Board

Date: **28 July 2021**

Item: **TfL Annual Report and Statement of Accounts for the Year Ended 31 March 2021**

This paper will be considered in public

1 Summary

1.1 This paper presents the draft Annual Report and TfL Group Statement of Accounts for the year ended 31 March 2021 and requests the Board's approval:

(a) of the Annual Report and Statement of Accounts for the year ended 31 March 2021 and their publication; and

(b) for the provision of an ongoing parent company guarantee by Transport Trading Limited (TTL) to a majority of TfL's subsidiary companies.

1.2 On 7 June 2021, the Audit and Assurance Committee considered the draft Statement of Accounts for the year ended 31 March 2021. Comments made by the Committee have been addressed in the documents.

2 Recommendations

2.1 The Chair, following consultation with the Board, is asked to:

(a) approve the 2020/21 Annual Report, subject to any comments Members might have;

(b) authorise the Managing Director, Customers, Communication and Technology, to make any further design or editorial changes to the Annual Report as may be required;

(c) approve the Statement of Accounts and to agree that the Statutory Chief Finance Officer will make any adjustments arising from the work prior to the auditors, Ernst & Young LLP, signing their opinion or from any comments made by the board of any Subsidiary company. Should any changes be required to the Statement of Accounts which, in the opinion of the Statutory Chief Finance Officer, are material, he will seek the approval of the Board to these changes;

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

(e) confirm overall approval of the provision of an ongoing guarantee by Transport Trading Limited of all the outstanding liabilities of those of its subsidiary companies listed below, such guarantee enabling those subsidiaries to be exempt from the need to have their accounts audited:

(i) Woolwich Arsenal Rail Enterprises Limited;
(ii) City Airport Rail Enterprises Limited;
(iii) London Underground Limited;
(iv) LUL Nominee BCV Limited;
(v) LUL Nominee SSL Limited;
(vi) Docklands Light Railway Limited;
(vii) Tube Lines Limited;
(viii) Rail for London Limited;
(ix) Rail for London (Infrastructure) Limited
(x) Tramtrack Croydon Limited;
(xi) London Buses Limited;
(xii) London Bus Services Limited;
(xiii) London River Services Limited;
(xiv) Transport for London Finance Limited;
(xv) Victoria Coach Station Limited;
(xvi) TTL Properties Limited;
(xvii) TTL Blackhorse Road Properties Limited;
(xviii) TTL Build to Rent Limited
(xix) TTL Earls Court Properties Limited;
(xx) TTL FCHB Properties Limited;
(xxi) TTL Kidbrooke Properties Limited;
(xxii) TTL Landmark Court Properties Limited;
(xxiii) TTL Northwood Properties Limited;
(xxiv) TTL South Kensington Properties Limited:
(xxv) TTL Southwark Road Properties Limited; and
(xxvi) TTL Wembley Park Properties Limited; and

(f) note that, as a result of the application of IFRS 9 Financial Instruments, TfL's auditors, Ernst & Young LLP, requested that letters of financial support previously provided by Transport for London in respect of the liabilities of its subsidiaries be re-signed annually by TfL's Chief Finance Officer. Board approval for the issue of such letters was granted when the subsidiaries were first established or acquired.

3 Background

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

3.2 TfL is also required, under the Accounts and Audit Regulations 2015 (the Regulations) to prepare a Statement of Accounts each year. The Regulations further require that the Statement of Accounts is approved by a resolution of a committee or by members meeting as a whole. As TfL does not currently fall within the revised meeting provisions in the Coronavirus Act 2020, the Chair will be asked to approve Statement of Accounts, if supported by Members at the meeting, under Chair's Action.

3.3 The 2020/21 Annual Report will include TfL's Statement of Accounts for the year ended 31 March 2021. 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.

3.4 The structure of the report has been designed for the web and it will be available on TfL's website, electronically and in other formats on request.

4 Statement of Accounts

4.1 The Statement of Accounts has been prepared in accordance with the provisions of the Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015 ("the Regulations"). The form, content and accounting policies followed in preparing the Statement of Accounts are as prescribed in the Regulations and by the Code of Practice on Local Authority Accounting which is developed and published by the CIPFA/LASAAC joint committee ("the Code"). The Code is based on International Financial Reporting Standards ("IFRS").

4.2 The Regulations also require that the responsible financial officer, namely the Statutory Chief Finance Officer, sign and date the Statement of Accounts before the commencement of the period for the exercise of public rights, and certify that it presents a true and fair view of the financial position of TfL at the end of the year to which it relates and of TfL's income and expenditure for that year.

4.3 The certified Statement of Accounts, which at that stage are unaudited, together with the Annual Governance Statement must be published on TfL's website, and an appropriate notice providing details of how public rights may be exercised is also required to be published. The period for exercise of public rights commences the next working day after all these conditions have been fulfilled and runs for a period of 30 working days.

4.4 On 20 July 2021, it was reported to TfL that a late audit adjustment had been made to increase the asset values of the TfL Pension Fund in the pension fund's own statutory financial statements by £75m. This increase to the scheme's asset values at 31 March 2021 has not been reflected in the TfL Statement of Accounts due to the late stage at which it was identified, and the fact that the increase is not material in relation to the total asset values of £12,974m recognised as a component of the net defined benefit pension obligation on the Corporation's Balance Sheet at 31 March 2021. The increase represents 0.6 per cent of the total asset balance within defined benefit schemes. Had it been included, the increase would have been reflected as a reduction to the net actuarial losses recognised within other comprehensive income and a reduction in the net pension fund obligation on the Balance Sheet of £75m. There would have been no impact on usable reserves of the Corporation or Group.

4.5 The Statement of Accounts (unaudited) was certified by the Statutory Chief Finance Officer and published on the tfl.gov.uk on 28 May 2021, with the Annual Governance Statement published on 27 May 2021. Appropriate notices were placed on TfL’s website, and media briefings were offered. The period for exercise of public rights consequently commenced on 1 June and concluded on 12 July 2021.

4.6 Following the statutory consultation period, the Statutory Chief Finance Officer has again certified the Statement of Accounts and they, with the addition of the Independent Auditor’s Report, are before Members of the Board for consideration and approval.

5 Subsidiary Companies Audit Exemption

5.1 For the year ended 31 March 2014, the Group took advantage of changes under section 479A of the Companies Act 2006 that enable certain UK subsidiary companies to claim exemption from audit of their accounts.

5.2 The exemption is conditional on a parent undertaking giving a guarantee to its subsidiary in respect of all liabilities of that subsidiary outstanding at the balance sheet date, and on 5 June 2014, under authority delegated by the Board on 26 March 2014, the then Finance and Policy Committee agreed that, for the year ended 31 March 2014 and for future years until withdrawn, the holding company for TfL’s trading subsidiaries, Transport Trading Limited, will offer the guarantee to a majority of its subsidiaries.

5.3 For the year ended 31 March 2021, the majority of TTL’s subsidiaries claimed exemption from audit.

6 Audit and Assurance Committee Review

6.1 On 7 June 2021, the Audit and Assurance Committee considered the draft Statement of Accounts and the Annual Governance Statement.

TfL’s Statement of Accounts for the Year Ended 31 March 2021

6.2 The Committee noted the draft Statement of Accounts and authorised the Statutory Chief Finance Officer to make any adjustments arising from the ongoing audit work, prior to the submission to Members of the Board.

6.3 The Committee recommended that the Board confirm its overall approval of the provision of an ongoing guarantee by Transport Trading Limited of all the outstanding liabilities of those of its subsidiary companies previously provided with a guarantee. While the accounts of Transport Trading Limited are audited, those subsidiaries given a guarantee are exempt from the need to have their accounts audited, which results in savings in audit fees.

6.4 The Committee noted that TfL Finance had worked to the original timetable to ensure that the statutory accounts were properly prepared in accordance with good practice, and this had been achieved thanks to the hard work and co-operation of TfL staff and Ernst & Young during the challenging circumstances.

Review of Governance and the Annual Governance Statement for Year Ended 31 March 2021

6.5 The Committee welcomed the refreshed format of the Annual Governance Statement and noted the overall assessment was similar to previous years.

6.6 The Committee approved the Annual Governance Statement for signing by the Chair of TfL and the Commissioner, for inclusion in the 2020/21 Annual Report and Accounts.

6.7 The Committee also reviewed the progress against the Governance Improvement Plan 2020/21 and the supported the improvement plan for 2020/21.

7 Annual Report 2020/21

7.1 The Annual Report may need minor editorial changes. However, these changes are not expected to be substantive.

List of appendices to this report:

Appendix 1: Draft Annual Report and Statement of Accounts 2020/21 (provided as a separate printed document)

List of Background Papers:

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

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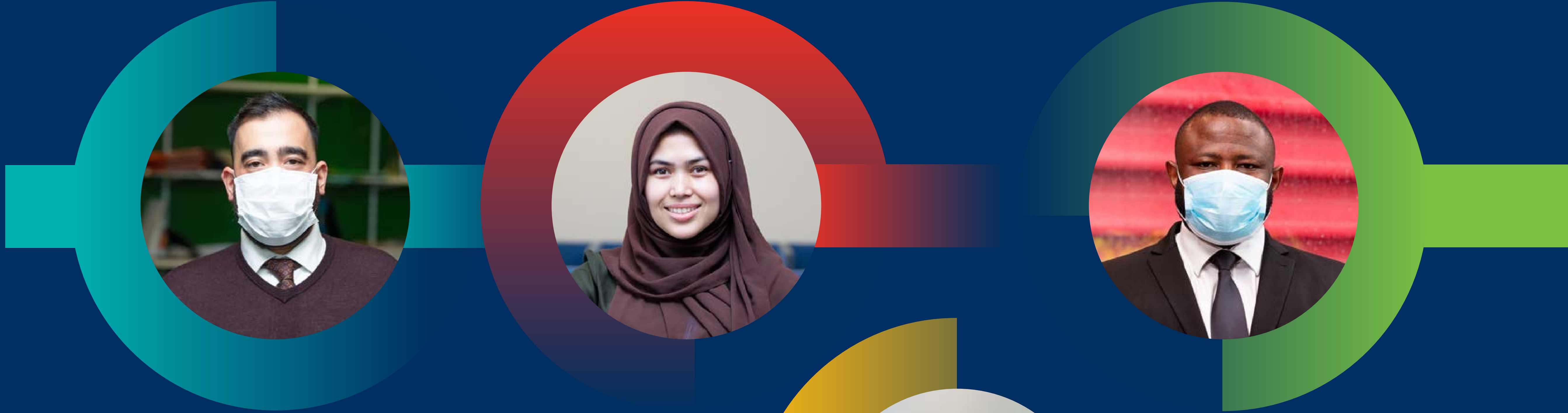

Keeping London moving safely

Annual Report and Statement of Accounts
2020/21 – 28 July 2021

MAYOR OF LONDON

TRANSPORT FOR LONDON
EVERY JOURNEY MATTERS

Celebrating our heroes

Everyone at Transport for London (TfL) has been playing a part in keeping London moving safely during the coronavirus pandemic. On this year's Annual Report cover, we celebrate just a small number of colleagues who have been recognised in our employee communications initiative, the COVID-19 Recognition Awards. Thank you to everyone who played their part, and who continue to make the safety of our customers and staff our collective number one priority.

1 **Adam Burton**
Business Services manager
With the Business Services function relocated at home, Adam focused on wellbeing and pioneered many virtual social events to keep the team in touch. This boosted morale and ensured new team members felt welcomed.

2 **Taslima Siddika**
Driver assessment administrator
Taslima actively supported the maintenance of Taxi & Private Hire services during the pandemic and proactively trained up new staff during the lockdown period.

3 **Babatunde Owolabi-Ajao**
Vehicles management
Babatunde developed innovative ways of working in response to the pandemic – namely, creating a new digital system that reduced the risk to our staff of exposure to coronavirus.

4 **Jitka Tomkova**
Safety, Health and Environment systems manager
Jitka worked closely with colleagues across the business to create a coronavirus guidance rulebook, covering everything from changing operational roles to handling close-quarters work – all produced at great pace!

5 **Justyn Nathan**
Four Lines Modernisation assistant project manager
Justyn while on furlough, used his time to help companies make and distribute meals to vulnerable Londoners. He joined the charity With Compassion, helping to prepare 5,000 meals a day at Wembley Stadium.

6 **Stephanie Stedman**
Digital Engineering
Stephanie's in-house app enabled engineering colleagues to meet (in a socially distanced way) other staff who lived nearby. This helped to promote wellbeing and raised morale within the team.

7 **Lisa Dipnarine**
Senior bus business development manager
Lisa led on coronavirus-related activities, ensuring the bus network could respond to changing Government advice. One of her projects was a bus fleet sticker campaign explaining revised capacities and social distancing.

Note: Minor corrections to a job title and grammar were made after the original publication of the report

Contents

The Mayor opened the London Blossom Garden in May 2021

Remembering colleagues

We have tragically lost 91 colleagues to COVID-19, and our thoughts and sincere condolences go out to their families and loved ones. We are working on a formal memorial to recognise the critical role they played in London's fight against the global coronavirus pandemic and ensure their sacrifices will never be forgotten.

The pandemic affected all our lives and presented us with enormous challenges that have required an unprecedented response from us, our partners and all Londoners.

Since the first national lockdown in March 2020, and the subsequent lockdowns in November, January and during the Government's tiering restrictions, we have continued to keep our services running and make the network clean and safe for our staff and customers.

Our heroic frontline staff and colleagues across the transport industry have kept London moving through one of the most challenging periods in its history and helped ensure life-saving critical workers were able to do their jobs.

We are planning our own fitting memorial for those transport colleagues we have lost. This photograph shows the London Blossom Garden, opened in May 2021 in memory of all Londoners who have sadly died from COVID-19.

The stories outlined in this report show how we supported London throughout the last financial year and how we are integral to its rebuild and recovery from the global pandemic.

Keeping London moving safely

Our people worked tirelessly to keep London moving throughout the coronavirus pandemic

The next few pages demonstrate how swiftly we acted to implement the Government lockdown measures as part of the stay at home message. This was a crucial period for us.

Coronavirus declared as a pandemic by the World Health Organization (WHO)
11 March 2020

Implementing an enhanced cleaning regime on the network

We ramped up cleaning on our network, using hospital-grade cleaning fluid on all touch points, handrails, doors, poles on buses, TfL Rail and the Tube, and at key interchanges in stations.

We supported our tenants through the coronavirus pandemic

As a landlord, we supported small and medium-sized companies that make up 92 per cent of the businesses on our transport network by giving them 100 per cent rent relief for three months.

Pausing road user charging schemes to help critical workers get to work

We temporarily suspended all road user charging schemes to ensure critical workers, particularly those in the NHS, were able to travel around London as easily as possible during this national emergency. This also supported the supply chain to keep supermarkets replenished.

Bringing our construction sites to a Safe Stop

We took the decision to pause non-critical projects in order to reduce the number of construction workers needing to travel into central London.

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First lockdown
23 March 2020

Stay at home

When the Government asked the nation to stay home, we took every step possible to reduce ridership, which led to it falling to 95 per cent on the Tube and 85 per cent on buses.

Cycle hire discount scheme for NHS workers

NHS workers were given a code that waived the 24-hour access fee for Santander Cycles, meaning any journey under 30 minutes was free. We prioritised the re-supply of cycles at docking stations close to hospitals.

Encouraged the public to stay at home for the Easter weekend

As good weather was predicted for London, we reminded people that travel on the transport network was only for critical workers making essential journeys.

Pausing Low Emission Zone and Direct Vision Standard enforcement for freight and affected industries

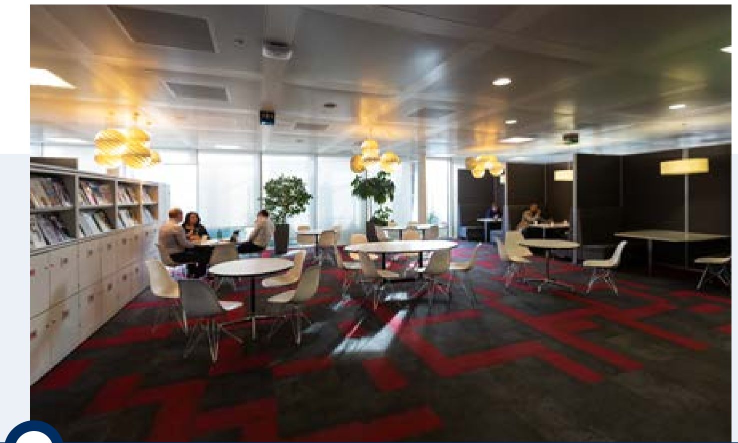
Enforcement paused for four months to allow the freight industry to focus on its core operations during the pandemic.

Measures taken to make essential bus travel safer

We reduced capacity on London Buses to make critical travel safer for everyone. To make bus drivers safer, we placed a protective covering on the bus driver's cab and sealed off areas closest to them. Having passengers board only using the middle doors helped enable better social distancing.

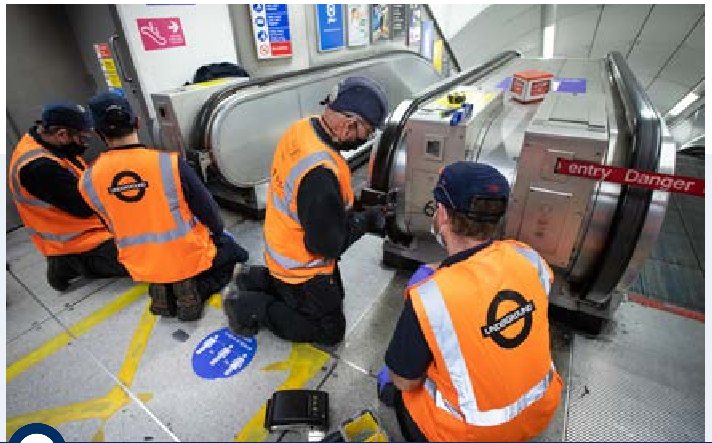
Pausing the Night Tube service, Waterloo & City and Circle lines

We suspended: the Night Tube to mirror the shutdown of the night-time economy and ensure only essential journeys were made; the Waterloo & City line in response to the Government's 'work from home' message; and the Circle line until mid-May.



Twenty-five per cent of staff placed on furlough

A total of 7,000 staff whose work had been reduced or paused during the pandemic were placed on furlough.



Trial of UV cleaning of escalator handrails

We trialled the use of UV light to clean the handrails on escalators on the Tube network. The device is connected to the escalator handrail and uses its motion to power a UV bulb that breaks down surface contamination to sanitise the handrail.

Government timeline

Introducing measures to help keep essential journeys safe

New one-way and queuing systems were introduced to assist the flow of customers in stations, helping them to socially distance. Signs were installed on escalators and lifts asking customers to remain socially distanced. Additional staff were deployed to help.

