The Mayor's negotiations with train operating companies to roll out Oyster pay as you go are ongoing. TfL is investing £40m to install Oyster equipment at rail stations to allow this to happen by the end of 2009. Oyster pay as you go is currently valid within Greater London on limited services operated by Chiltern Railways, First Capital Connect, National Express East Anglia, c2c, London Midland, Southern and First Great Western.

TfL is also expanding the benefits of Oyster to the Capital's visitors. A deal was agreed in April with Oxford Tube (the express coach service running between Oxford and London Victoria) to start selling Visitor Oyster cards on services and at stores. Also, passengers buying Stansted Express tickets can now purchase Visitor Oyster cards, either on arrival at the airport terminal or at the station itself, following an agreement with TfL.

In June, new rules on the use of free travel for young people on buses and trams came into force. To be eligible for this, all young people aged 11 and over, when using their valid Oyster photocard, must now touch in on the yellow readers at the start of their journey. This measure means that enforcement of the free travel concession will be easier.

A new name, Zip, has been given to all concessionary travel schemes for under-18s. In October, TfL announced that the penalty fare for non-payment on bus, Tube, tram, Docklands Light Railway and London Overground services would rise in January 2009 from £20 to £50 to deter people from travelling without a ticket. Also, an early payment incentive was introduced, reducing the penalty fare to £25 if it is paid within 21 days. Fare evasion costs Londoners £70m a year; the new penalty aims to deter those who habitually dodge payment.

Making transport more accessible for everyone is one of the Mayor's and TfL's key objectives

In August, TfL terminated a £100m contract for Oyster ticketing services on the grounds that a new contract would deliver better services for less money. Currently, 14 per cent of all fares income is spent on their collection and this includes commissions and the cost of staffing and maintaining ticket offices and operating ticket machines. The Private Finance Initiative contract, with Prestige, was initially signed in 1998 for a 17-year term. TfL exercised a break option in the contract in order to find a more cost-effective solution for ticketing requirements.

A new contract, with Cubic, due to begin in 2010, will provide greater value for money with increased service levels and flexibility for future improvements.

> Delivering a new bus for London

When he entered office in May, the Mayor promised to introduce an iconic bus for the city that resonated with Londoners. During his second month, he launched a competition inviting both the public and



professionals to design a bus, or elements of one.

The aim of the competition was to harvest a range of creative ideas for a bus fit for the 21st century. It asked for a double-decker that was environmentally friendly, fully accessible and included an open rear platform. The quantity and quality of entries exceeded expectations with a total of 700 received across two categories. Joint winners in the professional category were Capoco Design Ltd and a collaborative entry from Aston Martin and Foster + Partners.

In February, a notice was published inviting bus manufacturers to express an interest in developing and building the bus. They will

be expected to take the winning entries and consider the ideas in combination with their own expertise to come up with a final design. The first prototype will be on the streets of London in 2011. The Mayor also made a commitment to the phased replacement of articulated buses as contracts come up for renewal. The first articulated buses will be removed from service in the summer of 2009.

> More accessible networks

Making transport more accessible for everyone is one of the Mayor's and TfL's key objectives. There are now 56 Tube stations with step-free access, and the number is growing – 25 per cent of



iBus benefits all passengers, particularly visually or hearing-impaired people, infrequent travellers and passengers facing language barriers

stations will be step-free by the end of 2010, including King's Cross St. Pancras (see p13). In 2008, two new step-free stations opened – Heathrow Terminal 5 and Wood Lane – and seven others were converted – Acton Town, Finchley Central, Golders Green, Hendon Central, Oakwood, Pinner and Roding Valley. There are also plans under way to provide step-free access at Green Park and Southfields before the London 2012 Olympic and Paralympic Games.

In October, TfL announced that it would spend £12m on introducing wide-aisle ticket gates at a number of stations across the Underground network. A total of 140 have been installed so far and there are more to come. The wider gates make travelling much easier for wheelchair users, older people, parents with children and passengers with luggage.

In January, two new Tube maps were launched to make life easier for a wide range of Londoners and visitors. A Tube toilet map shows which stations have public toilets, and a new step-free Tube guide shows stations without stairs or escalators, plus extra detail about distances between trains and platforms.

TfL and the London boroughs' Taxicard scheme has provided more than 1.6 million trips for disabled and older Londoners for the first time. TfL contributed

£11m towards the scheme in 2008/09, demonstrating its commitment to Taxicard.

In addition, the working relationship between the boroughs, London Councils and main Taxicard supplier Computer Cab, has ensured increasing value to the funders and more journeys for Taxicard members.

This year, 61 new Dial-a-Ride vehicles were introduced to benefit tens of thousands of Londoners. The vehicles, costing £3.9m, help many people who find travelling a challenge and form part of a long-term programme to improve door-to-door services. They are the first to be purpose-built for the fleet, and both passengers and drivers were closely involved in their development.

Work has continued during the year to improve the quality of bus stops to make them fully accessible, more attractive, and a safe and convenient environment for passengers. By the end of 2008/09, 41 per cent of all bus stops in the Capital were made fully accessible, equating to 7,246 stops.

> Enhancing customer information

The iBus Automatic Vehicle Location and radio system was nominated for a National Transport Award in May. By March, 98 per cent of the bus fleet (more than 8,000 buses) had been equipped with the system,



which keeps passengers informed of the next stop through visual displays and audio announcements. The system will be rolled out to the entire fleet by April 2009, and will introduce longer-term efficiencies.

Keeping people informed on their journey is vital to TfL and iBus benefits all passengers, particularly visually or hearing-impaired people, infrequent travellers, passengers facing language barriers and those travelling in an unfamiliar area.

The iBus technology also allows for priority at traffic signals. A total of 250 sites are fully operational, with the traffic signals providing priority to buses, when required, to help regulate the bus service. A further 1,000 traffic signal sites have

had this equipment fitted and are now being commissioned.

Work continued during the year to improve customer services. All information through the real-time, London Underground customer service teams and Travel Information Centres is now integrated through the same IT systems. This will provide a more efficient and unified way to communicate travel news to passengers, while reducing costs.

Access to information about the ongoing projects on the Docklands Light Railway became easier with the opening of a new information centre in Woolwich town centre. Customer service staff are available to answer questions

between 10:00 and 18:00, Tuesday to Saturday.

Docklands Light Railway's Community Ambassadors also continued to help passengers get around the network. They are fluent in a variety of languages and offer training for people on how to use Oyster cards and ticket machines and provide advice on how to buy tickets. Additionally, they run demonstration trips for mobility-impaired people and, throughout the year, attend community events in all local boroughs to offer travel advice.

TfL is committed to exploring ways to make journeys easier through its website, tfl.gov.uk, and other online channels.

A partnership with Google enabled TfL to create iGoogle gadgets which include Journey Planner, an interactive Underground map and live travel news for the Tube. The agreement means people using Google as their homepage can personalise the gadgets and have travel information at their fingertips.

The TfL website won a prestigious Webby People's Voice Award in the best Government website section, thanks to voters from around the world. It beat fellow nominees Peace Corps, EnergyStar@home, San Francisco International Airport and the city site 'Secrets of New York'. The Webbys are presented by The International Academy of Digital Arts and Sciences, a



Significant progress was made in west London towards the completion of the A40 Western Avenue Bridge replacement scheme

550-member body of leading web experts, business figures, luminaries, visionaries and celebrities.

Also launched on tfl.gov.uk this year was a comprehensive range of Travel Tools to help people plan their journeys, get travel information on the move and work out the safest way home.

> Improving the local environment

Significant progress was made towards enhancing the urban realm – a key Mayoral priority. In April, the second stage of works to improve Brixton town centre got under way. The scheme included widening footways, installing a new pedestrian crossing and bus lanes to improve access to services, reduce journey times and assist cyclists. In addition, new street furniture, including paving, cycle stands and lighting columns, were aligned to reduce street clutter.

In September, the first phase of works to improve Woolwich town centre was completed, delivering numerous benefits. These included 100 new trees, high quality street furniture and lighting, more and better quality pedestrian footways and waiting facilities, plus a new ‘super crossing’ at Plumstead Road to link Royal Arsenal with the town centre.

A refurbishment of the A316 Country Way viaduct in southwest London started in

May and was successfully finished the following March. The works resulted in a high quality surface and improved safety for all road users.

In December, refurbishment of the fascias, girders and lighting on Westminster Bridge was completed, increasing the life of the structure and reducing the risk of fascia collapse.

Significant progress was made in west London towards the completion of the A40 Western Avenue Bridge replacement scheme. The works will deliver two new roads over rail bridges and secure the route over the railway for the next 120 years. It will also deliver significant improvements to cycling and walking facilities in the area. Also, as part of the scheme, a new, fully accessible bridge will provide a safe crossing point between John Perryn School and its catchment area.

Work started in August on the A406 Hanger Lane Bridge replacement scheme in Ealing. This programme will replace two substandard bridges carrying the A406 over Underground and mainline rail lines. Additionally, the scheme will provide a new crossing to enhance the safety of pedestrians and cyclists and, by permanently closing vehicle access between Hanger Lane and Inglis Road, will reduce ‘rat-running’ and improve junction safety. The old South Bridge will be converted into a public space with landscaping, walkways and a cycle path.

By August, less than a year after taking control of the network, all 34 Overground-managed stations had been brought up to TfL standards

TfL's Bus Priority Team is working with the London Boroughs of Ealing and Harrow, as well as Network Rail, to deliver improvements to Petts Hill Bridge and highway. A new bridge, replacing the existing 100-year-old structure, was successfully installed during Christmas.

In January, the Mayor announced more investment in a major makeover of London's museum quarter on Exhibition Road, South Kensington. Proposals to improve the area around the world-class institutions have been planned for a number of years. TfL committed £13.3m to this scheme.

> Refurbishments and upgrades

In 2008/09, progress was made on improving the newly-acquired London Overground services and stations, with major clean-up operations and infrastructure work.

Starting in April, a programme of improvement works included thorough cleaning and re-painting of stations, plus repairs and replacements for broken station equipment, such as public address and CCTV systems, information screens and lights. By August, less than a year after taking control of the network, all 34 Overground-managed stations had been brought up to TfL standards in rail travel.

Trams were also upgraded this year – carriages were refurbished inside and out,

and tram stops were improved to provide better signage and information, plus safety enhancements for passengers.

People using London's river services received a boost with the re-opening of the Thames Masthouse Terrace Pier in April following a £500,000 refurbishment. As well as structural upgrades, improvements included new safety measures, such as CCTV and Help points. Facilities for disabled people were introduced, including access ramps, enhanced passenger information and features to improve travel experience and comfort. The re-opening improves access to the Greenwich peninsula and the O₂ venue. It also provides another link between Docklands and the major commuter interchanges of Blackfriars, London Bridge, Charing Cross and Waterloo.

Improvements were also introduced this year for people visiting the Capital by coach, with the introduction of three new dedicated coach parking bays. One opened in Bridge Street behind Victoria station and two opened on the east and west sides of Millbank, close to popular tourist attraction Tate Britain. The bays were introduced after public consultation on coach parking facilities near tourist attractions, hotels and theatres on the TfL road network. Further enhancements to existing locations in the central area were also made to help improve access for those coming to London by coach.



> Delivering sustainability



In 2008/09, TfL continued its work to deliver a range of projects aimed at reducing the environmental impacts of its services and maximising the social benefits of its operations.

> A greener London

TfL has delivered a number of initiatives to support walking and cycling. These include the announcement of a London Cycle Hire Scheme; the expansion of Legible London, the capital's new pedestrian signage system; plus a range of infrastructure and training projects. (See 'A revolution in cycling and walking in London', p26).

In July, the second phase of the London Low Emission Zone came into force. Now lorries weighing more than 3.5 tonnes, plus buses and coaches, must meet Euro III emissions standard for particulate matter or face a £200 daily charge if they want to drive in the zone. Compliance data for phase two of the scheme, for the year to date at quarter four, was 94.3 per cent against a target of 90 per cent.

The Mayor announced his intention to suspend the third phase of the scheme due to the economic downturn. He recognised

that costs of compliance would be unduly punitive for small businesses operating smaller commercial vehicles, such as vans and minibuses. The Mayor remains fully committed to finding further ways to improve London's air quality.

The number of eco-friendly hybrid buses in the Capital rose to 56 this year, more than four times the number in 2006/07. The buses achieve around 40 per cent fuel efficiency and contribute to the Mayor's target to cut emissions in London by 60 per cent, by 2025. Funding for the buses will come partly from TfL's Climate Change Fund, which was set up in 2006/07. This will provide £25m over three years to support a wide range of carbon dioxide (CO₂) reduction initiatives within TfL operations. A further 300 hybrid buses will be running by 2011.

In June, the Mayor announced £1m funding to trial low-carbon technology in the Capital's taxi fleet. This will enable a low-carbon taxi demonstration project in London. The initiative highlights TfL's commitment to reducing the impact of public transport on the environment, including reducing CO₂ emissions from taxis. The finance is being provided by TfL through its Climate Change Fund, and Cenex, the UK's National Centre of Excellence for Low Carbon and Fuel Cell Technologies.



A month later the Mayor revealed that the number of charging points for electric cars would increase, with around 100 due to be installed by the boroughs in 2009/10. The London Electric Vehicle Partnership was created to encourage the car industry to accelerate the delivery of new technology and to increase the level of support for drivers of electric cars in the Capital. The use of electric vehicles is already being encouraged in London. They are also exempt from the Congestion Charge and TfL has helped the boroughs to fund a programme to introduce more charging points.

In 2008/09, London Underground continued efforts to protect the land through its bio-diversity programme. It

manages 10 per cent of the Capital's wildlife habitat – around 4,000 hectares surrounding the Tube's rail tracks – which is home to deer, birds, reptiles, rare beetles and many other animals. London Underground worked with Tube Lines to build habitats for a vast range of wildlife, including bee boxes on the Jubilee line between Wembley Park and Kingsbury, and homes for woodpeckers, barn owls, field mice, dormice, hedgehogs and insects.

> Energy efficiency and recycling

London Underground recycled its highest ever amount of station and depot waste in 2008/09. More than 8.5 million free

A total of £23m of TfL's Climate Change Fund has been allocated to a number of CO₂ reducing initiatives

newspapers are distributed in the Capital each week and many of these are left on Tube trains by passengers. However, London Underground (in partnership with contractors) successfully stepped up efforts and recycled 40 per cent of station and depot waste. This was achieved by expanding a dedicated paper recycling collection scheme at terminus stations, encouraging passengers to take their newspapers with them to recycle, and appointing newspaper collecting staff at certain stations.

A recycling bin trial took place at six Underground stations, in partnership with the Metro newspaper, and a poster campaign encouraged people to recycle. London Underground also recycled significant amounts of construction and demolition waste and now all railway ballast waste is reused or recycled.

London Underground is also researching new measures to improve energy efficiency across the network. Energy saving systems, such as extra low-loss conductor rails, energy-efficient lighting and renewable energy technologies are being investigated with a view to rolling out effective systems at suitable locations.

The Docklands Light Railway is a leading example of environmentally friendly public transport. The trains use energy-efficient 'regenerative braking' which recovers

electric power during braking to feed back into the system as energy, which can be used to power the next train. This style of braking provides around a 10 per cent saving in electricity on more than 50 per cent of the network, with more being fitted as part of the ongoing upgrades.

At Docklands Light Railway stations, trials of solar panels are under way to power signs. Additionally, all lights at above-ground stations work on daylight sensors that automatically switch off when not needed. Escalators at the newly re-opened Tower Gateway station, and future Stratford International and South Quay stations, will only operate at full power when in use by passengers.

Sustainability has also been central to the construction of Crossrail. The carbon footprint of the project has been assessed and investigations have been ongoing into using low-carbon energy sources, such as geothermal energy. There are also plans to transfer excavated material to Wallesea Island (an RSPB nature conservation project) for re-use.

> More efficient business operations

A total of £23m of TfL's Climate Change Fund has been allocated to a number of CO₂ reducing initiatives.

In July, TfL achieved 'gold award status' in the Mayor's Green Procurement Code for its responsible procurement activities

One of these projects is the Building Energy Efficiency Programme, the London-based element of a wider global initiative to retrofit energy-efficient measures in public sector buildings.

As part of this, 22 head office buildings with the highest energy consumption and running costs will be included in the programme. A works schedule has been developed to cover such things as lighting, heating, cooling systems, pumps and fans. The project should deliver around 24 per

cent energy savings, annual utility savings of more than £700,000 and annual cuts in CO₂ of more than 3,500 tonnes. It will also reduce operational maintenance costs, extend the life of building assets and improve conditions for staff.

TfL's network of Head Office Environmental Champions is made up of more than 200 people and work has continued to encourage colleagues to adopt more environmentally friendly behaviour, such



as reducing water and energy consumption, and recycling more office waste.

TfL continues to deliver all its services more sustainably. In July, TfL Procurement achieved Accreditation from the Chartered Institute of Purchasing and Supply (CIPS), the leading international body serving and representing the purchasing and supply management profession. Certification is the CIPS standard of excellence for an organisation's purchasing policies and procedures and a benchmark of recognised good practices with which organisations can compare themselves. It is a three-year continuous improvement process of

organisational competence which will be driven forward by Procurement across TfL.

Additionally, in July, TfL achieved 'gold award status' in the Mayor's Green Procurement Code for its responsible procurement activities. The code helps organisations reduce their environmental impact through responsible purchasing.

Companies signing up to it commit to achieving progressive targets, and are awarded bronze, silver or gold status as a mark of their success. Gold is the highest level an organisation can achieve and acknowledges TfL as a leader in responsible sustainable procurement.



In October, a TfL report revealed that there are 3.3 million fewer school run car journeys made in the Capital every year

> A smarter way to travel

A pilot scheme, launched in September 2006 to encourage people in Sutton to travel more sustainably, has led to a 50 per cent increase in the number of cycle trips in the borough in its second year. The three-year £5m Smarter Travel Sutton programme has seen a 17 per cent fall in reported on-street cycle thefts and a 13 per cent increase in the number of people travelling by bus since it began. Every school in Sutton has an approved travel plan – the first borough to achieve this, two years ahead of Government targets – resulting in fewer parents driving to school.

Additionally, the programme launched the 'Active Steps' initiative, working with local GPs to encourage people to cycle and walk as a means of improving their health, while helping to cut congestion in the borough.

Building on the success in Sutton, a further three-year £4.2m Smarter Travel pilot launched in Richmond upon Thames in March. During the programme, the borough will benefit from 450 new cycle parking spaces, two new cycle routes, new cycling facilities and 70 car club bays. Plus, there will be improvements for pedestrians, with the introduction of a Legible London signage system. Travel plans will be

developed with key workplaces, schools and travel destinations across the borough, and information about the travel choices available to residents will also be provided.

Other Smarter Travel initiatives during the year included the launch of the Princess Royal University Hospital project, in February. TfL has developed close links with the Bromley hospital to make access easier for the patients and staff. The initiative aims to increase awareness of, and passenger satisfaction with, the 358 bus service in south London which serves the hospital. The programme employed a number of innovative marketing and travel awareness techniques, plus a new pedestrian crossing on the busy A21 was installed.

Also launched in February was the Wimbledon School Travel pilot initiative. The project aims to reduce the problems associated with large numbers of school children congregating at peak times in Wimbledon town centre, and reduce crowding on buses. Two local high schools will trial measures to encourage children to walk to school, travel earlier, or travel by train. The results will be fully evaluated in summer 2009.

In October, a TfL report revealed that there are 3.3 million fewer school run car



journeys made in the Capital every year as a result of investment supporting sustainable school travel. School travel plans are helping to turn the tide against the school run, with more children using public transport, cycling or walking to get to and from school, compared with figures from three years ago.

Since 2005, schools in London with travel plans have seen car journeys fall by 6.4 per cent. All London schools will have travel plans in place by the end of 2009, resulting in the equivalent of 21 million fewer car

kilometres or a saving of 3,803 tonnes of CO₂ emissions every year.

In March, the Mayor announced a £1m investment package to support the growth of car clubs across the Capital over the next two years. The funding will mean that around a third of London residents will be within a five-minute walk of a car club vehicle with 726 new car club bays across 19 London boroughs. Car clubs offer pay-as-you-go access to a car or van and are a cost-effective way to give people all the benefits of using a car when they need one



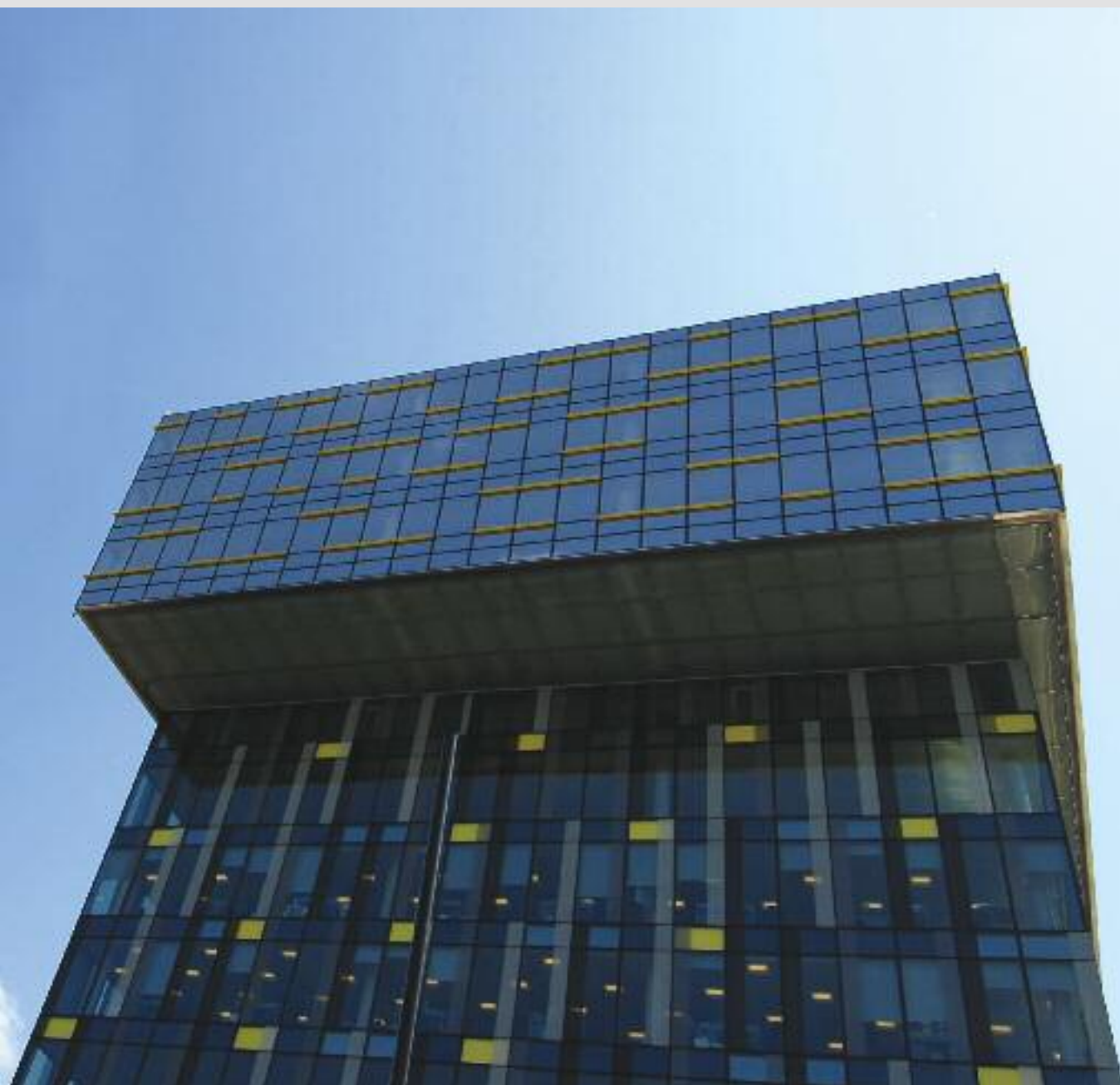
TfL's Smarter Driving campaign continued encouraging London's drivers to adopt smart driving tips

without the associated ownership and running costs. They also help reduce the number of vehicles on London's roads, easing pressure on parking and cutting congestion and emissions, with members typically reducing their car mileage by an average of 36 per cent.

TfL's Smarter Driving campaign continued encouraging London's drivers to adopt smart driving tips, which could help them save up to £120 per year and reduce CO₂.

It also promotes the purchase of more environmentally friendly vehicles. If Londoners buy the most fuel-efficient vehicles in their class they can save up to £296 per year. A London-wide survey, carried out by Research International, showed that more than half of the respondents were aware of TfL's campaign and 60 per cent claimed to follow at least one of the tips.

> Improving efficiency, equality and partnerships



TfL is taking wide-ranging action to reduce costs and improve efficiency to ensure value for taxpayers and farepayers.

> Delivering efficiencies

In March, the TfL Board approved a £9.2bn budget for 2009/10. Up from £8.1bn last year, the budget makes provision for the delivery of the Mayor's transport initiatives and manifesto commitments. It is underpinned by a drive to deliver at least £2.4bn in efficiency savings over the nine-year term of TfL's Business Plan.

TfL's Operating Cost Reduction programme has identified opportunities to make the savings TfL needs to achieve its commitments within available funding levels. A new organisational structure was introduced which provides a platform for delivering the necessary cost savings. It is leaner, fitter and more focused, as well as geared towards delivering the Mayor's transport priorities, while providing taxpayers and farepayers with value for money.

A number of actions are being taken to deliver this programme:

- > De-layering the management structure and the reduction of overall levels of cost for business support activities

- > Savings resulting from the integration of Metronet into London Underground
- > Reductions in headcount
- > Driving a change in culture to ensure more efficient methods of working are sustained
- > Providing a common system/technical platform for customer contact centres and encouraging customers to use lower-cost channels
- > Eliminating duplication and improving the effectiveness of walking, cycling, urban realm and Smarter Travel programmes
- > Ensuring optimum value for money from agency and consultancy staff and reducing reliance on outside consultants
- > Improving commercial and contract arrangements in TfL's supply chain
- > Savings resulting from merging traffic enforcement and Congestion Charging areas
- > The review of projects and other areas of expenditure which are considered lower priority

Given the pressures placed on TfL funding, largely as a result of the collapse of Metronet, it was necessary during 2008/09 to stop work on a number of



unfunded schemes proposed by the previous Mayor. The decision was taken not to pursue the Thames Gateway Bridge – a pledge in the Mayor’s election manifesto – but to look for alternative solutions. The Greenwich Waterfront Transit scheme was also cancelled.

Tram schemes with much merit but no funding, such as the Cross River Tram and Croydon Tramlink extension, were also discontinued.

The collapse of Metronet made it necessary to defer works at some Tube stations, including the installation of step-free access to the Circle and Metropolitan lines at Baker Street.

Within TfL, a focus on financial awareness is being built into staff performance objectives. This will help increase understanding of how everyone can contribute to effective cost management.

A major programme is also under way to improve resilience of TfL’s IT systems and deliver more value for money. Around 10,000 users across TfL have been transferred to ‘thin client’ technology, which allows access to applications and documents from anywhere on the TfL estate. The system enables greater flexibility and mobility for users and will provide significant savings in support costs.

TfL is also looking at its reliance and spend on non-permanent labour in order to provide maximum value

Further plans include consolidating 33 computer rooms across TfL into three bespoke facilities to improve resilience and, again, reduce costs. Voice and data networks are to be simplified, and security and back-up programmes will be improved together with better systems to control licensing. The programme is targeted to deliver savings of around £600m over the next nine years.

Plans are also in place to review and streamline finance activity, including TfL's management reporting, business planning and financial transactions functions. A new structure is planned to be established as an integrated corporate business support function, with clearly defined roles and maximising TfL's financial services centre.

Additionally, TfL has been looking at a new strategy for reducing accommodation costs while still providing high quality buildings that are fit for purpose. The plans include the disposal of expensive premises and maximising use of the remaining space by looking at desk sharing, better use of open plan areas and flexible desk design.

TfL is also reviewing its reliance and spend on non-permanent labour in order to provide maximum value. This work will focus on building a better understanding of resource demand; using performance management processes to encourage use of the most

cost-effective labour source; monitoring use of agency staff, contractors and consultants; and challenging the business to move to permanent labour where sensible.

> A workforce for London

TfL is working to attract people who are under-represented in the organisation to apply for available jobs. It also requires subcontractors to demonstrate how they address equality and inclusion issues through delivery of TfL projects.

Over the past year, the number of black, Asian and minority ethnic (BAME) employees increased to 34.9 per cent of the workforce (from 34.4 per cent), and the percentage of women rose from 24.3 per cent to 24.6 per cent.

Additionally, in January, Britain's leading equalities organisation, Stonewall, rated TfL fifth in its 2009 Workplace Equality Index which ranks the top 100 employers for lesbian, gay, bisexual and transgendered staff (LGBT). The index is the definitive national benchmark for employers of LGBT staff. It takes into account how effectively companies implement equality policies and how lesbian and gay staff, customers and service users are engaged with.

In September, TfL became the first transport authority in the UK to gain a Local

In November, £168.3m was announced by the Mayor for local borough transport initiatives during 2009/10

Government Equality Standard level five rating – the highest possible rating. It was achieved by demonstrating real equality improvements in passenger services, as well as employment practices, resulting from efforts to promote equality and diversity in the workplace.

TfL is also investing in the workforce of the future and, in March, published its 10-year Skills and Employment Strategy, which sets out proposals to ensure it has the skilled people necessary to deliver its challenging

transport objectives, including Crossrail. The strategy identifies a comprehensive range of activities, designed to ensure that TfL has access to the staff it needs, as well as addressing wider economic and social inclusion issues. It covers existing staff, the supply chain, prospective employees and those still in education. While TfL needs to reduce its operating costs to deliver its investment commitments within the available funding levels, building staff skills to enable delivery remains a priority.



Crossrail will employ up to 14,000 people at the peak of construction and provide many opportunities for local people and businesses. A training and skills programme is being developed to enable Londoners to take up the jobs available. Part of the programme includes working with schools through the Young Crossrail initiative, which aims to inspire children to become engineers of the future. It will provide opportunities to take up NVQ schemes, diploma work placements and apprenticeships.

According to figures from TfL's Public Carriage Office released in July, the proportion of applicants from BAME backgrounds to sign up for the 'Knowledge'

in the past 12 months is 40 per cent. This world-famous test for becoming a licensed taxi driver in the Capital requires detailed knowledge of roads and places of interest in London and takes between two and four years to pass. Now almost one in three applicants is from a BAME background.

> Working with our partners

In November, £168.3m was announced by the Mayor for local borough transport initiatives during 2009/10 – the largest ever funding package the boroughs have received. Following his election, the Mayor promised to work closely with the boroughs and give them greater freedom.



A working group has been considering a number of changes to the way TfL provides funding for local transport schemes

This year, as part of the funding agreement, each borough received £100,000 to spend on transport as they wish.

This new initiative will provide the flexibility to shift funds between projects, so boroughs have more choice over a range of key local schemes to improve the quality of life for people across London and continue their strong delivery record. These include town centre improvements, enhancing cycling facilities, making transport more accessible, reducing school runs and maintaining roads.

A working group, with representatives of TfL, the Greater London Authority, London Councils and the boroughs, has been considering a number of changes to the way TfL provides funding for local transport schemes. From 2010/11, the number of funding programmes will be rationalised to five (from more than 20) and three of these will be allocated with a 'needs-based' formula, rather than the current process with boroughs making bids for every scheme. This will provide greater flexibility for the boroughs and reduce bureaucracy.

In June, along with the Chairman of London Councils, the Mayor published a Memorandum of Understanding called 'Working towards a City Charter'. TfL and London Councils are now working together to bring the principles of the Charter to life. A one-page protocol was agreed, which sets out how TfL and boroughs will work effectively together. This is already being put into practice, with reforms to the Local Implementation Plan funding process.

In October, Serco became the operator for the Woolwich Ferry after signing an 18-month contract. The free ferry service carries road vehicles, pedestrians and cyclists between Woolwich and North Woolwich, and links the North and South Circular roads across the River Thames. Serco took over the contract from the London Borough of Greenwich, which served notice having previously operated the ferry on behalf of TfL. It is anticipated that the new contract will bring about improved cost-effectiveness.



> The Mayor's Transport Strategy

To reflect the changing nature of the transport challenges facing London, and the progress made to date since the Mayor's Transport Strategy was first published in 2001, the current strategy is in the process of being replaced.

It is intended that the new strategy be launched in the first quarter of 2010 and the task of developing it, on behalf of the Mayor, has been delegated to TfL.

The first formal step in this process, consultation with the London Assembly on a 'Statement of Intent' (Sol), commenced in May. The Sol sets out an outcome-focused approach to support economic development and population growth, provide for a better quality of life in London, ensure safety and security, improve transport opportunities for all, tackle climate change, and deliver the 2012 Games.

The framework set out by the Sol reflects the principles established by the Mayor in his 'Way to Go!' public consultation document, and also takes into account the responses to that consultation. To inform

the strategy's development, TfL published 'Travel in London' in May 2009, which provides in-depth assessment of patterns and trends in travel. This gives a greater level of insight than has ever previously been achieved, and will be used in future years to monitor the transport outcomes achieved by the strategy.

The Sol document has also been informed by analysis of potential future outcomes looking ahead to 2031, in particular the extent to which the current TfL Business Plan and other transport investment will meet London's long-term needs. It is clear from this analysis that more needs to be done. The new Mayor's Transport Strategy is being developed together with revisions to the London Plan and the Economic Development Strategy, providing the opportunity to fully integrate the strategies and achieve better overall outcomes for the Capital. The work of the Outer London Commission will also guide the development of the Mayor's Transport Strategy with respect to the growth in Outer London that it should cater for. The broad policy options under consideration in the strategy concern land use assumptions, further transport capacity and managing transport demand.

In its Annual Report, TfL is obliged to report on achievements delivered in support of the

priorities in the current (2001) Mayor's Transport Strategy. Pending publication of the new strategy, the following pages highlight some of the progress made this year.

> Priority A

Reducing traffic congestion:

- > An 18-month trial started in January to allow motorcycles, mopeds, scooters and tricycles to travel in most red route bus lanes, freeing up space on the roads
- > Traffic signal cycle timings continued to be reviewed at the fastest rate for many years, and were updated where necessary to ensure compliance with national road safety standards
- > A consultation began on the introduction of a London Traffic Permit scheme to encourage smoother traffic flow by regulating streetworks

> Priority B

Overcoming the backlog of investment on the Underground so as to safely increase capacity, reduce overcrowding, and increase reliability and frequency of services:

- > The transformation of the Tube continued with extensive testing of new

trains and signalling on the Victoria line during extended engineering hours

- > Testing of new signalling equipment took place on the Jubilee line as part of its upgrade. It shows drivers the ideal speeds to travel, and will result in faster journeys and shorter waiting times

> Priority C

Making radical improvements to bus services across London, including increasing the bus system's capacity, improving reliability and increasing frequency of services:

- > Construction started on the East London Transit – a new bus service for Ilford, Dagenham and Barking
- > iBus, a state-of-the-art Automatic Vehicle Location and radio system, continues to help London Buses deliver a more reliable and consistent service. It provides passenger information on vehicles and at stops and helps controllers regulate the bus service. By March, 98 per cent of the bus fleet had been equipped with the system and the entire fleet is expected to have the technology fitted during 2009
- > An orbital express bus service, route X26, which operates between Croydon and Heathrow, doubled to run every half hour

> Priority D

Better integration of the National Rail system with London's other transport systems to facilitate commuting, reduce overcrowding, increase safety and move towards a London-wide, high frequency 'turn up and go' Metro service:

- > A £326m upgrade of London Overground has begun. By 2012, it will deliver major benefits for rail passengers, including longer, predominantly electric trains and a more frequent service
- > Negotiations progressed well with the train operating companies to integrate Oyster on National Rail services, which will allow more people to take advantage of cheaper fares by the end of 2009

> Priority E

Increasing the overall capacity of London's transport system by promoting major new cross-London rail links including improving access to international transport facilities; improved orbital rail links in Inner London; and new Thames river crossings in east London:

- > Significant milestones were reached on the Crossrail programme and the East London line extension. Crossrail received

Royal Assent and enabling works began at Tottenham Court Road allowing construction to begin on a new station

- > A £75m funding package for the second phase of works was announced to extend the East London line to create an Inner London orbital rail route, reducing congestion on radial routes and central London stations
- > A strategic review began looking into river crossing options in the Thames Gateway area. The initial feasibility study will be complete by July 2009

> Priority F

Improving journey time reliability for car users, which will particularly benefit Outer London where car use dominates, whilst reducing car dependency by increasing travel choice:

- > Traffic signal cycle timings continued to be reviewed at the fastest rate for many years, and were updated where necessary to ensure compliance with national road safety standards
- > A consultation began on the introduction of a London Traffic Permit scheme to encourage smoother traffic flow by regulating streetworks

> Priority G

Supporting local transport initiatives to include: improved access to town centres and regeneration areas; walking and cycling schemes; Safer Routes to School; road safety improvements; better maintenance of roads and bridges; and improved coordination of streetworks:

- > Record funding of £168.3m was announced for local transport initiatives for 2009/10, which includes £100,000 for each borough to spend as they wish on most-needed transport projects
- > A group comprising TfL, the Greater London Authority and London Councils representatives was formed to consider how TfL will provide funding for local transport initiatives in the future, with the aim of more coordinated working and reduced bureaucracy. A Memorandum of Understanding called 'Working towards a City Charter' has been published and a one-page protocol agreed, which sets out how TfL and the boroughs will work effectively together. Plans to reform the Local Implementation Plan process have already been put in place
- > TfL's Smarter Travel programme continued in Sutton. The borough-wide

green travel initiative offers residents, schools and businesses advice on how to make journeys faster, cheaper, healthier and more environmentally friendly

- > A similar three-year scheme launched in Richmond in 2009. The £4.2m programme will work with employers, schools, residents and visitors to increase the number of people using public transport, walking or cycling

> Priority H

Making the distribution of goods and services in London more reliable, sustainable and efficient, whilst minimising negative environmental impacts:

- > The Freight Operator Recognition Scheme rolled out during the year. It offers London's operators incentives and tips to be safer, more environmentally friendly and economically efficient
- > TfL has helped developers minimise negative environmental and social impacts of their operations and manage deliveries to their sites more effectively through Delivery and Servicing Plans and Construction Logistics Plans

> Priority I

Improving the accessibility of London's transport system so that everyone, regardless of disability, can enjoy the benefits of living in, working in and visiting the Capital, thus improving social inclusion:

- > Half-price travel on buses and trams was introduced for people on Income Support and unemployed Londoners. The Freedom Pass was also extended to 24 hours to enable older and disabled people to travel for free on the city's transport network at any time
- > A total of 140 wide-aisle gates were introduced at London Tube stations to help disabled people and those travelling with heavy luggage or buggies
- > Fifty-six Tube stations are now step-free. Two step-free stations opened this year and seven were converted. Work continues to make 25 per cent of Tube stations step-free by the end of 2010

> Priority J

Bringing forward new integration initiatives to: provide integrated, simple and affordable public transport areas; improve key interchanges; enhance safety and security across all means of travel; ensure that taxis and private hire vehicles are improved and fully incorporated into London's transport system; and provide much better information and waiting environments:

- > The speed and convenience of Oyster was brought to more people with a 75 per cent increase in the number of Oyster Ticket Stops
- > Major transport developments were delivered in Shepherd's Bush to provide a more integrated transport service, with a new Tube station, rail station and bus facilities
- > An extra 440 uniformed officers were announced to patrol the bus network, in particular bus hubs

- > A new wave of the Safer Travel at Night campaign continued to highlight the dangers of unlicensed, illegal minicabs to women travelling alone at night
- > All Tube refurbishments carried out this year included upgrades or additions to safety equipment, such as CCTV and emergency Help points
- > An alcohol ban was introduced on TfL's transport network
- > A new 'Legible London' signage system was trialled in the West End to help Londoners and visitors find their way around the city more easily. Further pilots in central London and the London Borough of Richmond will be introduced later in 2009



> Statement of Accounts

> Contents

Explanatory Foreword and Financial Review	82
Statement of Responsibilities for the Accounts	91
Annual Governance Statement	92
Independent Audit Report to Transport for London	99
Group Income and Expenditure Account	102
Corporation Income and Expenditure Account	103
Statement of Movement on the General Fund Balance	104
Reconciliation of the Deficit/(Surplus) on the Corporation's Single Entity Income and Expenditure Account to the Surplus on the Group Accounts	104
Statements of Total Recognised Gains and Losses	105
Group and Corporation Balance Sheets	106
Cash Flow Statements	107
Statement of Accounting Policies	110
Notes to the accounts	117

> Explanatory Foreword and Financial Review

2008/09 was a year of significant change for TfL. A number of new companies joined the Group, and the Crossrail project got underway.

In May 2008, the Group acquired the business, assets and certain liabilities of Metronet, and in June 2008 it acquired the business of Tramtrack Croydon Limited. Both these transactions have been dealt with as acquisitions. The assets and liabilities acquired were recorded at their fair values at the date of acquisition and results of the acquired businesses are included in the Group's accounts from that date.

In December 2008, the Group increased its shareholding in Crossrail Limited to 100%, following the transfer to the Group of the Department for Transport's 50% interest. As this transfer was from one public sector body to another, this has been treated as a merger. Merger accounting effectively treats Crossrail as if it had always been a member of the Group. The prior year comparatives within these accounts have therefore been restated to include the results and balance sheet of Crossrail, and a full year's results are included for 2008/09.

> Highlights

The growth in passenger demand across the TfL network continued during 2008/09, although the rate of growth started to slow towards the end of the year. Passenger journeys on the Underground grew by 1.5 per cent to 1.09 billion. Service demand on the bus network reached 2.25 billion passenger journeys for the year, and the Docklands Light Railway (DLR) carried 66 million passengers in the year.

The growth in passenger numbers was reflected in the 2008/09 revenue result, which was up 5.3 per cent on the previous year to £3,452m. Operational spend excluding exceptional items increased by 5.4 per cent to £5,411m.

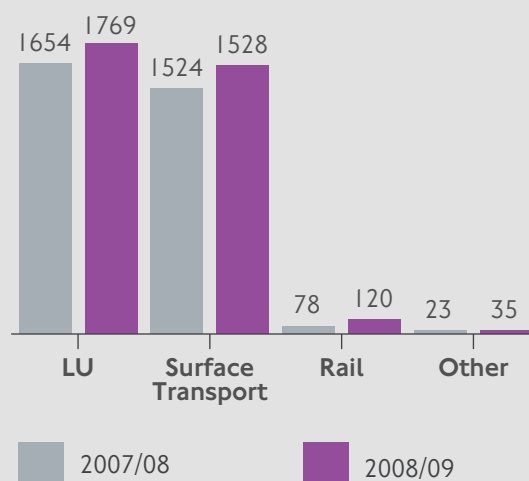
The level of capital works being undertaken during 2008/09 remained high, and included a contribution from the Crossrail project for the first time. Capital expenditure during the year was up 29 per cent to £2,800m.

> Revenue

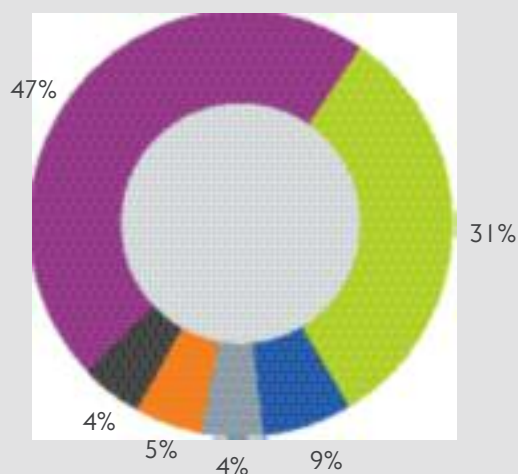
TfL's main source of revenue remains fares on the London Underground and bus network, including revenue in respect of free travel for older and disabled people, representing 81.4 per cent of all revenue generated in 2008/09.

The continued high levels of passenger demand across the network, together with fare increases, resulted in a 6 per cent increase in fares revenue on the Underground to £1,613m, and a 2 per cent increase in fares revenue on the bus network to £1,079m.

Total revenue by mode (£m)



Revenue breakdown (2008/09)



- Fares revenue (London Underground)
- Fares revenue (bus network)
- Congestion charging scheme
- Rent and commercial advertising
- Other income
- Fares revenue (Rail)

Travelcard prices were increased by 6.5 per cent in January 2009, which, combined with other fare changes, was broadly one per cent above July inflation. This increased the average Underground fare by 5.8 per cent and the average bus fare by 6.3 per cent.

The use of Oyster PAYG fares increased from 29 per cent of all Underground journeys at the start of 2008/09 to almost 35 per cent over the year. By the end of the year cash fare use on the Underground declined to 2.7 per cent, compared with 3.6 per cent for the previous year. On buses, PAYG use increased from 17 per cent to 18 per cent over the year while cash fares declined from 1.7 per cent to 1.4 per cent of all journeys.