University College London review launched into bus driver infections and deaths

Following increasing numbers of bus drivers who died due to COVID-19, we supported the Mayor who commissioned an independent review into bus driver deaths to ensure safety measures were adequate and to see if further steps should be taken.

Published advice for businesses and stakeholders on how to keep staff safe while travelling

Advice was shared and virtual meetings held to help businesses understand the specific challenges for London's transport network during the pandemic and how to keep their staff safe as they travelled.

Active travel

We worked with London's boroughs to rapidly transform London's streets to accommodate the increase in cycling and walking as lockdown restrictions eased. This resulted in hundreds of temporary schemes, including 100km of new or upgraded cycle lanes, 22,500sqm of extra pavement and 300 School Streets.

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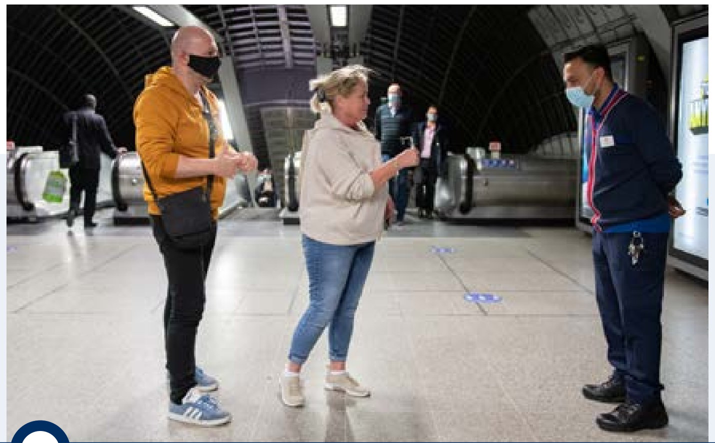
Distribution of free face coverings to customers

We helped customers adjust to wearing a face covering (to become law on 15 June) by distributing free face coverings at targeted Tube and bus stations on 12 June. By 15 June, around 30,000 face coverings had been distributed in the morning peak, with increased usage across the network.

Face coverings

On 15 June, face covering use on public transport became law in the UK.



Face covering exemption card and then badge

We led the way on producing an exemption card for those not able to wear a face covering for travel use, after which we made a badge available to our customers who are exempt.

Extending the Congestion Charge

On 16 June, as a condition of the Government's funding agreement, we urgently brought forward proposals to temporarily widen the scope and level of the Congestion Charge to help avoid a car-led recovery from the pandemic in the Capital.

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Lockdown easing
4 July 2020

Advice as lockdown eased

We reminded our customers of what to expect on the transport network as some returned for the first time since lockdown. This included face covering enforcement, new signage, posters and platform stickers, helping everyone to maintain social distancing.

24-hour bus lane trials began

We began trialling 24-hour bus lanes to increase safe space for active, sustainable and socially distanced modes of travel.

TfL Go app launched

Our new travel app was launched, for iPhone initially and later for Android devices, to make it easier for customers to plan their journeys and the best routes outside peak times to help with social distancing.

School bus service implemented

We dedicated a number of buses for school travel on high-frequency routes. These services were clearly signed. We added hundreds of extra dedicated school buses onto some of the busiest low-frequency bus routes.

Dettol partnership: hand sanitiser provision – 800 sanitiser units at 270 stations

We partnered with Dettol, a leading UK disinfectant brand, to give London Underground customers free access to Dettol's hand sanitiser gel at 270 London Underground stations.

More than 200 light sanitising devices installed on 110 escalators

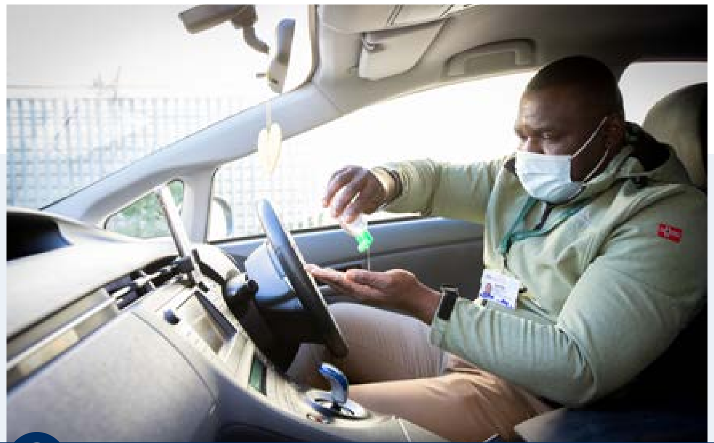
More than 200 UV light sanitising devices were installed on 110 escalators on the London Underground network following a successful six-week trial.

Second lockdown
5 November 2020

Government timeline

Imperial College research/ COVID-19 testing on network

We commissioned independent testing on our public transport network to check for traces of the COVID-19 virus. This was a measure taken to reassure our customers on the safety of using public transport. After six rounds of testing, no trace of the virus was found.



Distribution of face coverings and sanitiser to taxi and private hire industry and customers

We supported London's taxi and private hire drivers with 1.5m face masks and 30,000 bottles of Dettol hand sanitiser as the national lockdown lifted and customers began to travel.

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Tier 2 restrictions
2 December 2020

High alert

The Government advised that journeys should be limited where possible, but customers could still travel and use transport to go to the shops, work and hospitality venues that were open. Face coverings were still to be worn. Travel to tier 3 areas was to be avoided except where necessary, for example for work, medical reasons, caring or education. If the public travelled into a tier 3 area, then they had to follow the rules of tier 3. Everyone was asked to work from home where possible.

We supported vaccination centres – dedicated webpage, communications and wayfinding signs at relevant stations

Supporting the NHS with the vaccination roll-out programme at the Nightingale vaccination centre with signage at key DLR stations directing customers to the centre.

Taxi and private hire driver training

We created short videos for drivers, providing guidance on how to clean their vehicle after a passenger had used their service and been dropped off. Drivers received stickers to display in the vehicle to demonstrate that the driver was 'COVID- prepared'.

Tier 4 restrictions
19 December 2020

Stay at home

The Government advised that the public should only travel if it was essential. Face coverings were still to be worn. Customers were not to travel out of their area or overseas (although exceptions applied, for example for work, education or caring responsibilities). Everyone was asked to work from home where possible.

Third lockdown
6 January 2021

Government timeline

Government roadmap launched for easing of lockdown
22 February 2021

New extension to Cycleway 4
We delivered an extra 3.6km of segregated cycle route to Cycleway 4, connecting Tower Bridge and Rotherhithe via Bermondsey.

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Schools reopen
8 March 2021

Resuming School Service buses
We reintroduced measures similar to those in the autumn term. We provided extra buses, reintroducing the system of signed School Service buses, and encouraged walking, cycling and scooting.

The measures helped children to travel to school safely, sustainably and on time – with free travel for children and young people still in place.

Air ventilation and cleaning
Infographic posters were provided to stakeholders and businesses showing what we were doing to ensure all services were well ventilated, and demonstrating that robust cleaning regimes were in place.

Government timeline

Always keeping Londoners informed

We worked hard to engage with our customers in many different ways to help them travel safely throughout the pandemic

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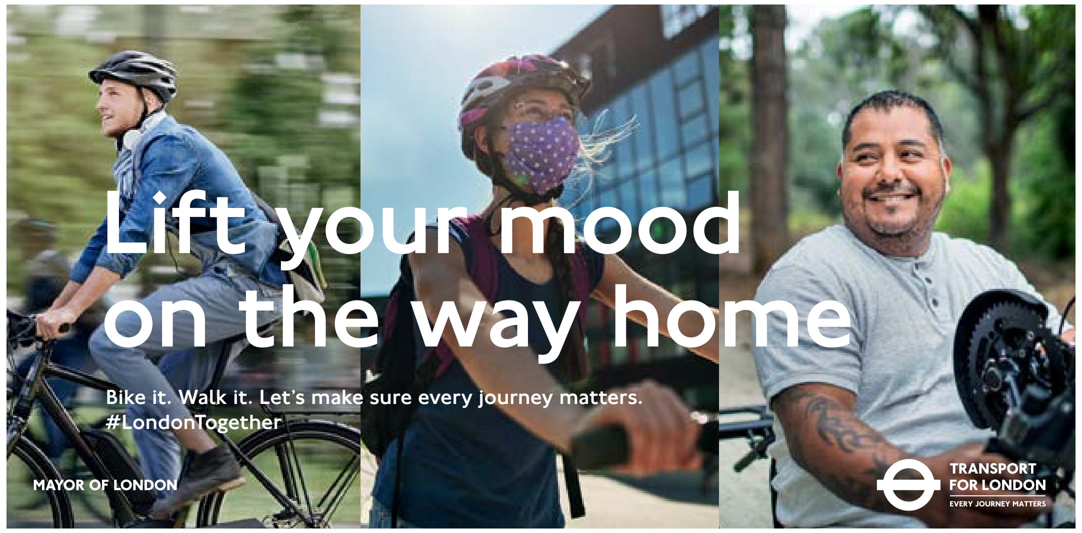

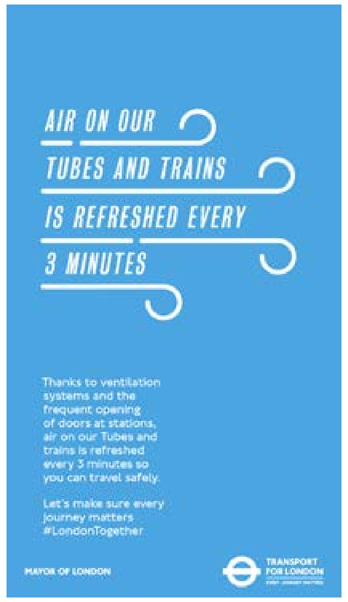

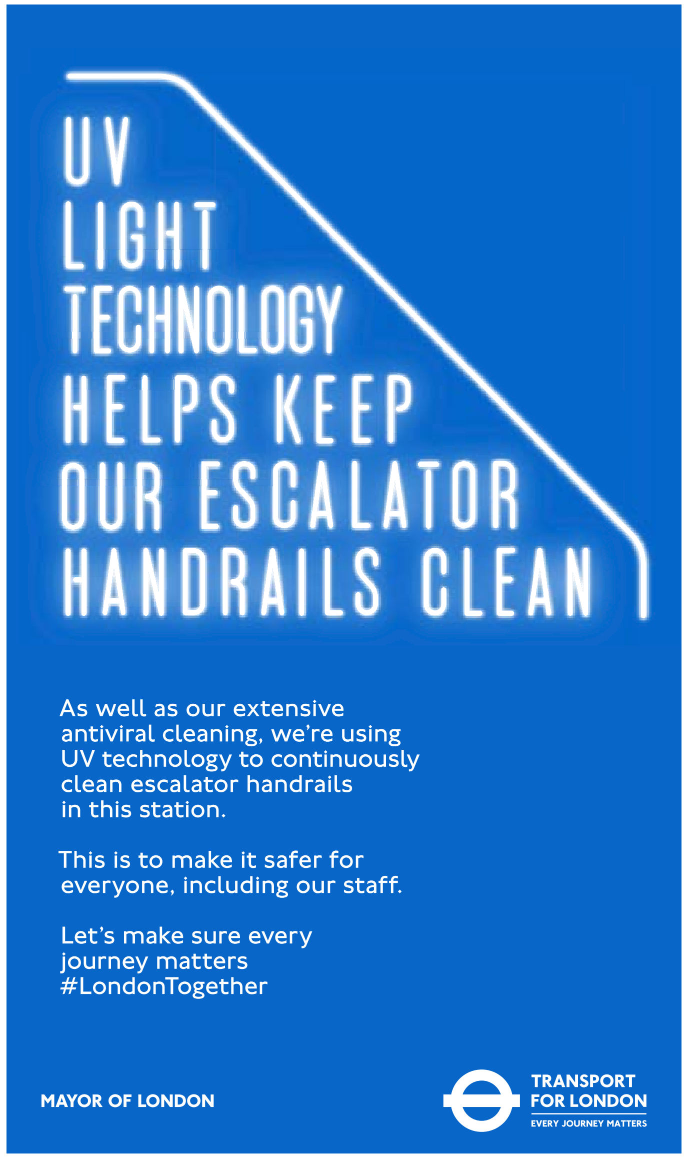

70%
of Londoners agreed that TfL communicated well with customers during the pandemic

211,164,225
emails sent

70%
of Londoners recognised TfL advertising

Posters across our network
We published a range of different posters to remind our customers how best to travel safely during the last year.

Reproduced and repurposed heritage poster promotes London's recovery

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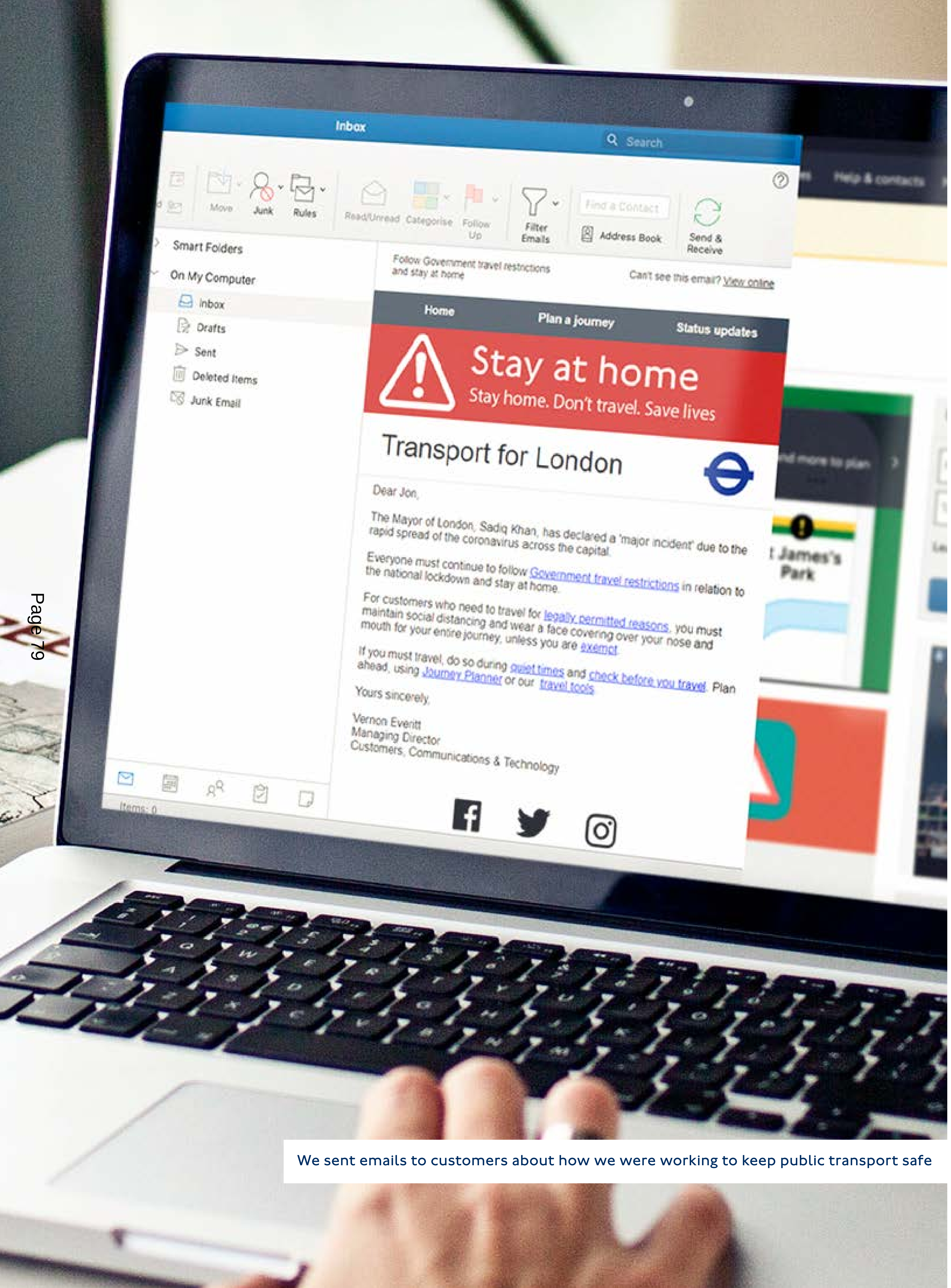
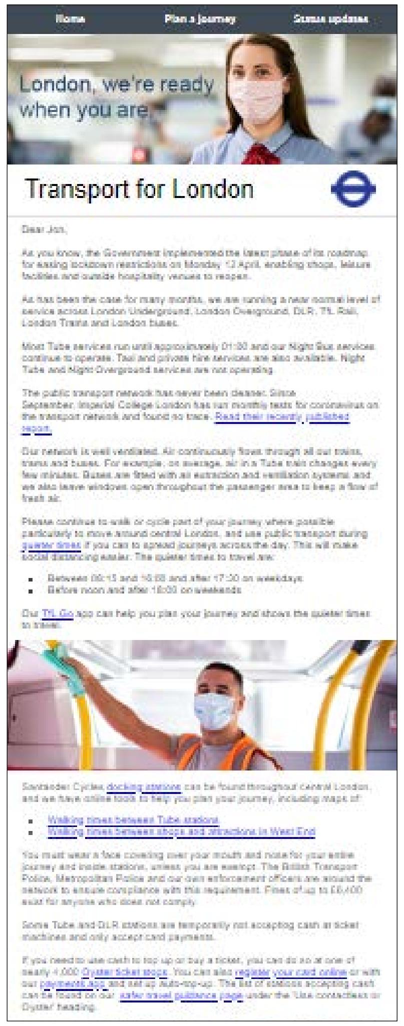
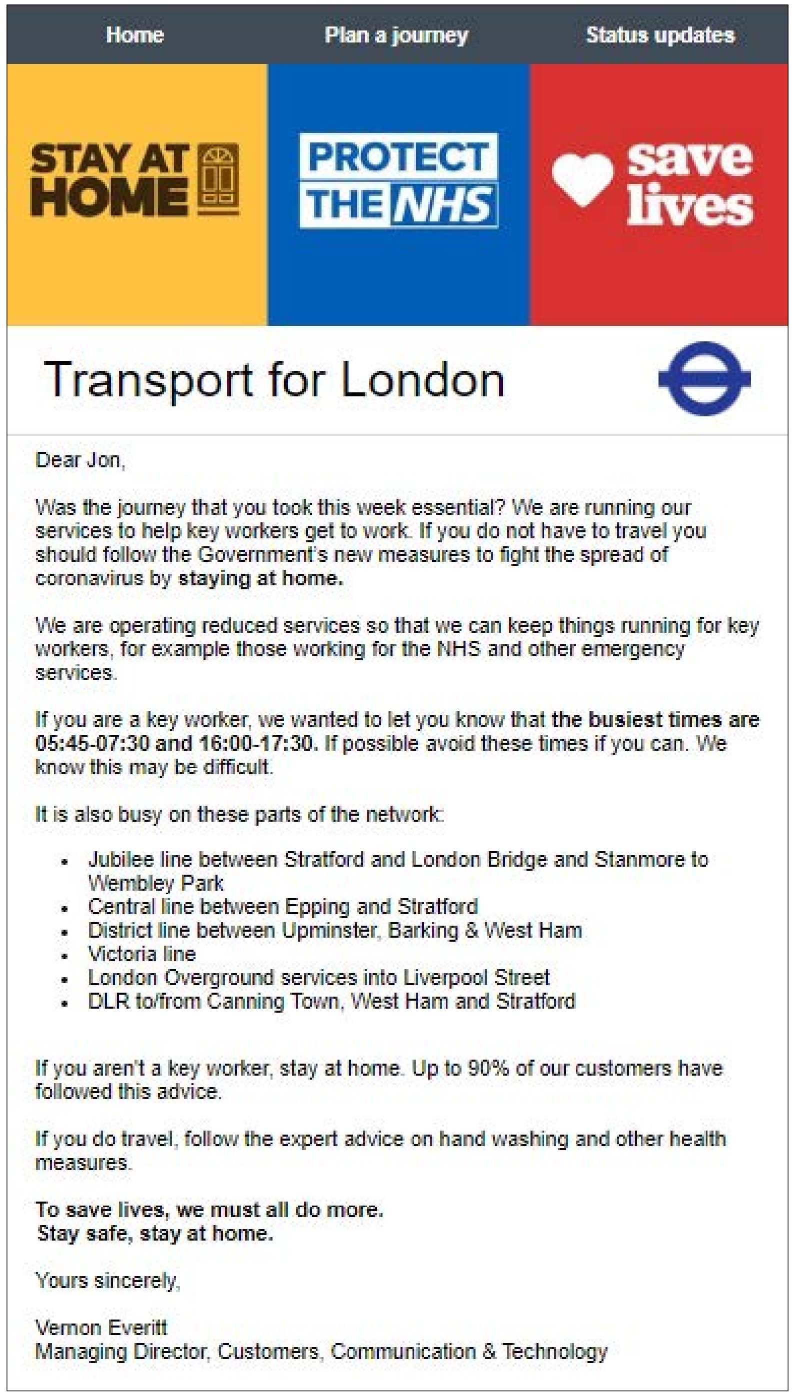


We sent emails to customers about how we were working to keep public transport safe

Emails with specific banners

We kept our customers updated with what we were doing to keep the network safe, clean and orderly. We reinforced the 'stay at home' message in line with the Government lockdowns and tiering restrictions.




Home | Plan a journey | Status updates

STAY AT HOME | PROTECT THE NHS | save lives

Transport for London

Dear Jon,

Was the journey that you took this week essential? We are running our services to help key workers get to work. If you do not have to travel you should follow the Government's new measures to fight the spread of coronavirus by **staying at home.**

We are operating reduced services so that we can keep things running for key workers, for example those working for the NHS and other emergency services.

If you are a key worker, we wanted to let you know that **the busiest times are 05:45-07:30 and 16:00-17:30.** If possible avoid these times if you can. We know this may be difficult.

It is also busy on these parts of the network:

- Jubilee line between Stratford and London Bridge and Stanmore to Wembley Park
- Central line between Epping and Stratford
- District line between Upminster, Barking & West Ham
- Victoria line
- London Overground services into Liverpool Street
- DLR to/from Canning Town, West Ham and Stratford

If you aren't a key worker, stay at home. Up to 90% of our customers have followed this advice.

If you do travel, follow the expert advice on hand washing and other health measures.

To save lives, we must all do more.
Stay safe, stay at home.

Yours sincerely,

Vernon Everitt
Managing Director, Customers, Communication & Technology

Mayor's foreword

Rebuilding London's economy for a clean, green recovery from the coronavirus pandemic

During this unprecedented year, the dedication of our transport workers has shone through as they have continued to provide a vital service in the face of great challenge. I want to put on record my sincere thanks to all colleagues, including our supply chain contractors, for going above and beyond to keep our city moving and contributing to the national effort.

It however is with great sadness that we have lost 91 of our colleagues from TfL and its partner organisations to COVID-19. Every single one of them is missed and I pay tribute to them for their service to London and express my heartfelt condolences to their families, friends and loved ones. London, TfL and all partner organisations will forever remember them.

Every death from this virus is one too many and the safety of TfL employees and commuters remains my top priority. We have introduced a range of measures to keep staff and passengers safe and have commissioned independent, regular testing to detect traces of the virus on the public transport network, with none found so far.

At the start of my second term, we have continued with our world-leading efforts to tackle London's toxic air, making preparations to extend the Ultra Low Emission Zone (ULEZ) in October 2021 and tightening Low Emission Zone standards last March.

We remain committed to Vision Zero and to the goal of eliminating all deaths and serious injuries from our transport network. Our world-first Direct Vision Standard, which reduces lethal blind spots on lorries, now operates 24 hours a day, seven days a week and is enforced on all roads in London, with standards set to be raised even further in 2024.

Since the pandemic, we have seen an encouraging increase in people walking and cycling. Last summer, after the first lockdown, nearly half of all journeys in London were made by cycle or on foot, up from under a third before the pandemic. To support the Government's travel advice, my Streetspace programme has rapidly expanded London's strategic cycle routes and led to quieter roads in local neighbourhoods.

As TfL celebrated 10 years of Santander Cycles, I am proud that this flagship scheme has contributed to a revolution in cycling across our city. The fleet of 14,000 cycles based at more than 750 docking stations has given Londoners a flexible and affordable way of getting around the city. I was delighted that TfL offered free hire codes to key workers during the pandemic, which were accessed over 100,000 times.

The short-term funding agreements TfL has secured from the Government have enabled TfL to play its part in keeping London moving safely throughout the pandemic. TfL only needed emergency funding because its fares income dropped by up to 90 per cent during the pandemic. As Mayor, I will continue to fight for a fair long-term funding agreement for TfL because, as a world-leading transport authority that supports jobs and supply chains across the UK, that is in the best interests of both our city and our country.

> 'Any death to this virus is one too many, the safety of TfL employees, colleagues and commuters remains a top priority and we continue to do all we can to protect their health'

SIGNATURE

Sadiq Khan
Mayor of London

Commissioner’s foreword

In a year of challenges, the heroic work of staff, contractors and partners kept London moving

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Transport is about people – Londoners, our colleagues, the supply chain, boroughs, visitors to the Capital and our stakeholders who work closely with us to keep this wonderful city moving. Nothing is more important than their safety and wellbeing.

No account of the extraordinary year we have all experienced can begin without a heartfelt tribute to the 91 colleagues who lost their lives to COVID-19. My thoughts are with their families.

When I joined TfL, I set the organisation five priorities: securing our future funding; completing transformative projects; recovering from the pandemic; creating a new vision for our people with greater diversity and inclusion; and delivering a green and sustainable future. Through the magnificent work of my colleagues and our partners, we have made progress on each, allowing us to play our part in London’s recovery and laying the foundations for a vibrant city.

The pandemic has had a devastating impact on our finances as Londoners followed Government advice to stay home to save lives. It revealed in the starkest way that our existing funding model, with its over-reliance on fare revenue, is not fit for purpose. I am grateful to the Government for supporting us. We have successfully negotiated almost £5bn in extraordinary grant and additional borrowing authority, which enabled us to keep a near-full level of public transport service in operation throughout the pandemic. We also introduced new active travel facilities across the city, helping key workers and supporting the recovery, while also progressing major projects. The Government support has come with many extremely challenging conditions – including massive savings targets – and we are committed to delivering these as part of reaching financial sustainability by April 2023. We continue to work with Government for a long-term financial deal after our current support ends in December 2021.

One of my key priorities as Commissioner was to bring Crossrail in-house. I am determined that there will be no more false dawns on a project that will provide such a massive boost to the city, driving recovery, jobs, housing, and swift, accessible access to central London. It is going to be a stunning addition to our services, and we remain on track to open the Elizabeth line during the first half of 2022. We have also made strong progress on other vital projects, including the Northern Line Extension, the upgrade of signalling on the Tube, the London Overground extension to Barking Riverside and the Bank station upgrade.

Recovery from the pandemic will gather momentum. Around 60 per cent of customers we served pre-pandemic are travelling again. We continue to provide assurance that the network is safe, clean, well-managed and welcoming, giving everyone the confidence to travel.

> ‘The magnificent work of my colleagues and our partners has enabled us to play our part in London’s recovery, laying the foundations for a vibrant city’

I want to thank the Mayor and his team, my colleagues and our partners across London for working with us in such a positive and constructive way, keeping London moving during an extraordinary time. I am proud to be your Commissioner and I am proud of the TfL team.

SIGNATURE

Andy Byford
Commissioner

Chief Finance Officer's foreword

We are working with the Government to achieve a long-term funding agreement

2020/21 presented our biggest ever challenge with the devastating effects of the coronavirus pandemic. Before the pandemic, we were on track to deliver an operating surplus by 2022/23, having reduced our net operating costs by almost £1bn over the previous four years and increased cash reserves to more than £2bn.

However, in March 2020, our financial position changed overnight as the nation went into its first lockdown and the Government advised people to only make essential journeys. During this time, Tube journeys fell by 95 per cent and bus journeys 85 per cent compared to the previous year. While restrictions eased for parts of the year, passenger income in 2020/21 was £3bn, or 66 per cent, lower than in 2019/20.

Due to the resilience we had built, we were able to sustain ourselves for six weeks with a 90 per cent drop in income and a high fixed cost base while the first funding agreement was being negotiated.

We exercised tight financial control, furloughed staff, progressed savings plans, and deferred non-critical projects to manage our finances, which included £3.2bn cash from the funding and financing agreements with the Government over 2020/21. Our actions to reduce spending also helped offset the additional costs of £144m related to the pandemic, such as those due to personal protective equipment and enhanced cleaning.

With travel restrictions and social distancing measures in place, we reprioritised our investment programme to focus on walking and cycling schemes, push for a green recovery and encourage people not to use their cars. We progressed projects that made financial sense, such as works to complete the Northern Line Extension. We also ensured the cleaning of services to the highest standards, focusing additionally on frequency and reliability to attract customers back to the network.

Our latest funding and financing agreement with the Government provides core funding of £1.08bn from 28 May to 11 December 2021, and means we can continue these plans. The agreement also tasks us to achieve financial sustainability a year earlier than set out in our Financial Sustainability Plan. This means that, by April 2023, we would cover the costs of day-to-day operations, maintenance and financing. This is a challenge that we will be working through in the coming months.

We have a critical role to play in driving the recovery of the London and UK economies. London contributes around 23 per cent of the UK's total Gross Domestic Product (GDP), so it is vital to ensure we keep London moving. With the right, longer-term financial support, we can lead the way on the decarbonisation agenda and ensure we have a green recovery as well as a financially sustainable one.

> 'With the right, longer-term financial support, we can lead the way on the decarbonisation agenda, and ensure we have a green recovery as well as a financially sustainable one'

SIGNATURE

Simon Kilonback
Chief Finance Officer

Impact of the coronavirus pandemic

Before the pandemic, we were on course to achieve an operating surplus by 2022/23. However, the impact of the pandemic, as the Government announced the first national lockdown on 23 March, was severe:

Initial impact

Our cash balance fell by

£200m

in the last two weeks of 2019/20

Income fell by

90%

in the first six weeks of the pandemic

At its peak, Tube journeys were

>95%

lower than 2019/20

More than

250

TfL sites brought to a temporary Safe Stop

We secured £3bn of Government funding and financing to offset the full-year impact (end of 2020/21):

£480m

reduction in cash balances year on year

Passenger income dropped to

£1.6bn

from £4.8bn in 2019/20

£144m

operating costs directly related to the pandemic

35%

less on capital investment compared to original budget as non-critical works were deferred

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Customer journeys on our network fell severely following the first lockdown

Planning for London's future

Our Financial Sustainability Plan sets out how from 2023/24 we would only require Government support on average of £1.6bn per annum for major capital investment. This would enable:

A significant contribution to the decarbonisation of public transport by
2030

Major Tube station
upgrades
including at Holborn, Elephant & Castle, Camden Town Colindale and Oxford Circus

20,000
new homes could be delivered as a result of replacing Piccadilly line signalling and upgrading Holborn station

2.9m
tonnes of total CO_2 that would be removed if we electrify our bus fleet by 2030

A fully zero emission bus fleet by
2030

Piccadilly line resignalling, to increase frequency to
36tph

1,050km
of track that we must inspect, maintain and renew

1,000
new jobs created in Coventry from manufacturing electric vehicles

Around
3,000
jobs through investment in zero-emission bus fleet

Plans to deliver
50,000
homes over 25 years

3
major road structures that will need to close in the next five years without significant investment

14%
of London's population who live with a disability and would benefit from additional step-free access

30km
of cycleways per year

New
Bakerloo line trains to replace the oldest fleet in the UK

3,600
jobs will be secured or created with our zero-emission bus fleet programme for UK-built electric buses

1million
fewer new air pollution related hospital admissions by 2050, as a result of the Mayor's air quality policies

Financial sustainability and future funding for transport in London

We need longer-term certainty of stable and sustainable funding to deliver for London

Our transport services are vital for the economic success of London and the entire country. The Capital's economy adds around 23 per cent of the UK's total GDP and in 2019 contributed a surplus of £38.8bn to the Treasury. Prior to the pandemic, TfL was on track to deliver an operating surplus by 2022/23, but the massive fall in ridership because of the coronavirus pandemic, as customers acted on Government instructions to remain at home, has decimated our finances. This is because, unlike any other major transport authority in the world, our funding model is so heavily reliant on fares revenue. We are one of the only major cities in Europe not to receive a regular Government grant to cover day-to-day operations, with fares making up more than 70 per cent of our operating budget before the pandemic.

This led to a £1.6bn Emergency Funding Agreement in May 2020, to cover the first six months of the impact of the pandemic. Following this, we secured a further six-month Funding Agreement in October 2020, for up to £1.8bn to take us to the end of March 2021, which was extended by £0.6bn to the end of May 2021. On 1 June 2021, we secured a third short-term funding agreement with the Government of £1.08bn up to 11 December 2021. This agreement also extends the revenue top-up arrangements that were part of our previous funding agreement, should our actual passenger revenue be lower than a pre-defined Department for Transport (DfT) revenue scenario.

The lack of sustainable long-term funding for an organisation whose assets have an average lifespan of around 30 years leads to an approach to maintenance, renewal, and replacement that is not efficient, and this was an issue even before the pandemic struck. It is only through stable funding over multi-year timeframes that we can make TfL financially sustainable again to support the country's recovery and deliver the Mayor's and the Government's priorities on decarbonisation, air quality and making transport better for everyone. The outcomes would further deliver the target on mode shift set out in the Mayor's Transport Strategy, which is for 80 per cent of journeys to be made by sustainable forms of transport by 2041.

In January 2021, we published our Financial Sustainability Plan, setting out how we can achieve financial sustainability in the short term to become self-sufficient on our operating activities, while requiring Government support on major capital renewals and enhancements as is consistent with other transport authorities. Our Plan sets out how we contribute to Government objectives around decarbonisation, improving air quality, supporting an extensive supply chain and jobs across the country. It also shows that, with the right level of funding, we can continue to invest in order to modernise our assets and practices, and make rapid progress against wider safety objectives. London's economic recovery and social wellbeing will rely on a safe, reliable and high-quality public transport service. We are uniquely placed to help drive this in line with the Government's direction for a more efficient, productive and sustainable city. A number of projects are ready and could be implemented with appropriate funding – driving innovation, tackling toxic air, further electrifying the bus fleet, promoting active travel, and strengthening the UK's place in the world as a global leader.

Our Financial Sustainability Plan makes clear that any significant reduction in services will not achieve financial sustainability. Transport services, and rail in particular, are expensive to build in the first place but do not vary in cost on a day-to-day basis. This means, even if we reduced service levels, this would generate only a small cost saving in the short term, and have a significant impact on our customers.

We have taken a solution-based approach to address our financial shortfalls. In step with the Government's roadmap, we ran integrated marketing campaigns to encourage customers back to our network, as well as reduced fare offers for travel. We have also carried out extensive work to promote and implement a clean, safe and welcoming transport network.

We are also looking into the feasibility of a new Greater London Boundary Charge scheme where vehicles registered outside London would be charged a small daily fee to travel into the Capital. A charge of this nature could have benefits in terms of managing congestion, reducing emissions and encouraging more use of sustainable modes of transport. Income from the charge would be reinvested in the Capital's transport network.

Our Plan outlines a range of new measures that we will explore, including commercial opportunities and further operational savings. We will also progress actions to meet the conditions set out by the Government in its Funding Settlement Letter of 1 June. Our focus is on financial sustainability and working with the Government on reaching a longer-term financial settlement beyond December, to which they have explicitly committed. We will push hard for this so that we can plan effectively for London's future to ensure we can continue to deliver the transport services the city and country need.

Our scorecard

TfL's performance monitoring in 2020/21 focused on restart and recovery as we managed the challenges the coronavirus pandemic placed on our operations, customers, colleagues and finances. Short-term priorities, such as service availability, allow TfL to focus on maintaining our network and retaining customers' trust. This puts us in the best position to recover strongly and continue to deliver the outcomes set out in the Mayor's Transport Strategy.

We set out an immediate scorecard to cover the first half of the performance year, focused on short-term priorities to ramp up our services to support the restart of the economy.

The total Scorecard performance for the first half of 2020/21 was 98.75 per cent. All measures except one were better than target, with many showing improvement following an earlier and stronger recovery than assumed.

Measure	First half 2020/21 results	First half 2020/21 target	First half 2020/21 weighted result
Safety			
People killed or seriously injured in road traffic collisions per million journey stages	0.44	0.78	10.0%
Customers and workforce killed or seriously injured per million passenger journeys	0.09	0.20	10.0%
Operations			
Percentage of normal service delivered (compared to pre-coronavirus levels) – Bus	99.0%	94.0%	7.5%
Percentage of normal service delivered (compared to pre-coronavirus levels) – Rail	96.0%	98.0%	3.75%
Percentage of normal service delivered (compared to pre-coronavirus levels) – Tube	89.73%	83.0%	7.5%
Customer			
Percentage of Londoners who agree TfL cares about its customers	57%	53%	10.0%
People			
Wellbeing survey – improvement from baseline survey (59%) carried out in June 2020	62%	3%-point improvement	7.5%
Wellbeing equality – BAME disparity	2% points	Lower than 3% - point disparity	3.75%
Wellbeing equality – gender disparity	0% points	Lower than 3% - point disparity	3.75%
Delivery			
Milestone delivery	98%	90%	10.0%
Elizabeth line: commence use of signalling and train software for dynamic testing in the tunnels	03/09/2020	25/09/2020	2.5%
Delivery of Streetspace programme – highway reallocation to pedestrians	22,516m^2	22,000m^2	2.5%
Delivery of Streetspace programme – improved cycling infrastructure	61.6km	57km	2.5%
Finance			
Maintaining liquidity	£1,580m	£1,200m	12.5%
Operating cost v Revised Budget	£3,415m	£3,450m	2.5%
Capital expenditure v Revised Budget	£508m	£552m	2.5%
Total TfL Scorecard for first half of 2020/21			**98.75%**

For the second half of the performance year, we developed a TfL scorecard, which was recovery-focused, with a return to our core safety and people priorities and an emphasis on active travel and reducing carbon emissions. The scorecard results for the second half of the year were presented to the Remuneration Committee on 7 July 2021.