Total fares revenue on the DLR for 2008/09 was £64m compared with £63m for 2007/08.

> Operational expenditure

The rise in TfL's expenditure in 2008/09 reflected the Group's increased level of activity during the year, including the impact of the acquisition of Metronet.

Operating expenditure on the Underground increased by 10 per cent to £2,223m. There was an increase in maintenance activity for Metronet and higher payments were made to TubeLines, relating to contractual performance improvements and inflation uplifts. Bus network costs increased by approximately £76m to £1,808m, due to contract price adjustments applied to all bus contracts. These price adjustments are based on a weighted uplift using RPI, earnings index and diesel prices.

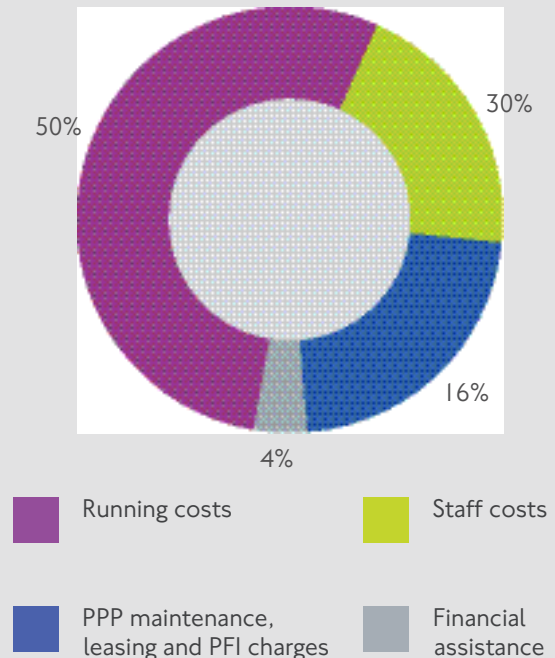
Operating expenditure breakdown (2008/09)

There was a decrease in expenditure on Congestion Charging mainly due to a reduction in overheads following a recent internal reorganisation and a reduction in posts.

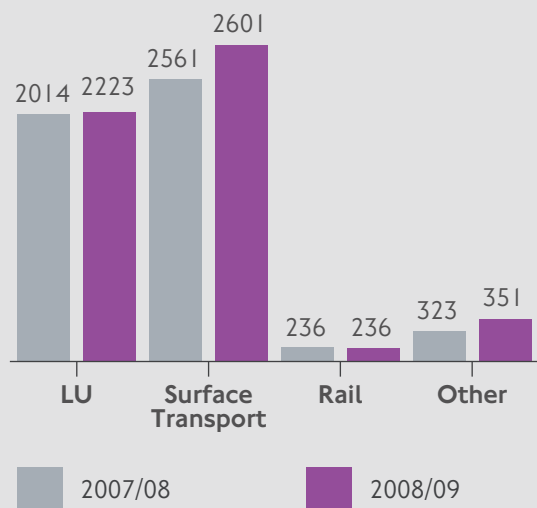
Expenditure on Rail increased as a result of the first full year of operation of London Overground; the part year effect of the Croydon Tramlink acquisition; and increased costs at DLR reflecting the service extension to Woolwich Arsenal.

TfL continued its commitment to borough schemes that improve the quality, safety and accessibility of the local travelling environment by providing a total of £170m of financial support to borough programmes. Other financial assistance included payments related to Taxicard.

Expenditure breakdown (2008/09)



Expenditure by mode (£m)



> Interest and finance charges

Interest payable decreased by £19m. The carrying cost of increased PPP investment has reduced as a result of the repayment of the Metronet PPP debt and the subsequent acquisition of the Metronet business early in the financial year. These savings are partly offset by the cost of increased borrowings.

Interest receivable decreased by £9m reflecting lower interest rates on higher average cash balances held to fund TfL's Investment Programme.

> Balance sheet

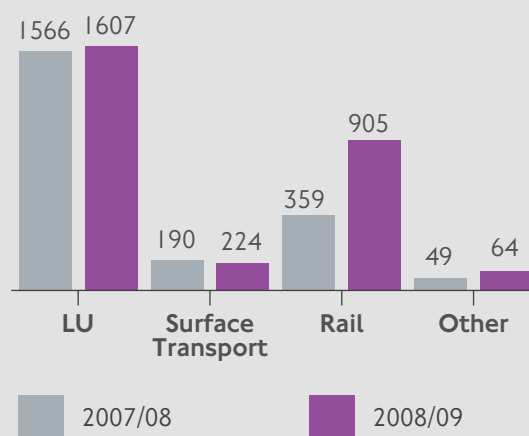
Net assets decreased by £396m between 31 March 2008 and 31 March 2009, due to an increase in the deficit on the TfL Pension Fund of £435m.

Fixed assets increased significantly, reflecting the continuing high levels of capital expenditure as well as acquisitions in the year. As explained further below, £484m of fixed assets were provided under the PPP contract with TubeLines. This resulted in an increase in finance lease creditors over one year.

> Capital expenditure

The fourth year of the Investment Programme saw capital expenditure rise to £2,800m. Over 57 per cent of TfL's capital expenditure during 2008/09 related to capital works being undertaken on LU's infrastructure.

Capital expenditure by mode (£m)



Capital works undertaken on the Underground during the year included the renewal of 27 kilometres of track and the completion of a further 35 station modernisations. The new communications equipment provided under Connect PFI was commissioned on the Central, Jubilee and Northern lines, completing the coverage across the whole network. New fully accessible lifts at Acton Town, Finchley Central, Golders Green, Hendon Central, Oakwood, Pinner and Walthamstow were commissioned in the year, whilst a further 19 escalators and two lifts were refurbished or replaced.

In October 2008, the fully accessible Wood Lane station on the Hammersmith & City line became the first new station on the existing Underground network for 70 years. It is part of a package of transport improvements supporting the Westfield London development, which also saw the reopening of a completely rebuilt station at Shepherd's Bush on the Central line, following an eight month closure.

Work continued on the upgrades of the Victoria, Jubilee, Northern and Sub-surface lines. The testing of the new Victoria line trains and signalling systems has been continuing, whilst the first of the new sub-surface trains is undergoing trials at a dedicated facility in the Midlands.

The construction works progressed on the new Northern Ticket Hall at Kings Cross and were started on the enlargement of Tottenham Court Road station in connection with the facility to be provided by the Crossrail project.

In Surface Transport, £224m was spent on capital works, including: renewal works programme on the Transport for London Road Network (TLRN); safety improvements to bridges and tunnels; developing bus priority systems; Congestion Charging; work on introducing the iBus radio and information system; replacement of the bus garages on the Olympics site; implementing walking and cycling initiatives; traffic signal modernisation; and improvements to road safety.

Capital expenditure of £905m was incurred by Rail. This includes expenditure on DLR projects including the Woolwich Arsenal extension, which entered service in January 2009, and capacity enhancement works to upgrade the railway to enable three car operation. Other projects included further work on extending the East London Line and London Overground improvements for the North London Line, as well as preparatory works on the Crossrail project.

> Financing

TfL raised further funds during the year from a variety of sources to support its Investment Programme.

Set out below is a table summarising movements in long-term borrowing in the year. In addition to the sources of financing in the table below, other sources of financing include the PPP and PFIs (see also notes 19 and 21 to the accounts).

Movement in long-term borrowing

	£m	Note
Opening borrowing at 1 April 2008	1,950	
European Investment Bank facility	190	The fourth instalment of a total facility of £450m to be drawn down over five years. The loan has an interest rate of 4.293 per cent fixed for the full loan amount. Repayment is in 15 equal instalments from March 2017
Public Works Loan Board	877	Thirty separate loans with a weighted average interest rate of 4.42 per cent and final maturity ranging between 2020 and 2058
Closing borrowing at 31 March 2009	3,017	

The borrowing limit for the Corporation set by the Mayor for 2008/09 was £3.25 billion.

> Cash and short-term investments

Total cash and short-term investments (364 days or less) held by the Corporation at 31 March 2009 amounted to £2,002m. The average yield from TfL's cash investments for 2008/09 was 4.95 per cent. Most of the cash is represented by reserves and borrowing earmarked to fund TfL's future Investment Programme.

> Pensions

The majority of TfL's employees are members of three Sections of the TfL Pension Fund. Over the past year, the fair value of the assets of these Sections has reduced by over £740m. This is partly offset by a reduction in the actuarial value of future liabilities, and as a consequence the deficit of pension scheme assets over future liabilities has increased by £541m.

In addition, at 31 March 2009 the Group had future liabilities under unfunded pension arrangements of £41m, a reduction of £2m from 2008.

The latest full actuarial valuation of the TfL Pension Fund was carried out as at 31 March 2006. The 2006 valuation showed a deficit on the three Sections for funding purposes of £239m, and as a result of this the employers agreed a revised Schedule of Contributions with the Pension Fund.

The next full actuarial valuation is currently being carried out as at 31 March 2009. The results of this valuation will be available later in the year. The Group will continue with its current level of contribution to the Pension Fund for the forthcoming year, although the level of contributions for subsequent years will be reviewed when the results of the funding valuation are available.

> Prospects and outlook

In November 2008, TfL published its Business Plan for the years 2009/10 – 2017/18. This provides for the highest level of investment in London's transport since World War II, delivering the key projects to meet the transport needs of the London 2012 Olympic and Paralympic Games.

The Crossrail project, a £16bn investment in a new rail route across London, has started construction. This will deliver a 10 per cent increase in rail-based network capacity and is expected to contribute around £40bn to the wider UK economy.

Financing of the Business Plan is from:

- > Income (net operating income)
- > Government grant
- > Precept
- > Prudential borrowing

TfL will be publishing an updated Business Plan in the Autumn of 2009, reflecting changes since the current Plan was published.

> Passengers

The Business Plan is designed to support London's projected population growth of up to 1.1 million and employment growth of up to 1.2 million by 2025. Despite current economic conditions, this long term trend is expected to continue.

Around a third of the new jobs created will be in central London, including the City, Docklands and the West End. This means there will be around four million extra journeys a day in the Capital by 2025.

Compared to 2007/8, the Tube upgrades will provide more than a 30 per cent increase in capacity by 2022, catering for anticipated demand growth and beginning to address the overcrowding that customers have had to tolerate for too long.

Public transport trips are predicted to increase from around 9 million trips per day to over 13 million trips per day by 2025.

> Fares policy

The Business Plan assumes that fares will rise at 1% above the Retail Price Index (RPI) in each year of the Plan period. In line with this assumption, the Mayor increased fares in January 2009 by an average of 6% (RPI+1%). Fares decisions are taken annually by the Mayor.

> Revenue pressures

The economic climate has deteriorated significantly since the Business Plan was produced. TfL's Budget for the year 2009/10, which was published on 31 March 2009, reflected the deterioration in economic conditions that had occurred since the Plan and the estimated impact on fares income, and made various adjustments to compensate.

The economic situation continues to be monitored closely. If income is lower than anticipated, further adjustments to expenditure will be made, to ensure that financial balance is maintained.

> Cost pressures

TfL's operations and ongoing Investment Programme are subject to a range of potential cost pressures.

These include:

Asset renewal

Unforeseen costs of bringing transport assets such as roads and the Underground into a state of good repair.

Legislative compliance

Additional national and EU legal requirements.

Energy prices

Increase in oil and/or electricity prices.

Terrorism

Terrorism-related and increased security costs.

> Treasury risk management

The Board approves prudent treasury policies that comply both with the principles of the CIPFA Prudential Code and investment guidance issued by the Secretary of State under Section 15 (1) (a) of the Local Government Act 2003.

Senior management directly controls day-to-day treasury operations. The Finance Committee is the primary forum for discussing the annual treasury investment strategy and policy matters and for submitting proposals to the Board.

Treasury operates 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.

TfL has considered the implications of its overall asset and liability management, with analysis continuing on its overall exposure to inflation and interest rates as they affect its commercial markets (passenger levels, fare revenues and costs) and in its financial activities (financial costs and investment returns on cash balances).

The results of this analysis have not led to significant changes in the recommended treasury management strategy (long-term fixed-rate debt and short/ medium-term cash investments with institutions having high credit ratings), but have focused on the opportunities to increase yield without risking underlying security.

The primary treasury-related financial risks faced by the Group are counterparty credit, liquidity 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 applying financial limits to any one party in relation to a credit rating. The minimum limit is A+ (A1) with a financial limit of £40m – the maximum is AAA with a limit of £200m. Credit ratings are obtained from the three main ratings agencies and are kept under constant review. In light of the global credit crisis in the last six months investments have only been placed with HM Government, HM Government guaranteed institutions or Transport for London's relationship bank, HSBC.

Funding and liquidity

To ensure continuity of affordable funding, debt maturities are spread over a range of dates which broadly equate to the lives of assets purchased with the proceeds of debt. The maturity profile of debt outstanding at 31 March 2009 is set out in Note 21 to the accounts. Due to the size and long-term nature of future commitments, significant cash balances are held to mitigate the risk of any future restriction of access to funds.

Interest rates

TfL has approved parameters of a minimum of 50 per cent fixed-rate on existing and forecast debt. The proportion of fixed-rate debt borrowings at the year end was 100 per cent. Cash investments at the year end reflected rates for maturities ranging from overnight to 364 days, with a weighted average maturity of 44 days.

> Accounting statements

Transport for London is a statutory corporation established by section 154 of the Greater London Authority Act 1999 (GLA Act 1999). It is a functional body of the Greater London Authority (GLA) and reports to the Mayor of London.

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

- > the Corporation, which is made up of London Streets, the Public Carriage Office 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 as set out in Note 12

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 2008: A Statement of Recommended Practice (SORP).

TfL's subsidiaries are subject to the accounting requirements of the Companies Act 1985 (as amended) and separate statutory accounts are prepared for each subsidiary and for the Transport Trading Limited Group (TTL Group).

The financial statements for the TfL Group, which consolidate the accounts of the Corporation and its subsidiaries on the basis set out in the statement of accounting policies (paragraph d), are also presented alongside the financial statements of the Corporation.

The Statement of Accounts comprises:

- > the Corporation income and expenditure account, statement of movement on general fund balance, statement of total recognised gains and losses, balance sheet, cash flow statement
- > the statement of accounting policies
- > statement of responsibilities for the accounts
- > notes to the Corporation financial statements

The Group Accounts comprise:

- > the Group income and expenditure account, statement of total recognised gains and losses, balance sheet and cash flow statement
- > reconciliation of the single entity income and expenditure account surplus or deficit to the group income and expenditure account surplus or deficit

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.

> 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 (its 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.

The Chief Finance Officer is responsible for the preparation of the Statement of Accounts for the Corporation and the Group which, in the terms of the SORP, is required to present fairly the financial position of the Corporation and Group at the accounting date and the income and expenditure for the year ended 31 March.

In preparing this Statement of Accounts I certify that I have:

- > selected suitable accounting policies and then applied them consistently;
- > made judgements and estimates that were reasonable and prudent;
- > complied with the SORP;
- > kept proper accounting records which were up to date; and
- > taken reasonable steps for the prevention and detection of fraud and other irregularities.



Stephen Critchley
Chief Finance Officer
24 June 2009

> 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.

TfL has approved and adopted a revised Code of Governance, which is consistent with the principles of the revised CIPFA/SOLACE Framework Delivering Good Governance in Local Government.

A copy of the TfL Code of Governance is on our website at www.tfl.gov.uk or can be obtained from the Corporate Governance Adviser, Windsor House, 42-50 Victoria Street, London, SW1H 0TL. This statement explains how TfL has complied with the

Code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

> The purpose of the governance framework

The governance framework comprises the systems and processes, and 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 remained in place up to the date of approval of the 2008/09 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:

- > Finance;
- > Audit;
- > Remuneration; and
- > Safety, Health and Environment.

There are three panels, made up of Board members, which provide strategic advice to the Board on the development and execution of policy:

- > Rail and Underground;
- > Surface Transport; and
- > Planning and Corporate.

The Audit 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 Statement of Assurance contained in these accounts and the results of the compliance review. It receives regular reports from the General Counsel and the Director of Internal

Audit and is responsible for the annual assurance process.

To ensure that the Code is integral to the routine functioning of TfL the General Counsel has the overall responsibility for its operation. In addition the Director of Internal Audit annually comments on the adequacy and effectiveness of the Code and the extent of TfL's compliance with it.

The Commissioner of TfL advised by his Chief Officers is responsible and accountable for the delivery of the day to day operations of TfL.

TfL is working to ensure that good governance is fully incorporated into the culture of the organisation and is applied consistently and transparently.

In particular 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; and

- > Conducting its business on an open basis, subject only to the requirements of appropriate levels of individual and commercial confidentiality.

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; and
- > Developing and maintaining an effective scrutiny function for its Investment Programme which encourages constructive challenge and enhances TfL's performance overall.

TfL defines and documents the roles and responsibilities of the Board, Committees and officers, with clear delegation arrangements and protocols by:

- > Having a documented scheme of delegation that reserves appropriate responsibilities to the Board and provides officers with the authority to conduct routine business; and

- > Having the roles and responsibilities of Board members and senior officers clearly documented.

TfL has developed and communicates the requirements of the Code of Conduct, defining the standards of behaviour for members and officers 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 members and staff, between members and staff 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 members and officers of TfL are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders;
- > 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 Chief Officers;
- > Developing and maintaining shared values including leadership values for both the organisation and staff reflecting

public expectations and communicating these to members, staff, the community and partners;

- > Putting in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitors their continuing effectiveness in practice;
- > Setting targets for performance in the delivery of services to ensure equality for all; and
- > 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 procedure notes/manuals, which 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; and
- > Ensuring that risk management is embedded into its culture, with members and officers at all levels recognising that risk management is part of their jobs.

TfL ensures that the core functions of the Audit Committee are delivered by:

- > Having an effective Audit Committee which is independent;
- > Having the Audit Committee develop and maintain an effective standard of conduct overview;
- > Having an internal audit department which complies with relevant professional standards;
- > Having an internal audit plan that is driven by an annual evidenced assessment of the key business risks facing TfL; and
- > Substantially completing the internal audit plan. Any divergence from the plan is due to changes in business requirements.

TfL ensures compliance with relevant laws, internal policies and procedures, and that expenditure is lawful by:

- > Ensuring that all activities are legally correct, fully documented, appropriately authorised and carried on in a planned manner;
- > Making a senior 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;

- > Ensuring that a senior officer is responsible for all activities being legally correct, fully documented and appropriately authorised;
- > 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 and putting in place appropriate processes to ensure that they continue to operate in practice;
- > 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 powers to the full benefit of the public; and
- > 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; and

- > Ensuring that arrangements are in place for whistle-blowing to which staff and all those contracting with TfL have access.

TfL identifies the development needs of members and officers in relation to their strategic roles, supported by appropriate training by:

- > Ensuring that its Board members and Officers are provided with the necessary training to perform their roles;
- > Ensuring that its staff are competent to perform their roles;
- > Ensuring that the statutory officer has the skills, resources and support necessary to perform effectively in his role and that this role is properly understood throughout TfL;
- > Assessing the skills required by members and officers and committing to develop those skills to enable roles to be carried out effectively; and
- > 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 staff and the public what it is accountable for and to whom;
- > Publishing, publicising and making generally available an annual report as soon as possible 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;
- > Co-operating 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; and
- > 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 officers within TfL who have responsibility for the development and maintenance of the governance environment, the Director of Internal Audit'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 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 Internal Audit annually comments on the adequacy and effectiveness of the Code and the extent of TfL's compliance with it.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee, and a plan to ensure continuous improvement of the system is in place.

> Significant governance issues

Balancing the need to manage within its means and deliver the Mayor's priorities will undoubtedly give rise to challenges in the management of TfL. There will be continuous governance and senior officer oversight to ensure that the response to such issues is appropriate.

The issues to be addressed during the year include the further integration of the activities formerly undertaken by Metronet and Crossrail being delivered by Crossrail Limited ('CRL') on behalf of the Crossrail project sponsors TfL and the Department for Transport. CRL became a wholly-owned subsidiary of TfL in December 2008 and TfL will be responsible for managing the operation of the new railway. This presents new governance challenges and appropriate resources will be devoted to ensuring that the project has adequate oversight.

TfL will also implement the outcomes of the GLA Governance Review including the development of protocols for dealing with Assembly correspondence and certain appointments.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed

Chair of TFL Board

Commissioner

> Independent Audit Report to Transport for London

> Opinion on the financial statements

We have audited the financial statements of Transport for London ('the Corporation') and the Transport for London Group ('the Group') which comprise the Explanatory Foreword, Income and Expenditure Account, Statement of Movement on the General Fund Balance, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to Transport for London, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to Transport for London those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Transport for London, as a body, for our audit work, for this report, or for the opinions we have formed.

> Respective Responsibilities of the Chief Finance Officer and the Auditor

The Chief Finance Officer's responsibilities for preparing the financial statements in

accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and the International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements present fairly the financial position of the Corporation and the Group in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008.

We review whether the Annual Governance Statement reflects compliance with CIPFA's Guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' issued in April 2004. We report if it does not comply with proper practices specified by CIPFA or if the Statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the Statement covers all risks and controls, or to form an opinion on the effectiveness of the Corporation's

corporate governance arrangements or its risk and control procedures.

> **Basis of audit opinion**

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Chief Finance Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Corporation and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we evaluated the overall adequacy of the presentation of information in the financial statements.

> **Opinion**

In our opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority

Accounting in the United Kingdom 2008, the financial position of the Corporation and the Group as at 31 March 2009 and their income and expenditure for the year then ended.

KPMG LLP

Chartered Accountants, London

XX July 2009

> **Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources**

The Corporation's Responsibilities

The Corporation is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to regularly review the adequacy and effectiveness of these arrangements.

Under the Local Government Act 1999, the Corporation is required to prepare and publish a best value performance plan summarising the Corporation's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised,

having regard to a combination of economy, efficiency and effectiveness.

Auditor's Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Corporation for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for other local government bodies. We report if significant matters have come to our attention which prevent us from concluding that the Corporation has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Corporation's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We are required by section 7 of the Local Government Act 1999 to carry out an audit of the Corporation's best value performance plan and issue a report:

- > certifying that we have done so;
- > stating whether we believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- > where relevant, making any recommendations under section 7 of the Local Government Act 1999.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and we are satisfied that, having regard to the criteria for other principal local authorities specified by the Audit Commission, in all significant respects, the Corporation made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2009.

Certificate

We certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

KPMG LLP

Chartered Accountants, London

XX July 2009

> Group Income and Expenditure Account

	Note	Group 2008/09 £m	Group 2007/08 restated* £m
Highways, roads and transport services			
Expenditure	3	5,410.5	5,132.1
Depreciation of fixed assets	11c	659.5	607.6
Exceptional items	6	(1,503.2)	1,958.7
		4,566.8	7,698.4
Revenue	1,2	(3,451.5)	(3,278.8)
Amortisation of deferred capital grants	11c	(379.2)	(362.0)
Amortisation of deferred capital grants to fund deferred charges	20	-	(150.0)
Net cost of services		736.1	3,907.6
Loss on disposal of assets	8	85.8	29.5
Finance income	9	(104.6)	(114.0)
Finance costs	9	270.8	289.4
Pensions interest cost and expected return on pensions assets	22a	41.7	(16.6)
Net operating expenditure before tax		1,029.8	4,095.9
Revenue transport grant for operations	7	(1,231.4)	(2,220.2)
Other grant to fund exceptional items	6,7	-	(1,700.0)
Other revenue grant		(63.4)	(179.2)
Precept		(12.0)	(12.0)
Surplus for the year		(277.0)	(15.5)

* See Statement of Accounting Policies note u, changes in the scope of consolidation.

> Corporation Income and Expenditure Account

	Note	Corporation 2008/09 £m	Corporation 2007/08 £m
Highways, roads and transport services			
Expenditure	3	1,027.4	1,017.1
Depreciation of fixed assets	11c	162.8	164.4
Exceptional items	6	104.7	209.9
Grant funding of subsidiaries for operations		1,030.8	1,477.0
Grant funding of subsidiary to fund exceptional items	6	-	1,748.8
Revenue	1	(425.5)	(442.8)
Amortisation of deferred capital grants	11c	(42.2)	(55.7)
Amortisation of deferred capital grants to fund deferred charges	6	-	(150.0)
Net cost of services		1,858.0	3,968.7
Loss on disposal of assets	8	5.2	21.9
Finance income	9	(160.3)	(143.9)
Finance costs	9	115.1	73.7
Pensions interest cost and expected return on pensions assets	22a	2.3	1.4
Net operating expenditure		1,820.3	3,921.8
Revenue transport grant for operations	7	(1,231.4)	(2,220.2)
Other grant to fund exceptional items	6,7	-	(1,700.0)
Other revenue grant		(63.0)	(67.5)
Precept		(12.0)	(12.0)
Deficit/(surplus) for the year		513.9	(77.9)

> Statement of Movement on the General Fund Balance

This statement shows how the deficit/(surplus) on the Corporation's Income and Expenditure Account for the year reconciles to the deficit/(surplus) for the year on the General Fund. Note 23 to the Statement of Accounts explains the significance of the General Fund and the reconciliation statement.

	Note	Corporation 2008/09 £m	Corporation 2007/08 £m
Transfer of the deficit/(surplus) for the year on the Income and Expenditure Account		513.9	(77.9)
Net additional amount required by statute or non-statutory proper practice to be taken into account when determining the surplus or deficit on the General Fund for the year	24	(507.6)	64.1
General Fund deficit/(surplus) for the year		6.3	(13.8)

> Reconciliation of the Deficit/(Surplus) on the Corporation's Single Entity Income and Expenditure Account to the Surplus on the Group Accounts

This statement shows how the deficit/(surplus) on the Corporation's single entity Income and Expenditure Account reconciles to the surplus for the year on the Group Accounts.

	Group 2008/09 £m	Group 2007/08 restated £m
Deficit/(surplus) on the Corporation's single entity Income and Expenditure Account for the year	513.9	(77.9)
Corporation's share of the (surplus)/deficit incurred by its subsidiaries	(779.3)	92.0
Adjustment to Depreciation and amortisation charge as a result of fair value adjustments arising on consolidation	(0.1)	-
FRS 17 pensions credit to Group Income and Expenditure Account on consolidation's	(11.5)	(29.6)
Group Accounts surplus for the year	(277.0)	(15.5)

> Statements of Total Recognised Gains and Losses

	Note	Group 2008/09 £m	Group 2007/08 restated £m
Surplus on the Income and Expenditure Account for the year		(277.0)	(15.5)
Loss/(gain) arising on the revaluation of fixed assets	11a	142.5	(9.4)
Actuarial losses/(gains) on pension assets and liabilities	22b	530.5	(311.3)
Total recognised losses/(gains) for the year	23	396.0	(336.2)

	Note	Corporation 2008/09 £m	Corporation 2007/08 £m
Deficit/(surplus) on the Income and Expenditure Account for the year		513.9	(77.9)
(Gain)/loss arising on the revaluation of fixed assets	11b	(19.9)	2.6
Actuarial loss/(gain) on pension assets and liabilities	22b	5.7	(3.1)
Revaluation realisation adjustment		-	1.2
Total recognised losses/(gains) for the year	23	499.7	(77.2)

> Group and Corporation Balance Sheets

As at 31 March		Group 2009	Group 2008 restated	Corporation 2009	Corporation 2008
	Note	£m	£m	£m	£m
Tangible fixed assets					
Infrastructure and other property		13,979.7	13,273.6	2,026.9	2,033.9
Rolling stock		1,572.2	1,374.5	-	-
Plant and equipment		558.2	497.6	133.8	146.3
Non-operational assets		2,304.0	1,572.6	265.7	193.6
Total tangible fixed assets	11 a,b	18,414.1	16,718.3	2,426.4	2,373.8
Investment in subsidiaries	12	-	-	22.5	22.5
Long term debtors	14	-	-	2,185.0	1,322.2
Total long term assets		18,414.1	16,718.3	4,633.9	3,718.5
Current assets					
Stocks	13	20.2	4.2	2.7	2.1
Debtors	14	488.4	601.9	205.4	340.2
Short-term investments	15	1,967.8	1,870.0	1,925.8	1,832.7
Cash at bank and in hand	16	34.1	38.0	11.2	3.4
Total current assets		2,510.5	2,514.1	2,145.1	2,178.4
Current liabilities					
Creditors: amounts falling due within one year		(1,903.7)	(1,963.5)	(469.9)	(470.5)
Net current assets	17a	606.8	550.6	1,675.2	1,707.9
Total assets less current liabilities		19,020.9	17,268.9	6,309.1	5,426.4
Creditors: amounts falling due after one year	17b	(2,030.2)	(2,780.2)	(10.3)	(6.3)
Provisions for liabilities and charges	18	(193.8)	(256.1)	(77.8)	(80.6)
Borrowings due after more than one year	19	(3,017.6)	(1,950.0)	(3,017.6)	(1,950.0)
Net assets excluding grants		13,779.3	12,282.6	3,203.4	3,389.5
Deferred grants	20	(8,216.2)	(6,864.2)	(724.0)	(417.6)
Net assets excluding pension and other post-retirement liabilities	22a	5,563.1	5,418.4	2,479.4	2,971.9
Pension and other post-retirement liabilities		(1,147.5)	(606.8)	(17.3)	(10.1)
Total net assets		4,415.6	4,811.6	2,462.1	2,961.8
Capital and reserves					
General fund		155.3	161.6	155.3	161.6
Earmarked reserves		1,414.7	1,442.8	1,141.7	1,442.8
Other reserves		3,118.6	3,207.2	1,165.1	1,357.4
Total capital employed	23	4,415.6	4,811.6	2,462.1	2,961.8

These accounts were approved
by the Board on 24 June 2009

Boris Johnson
Chair of TfL

> Cash Flow Statements

	Note	Group 2008/09 £m	Group 2007/08 restated £m	Corporation 2008/09 £m	Corporation 2007/08 £m
Net cash (outflow)/inflow from revenue activities	c	(770.1)	251.4	(410.1)	(103.0)
Returns on investments and servicing of finance					
Finance lease charges		(155.6)	(215.7)	-	-
Interest paid and similar charges		(113.1)	(75.1)	(113.1)	(75.1)
Interest received and investment income		109.9	99.7	165.6	129.5
		(158.8)	(191.1)	52.5	54.4
Acquisitions					
Payments to acquire subsidiary undertakings		(148.0)	-	-	-
Net cash balances acquired with subsidiary undertakings		158.8	-	-	-
		10.8	-	-	-
Capital activities					
Transport capital grant		1,932.1	312.2	1,932.1	312.2
Third party contributions and other grant funding	a	220.2	164.8	17.4	4.7
Grants to subsidiaries and joint venture for capital expenditures		-	-	(1,471.0)	(260.7)
Payments to acquire tangible fixed assets	a	(2,113.0)	(1,006.8)	(227.2)	(189.6)
Receipts from sale of tangible fixed assets		18.0	97.8	2.4	81.1
		57.3	(432.0)	253.7	(52.3)
Net cash outflow before financing		(860.8)	(371.7)	(103.7)	(100.9)
Management of liquid resources					
(Increase)/decrease in short-term investments	b	(97.8)	134.3	(93.1)	137.9
Financing					
Capital element of finance lease payments		(112.7)	(352.3)	-	-
Increase in loans to subsidiary companies		-	-	(862.8)	(636.9)
Increase in borrowings due after more than one year	b	1,067.4	600.0	1,067.4	600.0
		954.7	247.7	204.6	(36.9)
(Decrease)/increase in cash	b	(3.9)	10.3	7.8	0.1

> Notes to the cash flow statements

a) Cash flow statements: reconciliation with the accounts

		Group 2008/09	Group 2007/08 restated	Corporation 2008/09	Corporation 2007/08
	Note	£m	£m	£m	£m
Capital expenditure					
Additions to fixed assets	11a,b	(2,800.2)	(2,165.0)	(202.9)	(175.9)
(Increase)/decrease in debtors		(25.7)	0.1	(25.0)	(1.1)
Increase/(decrease) in creditors due within one year		15.8	69.8	3.8	(8.2)
Increase in creditors due after more than one year		0.2	0.3	0.2	0.4
Additions under finance lease arrangements		700.2	1,093.1	-	-
Decrease in provisions and other items		(3.3)	(5.1)	(3.3)	(4.8)
Capital expenditure per cash flow statement		(2,113.0)	(1,006.8)	(227.2)	(189.6)

		Group 2008/09	Group 2007/08 restated	Corporation 2008/0	Corporation 2007/08
		£m	£m	£m	£m
Contributions from third parties for capital expenditure					
Third party contributions and other grant funding		236.5	140.4	17.4	4.7
(Increase)/decrease in debtors		(16.3)	24.4	-	-
Contributions from third parties per cash flow statement		220.2	164.8	17.4	4.7

b) Analysis of change in net debt

		At 1 April 2008 restated	Movement	At 31 March 2009
Group	Note	£m	£m	£m
Cash at bank and in hand	16	38.0	(3.9)	34.1
Investments	15	1,870.0	97.8	1,967.8
Borrowings due after more than one year	19	(1,950.0)	(1,067.6)	(3,017.6)
Finance lease obligations		(3,310.6)	1,118.0	(2,192.6)
Total of net debt		(3,352.6)	144.3	(3,208.3)
Corporation				
Cash at bank and in hand	16	3.4	7.8	11.2
Investments	15	1,832.7	93.1	1,925.8
Borrowings due after more than one year	19	(1,950.0)	(1,067.6)	(3,017.6)
Total of net funds		(113.9)	(966.7)	(1,080.6)

> Notes to the cash flow statements (continued)

c) Reconciliation of net cash from revenue activities to net cost of services

		Group 2008/09	Group 2007/08 restated	Corporation 2008/09	Corporation 2007/08
	Note	£m	£m	£m	£m
Reconciliation of net cost of services to net cash outflow from revenue activities					
Net cost of services		(736.1)	(3,907.6)	(1,858.0)	(3,968.7)
Finance lease creditor write off		(1,705.5)	-	-	-
Diminution in value of fixed assets		0.1	-	-	-
Depreciation net of associated release of deferred grants		280.3	245.6	120.6	108.7
Amortisation of deferred capital grant to fund deferred charges		-	(150.0)	-	(150.0)
Goodwill write off		97.6	-	-	-
(Increase)/decrease in stocks		(0.9)	0.1	(0.6)	(0.2)
(Increase)/decrease in debtors		(7.3)	(121.4)	38.8	(111.7)
Increase in amounts due to subsidiary companies		-	-	(12.1)	22.1
Increase in creditors due within one year		78.6	110.4	5.7	27.2
Increase in creditors due after more than one year		4.6	3.5	3.8	0.3
(Decrease)/increase in provisions for liabilities and charges		(13.8)	10.3	0.4	(5.8)
(Decrease)/increase in pension and post-retirement liabilities		(94.3)	(10.8)	(0.8)	(1.1)
Net cash inflow/(outflow) from revenue activities		(2,096.7)	(3,819.9)	(1,702.2)	(4,079.2)
Transport revenue grant	7	1,231.4	3920.2	1231.4	3,920.2
Other revenue grant		83.2	139.1	48.7	44.0
Precept		12.0	12.0	12.0	12.0
Net cash (outflow)/inflow from revenue activities		(770.1)	251.4	(410.1)	(103.0)

> Statement of Accounting Policies

a) Code of practice

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008 ('the SORP'), developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Joint Committee and approved by the Accounting Standards Board.

b) Changes in accounting policies

The 2008 SORP introduced no major changes to the accounts for local authorities for accounting periods starting on or after 1 April 2008.

c) Basis of accounting

The accounts are made up to 31 March. The Corporation is a single service authority and all expenditure is attributable to the provision of highways, roads and transport services. Accordingly, no costs have been attributed to the corporate and democratic core.

The accounts have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments. The principal accounting policies adopted are set out below.

d) Basis of preparation of group accounts

The SORP requires local authorities with, in aggregate, material interests in subsidiary and associated companies and joint ventures, to prepare group accounts consistent with UK GAAP.

The group accounts presented with the Corporation's accounts consolidate the individual accounts of Transport for London and its subsidiary undertakings.

A subsidiary undertaking is an entity over which the group exercises control. TfL exercises control over all of its subsidiaries through holding 100% of the voting interests either directly or through intermediate holding companies.

Merger accounting principles are applied where transfers into the Group of subsidiary undertakings, including statutory transfers, have the characteristics of group reconstructions in accordance with Financial Reporting Standard 6 – Acquisitions and Mergers. With merger accounting, the carrying values of the assets and liabilities of the parties to the combination are not required to be adjusted to fair value on consolidation, although appropriate adjustments are made to achieve uniformity of accounting policies where necessary.

In other cases, the acquisition method of accounting is adopted. Under this method, the identifiable assets and liabilities of an acquired entity are recorded at their fair values at the date of acquisition. The results of subsidiary undertakings acquired or disposed of are included in the Group income and expenditure account from the date of acquisition until the date of disposal.

e) Segmental reporting

The Group's primary reporting segments comprise business segments and there are no geographical segments. Business segments are based on the internal management structure of the organisation. They reflect components of the Group with distinguishable revenues, costs and assets and are subject to risks different to those of other reportable segments.

> Statement of Accounting Policies (continued)

f) Revenue recognition and expenditure

The accounts reflect the accruals concept whereby debtors and creditors are included in the balance sheet for goods and services supplied but not paid for at 31 March. Sales revenue on trading activities comprises the value of sales of services or goods in the normal course of business, exclusive of Value Added Tax. Revenue earned by franchisees, or contractors, providing transport services on behalf of the Group is not taken into account, except in the limited circumstances where the Group shares the risk of revenue volatility with the franchisee.

g) Grants and other funding

The main source of grant is Transport Grant, which is non-specific in that it is applied to both maintaining services and to fund capital expenditure.

In the accounts of the Corporation, Transport Grant is divided into three elements:

- > The element used to finance revenue expenditure in the Corporation, including grants to subsidiaries to finance their own revenue expenditure;
- > The element used to finance capital expenditure in the Corporation, which is accounted for as described below; and
- > The element used to finance capital expenditure in the subsidiaries, which is not accounted for in the Corporation's income and expenditure account, but is shown in the Corporation's cash flow statement under Capital activities.

In the accounts of the Corporation and the Group, grants applied for revenue purposes are accounted for in the year in which they arise, in common with other income, and are credited to the income and expenditure account.

Grants and other contributions for capital expenditure are accounted for on an accruals basis and recognised in the accounts when the conditions for their receipt have been complied with and there

is reasonable assurance that the grant or contribution will be received.

Where expenditure on fixed assets is financed either wholly or partly by grants or other contributions, the amount of the grant is credited initially to the deferred capital grants account. Amounts are released over the useful life of the asset to match the depreciation on the asset to which it relates. These amounts are deducted from depreciation on the face of the income and expenditure accounts.

h) Tangible fixed assets

All expenditure (excluding routine repairs and maintenance) on the acquisition of capital assets, or expenditure which significantly adds to the value, capacity in use, or useful economic life of existing assets, is capitalised as a fixed asset on an accruals basis. Fixed assets are classified as operational assets (those presently used for the delivery of public services or for support tasks) and non-operational assets (surplus property awaiting sale and assets under construction).

Operational assets

Infrastructure consists of roads, tunnels, viaducts, bridges, stations, track, signalling and bus stations and stands. Infrastructure, rolling stock and equipment are carried at their fair value when transferred to the Group, together with the cost of subsequent additions. The fair values have been calculated on the basis of depreciated replacement cost. London Underground (LU) assets are carried at the estimated cost of modern equivalent assets as at 31 March 1998, together with the cost of subsequent additions, written down to reflect their remaining estimated useful lives. Bored tunnels, excavations for stations, and embankments entering service in LU prior to 1 April 1992 are carried at nil value as there are no records of their historical cost and it is impractical to provide a reliable valuation.

Other property consists of business properties, used by the Group for its own purposes, which are not limited in their future use by operational constraints or requirements and which are not

> Statement of Accounting Policies (continued)

integral to the infrastructure (e.g. offices). These properties were valued at open market value at 31 March 2009 (on an existing use basis) by the Director of TfL Group Property and Facilities and by suitably qualified TfL staff. The revaluation is taken to the fixed asset revaluation reserve.

Non-operational assets

These assets consist of investment properties commercially let and capable of being separated from operational property (e.g. offices, shops, residential property and disused operational property awaiting disposal), property awaiting disposal and assets under construction. The investment properties and properties awaiting disposal are valued like other property but with additional consideration of alternative uses. Assets under construction are carried at historical cost and are not depreciated until they come into use.

Depreciation

Assets are depreciated on a straight-line basis over their estimated useful lives, which are reviewed regularly, and which for the major categories fall in the following ranges:

Tunnels and embankments	up to 100 years
Bridges and viaducts	up to 100 years
Track	up to 50 years
Road pavement	up to 15 years
Road foundations	up to 50 years
Signalling	15-40 years
Stations	up to 50 years
Other property	20-50 years
Rolling stock	30-50 years
Lifts and escalators	25-40 years
Plant and equipment	3-40 years

Leasehold properties are amortised over the shorter of the lease term and 40 years. Property awaiting disposal is not depreciated.

London Underground Public Private Partnership (PPP)

London Underground has three Public Private Partnership (PPP) contracts. Under these contracts, existing LU assets are allocated to the PPP

Contractors for a 30 year period from when the contracts were established, during which the PPP Contractors maintain, enhance and replace these assets. LU pays service charges to the PPP Contractor. Since the acquisition of the assets of the Metronet Infracos (see note 30), two of these PPP contracts are now intra-group.

LU retains substantial risks and rewards of ownership of the assets allocated to the PPP Contractors during the contract term. These assets continue to be recorded as fixed assets in the Group accounts. Similarly, new assets acquired or constructed by the PPP Contractors for LU are recorded as fixed asset additions in the Group accounts and a corresponding liability is recorded as a finance lease creditor within creditors in the Group accounts. An imputed finance charge on this liability is included in interest payable in the Group income and expenditure account.

Service charges paid by LU to the PPP Contractors are allocated to the income and expenditure account to reflect management's estimate of the value of operating services received, with the balance applied to amortise the finance lease creditor over the term of the contract. Performance adjustments to the service charges are also recorded within expenditure charged to revenue.

Assets in course of construction

These assets are carried at cost and are not depreciated until they are available for customer service. They include expenditure on new and extended railway lines and major expansions to stations.

i) 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 whenever indicators exist that the carrying value may not be recoverable. Goodwill is amortised over twenty years. Goodwill is allocated to cash-generating units for the purposes of impairment testing.

> Statement of Accounting Policies (continued)

j) Intangible assets other than goodwill

The Group does not capitalise internally generated intangible assets, including research and development costs. Purchased software is also not capitalised, unless it is not separable from an item of related hardware.

k) Stocks

Stocks consist primarily of fuel, uniforms, and materials required for the operation and maintenance of infrastructure. Stocks are included in the balance sheet at cost less provision for obsolescence. Equipment and materials held for use in a capital programme are accounted for as stock until they are issued to the project, at which stage they become part of assets under construction.

l) Financial assets

Financial assets are classified into two types:

- > loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- > available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments

Loans and receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the income and expenditure account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. All loans and receivables are shown in the balance sheet at the outstanding principal receivable plus the difference between interest credited to the income expenditure account and interest received.

Where loans and receivables are impaired, arising from a past event, they are written down and a charge made to the income and expenditure account.

Any losses/gains that arise on the derecognition of the asset are debited/credited to the income and expenditure account. Derecognition arises when the asset is sold or otherwise disposed of.

Available-for-sale assets

Available-for-sale assets are initially measured and carried at fair value. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses). Where the asset has fixed or determinable payments, annual credits to the income and expenditure account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg, dividends) is credited to the income and expenditure account when it becomes receivable.

Assets recorded in the balance sheet at fair value are based on the following principles:

- > instruments with quoted market prices – the market price
- > other instruments with fixed and determinable payments – the total value of the discounted cash flows; and
- > equity shares with no quoted market prices – independent appraisal of company valuations

Increases/decreases in fair value are recognised in the statement of total recognised gains and losses (STRGL) and transferred to the Available-for-sale Reserve. The exception is where impairment losses have been incurred or the asset has been derecognised – these are debited/credited to the income and expenditure account together with earlier losses less the gains for the asset previously accumulated in the Available-for-sale Reserve.

m) Financial liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the income and expenditure account for interest

> Statement of Accounting Policies (continued)

payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

Instruments entered into before 1 April 2006

There are a number of financial guarantees, referred to in Note 29, that are not required to be accounted for as financial instruments. They are reflected in the Statement of Accounts to the extent that provisions are required or a contingent liability note is needed under the policies set out in paragraph o).

Guarantees entered into after 1 April 2006 are initially measured at fair value and carried at the higher of amortised cost or any amount required to be recognised under provisions and contingencies.

n) Borrowings

Long term borrowings are carried in the Corporation and Group balance sheets net of discounts and issue costs. These discounts and issue costs are amortised to revenue over the duration of the debt. In the income and expenditure accounts, this charge is made through interest payable.

The Corporation is required to make a prudent provision for the repayment of outstanding debt determinable under the Local Government Act 2003.

o) Provisions and contingencies

Provisions are recognised in respect of liabilities which exist at the balance sheet date where the amount or date of payment is uncertain. They are charged to net cost of services in the year that they are recognised.