Measure	Second half 2020/21 results	Second half 2020/21 target	Second half 2020/21 weighted result
Safety			
People killed or seriously injured in road traffic collisions per million journey stages	0.44	0.45	10.0%
Customers and workforce killed or seriously injured per million passenger journeys	0.09	0.14	10.0%
Operations			
Percentage of normal service delivered (compared to pre-coronavirus levels) – Bus	102.0%	95.0%	10.0%
Percentage of normal service delivered (compared to pre-coronavirus levels) – Tube	89.1%	79.0%	10.0%
CO_2 emissions from TfL operations & buildings	399,550	409,000	2.5%
Customer			
Percentage of Londoners who agree TfL cares about its customers	54%	53%	5.0%
Active, efficient, sustainable mode share	56%	53%	5.0%
People			
Wellbeing survey – Viewpoint total engagement	62%	1%-point improvement	10.0%
Inclusion index – increase in our people feeling involved, included and safe at work	2% points	0.5%-point improvement	5.00%
Inclusion disparity (reduction)	30%	50%	2.5%
Delivery			
Milestone delivery	81%	90%	9.3%
Elizabeth line: start of Systems Integration Dynamic Testing	03/12/2020	31/12/2020	2.5%
Finance			
Closing cash balance	£1,620m	£1,517m	7.5%
Total Opex cost	£2,928m	£3,249m	5.0%
Total Capex cost	£725m	£771m	5.0%
Total TfL Scorecard for second half of 2020/21			**99.3%**

Crossrail

Crossrail begins the key project milestone of Trial Running

Crossrail reached a significant milestone in spring this year with the beginning of the Trial Running phase. This saw the start of four trains per hour operating through the central tunnels and is part of the major railway testing trials taking place this year.

Entry into the Trial Running stage marked the project's transition from a construction project to an operational railway environment in which TfL began to take over responsibility for operating and maintaining the new infrastructure. Stations including Tottenham Court Road and Farringdon have been handed over to allow London Underground staff to begin station familiarisation.

As joint sponsors of Crossrail, along with the DfT, TfL has worked closely with Crossrail to implement the transition plan, with TfL taking full responsibility for delivery. This ensures that decision-making is seamless during the critical final phases of the programme.

The transition to TfL oversight has simplified responsibilities, with a single Elizabeth Line Delivery Group comprised of senior representatives from TfL, London Underground and Crossrail, with London's Transport Commissioner, Andy Byford, as chair. Crossrail's chief executive officer, Mark Wild, now reports directly to Andy Byford.

> 'We are now in the complex and final stages of delivering the Elizabeth line and we remain determined to deliver this railway at the earliest opportunity to support London's recovery'

Mark Wild
Crossrail Chief Executive Officer

High-level oversight is provided by a special-purpose committee of the TfL Board, the Elizabeth Line Committee, which meets in public every eight weeks and includes members of the TfL Board. The Committee is also attended by a special representative from the DfT, as joint sponsor of the project and because of its national significance. Crossrail is working to open the Elizabeth line through central London in the first half of 2022.

Trial running of new Crossrail trains is well underway

Safety

'It's been an exceptional year and we have kept the safety of staff and customers front and centre in all our thinking. Our Vision Zero ambition has not waivered'

Lilli Matson
Chief Safety, Health & Environment Officer

Data from the Vision Zero dashboard helps us better understand road danger

The Vision Zero dashboard tool enables organisations and the public to gain insight into the human suffering caused by collisions in the Capital

Improving access to road collision data

In January, we unveiled our new Vision Zero dashboard – an online data platform that will raise awareness of road collisions in the Capital. The launch of the dashboard is key to achieving the Vision Zero goal, making it easier to understand data on road collisions and the harm caused.

Provisional data shows that 96 people died on London's roads in 2020 compared to 125 in 2019. The 2020 figure includes 31 motorcycle fatalities, 45 people killed while walking and six while cycling. While the figure represents a welcome reduction, more needs to be done as part of the Vision Zero action plan aim that, by 2041, no one will be killed or seriously injured on London's roads.

The tool enables organisations and the public to gain insight into the human suffering caused by collisions in the Capital recorded by the police. By sharing data in this way, it will be easier to identify specific road danger challenges in local communities, enabling us to work together with London's boroughs and agencies to address them.

Located on our website, the dashboard shows collision data from 2017 to June 2020, and enables users to filter the raw data based on key fields such as injury severity, location, date/time and mode. New maps, charts and data visualisation tools compare collision data across the years and by location, making the data easier to understand. Data from future years will be added in time, and further analysis capability is planned to include the identification of casualty rates by kilometre travelled. This helps determine the frequency and severity of crashes in communities and across borough boundaries.

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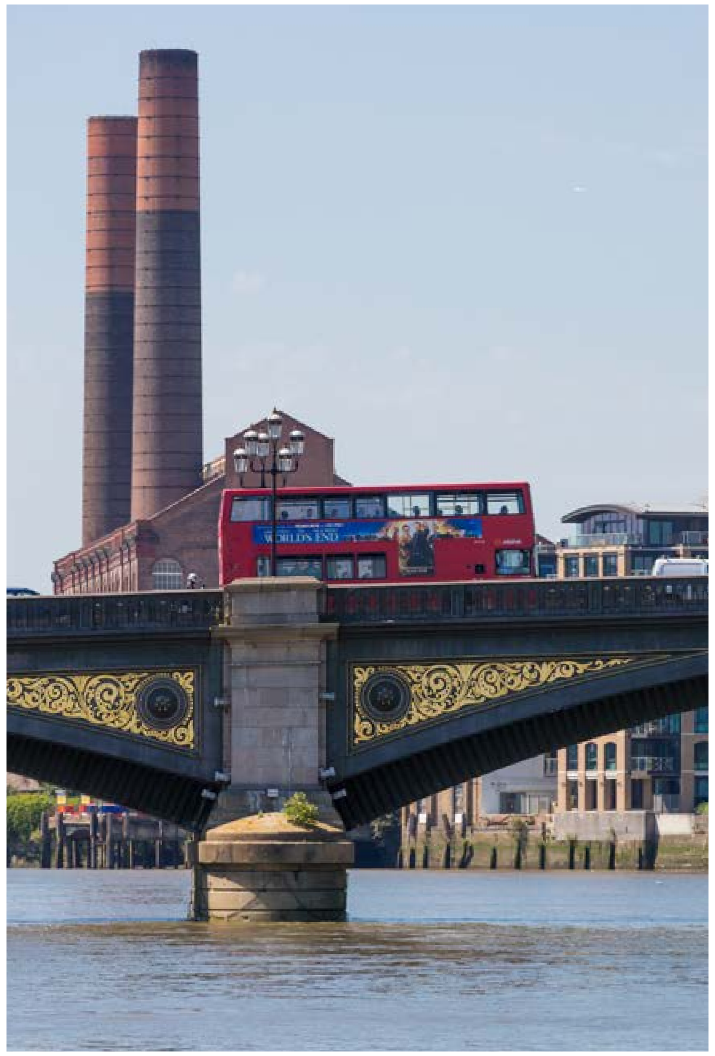


Bringing forward safety improvement work at Battersea Bridge

In February, we set out vital plans to improve safety at Battersea Bridge. Proposed changes include a new signalised pedestrian crossing on the north side of the bridge, and a reduction in the speed limit on Chelsea Embankment from 30mph to 20mph.

This improvement work is being brought forward after a man was tragically killed on the bridge earlier in the year following a collision with a vehicle. We are working on further improvements including pedestrian crossings on another two arms of the junction, which we will engage with stakeholders on later this year. The changes will increase safety for those walking and cycling on the bridge, and form a key part of our Vision Zero ambition.

> The Direct Vision Standard will play a vital role in eliminating deaths and serious injuries from the Capital's streets

Reducing lorry danger with the Direct Vision Standard

Enforcement of London's pioneering Direct Vision Standard began on 1 March 2021. The scheme – in operation 24 hours a day, every day of the year – requires operators of Heavy Goods Vehicles (HGVs) weighing more than 12 tonnes to obtain a safety permit before entering and operating in most of Greater London, to avoid receiving a Penalty Charge Notice.

24/7
operation of new Direct Vision Standard

The Direct Vision Standard will play a vital role in eliminating deaths and serious injuries from the Capital's streets. The Standard is set to reduce lethal blind spots by introducing a permit system for HGVs, assigning vehicles a star rating based on how much the driver can see directly through their cab windows. If the vehicle fails to meet the minimum rating, it needs to be made safe by fitting it with Safe System improvements.

Working with the freight industry, we assisted operators who had not managed to get Safe Systems fitted to their zero-star vehicles before 1 March, creating a grace period of 90 days from the enforcement date as long as they gave us evidence of a booking with a Safe System fitter.

Streetspace for London programme

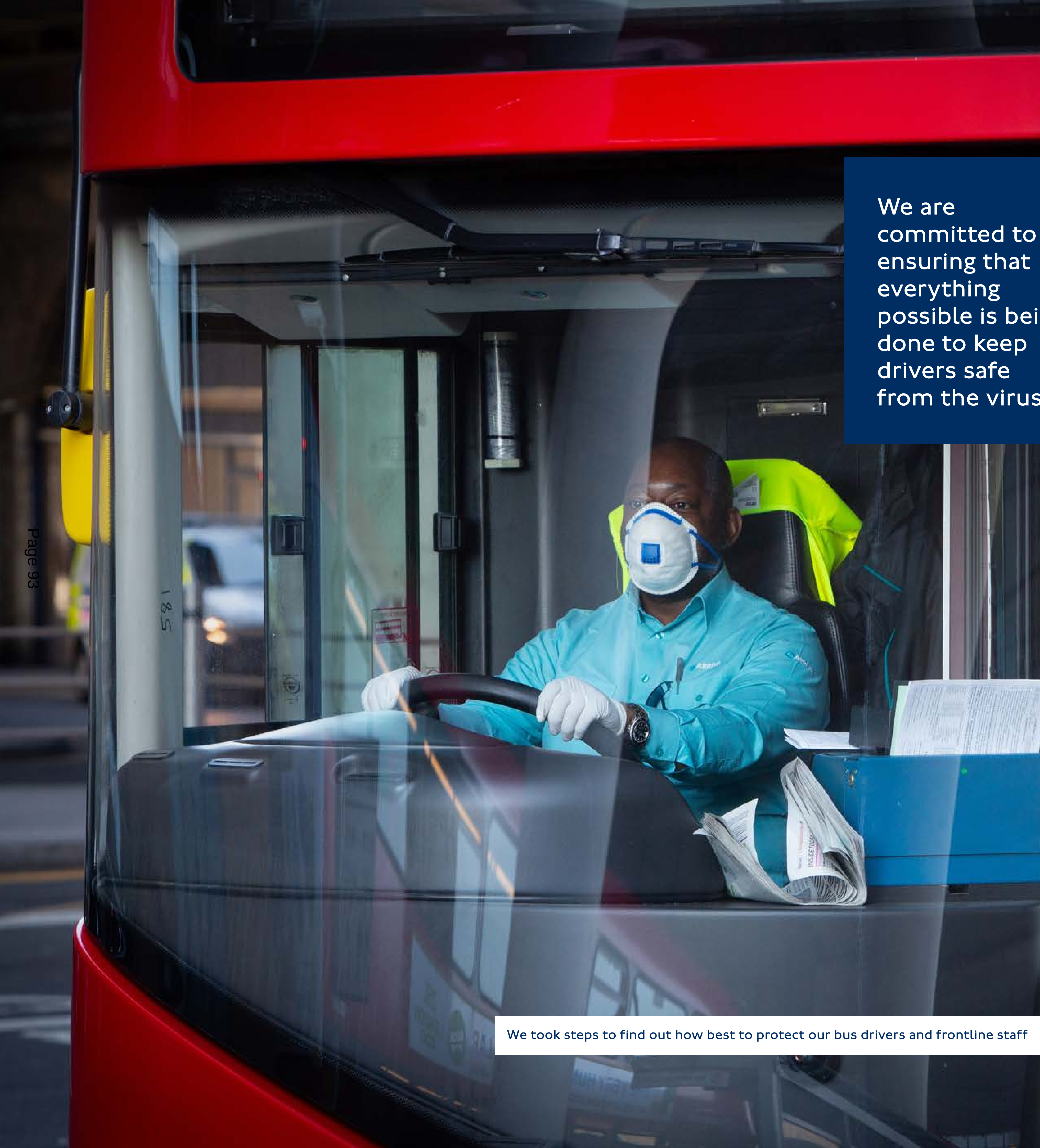
During the pandemic, as lockdown restrictions eased, we realised that great efforts would need to be made by Londoners to maintain safe social distancing. Additionally, Government legislation required local authorities to deliver emergency active travel measures. In response, we worked closely with some of London's boroughs to temporarily widen pavements in central London and in local areas where needed. The measures helped pedestrians and cyclists make safe and sustainable journeys on foot or on two wheels as the city gradually emerged from lockdown.

In central London, widening pavements enabled people to safely travel between busy railway station hubs and their workplaces. These interventions also helped restaurants supply more outdoor hospitality seating and social space when required, in line with Government guidelines.

In May 2020, in just one week, we added 5,000 square metres of extra space on footpaths across London, giving people room to safely walk, while maintaining social distancing. Access for emergency services and disabled people was maintained, and we asked for deliveries of goods to businesses in some street locations to be made outside the new Congestion Charging hours. These actions were needed both to help keep the number of people using public transport as low as possible and to avoid seeing car journeys replacing public transport trips, which would have had the effect of clogging up the Capital's roads.

In May 2020, in just one week, we added 5,000 square metres of extra space on footpaths across London

Streetspace for London helps support active travel options



We took steps to find out how best to protect our bus drivers and frontline staff

We are committed to ensuring that everything possible is being done to keep drivers safe from the virus

University College London research strengthens fight against coronavirus

In March, University College London (UCL) published research looking at the impact of coronavirus on London bus drivers. We commissioned this pioneering research so that the latest expertise is used to keep drivers safe, and to ensure we learn in real time about further actions we could and should take.

The first phase of the research examined the potential risks and related actions and measures undertaken by the bus companies. It identified the first national lockdown as an effective measure in saving lives and the most impactful intervention, although more lives could have been saved if the lockdown had happened sooner. It also found that many drivers had underlying health conditions, or characteristics such as being from Black or ethnic minority backgrounds or living in deprived areas, which contributed to their risk.

We are committed to ensuring that everything possible is being done to keep drivers safe from the virus. The recommendations in the second phase of the research helped to reinforce what we are doing and shows where we can redouble our efforts. We have ensured the bus companies have taken extensive action to stop the spread of the virus with a relentless focus on cleaning with long-lasting antiviral cleaning fluid, and limits on the number of passengers on board buses. Staff facilities have been reconfigured to enable better social distancing and temporary 'portacabin' facilities have been constructed to enable staff to keep a safe distance.

We are working closely with the bus operators so those suffering or at risk from coronavirus receive support. Further measures to improve ventilation on buses are being introduced, and we are continuing to focus on drivers' health and wellbeing. We are encouraging social distancing and enforcing the wearing of face coverings on the transport network. We are also building on our work to address fatigue among bus drivers who experienced coronavirus symptoms.

Introducing 20mph speed limits

In March 2020, we delivered on our Vision Zero commitment to ensure that all of the TfL roads within the central London Congestion Charging zone had a 20mph speed limit.

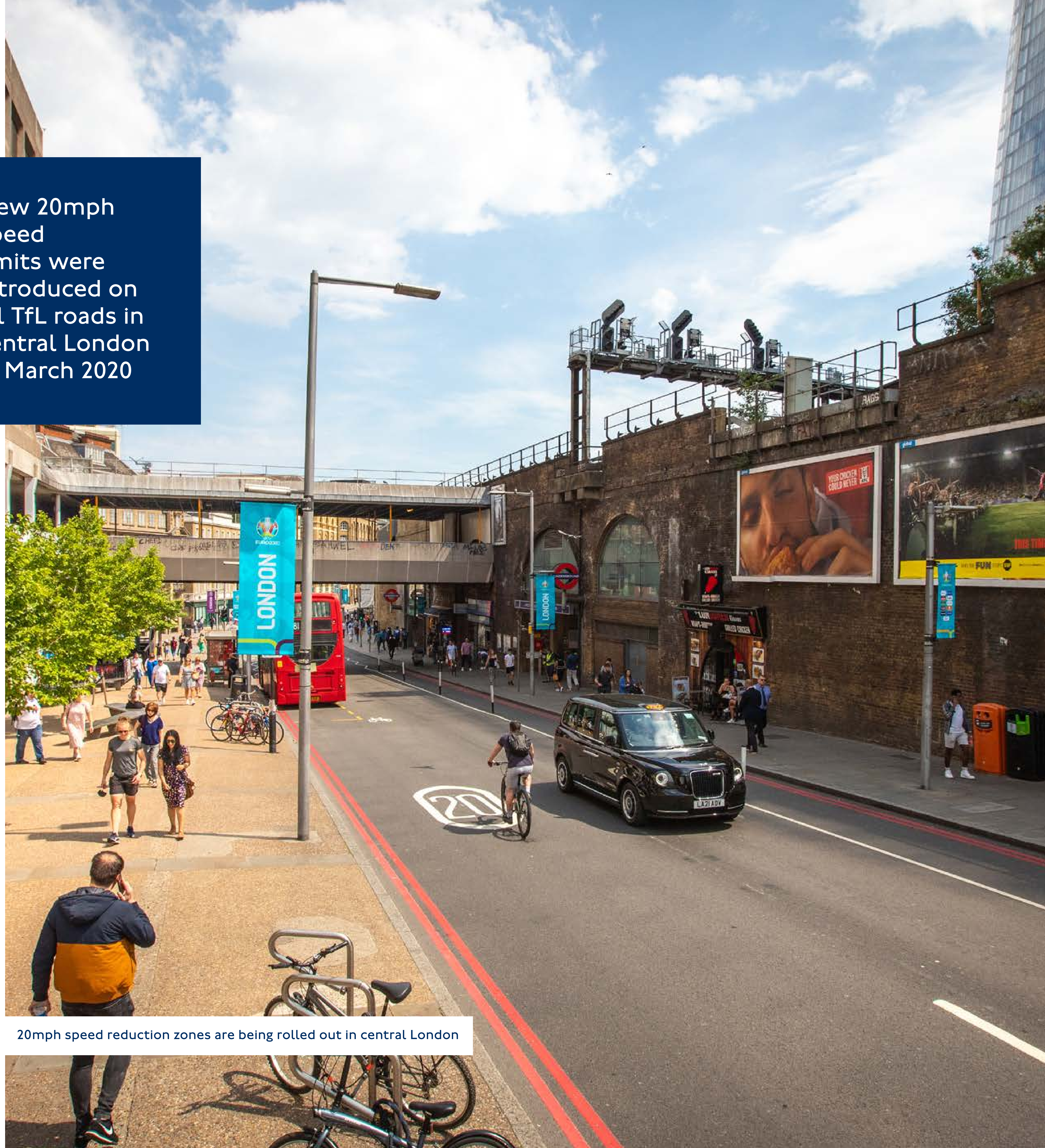
Building on this work, and in response to the coronavirus pandemic, we undertook an urgent review to identify how the speed limits could be expanded to more streets across central London, including next to cycle lanes, to support an increase in walking and cycling and aid social distancing. As a result, we introduced an additional 15km of 20mph speed limits on TfL roads during 2020/21. This included the A503 between Camden and Finsbury Park, and the A3 between Elephant and Castle and Colliers Wood.

We've continued to fund the Metropolitan Police Service's Roads and Transport Policing Command, the largest police command in the UK. The Roads and Transport Policing Command is made up of more than 2,000 officers who are dedicated to policing London's streets, focusing on the most dangerous drivers and carrying out widespread high-visibility roadside operations and patrols, with intensified patrols on roads with 20mph and 30mph speed limits.

2,000+

officers make up the Roads and Transport Policing Command

New 20mph speed limits were introduced on all TfL roads in central London in March 2020



20mph speed reduction zones are being rolled out in central London

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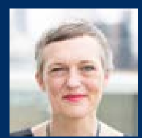
Ultravioletly clean

In October, more than 200 ultraviolet (UV) light devices were fitted on 110 escalators across the Tube network. The units are equipped with a small dynamo to generate power from the moving handrail. This powers the UV bulb, which sanitises the handrail as it passes through the unit, killing any micro-organisms that are present. The dynamo means that the devices were much easier to fit as they did not require their own source of power. All new escalators will have a UV unit fitted.

The UV sanitising units were trialled for six weeks in May at Heathrow Terminals 2 & 3 station on the Piccadilly and TfL Rail lines. An independent company was commissioned to undertake weekly swab tests of the handrails on both the trial escalator and another escalator that did not have a device fitted. The results showed that the UV-light sanitising device improved the cleanliness of an already highly sanitised escalator handrail surface by at least 50 per cent.

The UV escalator handrail cleaning devices supplement the extensive enhanced cleaning measures already undertaken since the beginning of the coronavirus pandemic in March 2020.

‘To help protect everyone’s health and control the spread of the virus, it is essential that people wear face coverings. It is also hugely important for giving Londoners confidence to travel’



Siwan Hayward
Director of Compliance, Policing Operations and Security

Keeping customers safe when travelling on our network

For the past year, making sure customers wear a face covering that covers their nose and mouth while travelling on our transport network has been a high priority. It has been mandatory to wear a face covering, unless exempt, since 15 June 2020. Our enforcement officers have been engaging with customers to improve compliance and taking enforcement action where necessary. Our transport policing partners, the Metropolitan Police Roads and Transport Policing Command and the British Transport Police, are doing the same.

Our research shows strong public support for the use of face coverings on our network and high levels of compliance, around 90 per cent, with only a minority who are not exempt ignoring the regulations.

Between 4 July 2020 and 31 March 2021, our enforcement officers intervened with around 151,666 customers, stopping them from boarding services until they put on a face covering. Around 10,483 people were prevented from boarding, and around 2,296 had to be ejected from services. More than 2,726 Fixed Penalty Notices were issued to customers who have travelled on the network without a face covering and who are not exempt.

The police saw similar levels of customers and stopped those without a face covering. This compliance and enforcement activity continued as we welcomed more people back to our services.

Safety is our number one priority and we continue to make improvements to the tram network

We keep our network under constant review, and we have made a number of improvements to the tram network

Tram safety

We will never forget those who lost their lives or were injured in the tragedy at Sandilands in 2016 and we are supporting the inquests in every way we can.

Safety remains our number one priority. We keep our network under constant review, and we have made a number of improvements to the tram network.

We have worked with FirstGroup and industry partners to ensure that the Rail Accident Investigation Branch recommendations are fully implemented, especially those that were specific to the London Tram network where, in some cases, industry-leading technology has been installed on the network. This includes the development of a tram safety body and the installation of emergency lighting. A new automatic braking system is now in full operation on the London network; a first for trams in the UK.

The focus now must be on ensuring every practical safety measure is taken and we will take into account any further learnings that may come out of the inquests to make sure such a tragedy never happens again.

Bringing construction to a Safe Stop and commencing a safe restart

In March 2020, unless they needed to continue for operational safety reasons, our construction project sites were brought to a temporary safe and orderly stop to align with public health guidance. This affected around 300 sites, including Crossrail.

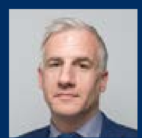
At the height of the Safe Stop, the number of people on our sites was cut from 3,000 to as low as 10. We did this to ensure the safety of our construction and project teams and to further reduce the number of people travelling on the public transport network. Essential maintenance carried on throughout.

To allow work to restart, we worked closely with our contractors and supply chain to introduce new ways of working. Our protocol systems were evaluated to align with public health guidance – one measure was introducing screens allowing colleagues to carry out tasks within two metres of each other. Where tasks could not be completed implementing normal social distancing requirements, we introduced additional mobile screens that allowed colleagues to safely work more closely for short periods.

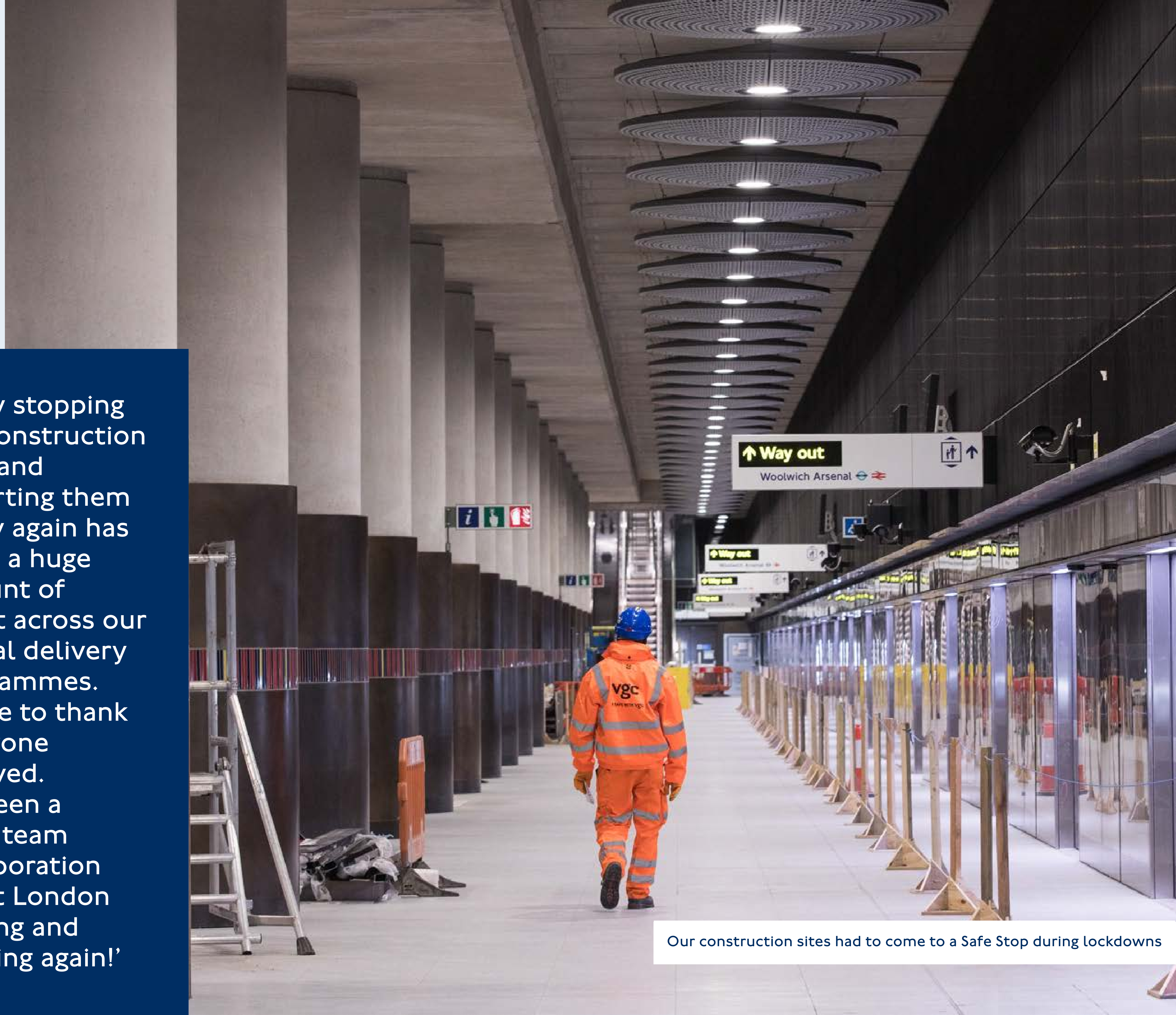
Other measures included:

- Staggered shifts and breaks to spread journeys outside peak travel periods to prevent large groups travelling to sites
- Clear signs for social distancing and one-way walking routes on sites and access to additional staff welfare areas
- Additional hand-washing facilities and sanitising stations
- Reconfigured canteens and access to personal hand sanitisers

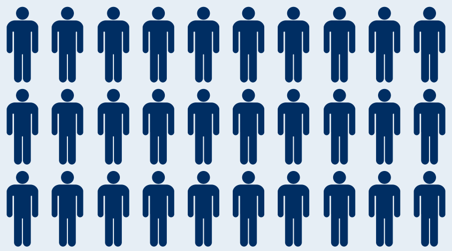
‘Safely stopping our construction sites and restarting them safely again has taken a huge amount of effort across our capital delivery programmes. I’d like to thank everyone involved. It’s been a great team collaboration to get London moving and working again!’



Stuart Harvey
Director of Major Projects



Our construction sites had to come to a Safe Stop during lockdowns



3,000
workers on our sites on Monday 23 March

10
workers on site following Safe Stop procedure on Wednesday 1 April

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Delivering the Mayor's Transport Strategy

'The pandemic has presented both challenges and opportunities in advancing the Mayor's transport aims. The need to enable continued mode shift is essential to avoid a car-led recovery'

Alex Williams
Director of City Planning

The Mayor's Transport Strategy acknowledges the key role of transport in shaping London and its global competitiveness, as well as in improving the health, opportunities and quality of life of those who live and work in the city.

The central aim of the strategy is to create a place that is not only home to more people but is a better space for them to live. This means a safer, healthier, cleaner, greener, more inclusive and better-connected city. The coronavirus pandemic has underlined the vital importance of making future progress on all elements of the strategy.

Healthy Streets and healthy people

Our investment is centred around improving the experience of being in the places where people live, work, go to school, spend time and travel. We will reduce traffic dominance and encourage people to walk, cycle and use public transport. This will help Londoners lead more active, healthy lives and create a city that works for all its residents.

A good public transport experience

We will ensure public transport is an increasingly attractive alternative to a car. Proper planning and investment in the whole journey will help integrate public transport with our on-street schemes. Making services available where people need them, reducing overcrowding and keeping fares affordable help us achieve these goals.

New homes and jobs

Improvements to transport are vital for creating the new homes and jobs that London needs. Our investment will help create communities where amenities are within walking and cycling distance and public transport is available for longer journeys.

Healthy Streets and healthy people

'We've seen significant increases in levels of walking and cycling across London. We're rapidly transforming our streets, making them greener, cleaner, safer and healthier for all'

Will Norman
Walking & Cycling Commissioner

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Record numbers enjoy cycle hire scheme

This year, cycling around London enjoyed a huge rise in popularity, with more people discovering the health and environmental benefits.

In 2020, we celebrated 10 years of cycle hire in the Capital, with record numbers of people using our scheme to get flexible and affordable access to cycles. Santander Cycles played a critical role in keeping London moving during the coronavirus pandemic. New 24-hour Santander Cycles membership registrations rose by 167 per cent in the year to December 2020, the largest increase in the scheme's history.

Total hire numbers for 2020 were 10,434,167 – an increase of around 6,000 hires from 2019, despite a significant overall reduction in journeys across London during this time. And the previous maximum daily hire number of 50,000 was surpassed on 14 separate days during the year, as record numbers of people tried Santander Cycles for the first time. The festive period was very busy, with more than 60,000 hires made from 25 to 28 December, and on 6 March 2021, a major milestone was reached with the 100 millionth journey being made, following record-breaking hires in February.

Through Santander Cycles, we supported key workers as the coronavirus pandemic affected travel. Free cycle hire access codes were provided to NHS staff and other key workers, with more than 100,000 hires made since the offer began. Almost 18,000 people have benefited, with the busiest docking station on Lambeth Palace Road, near St Thomas's Hospital. A permanent NHS discount for annual memberships is being developed as a continued show of appreciation.

Partnering to stop cycle theft

During the pandemic, the Capital saw an increase in active travel, particularly cycling. We responded to this with a series of measures such as the launch in July of free online cycle skills training for all abilities, as well as for families and children.

In November, together with the Mayor we partnered with cycling retailer Halfords to combat cycle theft. The number of thefts almost trebled between April and September 2020 according to figures from the Metropolitan Police Crime Data Dashboard.

After completing the cycle skills course, participants could claim 15 per cent off Halfords' own-brand cycle locks, helping them to securely lock up their cycles and therefore reduce theft risk. The offer also applied to cycle lights and helmets, encouraging safer travel.

15%

discount on Halfords' own-brand locks for anyone completing our free online cycle skills training course

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Investing in healthy communities

In December, we announced funding had been awarded to 68 community and non-profit projects to improve access to walking and cycling, helping to make London a more sustainable, inclusive and healthy city.

The Walking and Cycling Grants London programme, funded by us in partnership this year with The London Marathon Charitable Trust, gives grants of up to £10,000 over three years to community groups and organisations across London. The funded projects enable greater physical, social and economic mobility, reduce social exclusion and strengthen communities.

The 2020 projects include: Sole Sistas – activeNewham (creating new social walks along the Newham Greenway to help increase the wellbeing of pre- and post-natal women); and Bart's WeCycle Rehab – Walk and Cycle London, Waltham Forest (supporting cycling as a rehabilitation activity for cardiology patients).

There has been a record-breaking growth in London's cycle network during the year

Expanding safe, high-quality cycle routes

There has been a record-breaking growth in London's cycle network during the year, with the need to create space for walking and cycling on the Capital's roads being even more important in the wake of the coronavirus pandemic.

Since 2016, 260km of high-quality cycle routes have been delivered, with 100km completed or under construction since March 2020 as part of the emergency response to the coronavirus pandemic. This has contributed to a huge rise in cycling: in autumn 2020, cycle count data showed a seven per cent increase in cycling in inner London and a 22 per cent increase in outer London, compared to the previous count in spring 2019.

We have continued to deliver cycling routes with construction work starting to extend Cycleway 4, between London Bridge and Rotherhithe for the first time. Cycleway 4 is the first major protected cycle route in south east London, currently running as two sections between Tower Bridge Road and Rotherhithe and Greenwich and Angerstein Roundabout.

This is one of a number of major new cycling infrastructure projects across the Capital creating new, safer routes that will play a vital role in supporting Londoners to move around our city as the economy begins to reopen. More Londoners are now cycling to make essential journeys, and the increase in high-quality cycle routes has made a huge contribution to this.

Significant increase in walking and cycling

Walking and cycling in the Capital increased significantly following the start of the first national lockdown in March 2020, as Londoners adapted to Government lockdown restrictions. Between April and June, nearly half of all journeys in London (46 per cent) were walked or cycled, up from 29 per cent before the coronavirus pandemic.

We supported the Government's instruction in March not to use public transport unless making an essential journey, and to walk or cycle wherever possible, by working to rapidly deliver new and upgraded cycle routes and extra space for walking across the Capital.

Even as restrictions eased, walking and cycling have remained well above previous levels, accounting for an estimated 37 per cent of all journeys between July and September.

By the end of 2020, 31 per cent of Londoners said they were walking to places they used to travel to by a different mode; 57 per cent said they now walked more for exercise; and 42 per cent walked for longer than they did before. As of December, 17.9 per cent of Londoners lived within 400m of the London-wide cycle network, up from 11.5 per cent previously.

Between April and June, nearly half of all journeys in London were walked or cycled

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New map launched to encourage walking

To promote the benefits of walking and prevent a damaging car-led recovery from the coronavirus pandemic, we are working to expand opportunities for those keen to incorporate more walking into their daily lives.

In September, we – together with London Living Streets and Urban Good – unveiled a new illustrated walking map highlighting a network of quiet and interesting streets in central London.

The Central London Footways map, available at several London locations and online, comprises a network of routes connecting London's mainline railway stations, popular destinations and green spaces with the Capital's most appealing and accessible streets.

The map serves as a reminder that many 20- or 30-minute walks across central London take just a few minutes longer than a journey on public transport. It also reinforces the fact that walking is the cheapest way to travel and is good for both physical and mental wellbeing as well as London's environment.

Encouraging children to travel actively in London

During the year, we worked closely with schools, London's boroughs and the Government to encourage active travel to help children safely return to the classroom. Children who were able to walk, cycle and scoot to school were encouraged to do so, and together with the boroughs we ensured that extra space was created to make these activities safer and easier.

Since April 2020, more than 300 School Streets schemes have been delivered across London – these involve timed restrictions on motorised traffic outside schools at drop-off and pick-up times, resulting in a safer, healthier and more pleasant environment for all.

By March 2021, nearly 100km of new or upgraded cycle lanes had been either completed or were under construction across London, enabling people of all ages and abilities to feel more confident cycling to make essential journeys. Cycle routes and more cycle parking were created to facilitate and encourage cycling, and our online cycle skills course for new and existing cyclists includes a module targeted at children.