The Group has a number of uncertainties surrounding projects, including claims in the course of negotiations, which may affect the financial outcome. Where it is possible but not probable that a liability exists at the balance sheet date, or where the liability cannot be reliably estimated, no provision is made and a contingent liability is disclosed in the accounts. Contingent

liabilities are monitored to ensure that, where a possible obligation has become probable or a transfer of economic benefits has become probable, a provision is made. The Statement of Accounts includes provisions based on management's best estimate of the outcome of these uncertainties (see Note 18).

p) Reserves

The capital accounting regime requires the maintenance of two special reserve accounts in the balance sheet:

- > The Revaluation Reserve, previously known as the fixed asset restatement account, which represents the net gain arising on the periodic revaluation of fixed assets.
- > The Capital Adjustment Account, previously known as the capital financing account, which reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them. The capital adjustment account also contains the reclassified balance from the old fixed asset restatement account and the capital financing account, as described in b).

The depreciation charge to the income and expenditure account in the Corporation on the current value of fixed assets is met by an appropriation from the Capital Adjustment Account. Revaluation gains are depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account. These two reserve account balances do not form part of the resources available to the Group and Corporation.

Transport for London sets aside specific amounts as earmarked reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts from the General Fund. When expenditure to be financed from earmarked reserves is incurred, it is charged to the income

> Statement of Accounting Policies (continued)

and expenditure account in that year and included in Net Cost of Services. A corresponding amount is then appropriated back into the General Fund from earmarked reserves so that there is no net impact on the General Fund surplus or deficit for the year.

The accounting requirements for financial instruments are similar to those for fixed assets, in that financial assets are required to be carried at fair value (unless they have fixed or determinable payments but are not quoted in an active market) and the outcome of proper accounting practices for the Income and Expenditure Account is different from that required for assessing the impact on local taxes.

Two reserves are required to be maintained:

- > the Available-for-Sale Financial Instruments Reserve – records unrealised revaluation gains arising from holding available-for-sale investments, plus any unrealised losses that have not arisen from impairment of the assets
- > the Financial Instruments Adjustment Account – provides a balancing mechanism between the different rates at which gains and losses (such as premiums on the early repayment of debt) are recognised under the SORP and are required by statute to be met from the General Fund.

These reserves are matched by borrowings and investments within the Balance Sheet and do not represent resources available to the Corporation.

q) Insurance

The Group maintains certain insurance policies for damage to and loss of owned/third party property and for its potential liabilities to employees and third parties. In addition, the Group selectively self-insures its exposures under the above policies and to other risks. Provision is made for the estimated value of the Group's liability in respect of self-insured losses.

r) Pensions

The Group's employees are members of a number of defined benefit schemes. In accordance with FRS 17, the regular service cost of pension provision relating to the period, together with the cost of any benefits relating to past service, is charged to the Group income and expenditure account. A charge equal to the increase in the present value of the schemes liabilities (because the benefits are closer to settlement) and a credit equivalent to the Group's long-term expected return on assets (based on the market value of the scheme assets at the start of the period), is included in the income and expenditure account.

The difference between the market value of the assets of the scheme and the present value of accrued pension liabilities is shown as an asset or liability, net of deferred tax. Any difference between the expected return on assets and that actually achieved is recognised in the statement of total recognised gains and losses along with differences which arise from experience or assumption changes.

For certain defined benefit schemes, the Corporation and/or the Group is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis. Under FRS 17 these schemes are accounted for as defined contribution schemes.

s) Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities, based on tax rates and laws that are enacted or substantively enacted at the balance sheet date.

Provision is made within the Group accounts for deferred taxation arising from timing differences between profits or losses as computed for taxation purposes and profits or losses as stated in the Accounts, to the extent it is payable or recoverable in the foreseeable future.

> Statement of Accounting Policies (continued)

t) Leases

Assets held under finance leases are included in tangible fixed assets and are depreciated on a straight-line basis over their estimated useful lives. Rentals payable are apportioned between the finance charge and a reduction of the outstanding obligation for future amounts payable; the finance charge being allocated to accounting periods over the lease term so as to produce a constant rate of charge on the remaining balance of the obligation.

The Group has entered into a number of Private Finance Initiative (PFI) agreements. Each PFI agreement has been analysed to determine where the balance of the risks and rewards lies. Where substantial risks are retained by the private sector, these transactions are accounted for as operating leases and the assets provided are, therefore, not included in the balance sheet. Where the risks and rewards under the agreements lie with the Group, the transactions are accounted for as finance leases. Any assets created are capitalised in the balance sheet and depreciated over their estimated useful lives. Finance charges are allocated over the period of the contract in proportion to the capital element outstanding.

The Group has also entered into operating leases in respect of properties and motor vehicles. Rentals payable under operating leases (including certain PFI agreements) have been accounted for in the period to which they relate.

u) Changes in the scope of consolidation

On 27 May 2008, TfL entered into a transfer scheme with the administrators of Metronet Rail BCV Limited and Metronet Rail SSL Limited to purchase the business, assets and certain liabilities of these two companies. The transfers were accounted for as an acquisition under FRS 6. The Group also acquired two subsidiaries of these companies, Metronet TMU Limited and Metronet REW Limited respectively

On 27 June 2008, TfL acquired the share capital of Tramtrack Croydon Limited (TCL). The purchase was accounted for as an acquisition under FRS 6. The

Group also acquired TCL's subsidiaries, Tramtrack Leasing Limited and Tramtrack Lease Financing Limited.

On 5 December 2008, the Department for Transport transferred its holding in the share capital of Crossrail Limited (Cross London Rail Links Limited at the time) to Transport Trading Limited. This transfer was accounted for as a merger under FRS 6, required by the SORP as the shares were in public sector ownership before the acquisition. The effect of this is to restate the results and comparative balances of the Group up to the date at which the merger took place.

In addition to the above, the London Transport Museum (LTM) was previously run as part of Transport Trading Limited's operational activities. However, following the TfL board decision to operate the Museum as a charity, LTM was incorporated as a company with charitable status with effect from 1 April 2008.

London Transport Museum has a wholly owned subsidiary, London Transport Museum (Trading) Limited. As LTM is a company with charitable status, it is severely constrained in terms of the commercial activities it can undertake and consequently, London Transport Museum (Trading) Limited was incorporated to undertake activities intended to turn a profit for the benefit of LTM.

> Notes to the accounts

I Segmental analysis

	Gross revenue 2008/09	Gross revenue 2007/08	Gross services expenditure 2008/09	Gross services expenditure 2007/08 restated	Net expenditure 2008/09	Net expenditure 2007/08 restated
	£m	£m	£m	£m	£m	£m
London Streets	398.8	418.7	(880.2)	(905.7)	(481.4)	(487.0)
Other	26.7	24.1	(268.3)	(71.4)	(241.6)	(47.3)
Corporation	425.5	442.8	(1,148.5)	(977.1)	(723.0)	(534.3)
Subsidiary operations						
Bus operations	1,101.8	1,079.8	(1,812.6)	(1,739.1)	(719.8)	(659.3)
London Underground	1,769.0	1,654.5	(2,352.5)	(2,136.2)	(583.5)	(481.7)
Docklands Light Railway	63.9	63.1	(85.7)	(73.5)	(21.8)	(10.4)
Rail for London	42.5	14.9	(133.9)	(59.4)	(91.4)	(44.5)
Tramtrack Croydon	13.2	-	(22.4)	-	(9.2)	-
Crossrail	0.1	-	(7.4)	(112.1)	(7.3)	(112.1)
Other	35.5	23.7	(119.4)	(132.5)	(83.9)	(108.8)
Group	3,451.5	3,278.8	(5,691.4)	(5,229.9)	(2,239.9)	(1,951.1)

Gross services expenditure includes depreciation net of amortisation of deferred capital grants, but excludes for the Corporation grant funding of subsidiaries. It also excludes exceptional items.

Net expenditure represents net cost of services for the Group excluding extraordinary items, and net cost of services excluding exceptional items, grant funding of subsidiaries for the Corporation i.e. net cost of services for those services provided directly by the Corporation.

> Notes to the accounts (continued)**2 Revenue****a) Group revenue**

	2008/09	% of	2007/08	
	£m	total	restated	% of
			£m	total
Fares	2,577.5	74.8	2,445.8	74.5
Revenue in respect of free travel for elderly and disabled people	227.2	6.6	211.5	6.5
Congestion charging	325.7	9.4	328.2	10.0
Charges to London Boroughs	13.3	0.4	12.7	0.4
Charges to transport operators	8.6	0.2	8.6	0.3
Bus enforcement	46.8	1.4	67.9	2.1
Commercial advertising receipts	82.7	2.4	72.9	2.2
Rents receivable	60.1	1.7	57.5	1.8
Taxi licensing	18.3	0.5	17.2	0.5
Museum income	4.3	0.1	2.8	0.1
Other	87.0	2.5	53.7	1.6
Total revenue	3,451.5	100.0	3,278.8	100.0

b) Congestion charging

	Group and Corporation	Group and Corporation
	2008/09	2007/08
	£m	£m
Revenue	325.7	328.2
Direct expenditure: - Toll facilities and traffic management	(167.2)	(171.7)
	158.5	156.5
Other expenditure: - Financial assistance	(0.9)	(2.8)
- Administration, support services & depreciation	(9.1)	(16.7)
Net income on congestion charging	(148.5)	137.0

Congestion charging was introduced on 17 February 2003 in central London at a daily rate of £5 per car or goods vehicle. The daily rate was increased to £8 on 4 July 2006. The net revenues from the congestion charge are spent on improving transport in line with the Mayor's Transport Strategy. The western extension zone of the Congestion Charge came into effect on 19 February 2007. The Mayor has announced that the western extension zone will be terminated and has begun a public enquiry into this.

> Notes to the accounts (continued)

3 Expenditure (before exceptional items)

Note	Group 2008/09 £m	Group 2007/08 restated £m	Corporation 2008/09 £m	Corporation 2007/08 £m
Staff costs: - Wages and salaries	1053.1	766.5	152.6	137.2
- Social security costs	88.0	64.6	13.3	12.2
- Pension costs	167.9	174.4	37.0	34.4
	1,309.0	1,005.5	202.9	183.8
Operating leases and PFI charges	324.4	327.7	10.1	27.0
Financial assistance	190.3	197.4	190.3	197.4
Supplies and services	6,387.0	5,766.5	827.0	784.8
	8,210.7	7,297.1	1,230.3	1,193.0
Capital expenditure	(2,800.2)	(2,165.0)	(202.9)	(175.9)
Expenditure charged to revenue	5,410.5	5,132.1	1,027.4	1,017.1

	Group 2008/09 Number	Group 2007/08 restated Number	Corporation 2008/09 Number	Corporation 2007/08 Number
Average number of employees:				
- Permanent employees (including those on fixed term contracts)	25,675	20,171	3,420	3,276
- Agency staff	3,004	1,463	713	739
Average number of employees	28,679	21,634	4,133	4,015

	Group 2008/09 £m	Group 2007/08 restated £m	Corporation 2008/09 £m	Corporation 2007/08 £m
The cost of services include the following amounts:				
- Auditors' remuneration for statutory audit services	1.7	1.0	0.6	0.4
- Auditors' remuneration for non-statutory audit services	0.3	0.1	0.1	0.1
- Auditors' remuneration for non-audit services	0.1	0.2	-	-
	2.1	1.3	0.7	0.5

> Notes to the accounts (continued)

3 Expenditure (before exceptional items) (continued)

Operating leases

The Group leases certain properties on short-term and long-term leases. The rents payable on these leases were £43.9 million (2007/08 £46.4 million). The rents payable under these leases are subject to renegotiation at various intervals specified in the leases. The Group pays all insurance, maintenance and repairs of these properties.

Total other operating lease rentals for the Group included in the income and expenditure account were £325.0 million (2007/08 £281.3 million). Payments under these lease agreements, which include the cost of routine maintenance and repairs, are charged to revenue over the period of the leases from the time the assets become operational.

4 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 of services to, from or within Greater London.

Financial assistance given under section 159 of the Greater London Authority Act 1999 is outlined below:

Note	Corporation 2008/09 £m	Corporation 2007/08 £m
Financial assistance to subsidiaries		
	125.4	129.3
Transport Trading Limited		
	1,546.7	2,951.4
London Underground Limited		
	762.2	692.2
London Bus Services Limited		
	1.4	0.1
London Buses Limited		
	213.6	182.9
Docklands Light Railway Limited		
	459.0	192.2
Rail for London Limited		
	0.6	-
Victoria Coach Station Limited		
	9.3	-
Tramtrack Croydon Limited		
	1.0	-
London Transport Museum Limited		
	91.9	-
Crossrail Limited		
	3,211.1	4,148.1
Financial assistance to London boroughs and other third parties		
	170.4	179.4
London Investment Programme		
	11.9	10.8
Taxicard		
	1.2	2.8
Three Mills Lock		
	2.5	-
Olympics Velopark		
	-	2.1
Silverlink		
	4.3	2.3
Others		
3	190.3	197.4

> Notes to the accounts (continued)

5 Employees' remuneration

The SORP requires the disclosure of remuneration for only the Corporation's employees whose remuneration in the year was £50,000 or more, grouped in rising bands of £10,000. The impact of the transfer of employees into and out of the Corporation from subsidiaries can cause distortion for year on year comparison. Consequently, an additional voluntary disclosure for the Group has been provided that shows the combined employee bands for TfL and its subsidiaries.

The Group's remuneration disclosure for 2007/08 has been restated due to the merger with Crossrail.

The Group's remuneration disclosure for 2008/09 includes the employees of the former Metronet businesses for the first time. The remuneration for those employees whose employment transferred to the Nominee companies, and subsequently to London Underground, has been included for a full year, even though they were only employees of the Group from 27 May 2008, in order to facilitate comparison with future years. Those individuals who left the employment of the Metronet Infracos prior to 27 May 2008 are not included in the Group salary bandings.

Employees' remuneration, which includes their salaries, fees, performance bonus, benefits in kind, lump sums and termination payments, but excludes pension contributions paid by the employer, fell within the following bands:

£	Group 2008/09 Number	Group 2007/08 restated Number	Corporation 2008/09 Number	Corporation 2007/08 Number
50,000-59,999	2,244	1,119	296	255
60,000-69,999	931	377	173	144
70,000-79,999	440	187	107	69
80,000-89,999	222	106	59	47
90,000-99,999	136	66	44	30
100,000-109,999	75	42	29	25
110,000-119,999	40	21	9	13
120,000-129,999	25	16	10	6
130,000-139,999	24	8	8	1
140,000-149,999	18	7	5	3
150,000-159,999	10	7	3	4
160,000-169,999	9	5	1	2
170,000-179,999	9	4	8	1
180,000-189,999	1	3	1	2
190,000-199,999	3	2	-	-
200,000-209,999	1	-	1	-
210,000-219,999	3	3	1	2
220,000-229,999	1	2	-	1
230,000-239,999	1	2	-	2
240,000-249,999	1	1	1	1
250,000-259,999	1	-	1	-
260,000-269,999	1	-	-	-
270,000-279,999	2	-	1	-
280,000-289,999	1	-	1	-
300,000-309,999	-	1	-	1

> Notes to the accounts (continued)**5 Employees' remuneration** (continued)

£	Group 2008/09 Number	Group 2007/08 restated Number	Corporation 2008/09 Number	Corporation 2007/08 Number
350,000-359,999	1	-	1	-
390,000-399,999	1	-	-	-
410,000-419,999	1	-	1	-
430,000-439,999	-	1	-	1
440,000-449,999	-	1	-	-
460,000-469,999	-	1	-	-
470,000-479,999	1	-	1	-
490,000-499,999	-	1	-	-
540,000-549,999	-	1	-	1
570,000-579,999	1	-	-	-
Total	4,204	1,984	762	611

6 Exceptional items

Note	Group 2008/09 £m	Group 2007/08 £m	Corporation 2008/09 £m	Corporation 2007/08 £m
Provision against the loan receivable from the Metronet Infracos following the exercise of the put option	-	1,748.8	-	-
Release from finance lease creditor	(1,705.5)	-	-	-
Write off of goodwill	97.6	-	-	-
Provision against loan receivable from the Metronet Infracos	104.7	209.9	104.7	209.9
Total exceptional items included in expenditure	(1,503.2)	1,958.7	104.7	209.9

The PPP contracts with the Metronet Infracos included Put Option Agreements which enabled the lenders to the Metronet Finance Companies to receive repayment from LU of 95% of the debt owing in certain defined circumstances. One of these was upon a period of PPP Administration exceeding 6 months.

The Metronet Infracos were placed in PPP Administration on 18 July 2007. On 5 February 2008, the Put Options were exercised and on 12 February 2008, LU paid £1,748.8 million in settlement of its obligations thereunder.

In order to settle the Put Options, TfL received a revenue grant from the Department for Transport of £1.7 billion. TfL used some of its cash reserves to fund the difference and provided LU with grant funding of £1,748.8 million.

> Notes to the accounts (continued)

6 Exceptional items (continued)

Following the exercise of the Put Options the amounts owed to the Metronet Finance Companies by the Metronet Infracos under the on-lending referred to above were assigned to LU. In the opinion of the Chief Finance Officer, no amounts will ultimately be recoverable by LU in relation to this debt and, accordingly, this receivable was fully provided against in the 2007/08 financial year as an exceptional item.

On 27 May 2008, the business, assets and certain liabilities of the Infracos in administration were acquired by the TfL Group for £50m (see note 30 Mergers and Acquisitions). This cash was applied by the Administrator in partial repayment of the loan advanced by TfL under the Loan Agreement, described below.

Up until 27 May 2008, LU had recognised a finance lease creditor on its balance sheet, representing fixed assets provided by the Metronet Infracos and not paid for at the relevant balance sheet date. This finance lease creditor was broadly equivalent to the external borrowings of the Metronet companies. Effective from that date, LU and the Nominee companies entered into a number of agreements to amend the service charges paid by LU to reflect the debt free status of the Nominees. As a consequence, the finance lease creditor is no longer recognised on the balance sheet of the Group and has been released to the Income and Expenditure account. The release of the finance lease creditor offsets the provision against the loan receivable from the Metronet infracos, recognised in the previous year.

Goodwill of £97.6 million arose on the acquisition of the Metronet business from the Infracos, representing the difference between the purchase consideration of £50 million and the fair value of assets acquired (being net liabilities of £47.6 million). The Group has impaired the Goodwill asset as it is unlikely that this amount is recoverable through the operations of the business.

TfL entered into a Loan Agreement with the PPP Administrators and the Metronet Infracos on 18 July 2007. The Loan Agreement made funds available to the PPP Administrator to meet Administration Expenses. As at 31 March 2008, the outstanding balance on the loan amounted to £241.8 million, of which £209.9 million was provided against.

During the period 1 April 2008 to 27 May 2008, further amounts were advanced to the Administrator. On 27 May 2008, £50.0 million of this loan was repaid by the Administrator from the proceeds of acquisition of the Metronet business. An additional provision has been made during the year of £104.7 million and the outstanding balance under the Loan Agreement is fully provided against.

> Notes to the accounts (continued)

7 Transport grant

Allocation of transport grant receivable:		Group 2008/09	Group 2007/08 restated	Corporation 2008/09	Corporation 2007/08
	Note	£m	£m	£m	£m
Grant from Department for Transport applied to fund revenue expenditure		1,231.4	2,220.2	1,231.4	2,220.2
Grant from Department for Transport for the exercise of Metronet's put option	6	-	1,700.0	-	1,700.0
		1,231.4	3,920.2	1,231.4	3,920.2
Grant from Department for Transport taken to deferred grants	20	1,802.1	462.2	331.2	201.5
Grant from Department for Transport used to fund capital expenditure in subsidiaries		-	-	1,470.9	260.7
Total transport grant receivable		3,033.5	4,382.4	3,033.5	4,382.4

8 Loss on disposal or retirement of assets

		Group 2008/09	Group 2007/08 restated	Corporation 2008/09	Corporation 2007/08
	Note	£m	£m	£m	£m
Net proceeds		(17.4)	(96.8)	(2.2)	(79.6)
Capital grant released	20	(307.4)	(73.6)	-	(2.0)
		(324.8)	(170.4)	(2.2)	(81.6)
Less net assets at net book value	11a, b	410.6	199.9	7.4	103.5
Loss on disposal of assets		85.8	29.5	5.2	21.9

> Notes to the accounts (continued)

9 Net finance charges

The finance income recognised in the Income and Expenditure Account is made up as follows:

	Group 2008/09	Group 2007/08 restated	Corporation 2008/09	Corporation 2007/08
	£m	£m	£m	£m
Interest income on bank deposits	(104.6)	(114.0)	(100.5)	(113.0)
Interest income on loans to subsidiaries	-	-	(59.8)	(30.9)
Interest receivable and investment income	(104.6)	(114.0)	(160.3)	(143.9)

The finance costs recognised in the Income and Expenditure Account are made up as follows:

	Group 2008/09	Group 2007/08 restated	Corporation 2008/09	Corporation 2007/08
	£m	£m	£m	£m
Imputed interest on finance lease creditors	155.6	215.7	-	-
Interest expense on financial liabilities measured at amortised cost	115.1	73.7	115.1	73.7
Other	0.1	-	-	-
Interest payable and similar charges	270.8	289.4	115.1	73.7

> Notes to the accounts (continued)

10 Taxation

The Corporation is exempt from corporation tax but the subsidiaries are assessable individually to taxation in accordance with the Income and Corporation Taxes Act 1988. No liability for corporation tax arises in respect of the current year.

Note	Group 2008/09 £m	Group 2007/08 restated £m
Surplus for the year before tax	277.0	15.5
Corporation tax at 28% (2007/08 30%)	77.5	4.7
Capital allowances for the year less than depreciation	41.0	40.5
Adjustment for capital gains	23.5	12.6
Non-taxable exceptional items	(450.3)	-
Other timing differences	(48.6)	(112.8)
Overseas earnings	(1.3)	(1.2)
Permanent difference in TfL Corporation	143.9	(23.4)
Loss for the year carried forward	214.3	79.6
Current tax charge for the year	-	-

At 31 March 2009 the Group had a deferred tax asset in respect of capital allowances of £111.3 million (2008 £95.9 million). In addition, the Group had a deferred tax asset in respect of accumulated tax losses of £629.0 million (2008 £393.1 million). No deferred tax asset is accounted for, as it is not believed that such an asset would be recoverable in the foreseeable future.

The full potential liability for deferred taxation in respect of potential capital gains on revalued fixed assets has not been quantified as no tax liability is expected to arise due to the availability of rollover relief.