Promoting active travel to schoolchildren not only supports London's safe and sustainable recovery from the pandemic but also significantly reduces congestion and pollution. Our previous research has shown that travelling actively to school could take as many as 254,000 cars off London roads during the weekday morning peak.

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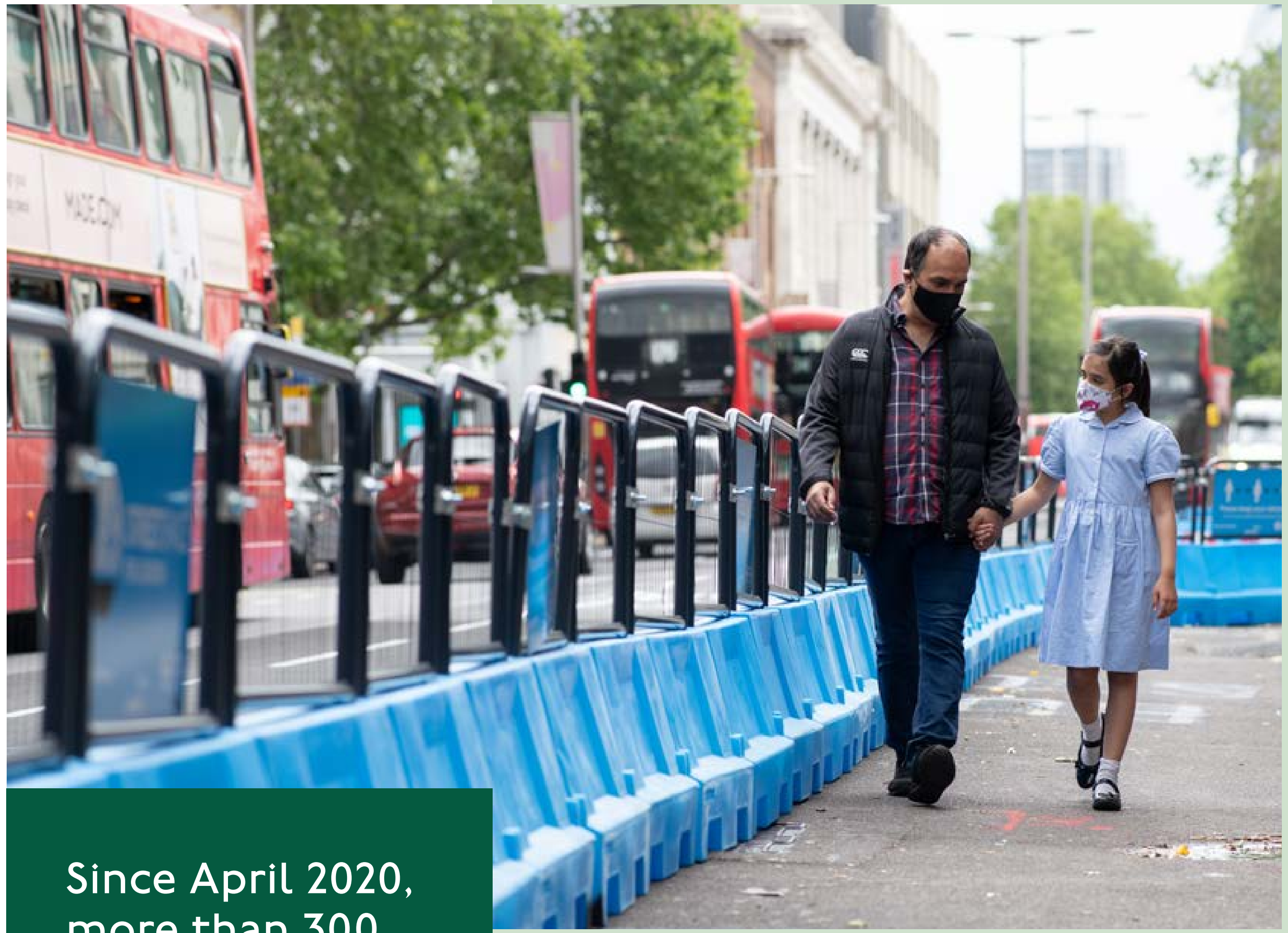

Since April 2020, more than 300 School Streets schemes have been delivered across London

Space for safe walking and cycling

Walking and cycling were vital for many Londoners during the coronavirus pandemic. Over this summer, nearly half of all journeys in London were walked or cycled.

We worked with London boroughs to provide alternatives to using public transport. As well as the delivery of 100km of new or upgraded cycle lanes, traffic reduction measures took place on residential streets, and extra footway space was created in town centres and on busy roads, for social distancing and to support local businesses. On the TfL road network, 22,500 square metres of extra pavement has been created, using temporary materials in many cases so schemes were adaptable.

Electric scooter trials have begun in some London boroughs

> 'We want to support London's safe and sustainable recovery from the coronavirus pandemic. E-scooters could be a viable part of a greener, healthier future for London, helping to avoid car trips'

Gareth Powell
Managing Director,
Surface Transport

Electric scooter trial launch

In spring 2020, working with London Councils and London's boroughs, we began planning for a 12-month trial of rental electric scooters in the Capital. This followed the DfT passing new regulations to allow trials, which came into force on 4 July 2020.

In November 2020, we launched an open and competitive procurement process, alongside London Councils and the London boroughs, to select up to three operators for the London rental electric scooter trial.

Operators taking part were assessed on their ability to meet strict safety requirements, high operating standards and how they would provide a safe and positive service for both riders and non-riders. TfL set some additional standards for operators to comply with, which go beyond those set out nationally by the DfT, including a lower maximum speed limit of 12.5mph. At the end of March 2021, three operators were selected for the trial: Dott, Lime and TIER.

Safety is the trial's number one priority, with building an evidence base to assess the impact of electric scooters on London's transport goals as another key priority. The boroughs involved will control parking locations and will be able to designate certain areas where electric scooters cannot be ridden. Rental electric scooters entering these areas will automatically come to a safe stop. There will also be 'go-slow areas', where the speed of the electric scooter will be automatically limited to 8mph.

Electric scooters will still be banned from riding on pavements but electric scooters will be able to use the same road space as cycles. We will continue to work closely with London Councils and the boroughs as well as with stakeholders, including our Independent Disability Advisory Group, to ensure the trial meets the needs of everybody living in, working in and visiting the trial areas.

All London Buses now meet or exceed ULEZ standards

We continue to improve air quality across London and tackle the climate emergency. This year saw a major milestone achieved, with our 9,000-strong core bus fleet meeting or exceeding the cleanest Euro VI engine standard, the same standard as the Mayor's ULEZ.

We have invested around £85m in retrofitting and phasing out older buses that cannot be upgraded. This brings about immediate improvements as each retrofitted or replaced bus emits up to 90 per cent fewer NO_x emissions and 80 per cent less particulate matter than before.

In the coming years, air quality will be improved further and decarbonisation progressed by moving towards a zero-emission bus network. More than 500 zero-emission buses have been introduced so far and contracts have been placed to add a further 300 vehicles by the end of March 2022.

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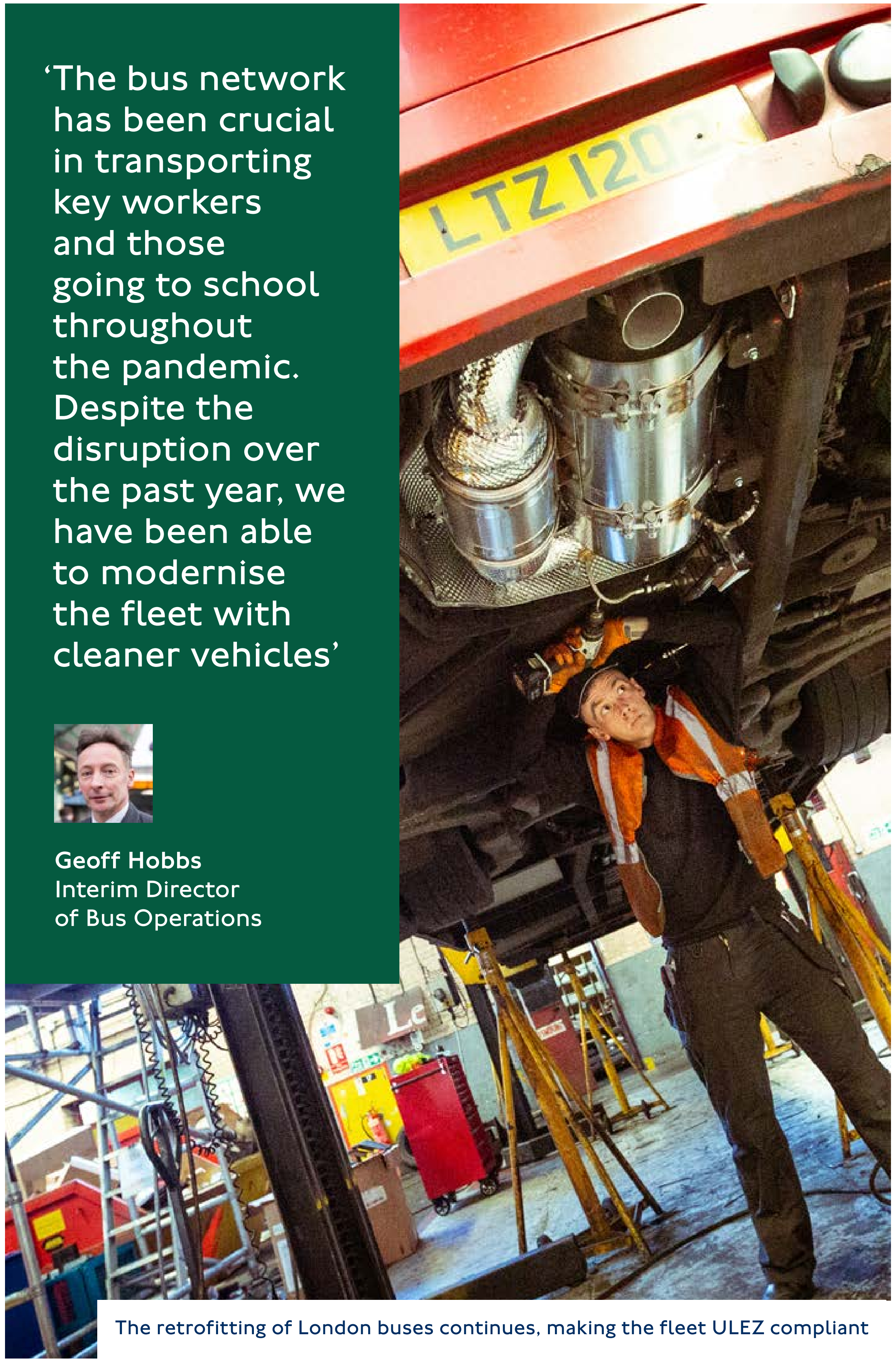
Our current plan is for a wholly zero-emission bus fleet by 2037, but we are making the case for Government funding to enable this to be brought forward to 2030 to help achieve UK targets for a reduction in CO_2 emissions of 68 per cent by 2030 and 78 per cent by 2035 compared to 1990 levels.

500
zero-emission buses operating in London

'The bus network has been crucial in transporting key workers and those going to school throughout the pandemic. Despite the disruption over the past year, we have been able to modernise the fleet with cleaner vehicles'

Geoff Hobbs
Interim Director of Bus Operations



The retrofitting of London buses continues, making the fleet ULEZ compliant

Improving air quality and reducing carbon

Environmental sustainability is a key priority for us and the Mayor, and we continue our work to improve London's air quality and reduce carbon. With the climate change Conference of the Parties (COP26) being held in November 2021 in the UK, the environment and global climate are steadily growing in the public consciousness.

We are approaching carbon reduction in a holistic way, forecasting London's future transport need and strategically implementing the changes needed to rapidly transition to a net-zero future. We are working with our partners to accelerate the shift to zero-emission technologies, while enhancing walking, cycling and public transport. We have the largest electric bus fleet in Europe, and plan to have an entirely zero-tailpipe emission fleet by 2037 at the latest, with the ambition to accelerate this to 2030 to help the Government with carbon reduction targets. A third of London's taxis are zero-emission capable and we have supported a growing network of electric vehicle rapid charging points.

As the largest consumer of electricity in London and among the top 10 in the UK, we are shifting to renewable energy. In 2021, we will go to the market for power purchase agreements, which will provide us with around 20 per cent of our total electricity requirements and will represent a major milestone towards our target of operating a zero-carbon railway by 2030.

Detailed information on the carbon emissions from our operations can be viewed in our annual Safety, Health and Environment report online; however, a brief overview of our decarbonisation disclosure table is outlined in our financial narrative at the back of this report.

Direct Vision Standard comes into force

In March, our pioneering Direct Vision Standard came into force with more than 40,000 of the lowest-rated vehicles having had safety improvements made to meet the standard by the start date. When enforcement started on 1 March, more than 98,000 permits had been issued to HGVs in London.

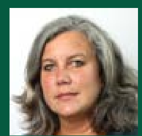
HGVs operating in London now need a permit to show that they meet the Direct Vision Standard, which seeks to improve the safety of these vehicles by reducing blind spots, incorporating safety features to save lives and prevent serious injuries on London's road network. A star rating of zero to five stars is given, with the lowest-rated HGVs being required to make safety improvements in order to get a permit.

Any HGV over 12 tonnes found without a valid permit faces a penalty charge notice of up to £550. Enforcement of the standard was delayed by four months to give HGV fleet owners more time to meet the standard, following the twin pressures of the UK's exit from the European Union and the coronavirus pandemic.

HGVs have been shown to be five times more likely to be involved in a collision resulting in a fatality. While accounting for three per cent of the total miles driven in London, they were involved in 41 per cent of fatal collisions involving people cycling and 19 per cent of fatal collisions involving people walking.

The Direct Vision Standard will tighten in 2024, for HGVs with less than a three-star rating.

'Tough new regulations like the Direct Vision Standard, alongside measures making it easier for Londoners to walk and cycle around London, will make a huge difference in improving safety and preventing any more devastating incidents on our roads'



Heidi Alexander
Deputy Mayor
for Transport

98,000

permits issued to HGVs by 1 March 2021

Low Emission Zone improvements

From 1 March, heavier vehicles weighing more than 3.5 tonnes and buses weighing more than five tonnes travelling in the existing Low Emission Zone (LEZ) needed to meet new air quality standards. The fleet was well prepared for this change with nearly 90 per cent of eligible vehicles meeting the new standard by the beginning of 2021. HGVs, heavy vans, buses and coaches that do not meet Euro VI standards have to pay a daily charge of £300 to drive vehicles within most of Greater London. The LEZ operates 24 hours a day, every day, and is expected to result in a reduction of NO_x emissions from road transport of around 30 per cent. Our 9,000-strong London bus fleet now meets these tougher new standards.

First new cameras for expanded ULEZ

London came a step closer to expanding the ULEZ in August 2020 with the installation of the first new cameras to enforce the zone.

The ULEZ currently covers the same area as the Congestion Charge Zone, but the new cameras will enable it to expand up to the North and South Circular Roads in October 2021.

Air pollution causes thousands of premature deaths every year in London and with emerging evidence linking air pollution with an increased vulnerability to the most severe effects of COVID-19, it is more important than ever to improve London's toxic air.

The ULEZ has to date had a transformational impact on air pollution, contributing to a 44 per cent reduction in roadside nitrogen dioxide within its boundaries.

The current ULEZ has around 650 cameras. The new zone will be 18 times the size, but new technology means only around 750 extra cameras will need to be installed. Cameras will be prioritised at locations already used to monitor traffic, using existing lampposts and on traffic signals.

A good public transport experience

‘We have been running a near-full service since May 2020 and the transport network is cleaner than ever, with staff on hand to help when customers need them. We have also expanded walking and cycling facilities across London to enable more active travel options’

Vernon Everitt
Managing Director, Customers, Communication & Technology

An image was changed after the original publication of the report

Completing the Northern Line Extension

The Northern Line Extension is the first major Tube extension on the London Underground network this century. The last extension, the Jubilee line extension, was completed in the late 1990s. Two new stations, Battersea Power Station and Nine Elms, have been created and are step-free, and two new tunnels extending 3km mean overhauled transport infrastructure in the area will be significantly improved.

This is an exemplar engineering project embracing modern sustainable construction techniques and approaches to health and safety. We built close working relationships with local stakeholders and the community and, while construction has had an impact, the improved access to public transport will benefit the whole area. The extension is supporting around 25,000 new jobs and 20,000 new homes, and construction itself supported around 1,000 jobs, including 65 apprenticeships.

Regeneration in the area has been boosted by the Northern Line Extension with a smooth delivery, despite delays from the coronavirus pandemic. It will provide sustainable transport links to thousands of residents and businesses in Battersea and surrounding areas, reducing carbon and improving air quality. The step-free access at Nine Elms Tube station will play a key role in distributing the customer demand on the Victoria line at Vauxhall and on other parts of existing lines.

The Northern Line Extension is supporting around 25,000 new jobs and 20,000 new homes

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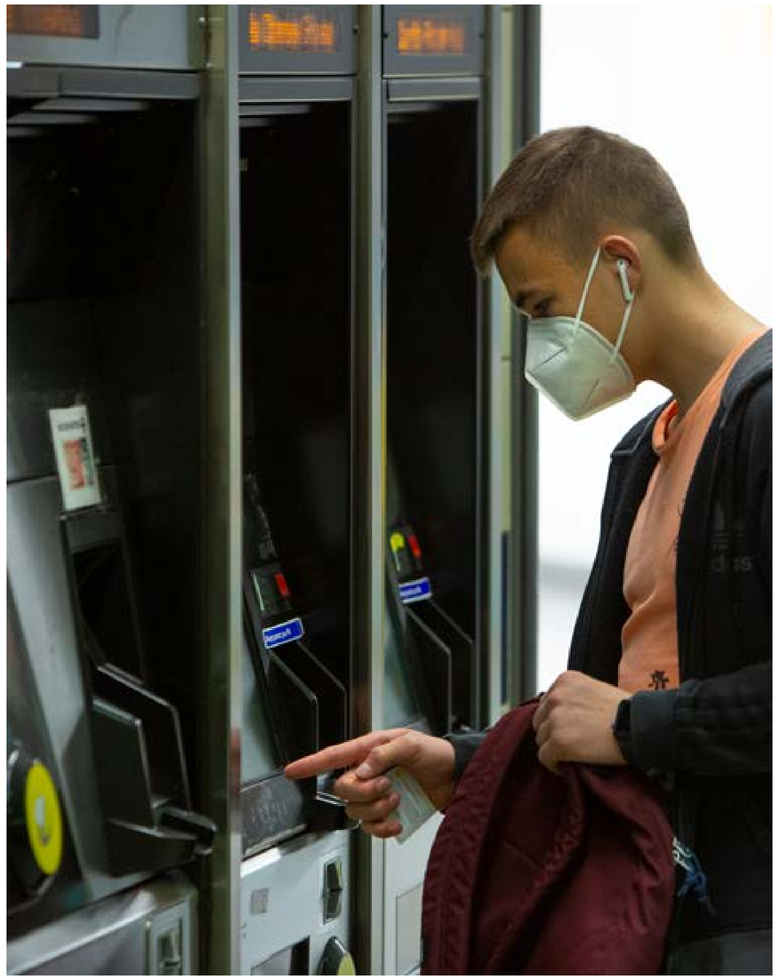
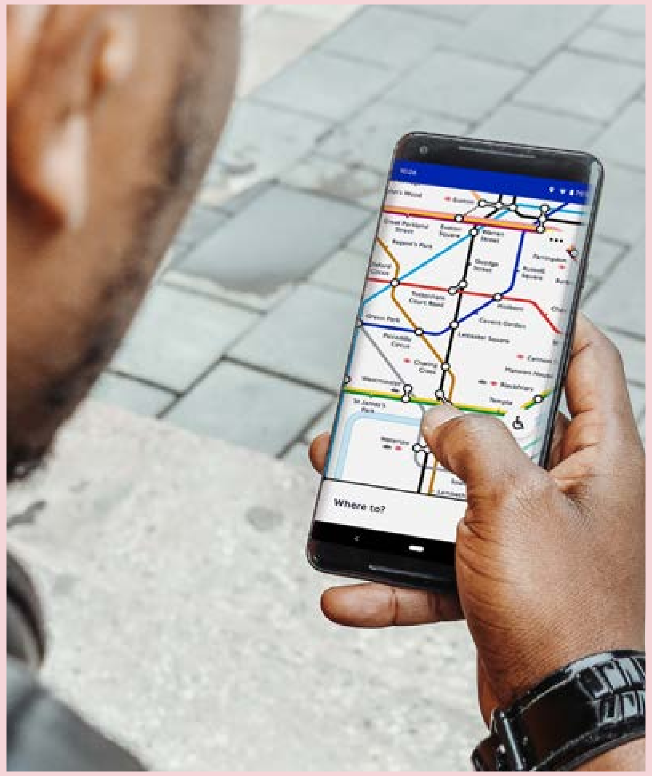


A flexible ticket offering

The ambition in the Mayor's Transport Strategy to see 80 per cent of all journeys made by foot, by cycle or by public transport by 2041 remains our goal despite this past year's challenges. The pandemic has impacted the levels of public transport use and subsequently our fare revenue has plummeted.

As part of our funding agreement with the Government in October 2020, the Mayor committed to deliver an increase to fares under his control in order to deliver an overall fares rise of 2.6 per cent (retail price index plus one per cent). Bus and tram fares, including the Hopper fare, rose by just 5p. Some individual fares have remained unchanged on some modes, including the London Underground, DLR and rail fares within a single fare zone. Pay as you go with contactless or Oyster already means you can travel flexibly, removing the need to buy a ticket in advance. This further supports the different commuter travel patterns we expect to see as office workers continue to work from home some of the time after the pandemic.



All Go for TfL app

Our TfL Go app was launched in August 2020. The app gives real-time train and bus arrival times in a mobile-friendly interface built around our iconic Tube map. It delivers information on quieter times to travel to help customers to maintain social distancing, and provides alternative routes, including walking and cycling options.

The app improves accessibility information by introducing a 'step-free mode' with easy access to live lift status, bus updates and detailed platform information. It's also designed to work with screen readers and bigger font sizes. We will continue to release updated features and functionality at regular intervals in response to customer feedback.

'TfL Go helps us provide better information for people with accessibility needs and essential real-time information direct to customers as they travel with us on our network'

Shashi Verma
Chief Technology Officer

Next steps for step-free access

Supporting the Mayor's Transport Strategy, we've provided step-free access to more stations this past year. Cockfosters, on the Piccadilly line, became the 80th step-free access station on London Underground in October 2020. Amersham station on the Metropolitan line was delivered in February 2021 and became the 81st Tube station to go step free. West Ealing station on TfL Rail became step-free in March, improving accessibility for those needing to travel to stations between Paddington, Heathrow and Reading and in preparation for the Elizabeth line opening.

This means that more than 30 per cent of the Tube network is now step-free, with the number of step-free access stations totalling more than 200. We would like to make further progress on making more stations step-free, but this will be dependent on funding.

Turn up and go service

At the height of the first lockdown, we had to pause our Turn up and go service for visually impaired and disabled customers, to protect our staff and customers. During the pause to physical guiding, we paid for a taxi to transport customers to their destination station if we couldn't support their entire Turn up and go journey.

Our operational staff received revised training on the measures required for the Turn up and go service to operate more safely within coronavirus restrictions, allowing the service to restart over two periods, 24 November 2020 and then 28 January 2021.

Thameslink services added to TfL map

This January, we temporarily added Thameslink services to our Tube map to help customers move around the city as the coronavirus pandemic continued. Thameslink services within Zones 1 to 6 (as well as Dartford and Swanley) were shown on maps displayed in stations, as well as on the pocket Tube map, on our website and on the TfL Go app.

Thameslink was added as it operates a through London service, gives Londoners more travel options during the coronavirus pandemic and encourages the use of public transport to safely travel across the city. This helps customers with social distancing while travelling and reduces the risk of a car-led recovery. Step-free access information for all Thameslink stations on the map was added for customers with accessibility needs.

Hammersmith ferry service

In August 2020, Hammersmith Bridge, owned by the London Borough of Hammersmith and Fulham, was forced to close for safety reasons and, in March 2021, a ferry service was proposed by the Hammersmith Bridge Taskforce. Following a competitive procurement process, we selected Uber Boat by Thames Clippers to run a Hammersmith ferry service as a temporary solution to the closure. The service will take pedestrians and cyclists over the Thames while the Bridge undergoes vital repair. We continue to work with the Hammersmith Bridge Taskforce to agree a long-term solution that would fully reopen the bridge to all road users, starting with pedestrians and cyclists.

‘It’s great news that customers are now benefiting from improvements at Acton Main Line, West Ealing and Ealing Broadway ahead of the future Elizabeth line services connecting them through central London’

Howard Smith
Chief Operating Officer, Elizabeth line

West London station improvements

Work has continued to upgrade a number of stations on the western section of TfL Rail, in preparation for the Elizabeth line.

Despite a pause in construction in 2020, Network Rail completed improvement works at Acton Main Line and West Ealing stations. The improvements, which significantly enhance the customer experience for those travelling through these stations, include step-free access to platforms, new ticket halls as well as improved customer information and gatelines.

41
stations on the Elizabeth line will be step-free

Challenging ageism in advertising

Replens MD, which produces a vaginal moisturiser, won our third annual Diversity in Advertising competition.

Replens MD's campaign was chosen because of its bold creative content, which challenges the assumptions around older people and intimacy by instead celebrating these relationships. The brand was also commended for reducing the stigma around a product that some women may feel shy discussing or otherwise embarrassed to say they need.

Brompton, the UK's largest cycle manufacturer, was runner-up. It also ran a campaign on our network, having been offered the opportunity to receive match funding of up to £50,000.

As with the previous years, the advertising space for both companies has been provided by our advertising partners, JCDecaux and Global at no cost to us.

All submissions were reviewed by a panel of judges from advertising, media, and older people's organisations, as well as representatives from us and City Hall. The annual competition was launched in 2018 to increase representation of London's diversity in advertising on our network. This year's competition aimed to help tackle inauthentic and one-dimensional portrayals of older people in advertising by inviting brands to develop campaigns that better reflect this important group of people.

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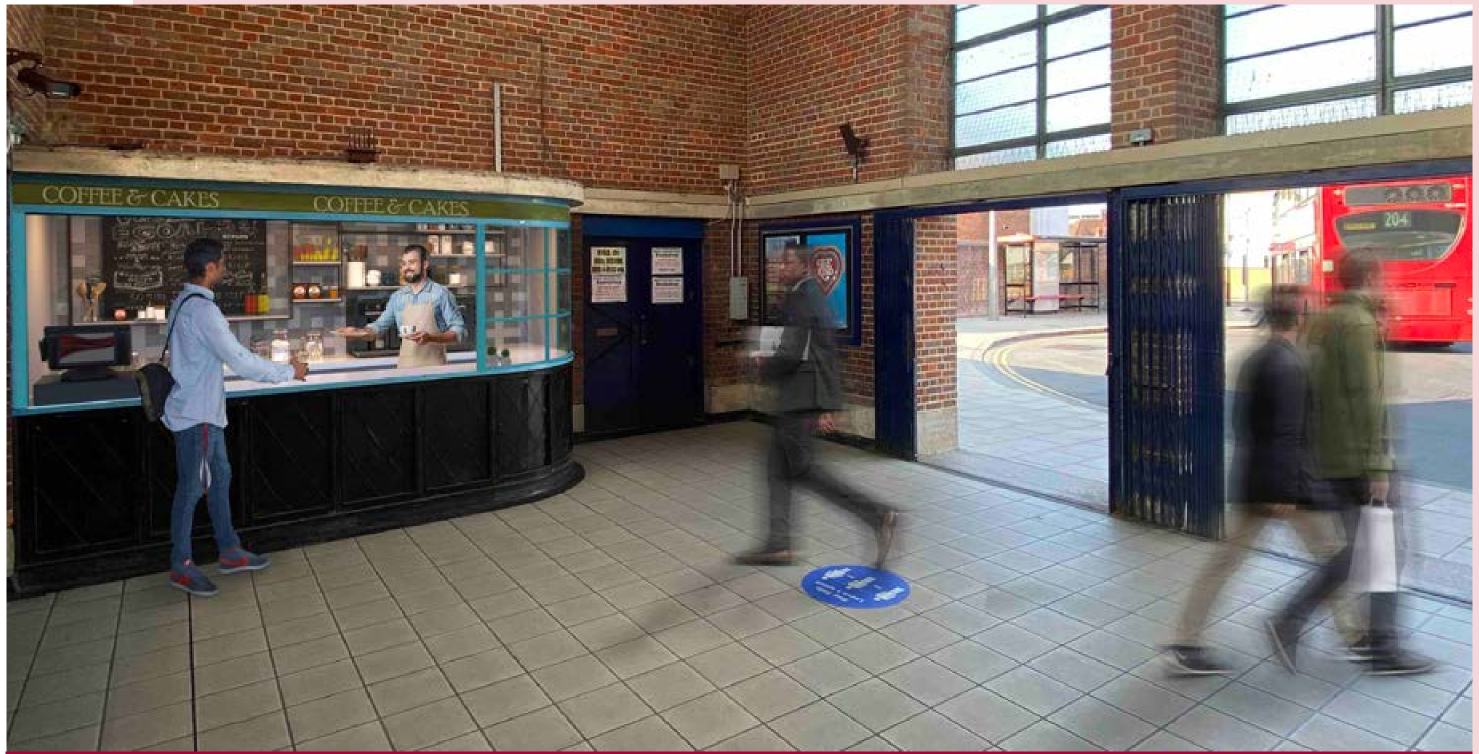

Supporting our tenants

In what has been an uncertain and challenging time for businesses during the pandemic, as a landlord we've sought to support the small and medium-sized companies that make up 92 per cent of the businesses on our transport network.

In the first lockdown in March, we provided 100 per cent rent relief until June. In July, when the first lockdown lifted, we halved rents for the next business quarter for those who were able to open safely. As a further measure, we gave tenants longer to pay the June quarter. As the Capital faced more uncertainty, we responded by moving our tenants onto monthly rent payments on a case-by-case basis. We continued to do everything we could to ensure businesses remain with us and have welcomed a record number of new tenants.

New mobile units have been increasing across our estate too. We have also seen several people approaching us for rental units as they've looked to start businesses following job losses and redundancies due to the pandemic. We have already created at least 400 new job opportunities for businesses.

When London fully emerges from this unprecedented crisis, customers and businesses alike can continue to trade, and benefit from the pre-pandemic buoyancy experienced on our estate.

124
new retail units and spaces available for new businesses

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Gender diversity recognised at traffic lights for International Women's Day

The reimagined symbols serve as a reminder of the huge contribution women make to all aspects of society

'Green woman' signals celebrate International Women's Day

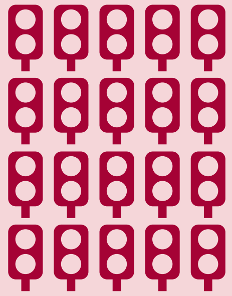
To celebrate the achievements and contributions of women to London on International Women's Day, we installed new 'green woman' traffic signals at more than 20 pedestrian crossings across London.

Londoners can see the specially designed symbols at pedestrian crossings on high streets in Dalston, Tooting, Clapham, Brixton, Tottenham and Lewisham and by King's Cross St Pancras Tube station, as well as in Camden town centre, Hyde Park, the Southbank and along Exhibition Road in South Kensington.

The designs were inspired by this year's theme for International Women's Day to question norms. They depict a diverse range of women and challenge the common image of a woman in a dress to signify gender.

The reimagined symbols serve as a reminder of the huge contribution women make to all aspects of society, including the transport network, and improve the visibility of women on London's streets.

The signals were produced for free by Siemens Mobility, who installed them alongside our partners, Telent and Cubic. The designs were created in line with the safety features of the green man figure, ensuring pedestrians relying on the green signal to cross the road could still recognise the cue indicating it is safe to do so.



20+

pedestrian crossings display the new 'green woman' traffic signals

Partnering with Dettol to keep Londoners' hands clean

In September 2020, we launched a partnership with Dettol, a leading UK disinfectant brand, which gave our customers free access to Dettol's hand sanitiser gel at London Underground stations.

The partnership saw more than 800 hand sanitiser dispensers across 270 Tube stations dispense Dettol's hand sanitiser, alongside an autumn advertising campaign about the importance of using hand sanitiser to help protect others across the transport network.

The dispensers featured new branding encouraging all customers to use them and 'help protect the little things we love' like getting out and about, back to work or seeing friends and family.

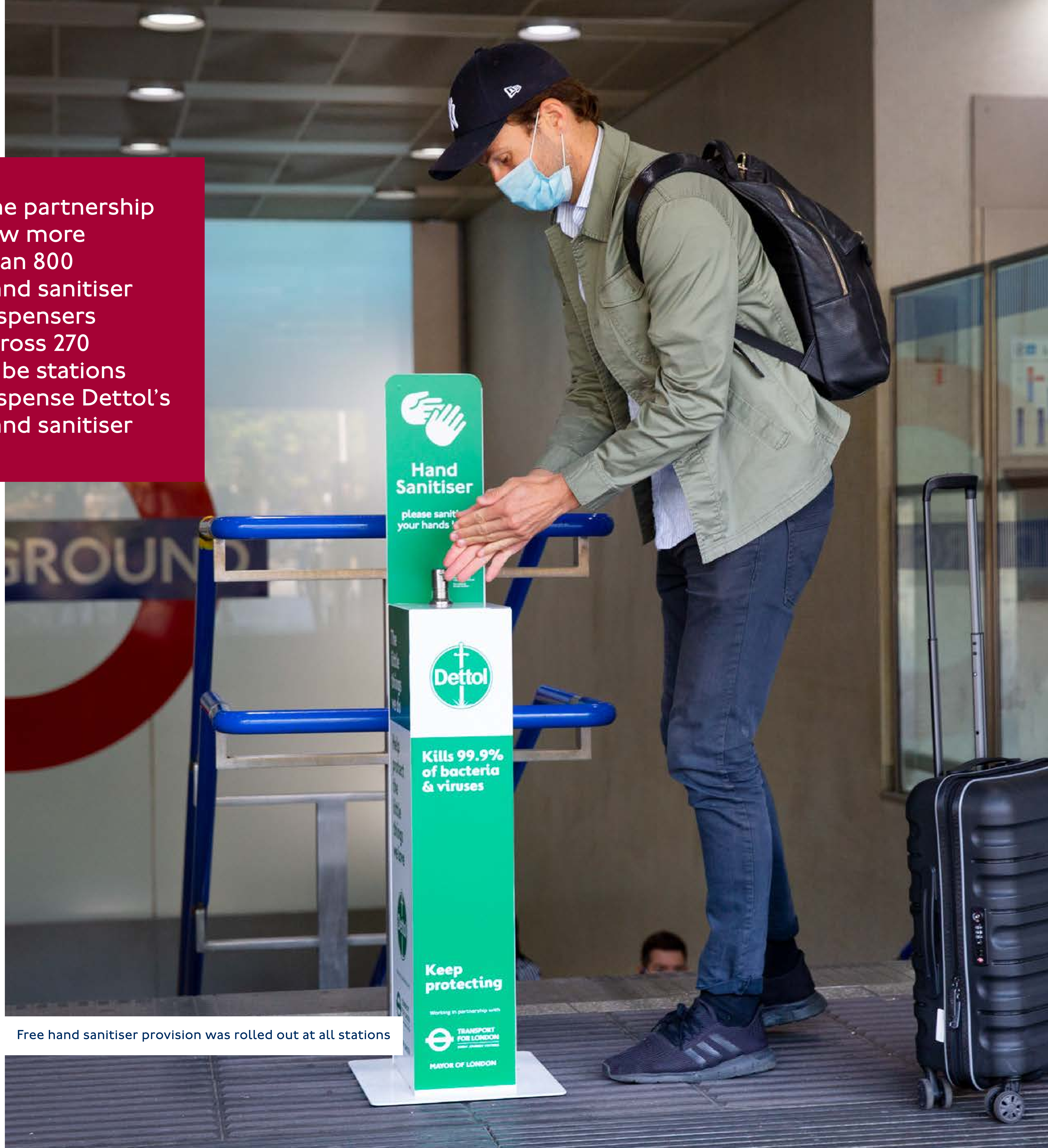
Following the success of the initial partnership, it was then extended to cover Dettol hand sanitiser units at all London Overground and DLR stations, as well as TfL Rail stations managed by us.

The hand sanitiser gel is also available from dispensers at more than 30 bus stations across London, as well as at selected taxi ranks outside key London Underground stations, including Victoria, Stratford and London Bridge.