> Notes to the accounts (continued)

11 Tangible fixed assets

a) Group	Infrastructure and other property Note	Rolling stock £m	Plant and equipment £m	Non- operational assets £m	Total £m
Gross cost or valuation					
Balance at 1 April 2008 restated	21,482.5	3,408.4	1,104.9	1,572.6	27,568.4
Additions to fixed assets	1,520.8	218.9	121.8	938.7	2,800.2
Acquisitions	33.7	63.9	10.4	0.3	108.3
Disposals and retirements	(559.9)	(12.1)	(38.7)	(12.1)	(622.8)
Transfers and adjustments	96.0	6.2	32.2	(134.4)	-
Revaluation	(83.6)	-	-	(61.1)	(144.7)
Gross cost or valuation at 31 March 2009	22,489.5	3,685.3	1,230.6	2,304.0	29,709.4
Depreciation					
Balance at 1 April 2008 restated	8,208.9	2,033.9	607.3	-	10,850.1
Disposals and retirements	(167.1)	(11.9)	(33.2)	-	(212.2)
Depreciation charge	11c 470.1	91.1	98.3	-	659.5
Revaluation	(2.1)	-	-	-	(2.1)
Balance at 31 March 2009	8,509.8	2,113.1	672.4	-	11,295.3
Net book value at 31 March 2009	13,979.7	1,572.3	558.2	2,304.0	18,414.1
Net book value at 31 March 2008 restated	13,273.6	1,374.5	497.6	1,572.6	16,718.3

PPP assets and leased assets

The net book value above includes the following amounts in respect of leased assets and assets allocated to PPP contractors:

	Infrastructure and other property £m	Rolling stock £m	Plant and equipment £m	Non- operational assets £m	Total £m
Gross cost					
PPP assets	7,434.8	945.4	243.6	35.8	8,659.6
Leased assets	262.2	78.6	297.2	-	638.0
	7,697.0	1,024.0	540.8	35.8	9,297.6
Depreciation					
PPP assets	2,238.6	504.4	152.2	-	2,895.2
Leased assets	14.4	21.4	43.7	-	79.5
	2,253.0	525.8	195.9	-	2,974.7
Net book value at 31 March 2009	5,444.0	498.2	344.9	35.8	6,322.9
Net book value at 31 March 2008 restated	9,649.3	1,319.2	376.1	355.9	11,700.5

> Notes to the accounts (continued)

11 Tangible fixed assets (continued)

b) Corporation	Note	Infrastructure and other property £m	Plant and equipment £m	Non- operational assets £m	Total £m
Gross cost or valuation					
Balance at 1 April 2008		3,830.3	302.5	193.6	4,326.4
Additions to fixed assets		77.4	20.5	105.0	202.9
Disposals and retirements		(58.1)	(12.3)	(0.6)	(71.0)
Transfers and adjustments		37.4	16.6	(54.0)	-
Revaluation		(2.1)	-	21.7	19.6
Gross cost or valuation at 31 March 2009		3,884.9	327.3	265.7	4,477.9
Depreciation					
Balance at 1 April 2008		1,796.4	156.2	-	1,952.6
Disposals and retirements		(56.3)	(7.3)	-	(63.6)
Depreciation charge	11c	118.2	44.6	-	162.8
Revaluation		(0.3)	-	-	(0.3)
Balance at 31 March 2009		1,858.0	193.5	-	2,051.5
Net book value at 31 March 2009		2,026.9	133.8	265.7	2,426.4
Net book value at 31 March 2008		2,033.9	146.3	193.6	2,373.8

c) Depreciation charge	Note	Group 2008/09 £m	Group 2007/08 restated £m	Corporation 2008/09 £m	Corporation 2007/08 £m
Depreciation for the period:					
- on the historical cost of depreciated fixed assets		312.1	143.8	162.8	164.4
- on the revalued element of depreciated fixed assets		72.5	96.6	-	-
- on assets allocated to PPP contractors		262.8	356.0	-	-
- on assets held under finance leases		12.1	11.2	-	-
Total depreciation charge	11a, b	659.5	607.6	162.8	164.4
Less: release of deferred grants	20	(379.2)	(362.0)	(42.2)	(55.7)
Depreciation net of release of deferred grants		280.3	245.6	120.6	108.7

> Notes to the accounts (continued)

11 Tangible fixed assets (continued)

d) Historical cost of assets

The historical cost of assets is the original cost to the subsidiary that acquired the assets, together with the fair value of the assets transferred to the Corporation on 3 July 2000 and the cost of subsequent additions.

	Group 2009	Group 2008 restated	Corporation 2009	Corporation 2008
	£m	£m	£m	£m
Infrastructure and other property	18,018.3	16,853.6	3,885.8	3,829.4
Rolling stock	2,498.7	2,212.1	-	-
Plant and equipment	1,150.3	1,023.6	327.3	302.5
Non-operational assets	2,074.5	1,275.5	211.6	168.0
Gross cost	23,741.8	21,364.8	4,424.7	4,299.9
Less accumulated depreciation	(6,338.9)	(5,866.6)	(2,054.0)	(1,955.0)
Net written down cost	17,402.9	15,498.2	2,370.7	2,344.9

e) Group assets

	Group 2009 Number	Group 2008 Number
Railway carriages	4,204	4,164
Track route length (kilometres)	458	430
Railway stations	289	287
Bridges and viaducts	1,961	1,961
Roads (kilometres)	580	580
Car ferries	3	3
Buses	552	535
Bus stations and stands	106	106
Bus shelters	9,643	9,558
Offices	172	164
Piers	9	9

f) Capital expenditure analysed by source of finance

	Corporation 2009	Corporation 2008
	£m	£m
Analysis by source of finance:		
Transport capital grants	183.1	51.5
Prudential borrowing used to fund fixed assets	-	12.9
Finance leases – PPP	-	-
Finance leases – other	-	-
Third party contributions	17.4	4.7
Capital receipts	2.4	106.8
Revenue contributions	-	-
	202.9	175.9

11a, b

> Notes to the accounts (continued)

12 Subsidiaries

The Group's subsidiaries are:

Subsidiaries

Transport Trading Limited
 London Underground Limited
 London Bus Services Limited
 Docklands Light Railway Limited
 Rail for London Limited
 Victoria Coach Station Limited
 London River Services Limited
 London Buses Limited
 London Transport Insurance (Guernsey) Limited
 LUL Nominee BCV Limited
 Metronet TMU Limited
 LUL Nominee SSL Limited
 Metronet REW Limited
 Crossrail Limited (formerly Cross London Rail Links Limited)
 London Transport Museum Limited
 London Transport Museum (Trading) Limited
 Tramtrack Croydon Limited
 Tramtrack Leasing Limited
 Tramtrack Lease Financing Limited

Principal activity

Holding company
 Passenger transport by underground train
 Passenger transport by bus
 Passenger transport by rail
 Passenger transport by rail
 Coach station
 Pier operator
 Bus operator and Dial-a-Ride
 Insurance
 Maintenance of underground lines
 Maintenance of underground lines
 Maintenance of underground lines
 Maintenance of underground lines
 Construction of Crossrail infrastructure
 Charitable company
 Museum shop
 Passenger transport by tram
 Passenger transport by tram – lease finance company
 Passenger transport by tram – lease finance company

The Corporation owns all the ordinary share capital of its subsidiaries. The Group holds 100% of the share capital of all subsidiaries. The accounts of these companies are lodged at Companies House. TfL has given assurances of financial support to the boards of all the subsidiary companies listed above. The statutory accounts for the subsidiary companies for the year ended 31 March 2009 all received unqualified audit opinions.

> Notes to the accounts (continued)

13 Stocks

	Group 2009 £m	Group 2008 £m	Corporation 2009 £m	Corporation 2008 £m
Maintenance stores	19.2	3.6	2.7	2.1
Other	1.0	0.6	-	-
	20.2	4.2	2.7	2.1

During the year the Group acquired the business of the Metronet Infracos which included large maintenance stores. Further detail of acquisition values is given in note 30.

14 Debtors

Note	Group 2009 £m	Group 2008 restated £m	Corporation 2009 £m	Corporation 2008 £m
Amount falling due after one year				
Amounts due from subsidiary companies – loans	-	-	2,185.0	1,322.2
Amount falling due within one year				
Trade debtors	294.3	251.8	72.0	66.9
Other debtors	82.3	208.8	82.3	174.7
Loan agreement with the Metronet Infracos	-	31.9	-	31.9
Prepayments and accrued income	111.8	109.4	51.1	66.7
21	488.4	601.9	205.4	340.2

TfL formalised its loan agreements with its subsidiary companies during the previous year. With effect from 1 April 2007, all outstanding loans became interest bearing. They also became repayable on demand after a two year notice period. Therefore, they have been classified as long-term debtors.

TfL entered into a Loan Agreement with the PPP Administrators and the Metronet Infracos on 18 July 2007. The Loan Agreement made funds available to the PPP Administrator to meet Administration Expenses. As at 31 March 2009, the outstanding balance on the loans amounted to £314.5 million (2008 £241.8 million).

The loans have been fully provided against. Other debtors include £1,748.8 million (2008 £1,748.8 million) due from the Metronet Infracos in administration which has been fully provided against.

> Notes to the accounts (continued)**15 Short term investments**

	Note	Group 2009 £m	Group 2008 £m	Corporation 2009 £m	Corporation 2008 £m
Short term investments	21	1,967.8	1,870.0	1,925.8	1,832.7
		1,967.8	1,870.0	1,925.8	1,832.7

Short term investments include amounts placed on deposit with HM Treasury Debt Management Office of £1,256.4 million (2008: £nil) and with banks and financial institutions of £711.4 million (2008: £1,870.0 million). Refer to note 21 for the Group's credit risk management policies.

16 Cash at bank and in hand

	Note	Group 2009 £m	Group 2008 restated £m	Corporation 2009 £m	Corporation 2008 £m
Cash at bank		13.4	15.0	11.0	3.2
Cash in hand and in transit		20.7	23.0	0.2	0.2
	21	34.1	38.0	11.2	3.4

> Notes to the accounts (continued)

17 Creditors	Group 2009	Group 2008 restated	Corporation 2009	Corporation 2008
	£m	£m	£m	£m
a) Amounts falling due within one year				
Trade creditors	996.0	882.8	254.7	248.5
Capital works	479.0	347.1	80.7	76.8
Amounts due to subsidiary companies	-	-	126.8	138.9
Finance lease obligations repayable within one year	193.2	556.5	-	-
Salaries and wages	44.1	23.5	7.7	6.3
Receipts in advance for travelcards and bus passes and Oystercard	191.4	153.6	-	-
	1,903.7	1,963.5	469.9	470.5
b) Amounts falling due after more than one year				
Retentions on capital contracts	0.8	0.7	0.8	0.6
Accruals and deferred income	30.0	25.4	9.5	5.7
Finance lease obligations	1,999.4	2,754.1	-	-
	2,030.2	2,780.2	10.3	6.3

The decrease in obligations under finance leases was caused by releasing the Metronet finance lease creditor of £1,705.5m into income during the year (see Note 30c). The partially offsetting increases principally reflect the level of fixed asset additions provided by the remaining PPP contractor during the year net of the capital element of the annual payments to the contractor of £271.6m.

In addition, the finance lease creditor for the Woolwich DLR extension was recognised as the corresponding asset was brought into use during the year. The increase in all DLR finance lease creditors for the year was £206.3m.

> Notes to the accounts (continued)**18 Provisions for liabilities and charges**

	Note	At 1 April 2008 £m	Payments in year £m	Increase/ (decrease) in provision £m	At 31 March 2009 £m
Group					
Claims for compensation		194.1	(82.0)	7.0	112.8
Capital investment activities		8.7	(3.4)	-	5.3
Unfunded pension liabilities	22f	42.8	(3.7)	1.5	40.6
Other		10.5	(11.4)	36.0	35.1
		256.1	(100.5)	38.2	193.8
Corporation					
Claims for compensation		46.4	(23.7)	20.6	43.3
Capital investment activities		8.4	(3.3)	-	5.1
Unfunded pension liabilities		25.6	(2.5)	1.0	24.1
Other		0.2	-	5.1	5.3
		80.6	(29.5)	26.7	77.8

Claims for compensation include provisions in respect of disputes in the ordinary course of business relating to projects and contracts for which the outcome is uncertain. Whilst a claim is ongoing TfL is unable to disclose the quantum or timing of any possible settlement as this could prejudice its commercial position.

Capital investment activities includes compulsory purchases, claims in respect of structural damage or diminution in value of properties affected by transport schemes, and other related third party claims.

Details of unfunded pension liabilities are given in Note 22.

> Notes to the accounts (continued)

19 Borrowings

The carrying value of debt is as follows:

	Note	Group 2009 £m	Group 2008 restated £m	Corporation 2009 £m	Corporation 2008 £m
Borrowings	21	3,017.6	1,950.0	3,017.6	1,950.0

The increase in borrowings reflects the drawdowns on the EIB facilities for the East London Line of £190.0 million as well as net proceeds from Public Works Loan Board borrowings of £877.6 million.

20 Deferred grants

	Note	Group 2009 £m	Group 2008 restated £m	Corporation 2009 £m	Corporation 2008 £m
Balance at 1 April		6,864.2	6,847.2	417.6	419.1
Transport grant	7	1,802.1	462.2	331.2	201.5
Third party contributions and other grant funding	11f	236.5	140.4	17.4	4.7
Release of deferred grant:					
- to meet the depreciation charge	11c	(379.2)	(362.0)	(42.2)	(55.7)
- to meet the deferred charges	6	-	(150.0)	-	(150.0)
- on disposal of tangible fixed assets	8	(307.4)	(73.6)	-	(2.0)
Balance at 31 March		8,216.2	6,864.2	724.0	417.6

> Notes to the accounts (continued)

21 Nature and extent of risks arising from financial instruments

Fair value of assets and liabilities carried at amortised cost

Financial liabilities and financial assets represented by loans and receivables are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- > no early repayment or impairment is recognised
- > the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values of all financial liabilities compared to carrying amounts are as follows:

	Note	Group 2009 Carrying amount £m	Group 2009 Fair value £m	Group 2008 Carrying amount restated £m	Group 2008 Fair value restated £m
Trade and other payables		1,741.3	1,741.3	1,433.1	1,433.1
Finance lease obligations,	17	2,192.6	2,192.6	3,310.6	3,310.6
Borrowings,	19	3,017.6	3,118.3	1,950.0	1,959.5
Financial liabilities		6,951.5	7,052.2	6,703.2	6,703.2

At 31 March 2009 the average middle market value, from four leading financial institutions, of the group's quoted debt was £566.8 million (2008 £550.2 million) and fair value for the Public Works Loan Board debt provided by the Debt Management Office was £2,172.4 million (2008 £1,215.1 million). The fair value is more or less than the carrying amount because the Corporation's portfolio of loans consists exclusively of fixed rate loans where the interest rate payable may be greater or lower than the rates available for similar loans at the balance sheet date. All other financial liabilities have fair values equal to their book value. Loans bear a market rate of interest at the time the borrowings were made.

The fair values of all financial assets compared to carrying amounts are as follows:

	Note	Group 2009 Carrying amount £m	Group 2009 Fair value £m	Group 2008 Carrying amount restated £m	Group 2008 Fair value restated £m
Trade and other receivables	14	465.1	465.1	601.9	601.9
Investments	15	1,967.8	1,967.8	1,870.0	1,870.0
Cash	16	34.1	34.1	38.0	38.0
Financial assets		2,467.0	2,467.0	2,509.9	2,509.9

Trade and other receivables above do not include debtors which are not expected to be settled in cash. All financial assets have fair values equal to their book value.

> Notes to the accounts (continued)

21 Nature and extent of risks arising from financial instruments (continued)

The Group's activities involve a variety of financial risks:

- > credit risk
- > liquidity risk
- > market risk

In managing these financial risks, the Corporation has taken account of the CIPFA recommendations contained in the Code of Practice and Cross-Sectoral Guidance Notes (The Treasury Management Code) issued in January 2002 for Treasury Management in the Public Services, the Local Government Act 2003, the Capital Finance and Accounts Regulations 2003 and the CIPFA Prudential Code (The Prudential Code).

It specifically considers the short and long term funding requirements of the Group's operations, its capital investment programmes and liquidity required to discharge its financial obligations when they fall due. It also considers its exposure to inflation and interest rates as they affect its commercial and financial activities. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services and capital investment.

TfL approves a Treasury Management Policy Statement, which requires TfL, prior to the commencement of each financial year, to approve a Treasury Management Strategy. On a daily basis, a central treasury and corporate finance team monitor interest rates and performance against the approved strategies. A quarterly report on performance against the approved strategies is considered by the Finance Committee (a committee of TfL).

In accordance with the Local Government Act 2003 the Mayor sets an affordable borrowing limit. By Regulation, the Mayor and the Corporation are required to have regard to the Prudential Code. Accordingly, TfL annually approves indicators for prudent and affordable borrowing, for estimates of capital expenditure and for interest rate exposures and the maturity profiles of borrowing.

The Group's main financial assets and liabilities are its cash and investments, its borrowings and its obligations under finance leases (mainly the Tube Lines PPP arrangement). These financial assets and liabilities are taken into account when considering the prudence and affordability of the long term funding plan necessary to support the Group's operations and capital investment programmes.

In managing financial assets and liabilities, the annual Treasury Management Strategy has the following objectives:

- > to undertake treasury management operations with primary regard for the security and liquidity of capital invested with reference to the Office of the Deputy Prime Minister (ODPM)'s guidance;
- > to maximise yield from investments consistent with security and liquidity objectives;
- > to ensure that sufficient cash is available to enable the Group to discharge its financial obligations when they become due, in accordance with approved spending plans; and
- > to undertake treasury management activity having regard to Prudential Code Indicators.

> Notes to the accounts (continued)

21 Nature and extent of risks arising from financial instruments (continued)

Credit risk

Credit risk is managed on a Group 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, and arises from deposits with banks and financial institutions and from the Group's customers and suppliers. The following categories comprise the maximum credit exposure of the Group.

Trade and other receivables

The majority of the Group's trade debtors are individuals who owe amounts relating to the use of transport infrastructure. 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 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.

Investments

All cash balances are invested in accordance with the Treasury Code and with regard to the ODPM Guidance, which requires a prudent approach to the investment of surplus funds with priority given to security and liquidity. TfL's liquidity levels are substantial. It maintains the investment policy of short-term, high-security specified investments, which must satisfy the conditions set out below:

- > The investment is denominated in Sterling and any payments or repayments in respect of the investment are payable in Sterling only.
- > The investment is not a long-term investment (i.e. has a maturity of less than one year).
- > The investment does not involve the acquisition of share or loan capital in any body corporate.
- > The investment is either:
 - made with the UK Government; or
 - made with a body or in an investment scheme which has been awarded a high (investment grade) credit rating by a credit rating agency.

Non-UK Government investments are made only with banks and financial institutions if placed on the Group's Approved Investment List. In determining whether to place an institution on the Approved Investment List, the Group will consider the financial position and jurisdiction of the institution, the market pricing of credit default swaps for the institution, any implicit or explicit Government support for the institution and any other relevant factors that could influence the institution's general creditworthiness.

> Notes to the accounts (continued)

21 Nature and extent of risks arising from financial instruments (continued)

Deposit limits per institution on the Approved Investment List, and the maximum term of deposits, are linked to a minimum credit rating of the institution (in the range of A+ to AAA) from at least two credit rating agencies (at the time of making the deposit).

In addition, there is a country exposure limit of £200 million, so that at any one time the aggregate of all investments in entities in a single country or jurisdiction does not exceed this limit. This will apply for all countries except the UK.

Guarantees

The Group provides guarantees to third parties under Section 160 of the Greater London Authority Act 1999, which are deemed necessary for the fulfilment of its policies. The Group's policy is to recognise 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 SORP. Further detail is given in note 29.

Impairment

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of amounts due to it. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

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.

As long as the affordable borrowing limit set by the Mayor is not exceeded, the Group is able to borrow from the Public Works Loan Board (PWLb), raise debt on the capital markets through its established Medium Term Note (MTN) programme and is eligible to apply for project funding at competitive interest rates from the European Investment Bank (EIB). There is therefore no significant risk that it will be unable to raise finance to meet its planned capital commitments.

> Notes to the accounts (continued)

21 Nature and extent of risks arising from financial instruments (continued)

Further protection is provided to the Group by

- i) borrowing only for capital expenditure incurred in the medium-term (three years) and for periods that equate broadly to the lives of the assets being acquired
- ii) fixing interest at historically low long-term rates and
- iii) making provision in its financial plans to ensure that sufficient resources are retained to repay borrowings at maturity. Revenue expenditure is funded by cash fares from customers, cash-backed reserves and cash-backed grant from Government, agreed up to 2017-18. As revenue budgets are required by law to be balanced each year, there is no significant liquidity risk attached to revenue expenditure.

The following represents the maturity analysis of the principal amounts for each source of borrowing for the Group and the Corporation as at 31 March 2009:

	EIB	Loan	PWLB	Amount
	£m	Notes £m	£m	£m
Within five years	-	-	-	-
Between five and ten years	90.0	-	-	90.0
Between ten and fifteen years	150.0	-	97.4	247.4
Between fifteen and twenty years	150.0	80.0	-	230.0
Between twenty and twenty-five years	60.0	380.0	226.2	666.2
Between twenty-five and thirty years	-	40.0	467.6	507.6
Between thirty and thirty-five years	-	100.0	304.5	404.5
Between thirty-five and forty years	-	-	430.1	430.1
Between forty and forty-five years	-	-	355.1	355.1
Between forty-five and fifty years	-	-	160.1	160.1
Total principal repayable	450.0	600.0	2,041.0	3,091.0
Drawn down at 31 March 2009	384.0	600.0	2,041.0	3,025.0

The maturity analysis of finance lease creditors for the group is as follows:

	Group	Group
	2009	2008
	£m	£m
Within one year	193.2	556.5
Between one and five years	1,543.2	2,435.0
Between five and ten years	151.9	96.6
Over ten years	304.3	222.5
Total finance lease creditor payable	2,192.6	3,310.6

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

Interest rate risk

The Group has a policy of fixing interest rates on debt. While this protects the Group from adverse increases in interest rates, in a low interest rate environment these rates could potentially be higher than equivalent floating rates.

> Notes to the accounts (continued)

21 Nature and extent of risks arising from financial instruments (continued)

Interest rate risk (continued)

Because interest rates are currently fixed at historically low levels, the Group is not exposed to significant risk in upward interest rate movements on its borrowings.

The Group invests surplus cash in short term instruments, typically with terms of 30 – 90 days. As described in this Note (see Credit Risk), the Corporation has adopted a very cautious investment strategy for new investments.

The impact of a fifty basis point decrease in interest rates over the next year on the Income and Expenditure Account would be that TfL would earn £6.5 million less interest on its investments.

Foreign exchange risk

The Corporation and the Group have no financial assets or liabilities denominated in foreign currencies and thus have no exposure to gains or losses arising from movements in exchange rates.

22 Pensions

a) Summary of pension totals for the year

		Group 2008/09	Group 2007/08 restated	Corporation 2008/09	Corporation 2007/08
	Note	£m	£m	£m	£m
Total pension service cost for the year					
TfL Pension Fund		158.8	150.6	31.4	27.9
Local Government Pension Scheme		2.6	2.3	2.6	2.3
Principal Civil Service Pension Scheme		1.2	1.3	1.2	1.2
Unfunded schemes provision		1.5	3.6	1.1	3.1
Other schemes		3.8	16.6	0.7	(0.1)
Amount included in net cost of services	3	167.9	174.4	37.0	34.4

The service cost for the Corporation for the TfL Pension Fund represents the employers' contributions payable.

Total pensions interest cost and expected return on pensions assets

		Group 2008/09	Group 2007/08 restated	Corporation 2008/09	Corporation 2007/08
	Note	£m	£m	£m	£m
TfL Pension Fund		38.3	(18.9)	-	-
Local Government Pension Scheme		0.6	0.1	0.6	0.1
Unfunded Schemes Provision		2.8	2.2	1.7	1.3
Amount included in net operating expenditure	22b	41.7	(16.6)	2.3	1.4

Total pension deficit at end of year

		Group 2008/09	Group 2007/08 restated	Corporation 2008/09	Corporation 2007/08
	Note	£m	£m	£m	£m
TfL Pension Fund		(1,130.2)	(596.7)	-	-
Local Government Pension Scheme		(17.3)	(10.1)	(17.3)	(10.1)
		(1,147.5)	(606.8)	(17.3)	(10.1)
Unfunded Schemes Provision	17,22f	(40.6)	(42.8)	(24.1)	(25.6)
Deficit recognised as a liability in the balance sheet	22b	(1,188.1)	(649.6)	(41.4)	(35.7)

> Notes to the accounts (continued)

21 Pensions (continued)

The majority of the Group's staff are members of the three sections of the TfL Pension Fund, namely the Public Sector Section, LUL Nominee BCV Section and LUL Nominee SSL Section. The latter two Sections transferred to the Group with the Metronet business in May 2008. The majority of the Group's remaining staff belongs to the Local Government Pension Scheme or the Principal Civil Service Pension Scheme.

b) TfL Pension Schemes

This section deals with those pension funds to which the Group contributions are accounted for under FRS 17 as defined benefit schemes.

TfL Pension Fund

The TfL Pension Fund, to which the Group contributes, 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's 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 valuation of the Fund was carried out as at 31 March 2006 by the Actuary, a partner of consulting actuaries Watson Wyatt, using the projected unit method.

A revised Schedule of Contributions was agreed between the Trustee and the employers following the 2006 formal funding valuation of the TfL Pension Fund.

For the Public Sector Section, employers' contributions for the period 1 September 2007 to 31 March 2010 were increased to 31.0% (from 30.5%), and contributions from 1 April 2010 until 31 March 2017 will reduce to 22.5%. The employers' contribution includes 9.25% to cover the funding shortfall under the recovery plan. The recovery plan states that the expectation is that the funding shortfall will be eliminated by 31 March 2017. The actual contributions payable from 1 April 2010 may differ from this, dependent on the outcome of the 2009 full actuarial valuation.

Employers' contributions for the BCV and SSL sections are 22.5%, and the recovery plan states that the expectation is that the funding shortfall will be eliminated by providing an additional contribution of £8.6 million each year until 31 March 2014. TfL agreed, as part of the acquisition of the Metronet business, to make a lump sum payment of £42.4 million to these Sections in lieu of the on-going deficit payments. This payment was made on 30 May 2008.

The Corporation and the Group both account for pension costs in accordance with FRS 17. The underlying assets and liabilities of the Public Sector Section cover a number of Group entities and cannot be readily split between each undertaking on a consistent and reliable basis. Thus, in accordance with the standard, the Corporation treats contributions to the Public Sector Section as if they were contributions to a defined contribution plan. The pension cost recognised in the Corporation's accounts for the Public Sector Section is the amount of contributions payable to the scheme during the year. The BCV and SSL Sections only cover individuals employed by London Underground. These Sections are therefore accounted for as defined benefit schemes in the accounts of London Underground and in the Group accounts.

A separate valuation of the three relevant Sections of the TfL Pension Fund has been prepared for accounting purposes on an FRS 17 basis as at 31 March 2009. 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' liabilities 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 liabilities for the TfL Pension Fund have been calculated using the mortality assumptions adopted for the latest funding valuation as at 31 March 2006. 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 in line with the medium cohort projections.

> Notes to the accounts (continued)

21 Pensions (continued)

Local Government Pension Scheme

The Local Government Pension Scheme is a funded multi-employer defined benefit scheme. The Corporation is able to identify its share of the assets and liabilities of the scheme and this scheme has therefore been accounted for as a defined benefit scheme under FRS 17. Employer's contributions were payable at the rate of 15.8% (2007/08 14.1%) of pensionable pay. The Corporation's share of the underlying assets and liabilities resulted in a deficit of £17.3 million (2007/08 £10.1 million). A full actuarial valuation was carried out at 31 March 2007.

The annual report and accounts for the whole scheme can be found on the London Pensions Fund Authority website (www.lpfa.org.uk).

The main actuarial assumptions used for the Public Sector Section of the TfL Pension Fund and the Local Government Pension Scheme (together 'the Schemes') and unfunded schemes were:

	FRS 17 valuation at 31 March 2009	FRS 17 valuation at 31 March 2008 restated	FRS 17 valuation at 31 March 2007 restated
	%	%	%
Inflation	2.2-3.1	3.6	3.1-3.2
Rate of increase in salaries	2.95-4.6	5.1	4.6-4.7
Rate of increase of pensions in payment and deferred pensions	2.9-3.1	3.6	3.1-3.2
Discount rate	6.9-7.1	6.8-6.9	5.35-5.4
Investment return	6.3-6.4	6.8-7.0	6.9-7.2

The assets in the Schemes and the expected rate of return were:

	Expected return	Value at 31 March 2009	Expected return	Value at 31 March 2008 restated	Expected return	Value at 31 March 2007 restated
	%	£m	%	£m	%	£m
Equities	7.9	2,191.6	8.2	2,332.3	8.1	2,600.2
Bonds	4.2	1,270.1	4.9	1,614.1	4.9	1,430.1
Cash, property and other assets	3.7	295.5	5.3	178.3	4.7	107.6
Total fair value of assets		3,757.2		4,124.7		4,137.9
Actuarial valuation of liabilities		(4,945.3)		(4,774.3)		(5,127.9)
Deficit in the Schemes recognised as a liability in the balance sheet		(1,188.1)		(649.6)		(990.0)

> Notes to the accounts (continued)

22 Pensions (continued)

The TfL and the Local Government Pension Schemes' assets consist of the following categories, by proportion of the total assets held: The unfunded pension schemes have no assets to cover their liabilities.

	31 March 2009	31 March 2008 restated	31 March 2007 restated
	%	%	%
Equities	58	57	63
Bonds	34	39	35
Cash, property and other assets	8	4	2
	100	100	100

Income and Expenditure Account	Group 2008/09	Group 2007/08 restated	Corporation 2008/09	Corporation 2007/08
	£m	£m	£m	£m
Analysis of amounts charged to net cost of services				
Current service cost	158.3	152.9	1.7	2.3
Past service cost	3.7	0.6	1.2	0.4
Curtailment and settlements	0.2	-	0.2	-
Total charged to net costs of services	162.2	153.5	3.1	2.7
Analysis of pensions interest cost and expected return on assets				
Interest on Schemes liabilities	348.7	274.6	5.6	4.1
Expected return on Schemes assets	(307.0)	(291.2)	(3.3)	(2.7)
Total charged/(credited) to net operating expenditure	41.7	(16.6)	2.3	1.4
Total amount included in operating expenditure in Income and Expenditure Account	203.9	136.9	5.4	4.1
Contribution to pension reserve	10.0	29.6	(1.5)	(0.2)
Amount to be met from government grant	213.9	166.5	3.9	3.9
Analysis of amount recognised in statement of total recognised gains and losses (STRGL)				
Actuarial loss/(gain) recognised in STRGL during the year	530.5	(311.3)	5.7	(3.1)
Cumulative loss recognised in STRGL at end of the year	801.8	271.3	16.9	11.2

> Notes to the accounts (continued)

22 Pensions (continued)

Analysis of scheme liabilities into amounts arising from schemes that are wholly or partly funded and wholly unfunded	Group 2008/09 £m	Group 2007/08 restated £m	Corporation 2008/09 £m	Corporation 2007/08 £m
Wholly unfunded schemes	40.6	42.8	24.1	25.6
Wholly or partly funded schemes	4,904.7	4,731.5	55.5	55.8
Total scheme liabilities	4,945.3	4,774.3	79.6	81.4

Reconciliation of present value of the scheme liabilities:	Group 2008/09 £m	Group 2007/08 restated £m	Corporation 2008/09 £m	Corporation 2007/08 £m
Change in liabilities				
Actuarial value of liabilities at start of year	4,774.3	5,127.9	81.4	75.9
Liabilities acquired in the year	446.2	-	-	-
Current service cost	158.3	152.9	1.7	2.3
Interest cost	348.7	274.6	5.6	4.1
Employee contributions	36.2	26.6	0.9	0.7
Actuarial (gain) / loss on liabilities	(631.5)	(633.2)	(7.6)	1.1
Actual benefit payments	(190.8)	(175.1)	(3.8)	(3.1)
Past service cost	3.7	0.6	1.2	0.4
Curtailment	0.2	-	0.2	-
Actuarial value of liabilities at end of year	4,945.3	4,774.3	79.6	81.4

Reconciliation of fair value of the scheme assets:	Group 2008/09 £m	Group 2007/08 restated £m	Corporation 2008/09 £m	Corporation 2007/08 £m
Change in assets				
Fair value of assets at start of year	4,124.7	4,137.9	45.7	37.7
Assets acquired in the year	382.8	-	-	-
Expected return on assets net of expenses	307.0	291.2	3.3	2.7
Gain / (loss) on assets	(1,162.0)	(321.9)	(13.3)	4.2
Actual employer contributions	259.3	166.0	5.4	3.5
Employee contributions	36.2	26.6	0.9	0.7
Actual benefits paid	(190.8)	(175.1)	(3.8)	(3.1)
Fair value of assets at end of year	3,757.2	4,124.7	38.2	45.7

c) 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 liabilities on a consistent and reasonable basis and as permitted by the multi-employer exemption in FRS 17, 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 2007. Details can be found in the Civil Service Superannuation Resource Accounts (www.civilservice-pensions.gov.uk).

> Notes to the accounts (continued)

22 Pensions (continued)

c) Principal Civil Service Pension Scheme (continued)

Employers' contributions were payable to the PCSPS at one of four rates in the range 17.1% to 25.5% of pensionable pay, based on salary bands. Rates will change as of 1 April 2009, subject to salary band changes. Employer contributions are reviewed every four years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

d) Railways Pension Scheme

Crossrail Limited (CRL) contributes 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 53 participating employers, each (apart from CRL) having fewer than 51 active members in the scheme.

The Omnibus Section is valued as a whole and as a result of this, CRL is unable to identify its share of the underlying assets and liabilities. The Omnibus Section of the RPS is a multi-employer scheme, and is accounted for as a defined contribution scheme under FRS 17. An actuarial valuation was carried out on the Omnibus Section of the scheme at 31 December 2007. The actuarial report showed that there was a surplus between the assets and liabilities of £6.236m for the total Omnibus Section and the actuary estimated the CRL portion of this surplus to be £217,200.

The current level of total contribution is 27.8%. The findings of the 2007 valuation report have been translated into new contribution levels of 31%, effective from 1 July 2009. The Trustee believes that it would not be prudent to use the surplus disclosed by the valuation to reduce contributions to less than the future service joint contribution rate.

e) Analysis of movements in pensions reserve

The actuarial gains and losses identified as movements on the pensions reserve can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March:

The Schemes	Group 2008/09	Group 2007/08 restated	Group 2006/07 restated	Group 2005/06 restated	Group 2004/03 restated
Difference between the expected and actual return on assets gain/(loss)					
amount (£ million)	(1,162.0)	(321.9)	72.3	473.7	97.9
percentage of scheme assets	30.9%	7.8%	1.7%	12.5%	3.2%
Differences between actuarial assumptions about liabilities and actual experience gain/(loss)					
amount (£ million)	(71.7)	(156.2)	(179.7)	59.8	(99.0)
percentage of the present value of the scheme liabilities	1.4%	3.3%	3.5%	1.3%	2.5%
Changes in the demographic and financial assumptions used to estimate liabilities gain/(loss)					
amount (£ million)	703.2	789.4	(97.9)	(354.8)	(92.4)
percentage of the present value of the scheme liabilities	14.2%	16.5%	1.9%	7.8%	2.3%
Surplus/(deficit) at year end					
Fair value of assets at year end	3,757.2	4,124.7	4,137.9	3,794.3	3,058.7
Actuarial value of liabilities at year end	(4,945.3)	(4,774.3)	(5,127.9)	(4,564.1)	(4,019.4)
Surplus/(deficit) in schemes at year end	(1,188.1)	(649.6)	(990.0)	(769.8)	(960.7)

> Notes to the accounts (continued)

22 Pensions (continued)

f) Unfunded pension costs

The Group bears the cost of the augmentation of the pensions of certain employees, who retire early under voluntary severance arrangements.

In addition, the Group bears the cost of:

- > ex-gratia payments which are made to certain former employees who retired more than ten years ago 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 more than ten years ago and prior to index linking of pensions;
- > pensions of LU and London Regional Transport (LRT) former board members who retired more than five years ago and who did not qualify to join the TfL Pension Fund.

Watson Wyatt, consulting actuaries, were instructed to report on the financial position of the unfunded pension liabilities as at 31 March 2009 for the purpose of FRS 17 only. The report does not constitute a formal actuarial valuation of the unfunded pension liabilities. The valuation as at 31 March 2009 was £40.6 million (2008 £42.8 million) and is fully provided for in these accounts.

23 Movements in reserves

This statement shows the movements on the Group and Corporation's reserves. It distinguishes between movements resulting from the gains and losses for the year and movements resulting from transfers between reserves, most of which the Corporation is required to make in accordance with statute or non-statutory proper practice.

Group	Balance at 1 April 2008	Gains/(losses) for the year	Transfers between reserves	Balance at 31 March 2009
	£m	£m	£m	£m
General fund	161.6	(513.9)	507.6	155.3
Earmarked reserves	1,442.8	-	(301.1)	1,141.7
Capital adjustment account	1,359.7	-	(204.9)	1,154.8
Fixed asset revaluation reserve	1,869.7	(142.5)	(72.7)	1,654.5
Group profit and loss reserve	30.1	701.3	61.1	792.5
Capital reserves in subsidiaries	5.8	-	-	5.8
Group pensions reserve	(606.8)	(440.9)	10.0	(1,037.7)
Merger reserve	466.1	-	-	466.1
Other reserves	82.6	-	-	82.6
	4,811.6	(396.0)	-	4,415.6

> Notes to the accounts (continued)

23 Movements in reserves (continued)

Corporation	Balance at 1 April 2008 £m	Gains/(losses) for the year £m	Transfers between reserves £m	Balance at 31 March 2009 £m
General fund	161.6	(513.9)	507.6	155.3
Earmarked reserves	1,442.8	-	(301.1)	1,141.7
Capital adjustment account	1,359.7	-	(204.9)	1,154.8
Fixed asset revaluation reserve	34.7	19.9	(0.1)	54.5
Pensions reserve in Corporation	(10.1)	(5.7)	(1.5)	(17.3)
Other Corporation reserves	(26.9)	-	-	(26.9)
	2,961.8	(499.7)	-	2,462.1

Earmarked reserves have been established to finance future capital projects, consistent with TfL's approved Business Plan, and also to cover contingencies. In addition, reserves have been set aside to finance certain capital projects, which were not included in the approved Business Plan but have been committed to by the Board, where it is considered appropriate to fund such projects from reserves.

The pensions reserve represents the FRS 17 pension fund deficits, as set out further in Note 22 to these accounts. The merger reserve of £466.1 million arose as a result of the transfer of the net assets of LRT, including the share capital of London Underground Limited, to TfL in 2003. It represents the share capital of LU and was taken as a credit to reserves as no consideration was given by TfL in respect of the transfer.

The capital reserves in subsidiaries are distributable reserves in respect of net profits and losses transferred to provide for future capital investment. Other reserves relate to the transfer of the net assets of LRT and LU to the TfL group in 2003.

> Notes to the accounts (continued)

23 Reconciliation of the surplus for the year on the Income and Expenditure Account to the surplus for the year on the General Fund

The surplus for the year on the General Fund was £507.6 million higher (2007/08 £64.1 million lower) than the Income and Expenditure Account result for the Corporation. This is explained as follows:

The Income and Expenditure Account discloses the income received and expenditure incurred in operating the Corporation's services for the year and is equivalent to the profit and loss account of a business. Income and expenditure and the resulting surplus or deficit for the year is measured in accordance with the SORP which is essentially the same as UK GAAP.

There are, however, certain items which the Corporation is required to charge or credit to its General Fund when determining the balance on that Fund which are laid down in statute and non-statutory "proper practices" rather than being UK GAAP based. An example of this is that depreciation of fixed assets is charged to the Income and Expenditure Account in accordance with UK GAAP but then excluded from the General Fund in accordance with statute.

The surplus or deficit on the Income and Expenditure Account is the best measure of the Corporation and Group's operating financial performance for the year. However, the surplus or deficit on the General Fund is also important since it indicates whether the Corporation added to or drew on its General Fund balances during the year. This in turn affects the amount of General Fund balance that the Corporation can take into account when determining its spending plans for the following year.

The table below gives a detailed breakdown of the differences between the income and expenditure included in the Corporation's Income and Expenditure Account in accordance with the SORP, and the amounts that statute and non-statutory proper practice required the Corporation to charge and credit to the General Fund Balance.

> Notes to the accounts (continued)

24 Reconciliation of the surplus for the year on the Income and Expenditure Account to the surplus for the year on the General Fund (continued)

	Note	Corporation 2009 £m	Corporation 2008 £m
Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the General Fund surplus or deficit for the year			
Depreciation and amortisation of fixed assets	11c	(162.8)	(164.4)
Government grants deferred amortisation matching depreciation	11c	42.2	55.7
Net loss on disposal or retirement of fixed assets	8	(5.2)	(21.9)
Amount by which pension costs are different from the contributions paid		(1.5)	-
		(127.3)	(130.6)
Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the General Fund surplus or deficit for the year			
Statutory provision for repayment of debt	25	(79.2)	51.7
		(79.2)	51.7
Transfers to/from the General Fund that are required by statute to be taken into account when determining the General Fund surplus/deficit for the year			
Transfers made at the discretion of the Corporation to or from reserves that have been earmarked for specific purposes	23	(301.1)	143.0
		(301.1)	143.0
Amount by which the surplus on the General Fund for the year was (higher)/lower than the Income and Expenditure Account result for the year		(507.6)	64.1

> Notes to the accounts (continued)

25 Minimum revenue provision

The Local Government and Housing Act 1989 required 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 MRP 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 Department for 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 the statutory guidance provides four suggested options for the calculation of MRP, TfL does not consider that any of these are appropriate to TfL’s circumstances. TfL’s policy on MRP is to treat debt service (interest and principal) in its business plan as an in-year operating cost. As TfL has a legal requirement to produce a balanced budget (and this approach had been extended to the full business plan), the cost of debt service is taken account of in determining whether annual budget and business plans are in balance.

TfL has therefore adopted the following policy:

- > No provision is made for debt repayment in advance of years where any such repayment is due;
- > Debt service, including principal repayment, is treated as an in-year operating cost and will be funded from income in the year the debt service is required;
- > The ratio of debt service to recurring income (including grant) has a ceiling of 5%
- > On a programme view, debt maturity should not exceed the useful life of the capital asset financed.

During the year, TfL has released the £79.2 million balance of MRP held at 31 March 2008 to the General Fund from the Capital Adjustment Account.

26 Capital Commitments

	Group 2009	Group 2008 restated	Corporation 2009	Corporation 2008
	£m	£m	£m	£m
In respect of contracts placed for:				
Surface transport projects	121.3	67.4	49.1	67.4
London Underground projects	1,103.5	320.5	-	-
Rail for London projects	206.8	484.8	-	-
Other projects	-	78.5	-	7.1
	1,431.6	951.2	49.1	74.5

> Notes to the accounts (continued)**27 Financial commitments****a) Operating leases**

As at 31 March, the Group and the Corporation were committed to making the following payments during the next year in respect of operating leases:

	Group 2009	Group 2008 restated	Corporation 2009	Corporation 2008
	£m	£m	£m	£m
Property leases which expire:				
Within one year	1.7	2.2	-	-
Between one and five years	15.6	19.3	-	-
Thereafter	26.7	27.6	-	-
	44.0	49.1	-	-
PFI agreements and other leases which expire:				
Within one year	144.3	3.9	0.1	-
Between one and five years	9.0	5.2	0.3	0.4
Thereafter	171.7	276.2	27.8	28.6
	325.0	285.3	28.2	29.0

Under the Government's PFI initiative, agreements have been entered into by London Underground Limited for the provision by the private sector of a new communications network, new facilities for the British Transport Police and upgraded high-voltage power generation and distribution systems. Given the substantial risks retained by the private sector, these transactions are accounted for as operating leases and the assets provided are, therefore, not included in the balance sheet.

In addition to the above, the Group entered into a PFI for a new gating and ticketing system. This has been accounted for as an operating lease and the assets have not been included in the balance sheet to date. TfL exercised a termination clause for the PFI in August 2008. When the contract ends in August 2010, the assets under the PFI will be recorded on TfL's balance sheet.

The Group also has PFI agreements and leases in respect of road schemes (including congestion charging), the DLR Lewisham, City Airport and Woolwich extensions, and motor vehicles. Given the substantial risks retained by the private sector, these transactions, other than the DLR Lewisham, City Airport and Woolwich extensions, are also accounted for as operating leases and the assets provided are, therefore, not included in the balance sheet.

> Notes to the accounts (continued)

27 Financial commitments (continued)

b) PPP

LU has entered into three PPP contracts for the maintenance, enhancement and replacement of LU's operational assets, although subsequent to the failure of the two Metronet Infracos, two contracts are now intragroup. The contracts are for 30 years and are re-negotiable every 7.5 years. The amount payable to the PPP contractors is dependent upon their performance. The capital element of the contracts over the 30 year period is estimated to be between £15 billion and £20 billion.

c) Contingencies

There are a number of uncertainties surrounding projects, including claims in the course of negotiations, which may affect the financial outcome. Where claims are possible but not probable, or unquantifiable, such claims are treated as contingent liabilities. Contingent liabilities are not recognised in the Statement of Accounts, 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 financial statements include provisions based on management's best estimate of the outcome of these uncertainties (see Note 18).

Whilst any disputes are ongoing TfL does not disclose the quantum or timing of any possible settlement as this could prejudice its commercial position.

> Notes to the accounts (continued)

28 Related parties

Transport for London is required by the Accounting Code of Practice (ACOP) and FRS 8 *Related Party Disclosures* to disclose all material related party transactions.

A related party is one which has direct or indirect control over the organisation, or influence over the financial and operational policies of the organisation. It follows that those persons who have control or influence over the organisation or policies of the Corporation may be involved in related party transactions where they also have control or influence over the organisation which has dealings with the Corporation. A related party transaction can also arise between parties subject to influence or control from the same external source. The related parties to the Corporation are:-

- > its Board Members, Chief Officers and Commissioner
- > Central Government
- > Greater London Authority (GLA) and other functional bodies
- > partnerships and associated companies, and
- > the TfL Pension Fund

Disclosure of these 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.

Most of the transactions between these parties are reported elsewhere in the Statement of Accounts. The Accounts of the TfL Pension Fund are shown separately and are subject to a separate audit opinion.

Board Members, Chief Officers and the Commissioner are required to complete a declaration regarding any related party transactions.

Central Government is responsible for providing the statutory framework within which the Corporation operates and provides the majority of its funding in the form of Transport Grant. 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 Income and Expenditure Accounts and Cash Flow Statements and are therefore not included in this note.

During 2008/09 there were no other material related party transactions except as disclosed below.

	Total income during the year £m	Total expenditure during the year £m	Outstanding balance at 31 March 2009 £m
Greater London Authority (GLA)	0.1	3.8	-
Metropolitan Police Authority (MPA)	0.4	88.5	(11.3)
London Development Agency (LDA)	44.0	1.8	5.5

> Notes to the accounts (continued)

29 Guarantees

Section 160 of the Greater London Authority Act 1999 sets out the conditions under which TfL may give certain guarantees, indemnities or similar arrangements.

TfL and its subsidiaries have entered into a joint and several guarantee in favour of HSBC Bank plc as security for any bank indebtedness outstanding from time to time. TfL gave the guarantee under section 160(1) of the Greater London Authority Act 1999.

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 termination of the underlying contract, when termination occurs during the life of the contract, breakage cost and other contractual costs 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. For the avoidance of doubt, these amounts may 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.

Approximate maximum amount of debt available for drawdown under the relevant debt facilities as part of the:

	£m
Agreement with Tube Lines	1,803
Agreement with CityLink	502
Agreement with Canary Wharf Properties (Crossrail) Limited	500
Agreement with WARE	218
Agreement with TranSys	197
Agreement with PADCo and EDF Energy Powerlink Ltd	168
Agreement with CARE	164
Agreement with Pittville Leasing Limited	51
Agreement with APSLL	4

Whilst the guarantee in relation to the PPP Contract of Tube Lines noted above is the most significant guarantee issued on behalf of LU, it should also be noted that TfL guarantees LU termination obligations under a further two contracts relating to the Northern Line Train Service Contracts and the Jubilee Line Agreement. Unlike the agreements listed above, the contracts are not based on an initial amount of debt and so cannot be quantified in a similar manner.

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) and no indemnities associated with the guarantees were given by virtue of section 160 (5) of the Greater London Authority Act 1999.

> Notes to the accounts (continued)

30 Mergers and acquisitions

a) Crossrail

At 31 March 2008, the Group owned 50% of the shares of Cross London Rail Links Limited (CRL). On 5 December 2008, the remaining 50% interest in CRL was transferred to the Group from the Department for Transport. There was no consideration payable for this transfer. CRL has subsequently changed its name to Crossrail Limited.

Although TfL now controls the day to day operations of CRL, the Crossrail project will continue to be funded in part by the Department for Transport and it will continue to be the co-sponsor for the project.

The SORP for local authorities requires that merger accounting be applied because CRL was 100% in public sector ownership before the acquisition. In accordance with FRS 6, the financial information for the current period has been presented, and that for prior periods has been restated, as if CRL had been owned by the Group throughout the current and prior accounting periods.

> Notes to the accounts (continued)

30 Mergers and acquisitions (continued)

b) Tramtrack Croydon

On 27 June 2008, the acquisition of Tramtrack Croydon Limited (TCL) was completed, with 100% of the shares acquired for a £1 consideration, which represented the fair value of net assets acquired. Immediately prior to acquisition, the Group lent TCL £98 million in order to settle its shareholder loans.

The group comprises TCL and two wholly owned subsidiaries, Tramtrack Leasing Limited, which holds and rents out assets relating to the concession agreement and Tramtrack Lease Financing Limited, which acts as the intra-group lessor in respect of the finance leases for tram and track assets relating to the operation of the Croydon Tramlink system. The assets and liabilities acquired are set out below:

	27 June 2008	27 June 2008	27 June 2008
	Book Value	Fair Value	Fair Value
		Adjustments	total
	£m	£m	£m
Fixed assets	173.5	(75.9)	97.6
Debtors	2.3	-	2.3
Cash	1.1	-	1.1
Creditors	(3.0)	-	(3.0)
TfL loan	(98.0)	-	(98.0)
Deferred grant	(92.4)	92.4	-
Total	(16.5)	16.5	-
Purchase consideration			-
Goodwill			-

The fair value adjustments made above are in respect of the following:

- > As there is no active market for the fixed assets of the Croydon Tramlink system, these have been revalued to reflect management's best estimate of the current depreciated replacement cost of those assets.
- > The deferred grant historically received by Croydon Tramlink has no intrinsic value to the Group and so has been written down to £nil as a fair value adjustment.

The TCL Group's contribution to revenue post acquisition was £13.2 million. For the year ended 31 March 2008, TCL Group reported an audited after tax loss of £3.0 million. For the period ended 27 June 2008, the unaudited after tax profit was £22.7 million.

> Notes to the accounts (continued)

30 Mergers and acquisitions (continued)

c) Metronet

On 27 May 2008, the acquisition of the assets of the Metronet Infracos from the administrators was completed. During the previous year, the Group created two new subsidiaries, namely LUL Nominee BCV Limited and LUL Nominee SSL Limited (the Nominee companies) and during the current year transferred certain assets and liabilities to these companies under statutory transfer schemes (the Transfer Schemes). Following court approval on 23 May 2008, the Transfer Schemes were effected on 27 May 2008 for a total cash consideration of £50 million.

The consideration received by the Metronet Infracos was applied by the PPP Administrator as part repayment of the loan from TfL. This means that no part of the cash consideration remained with the Metronet Infracos and the net effect for TfL as a whole was cash neutral. However, this is presented as purchase consideration in the table below.

Effective as of the acquisition date, LU and the two Nominee companies entered into a number of agreements to amend the Infrastructure Service Charge to reflect the debt free status of the two Nominee companies. The Infrastructure Service Charge for the period from 27 May 2008 is set at such a level to ensure that the Nominee companies break even. The finance lease creditor in respect of the Metronet PPP contracts was therefore released into Income during the year. The finance lease creditor balance as at 27 May 2008 was £1,705.5 million (see note 6 Exceptional Items). The release of the finance lease creditor offsets the provision against the loan receivable from Metronet, recognised in the previous year.

Included in the assets of the Infracos subject to the Transfer Schemes were the shares of Metronet REW Limited and Metronet TMU Limited. The employees of these two companies entered into new contracts with the Nominee companies on 1 July 2008. The assets and liabilities of these companies were transferred to the Nominee companies for nil consideration under a transfer scheme on 31 March 2009. The transfers of employees, assets and liabilities within the Group were accounted for under FRS 6 as a reorganisation.

> Notes to the accounts (continued)

29 Mergers and acquisitions (continued)

c) Metronet (continued)

Account	27 May 2008	27 May 2008	27 May 2008	27 May
	Book Value	Adjustments	Fair value	2008
		for Group	adjustments	Fair Value
		policy		total
	£m	£m	£m	£m
Tangible fixed assets	2,759.8	(2,749.1)	-	10.7
Stocks	15.1	-	-	15.1
Trade debtors	78.8	-	64.2	137.8
Cash at bank and in hand	157.7	-	-	157.7
Creditors: amounts falling due within one year	(274.3)	-	-	(274.3)
Other provisions	(1.6)	-	(29.6)	(31.2)
Pension provision	(13.4)	-	(50.0)	(63.4)
Total	2,716.9	(2,749.1)	(15.4)	(47.6)
Purchase consideration				50.0
Goodwill				97.6

The fair value adjustments made above are in respect of the following:

- > The Metronet companies had historically accounted for the assets which were transferred to them under the PPP contracts as tangible fixed assets at cost on their balance sheets. However, as described in accounting policy note m, based on its own analysis following FRS 5 application note F the Group had determined that the balance of the risks and rewards of ownership rested with LU and these assets had also been recorded on the LU balance sheet. Accordingly, an adjustment has been made to align the Nominee companies accounting with that of the Group and so remove the tangible fixed assets and related capitalised interest from the books of the Nominee companies
- > As described in accounting policy note m, the Group carries a finance lease creditor balance in relation to the PPP contracts. This amount broadly represents the timing difference between cash paid to the Infracos and the amount of work they have already performed. Consideration was given as to whether a finance lease debtor should have been established in the Nominee companies in the table above to match the related finance lease creditor balance of £1,705.5 million. However, given the loss making position of the PPP contract in the Nominees, it was considered that this balance was not recoverable by the Nominees and hence no net adjustment arises
- > The other fair value adjustments were primarily a provision for asbestos remediation and an increase in the pension provision following a full FRS 17 valuation being performed, and recognition of the related amounts anticipated to be recovered by the Nominees from LU

The Nominees' contribution to revenue post acquisition was £nil. For the year ended 31 March 2008 and for the period ended 27 May 2008, the Metronet Infracos did not report a profit or loss as they were in administration and did not prepare accounts.

> Chief Officers (during financial year ending 31/03/09)



Peter Hendy
Commissioner



Steve Allen
Managing Director
Finance



David Brown
Managing Director
Surface Transport



Ian Brown
Managing Director
London Rail



Howard Carter
General Counsel



Malcolm Murray-Clark
Managing Director
Planning



Michèle Dix
Managing Director
Planning



Vernon Everitt
Managing Director
Group Marketing
and Communications



Tim O'Toole¹
Managing Director
London Underground



Valerie Todd²
Managing Director
Group Services

Chief Officer changes

¹Tim O'Toole left with effect from 30/04/2009. Richard Parry was appointed as Interim Managing Director London Underground from 01/05/2009

²Valerie Todd left with effect from 11/01/2009

> Board Members (during financial year ending 31/03/09)



Boris Johnson
Chairman



Daniel Moylan
Statutory Deputy
Chairman



Christopher Garnett
Non-statutory Deputy
Chairman



Peter Anderson



Claudia Arney
(appointed 19/01/2009)



Charles Belcher



Dame Tanni
Grey-Thompson



Sir Mike
Hodgkinson



Judith Hunt



Eva Lindholm



Steven Norris



Bob Oddy

> Board Members (during financial year ending 31/03/09)



Patrick O'Keeffe



Tim Parker¹



Kulveer Ranger



Tony West



Keith Williams



Steve Wright

Board Member changes

¹Tim Parker stood down from the TfL Board on 05/12/2008

> Crossrail Board Members



Terry Morgan CBE
Chairman



Rob Holden CBE
Chief Executive



David Allen
Finance Director



Michael Cassidy
CBE



Patrick Crawford



Sir Joe Dwyer



Sir Mike
Hodgkinson



Robert Jennings
CBE



Dr Graham Plant
Programme Director



Heather Rabbatts
CBE

> Membership of the TfL Board, panels and committees (as at 31/03/09)

> TfL Board

Boris Johnson – **Chairman**
Daniel Moylan – **Statutory Deputy Chairman**
Christopher Garnett –
Non-statutory Deputy Chairman
Peter Anderson
Claudia Arney
Charles Belcher
Dame Tanni Grey-Thompson
Sir Mike Hodgkinson
Judith Hunt
Eva Lindholm
Steven Norris
Bob Oddy
Patrick O’Keeffe
Kulveer Ranger
Tony West
Keith Williams
Steve Wright

> Committees of the Board

Audit Committee

Judith Hunt – **Chair**
Charles Belcher
Daniel Moylan
Patrick O’Keeffe
Keith Williams
Steve Wright

Finance Committee

Peter Anderson – **Chair**
Claudia Arney
Christopher Garnett
Sir Mike Hodgkinson
Eva Lindholm
Daniel Moylan
Steven Norris
Kulveer Ranger
Keith Williams

Remuneration Committee

Christopher Garnett – **Chair**
Sir Mike Hodgkinson
Judith Hunt
Boris Johnson
Daniel Moylan

Safety, Health and Environment Committee

Christopher Garnett – **Chair**
Charles Belcher
Dame Tanni Grey-Thompson
Judith Hunt
Daniel Moylan
Tony West

> Panels

Planning and Corporate Panel

Judith Hunt – Chair

Peter Anderson

Daniel Moylan

Patrick O’Keeffe

Kulveer Ranger

Tony West

Surface Transport Panel

Steven Norris – Chair

Charles Belcher

Dame Tanni Grey-Thompson

Judith Hunt

Daniel Moylan

Bob Oddy

Patrick O’Keeffe

Keith Williams

Steve Wright

Rail and Underground Panel

Christopher Garnett – Chair

Peter Anderson

Charles Belcher

Dame Tanni Grey-Thompson

Sir Mike Hodgkinson

Daniel Moylan

Tony West

Steve Wright (from 31/03/09)

> Remuneration

This report outlines TfL's policy regarding the remuneration of its Board Members, the Commissioner and Chief Officers, who are responsible for directing the affairs of the organisation.

> Policy for Board Members

Board Members are appointed by the Mayor and are non-executive. Remuneration for 2008/09 for each Board Member (with the exception of the two Deputy Chairmen) related directly to the number of panels and committees on which each member served. Remuneration also took into account those members who served as Chair of the committees and panels, up to a capped maximum.

Remuneration levels are set for each Mayoral term, but are reviewed periodically to reflect the responsibilities and accountabilities of the role. With effect from 1 August 2004, the basic fee was £18,000 per annum. Board Members who acted as Chair, or as a member of a committee or panel, received additional fees of £4,000 per annum (as a Chair) and £2,000 per annum (as a member) for each appointment. The maximum payment in aggregate was £24,000 per annum, except for the position of Deputy Chairman of the Board. The annual fee was £60,000 per annum in total for Daniel Moylan, the statutory Deputy Chairman, and £40,000 per annum for

Christopher Garnett, the non-statutory Deputy Chairman. The terms and conditions of appointment for Board Members are published on the TfL website (tfl.gov.uk).

> Policy for Chief Officers

Remuneration Committee

The Remuneration Committee consists of five Board Members. The terms of reference of the Remuneration Committee include reviewing the remuneration of the Commissioner and Chief Officers on behalf of the Board.

Remuneration policy

Chief Officers are employed by TfL or its subsidiary companies. The policy of TfL is to provide remuneration packages for Chief Officers which are designed to attract, retain and motivate individuals of the high calibre required to manage such a large, complex organisation. Remuneration packages reflect their responsibilities, experience and performance. The Remuneration Committee has established a reward structure commensurate with this policy.

Reward strategy

TfL's reward strategy aims to pay competitive market salaries while recognising individual progress and development through annual performance reviews. Annual increases in base pay are contained within an inflation-based budget. However, in setting individual salary levels, the Remuneration Committee takes into account the median position of relevant

markets, the remuneration for other chief officers, the individual contribution and any pay parity issues across the organisation.

Performance-related bonus

The Commissioner and Chief Officers are entitled to an annual performance bonus, assessed against a range of business measures. The performance-related payments reward the achievement of challenging targets related to the short-term performance of the organisation.

Targets for Chief Officers are based on Group-wide and individual Directorate performance.

The bonus paid to the Commissioner, Peter Hendy, is up to a maximum of 50 per cent of base salary. The Chief Officers' bonus is up to a maximum of 30 per cent of base salary.

Other benefits

Senior officers are eligible to receive various general benefits including:

- > Private medical insurance
- > Annual health check-ups
- > Subscriptions to professional organisations
- > Where appropriate, temporary or medium-term accommodation
- > Pension
- > Where appropriate, recompense for loss of benefits from previous employers and/or to comply with TfL's policies

- > As with all TfL employees, the Commissioner and Chief Officers are provided with a free travel pass for themselves and a nominee valid on TfL transport modes. Chief Officers who joined after 1 April 1996 are eligible to receive reimbursement of 75 per cent of the cost of an annual season ticket on National Rail. Chief Officers employed by predecessor organisations prior to April 1996 receive National Rail facilities in line with the policy of the predecessor organisation

Pension arrangements

Chief Officers are eligible to join the defined benefit TfL Pension Fund. The provisions for Chief Officers are designed to give a pension of up to two-thirds of final pensionable pay, part of which can be exchanged for a tax-free retirement lump sum (under current legislation). There is a death in service benefit of four times pensionable pay. Employee contribution is five per cent of pensionable pay. Further benefits are provided through the defined contribution Supplementary Pension Scheme for those staff earning above the statutory cap. Only base salary is pensionable.

Commissioner's remuneration

The Commissioner's salary for 2008/09 was £348,444. He received a bonus of £146,440 during the year in respect of performance for the previous year ended 31 March 2008.

> Alternative formats

An electronic version of TfL's Annual Report and Accounts 2008/09 is available at tfl.gov.uk/annualreport. It is also available in audio, Braille and a range of other languages.

To order the format you require, please tick the relevant box in the list opposite, include your name and address and return to:

Transport for London, Windsor House,
42-50 Victoria Street, London SW1H 0TL.

Alternatively, call 020 7126 4500 or email enquire@tfl.gov.uk.

Audio (English) Arabic

إذا كنت تود الحصول على نسخة من هذه المعلومات باللغة العربية، يُرجى أن تضع علامة في هذا المربع، وأن تترك الاسم والعنوان في المقطع أثناء لم تحديد هذه النسخة إلينا على العنوان التالي. شكرًا لك.

 Bengali

যদি আপনি বাংলা ভাষায় এই তথ্যসমূহ একটি অডিও ফর্ম, অডিও অথবা ব্রাইল ভাষায় চিত্রিত ব্রাইল ফর্ম এবং নিম্নের নাম এবং ঠিকানায় বাংলায় পূরণ করে নিতে এই অনুরোধটি আমাদের কাছে নিউজিলান্ড ঠিকানায় পরিচরিত মিন। বনাবল।

 Chinese

如欲索取本资料文件的中文（繁体字）版本，请在空格内打勾，并在下文填写你的姓名和地址，然后将本表替寄交以下地址。谢谢。

 French

Cette information est disponible dans plusieurs langues, en format audio et en braille. Cochez la case appropriée pour préciser le format requis, indiquez votre nom et votre adresse et renvoyez le tout à TIL à l'adresse ci-dessous.

 Greek

Εάν θέλετε να λάβετε αντίγραφο των πληροφοριών αυτών στα ΕΛΛΗΝΙΚΑ, παρακαλούμε σημειώστε σ' αυτό το περικολλημένο, συμπληρώστε την παρακάτω ενότητα με όνομα και διεύθυνση και επιστρέψτε το παρόν έντυπο σε μας στην παρακάτω διεύθυνση. Ευχαριστούμε πολύ.

 Gujarati

જો તમને આ માહિતીનો નકલ ગુજરાતી ભાષામાં મેળવવી હોય તો, કૃપા કરી બોક્સમાં ચિહ્નનો કરો, નીચેના વિભાગમાં તમારું નામ અને સરનામું પૂરું કરો, અને નીચે જણાવેલ સરનામે આ ફોર્મ મોકલે મોકલો. તમારો આભાર.

 Braille Hindi

यदि आपको इस जानकारी की एक कॉपी हिन्दी में चाहिए तो कृपया इस बॉक्स में टिक करें, नाम और पता नीचे दिए गए भाग में भरें, और इस फॉर्म को हमें नीचे दिए गए पते पर寄विये दें। धन्यवाद।

 Punjabi

ਜੇ ਕਰ ਕੁਝ ਹੁਣੇ ਇਸ ਜਾਣਕਾਰੀ ਦੀ ਇਕ ਕਾਪੀ ਪੰਜਾਬੀ ਵਿਚ ਜਾਹੀਦੀ ਹੈ ਤਾਂ ਕਿਰਪਾ ਕਰ ਕੇ ਇਸ ਬਾਕਸ ਵਿਚ ਟਿਕ ਕਰੋ, ਨਾਮ ਅਤੇ ਪਤਾ ਹੇਠ ਦਿੱਤੇ ਭਾਗ ਵਿਚ ਭਰੋ, ਅਤੇ ਇਹ ਫਾਰਮ ਨੂੰ ਹੇਠ ਦਿੱਤੇ ਠੇਕੇ ਪਤੇ ਤੇ ਸਾਡੇ ਕੋਲ ਵਾਪਸ ਭੇਜੋ। ਧੰਨਵਾਦ।

 Spanish

Esta información está disponible en distintos idiomas, así como en formato de audio y en braille. Por favor, marque la casilla correspondiente al formato requerido, complete su nombre y dirección, y devuélvalo a TIL a la dirección que se indica más abajo.

 Turkish

Bu bilgilerin TÜRKÇE bir kopyasını edinmek istiyorsanız, lütfen bu kutuyu işaretleyip aşağıdaki isim ve adres bölümünü doldurduktan sonra altta belirtilen adresimize postalayın. Teşekkür ederiz.

 Urdu

اگر آپ اس انفارمیشن کو اردو زبان میں حاصل کرنا چاہتے ہیں، تو براہ کرم اس بکس میں نشان لگائیں، پھر اس کے نیچے دیئے جانے والے نام اور پتہ درج کریں اور اس فارم کو درج ذیل پتہ پر روانہ کر دیں۔ آپ کا شکریہ۔

 Vietnamese

Nếu bạn muốn nhận được một bản của tin tức này bằng Tiếng Việt hãy tick vào ô này, điền vào phần tên và địa chỉ dưới đây, và gửi tờ đơn này trở lại cho chúng tôi ở địa chỉ sau. Cảm ơn.

Name:

Address:



DLR



DRAFT