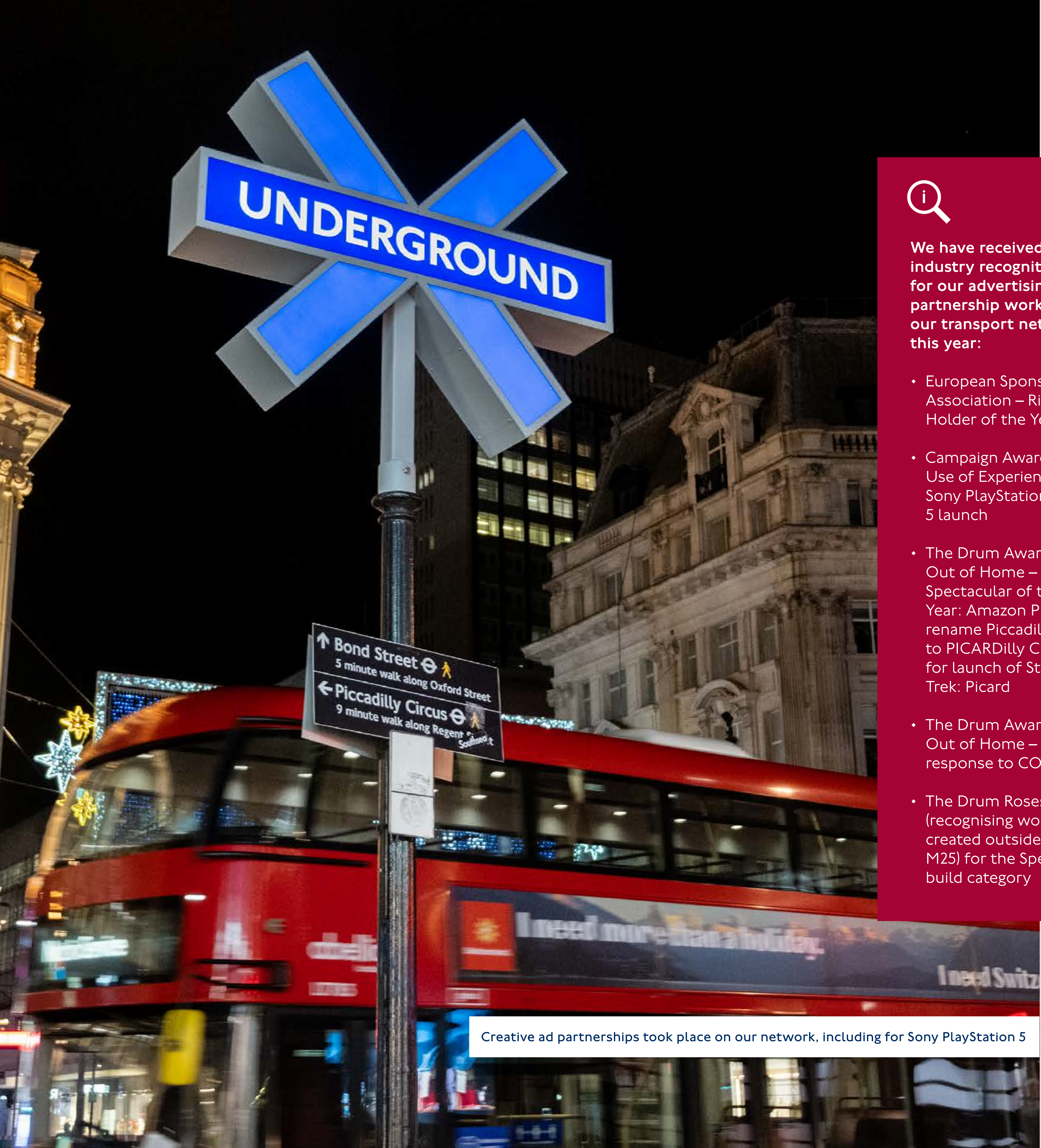
A further 210 hand sanitiser units dispensing another brand are available at bus stations, tram stops and other locations across our TfL network. We also provided additional support to London's taxi and private hire drivers, with 1.5 million face masks and 30,000 bottles of Dettol hand sanitiser being provided to drivers.

By using hand sanitiser and wearing face coverings over both the nose and mouth when on public transport, Londoners helped reduce the spread of coronavirus.

The partnership saw more than 800 hand sanitiser dispensers across 270 Tube stations dispense Dettol's hand sanitiser



Free hand sanitiser provision was rolled out at all stations



Creative ad partnerships took place on our network, including for Sony PlayStation 5

We have received industry recognition for our advertising and partnership work on our transport network this year:

- European Sponsorship Association – Rights Holder of the Year
- Campaign Awards – Best Use of Experiential: Sony PlayStation 5 launch
- The Drum Awards Out of Home – Media Spectacular of the Year: Amazon Prime rename Piccadilly Circus to PICARDilly Circus for launch of Star Trek: Picard
- The Drum Awards Out of Home – Best response to COVID-19
- The Drum Roses Award (recognising work created outside the M25) for the Special build category

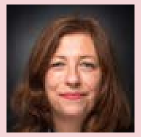
Working with partners

We partnered with several advertisers and brands to deliver high-impact, creative campaigns across our network. We were extremely proud that 2020, with all the challenges we faced, was the most successful year yet for partnerships.

In November 2020, we partnered with Sony PlayStation to create a spectacular, award-winning campaign to launch the PS5. We took the world-renowned roundel and paired it with PlayStation's iconography. Oxford Circus roundels above and below ground were reimagined for a 48-hour period. This partnership generated 84 pieces of press coverage and more than 300 million social media impressions in 24 hours. We were proud to win the 'Best Use of Experiential' award for this work, at the Campaign Media Awards.

We also partnered with O2 to run a campaign involving the creation of themed tannoy announcements, as well as colourful branded takeovers of some lean bars and key roundels, in conjunction with the 4G Trial on the east part of the Jubilee line. We partnered with Netflix, who took over Baker Street station twice: first to promote the movie Enola Holmes; and then their new show, The Irregulars.

'This year saw some of our most ambitious activations. Brands want to work with us on innovative advertising for their products and services.'



Julie Dixon
Head of Customer Information, Design and Partnerships

Keeping London moving

Throughout the pandemic and subsequent Government lockdown restrictions, providing public transport for those who needed to make essential journeys and enabling customers to keep safe on the network was our priority.

As the night-time economy was forced to close following the first UK lockdown announced on 23 March, we suspended our Night Tube service. In doing so, we were able to redeploy some of our Tube drivers to daytime service shifts. We closed a number of quieter Tube stations that were either based in local neighbourhoods or where there were no interchange options. Our staff were able to be redeployed from these closed stations to busier ones.

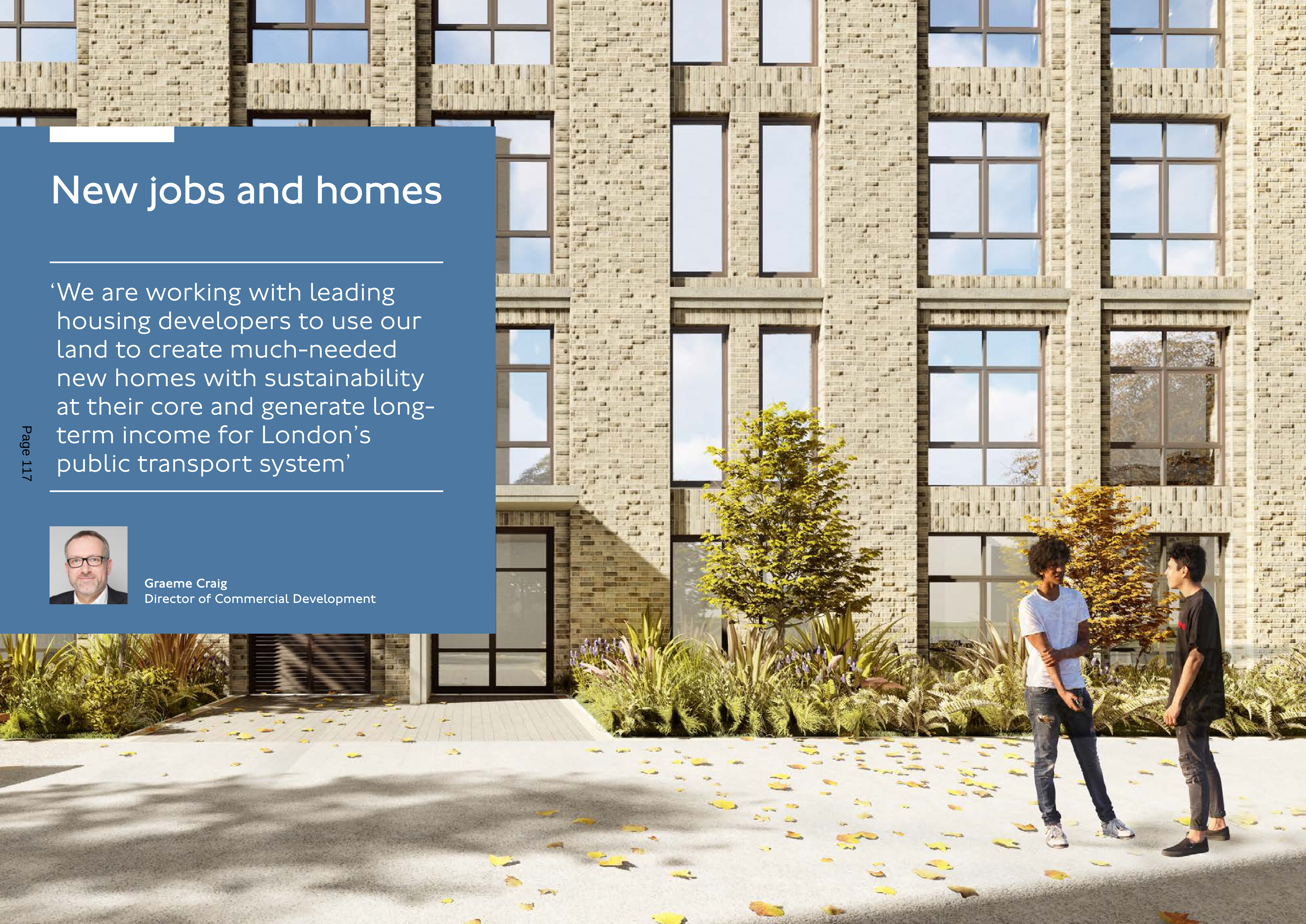
We temporarily closed the Waterloo & City line, an important commuter link between Waterloo and Bank stations, which saw a drop in demand at the height of the pandemic. Waterloo & City line drivers thereby played an important role at this time, operating trains on the Central line and ensuring that we were able to run as many services as possible on a key line for the Capital's financial and retail sectors.

Throughout the pandemic, we have kept our customers updated on service levels, which were affected by staff sickness as a result of coronavirus, and self-quarantining. During the height of the first lockdown, 30 per cent of our drivers, station staff, controllers and maintenance teams were not able to come to work. We were forced to close the Circle line until May 2020. To mitigate disruption, we encouraged our customers to check our website before they travelled or our newly developed TfL Go app.

During school term times, we collaborated with London boroughs and the Government to provide a school bus service to help children safely travel to and from school, freeing up normal bus services and keeping capacity at a safe minimum. As demand for public transport fluctuated, we did all we could to protect frontline staff and customers by encouraging the use of face coverings. We supported this by carrying out compliance enforcement activities across public transport modes.

When the construction pause was lifted, we worked extensively with the construction industry, asking employers to allow staff to adopt staggered start and finish times in order to avoid peaks on certain lines. As London looks to its recovery, we are working with our stakeholders from the business and retail sectors to allow their staff to consider flexible working patterns and shifts.

As London looks to its recovery, we are working with our stakeholders to allow their staff to reimagine their commute



New jobs and homes

‘We are working with leading housing developers to use our land to create much-needed new homes with sustainability at their core and generate long-term income for London’s public transport system’

Graeme Craig
Director of Commercial Development

Working together for new homes in Acton

A new development at Bollo Lane in Acton was given the go-ahead by Ealing Council in January. The scheme will deliver 852 new homes for rent and for sale, with 50 per cent affordable housing. This supports the Mayor's housing strategy to provide genuinely affordable homes on public land with excellent transport links.

Working collaboratively with architects HOK and East and engineers Mott MacDonald, the 3.6-hectare site – the largest TfL development to date – spans from Acton Town station to the north towards Chiswick. The nine buildings will house the new homes, a mixture of one-, two- and three-bedroom properties.

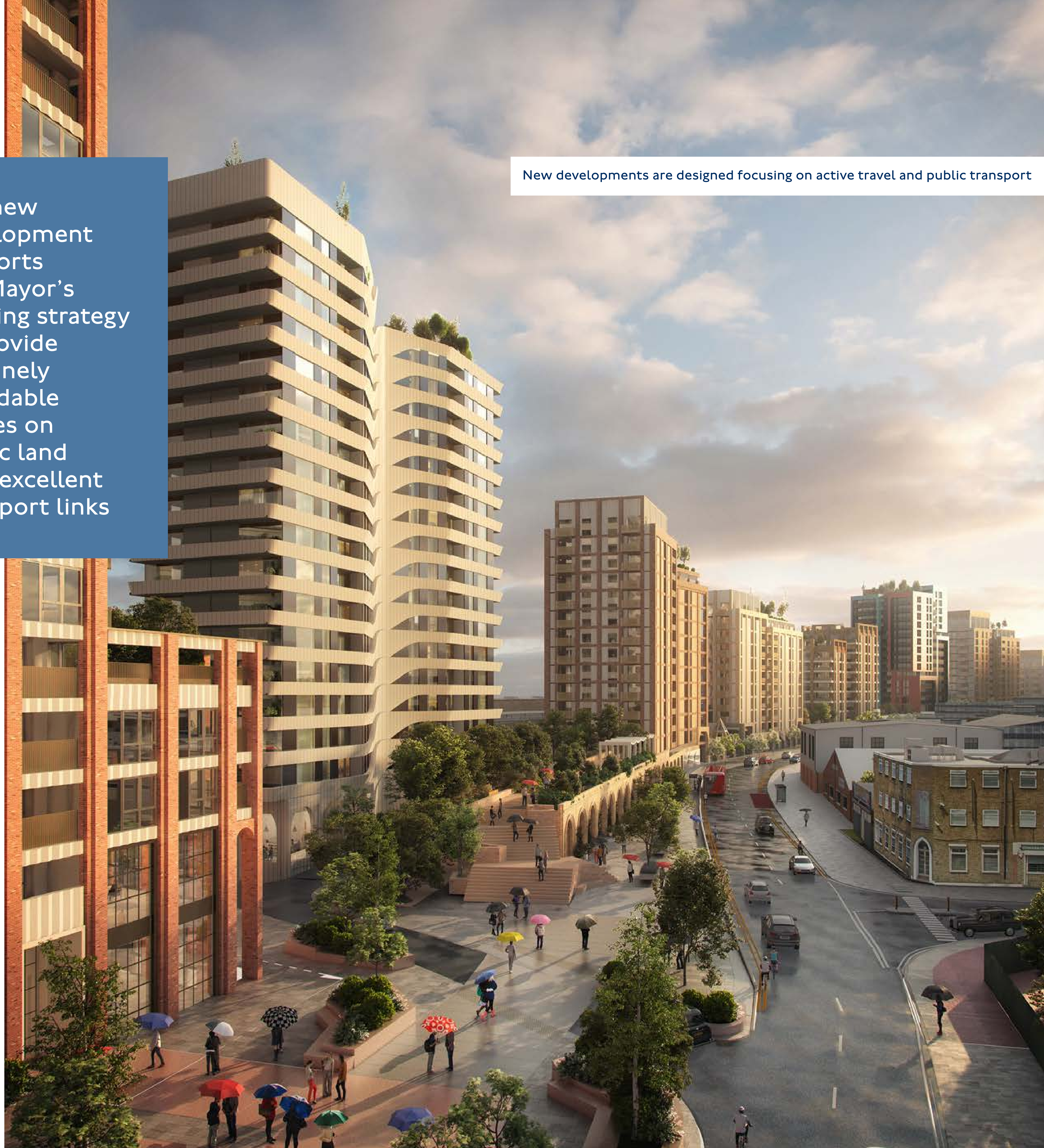
The affordable homes will be a combination of homes available at a range of affordable rents, such as discounted market rent and London Affordable Rent, as well as shared ownership properties.

With easy access to Acton Town, Chiswick Park and South Acton stations, residents will have access to central London via the Piccadilly line, District line and London Overground, as well as a number of bus routes in the local area, encouraging sustainable and active travel.

The new homes have been designed with sustainability in mind, incorporating renewable energy with solar panels, multiple gardens and new play spaces for the local community and residents. The widened walkways along Bollo Lane will make it easier and safer for people to get around when walking and cycling.

There will be new crossing points with tactile paving and additional dropped curbs that will help people with accessibility needs to cross the road more easily. There will be 2,300 square metres of commercial space included as part of the development to help the local economy and provide jobs in the area.

The new development supports the Mayor's housing strategy to provide genuinely affordable homes on public land with excellent transport links



New developments are designed focusing on active travel and public transport

The development at Wembley Park station includes enhancing the public realm

The new development is intended to positively enhance the local environment by:

- Using renewable forms of energy such as solar panels and air source heat pumps
- Encouraging natural light within each home and reducing energy usage: 70 per cent of the homes are dual aspect, and the rest have been designed so that they are not north facing
- Enhancing the public realm by means of additional wildlife-friendly planting

Hello Wembley housing

Barratt London, working in partnership with us, received the go-ahead for 454 homes next to Wembley Park station in November 2020. The homes include 40 per cent affordable housing offered as a combination of intermediate housing (such as shared ownership) and London Affordable Rent.

The proposals, designed by TateHindle architects, consist of five buildings of homes across a 1.6-acre site. They will be a mixture of studio, one-, two- and three-bedroom properties and incorporate sustainable design elements such as solar panels, biodiverse roof gardens, new trees and hedges, as well as bee bricks and bird boxes for the local wildlife environment.

With Wembley Park station next to the new development, access to stations along the Jubilee and Metropolitan lines is easy and, with cycle parking, local bus routes and walking options, active travel will be attractive to the new residents. While Blue Badge parking will be available, the scheme will be car-free to help improve air quality in London.

The scheme includes a new retail opportunity on the site which will benefit the local community in the area, as well as new residents. There will also be more play spaces for local children and widened pavements to make walking safer and easier for everyone.

Work will begin this year, with space for our staff on site to keep the transport network moving.

1,300
homes are currently under construction

Our people

‘In challenging circumstances, our mantra became #dotherightthing as, through everyone’s dedication and hard work, we made sure that essential journeys could be made’

Tricia Wright
Chief People Officer

Diversity and inclusion matters

The direct health, social and economic impacts of the coronavirus pandemic, as well as the renewed focus on racism with the resurgence of the Black Lives Matter movement in 2020, have changed London more than any other events in recent history. These historic events have raised important issues around equality, fairness and inclusion in all forms.

The callous killing of George Floyd and the abhorrent murder of Sarah Everard have led us to re-examine our role as individuals and as an organisation.

As part of our ongoing commitment to fighting racism and discrimination, we launched our anti-racism leadership charter in 2021. The charter sets out the steps our leadership team will take to support TfL to become an anti-racist organisation. In signing up to the charter, our leaders are demonstrating their commitment to diversity and inclusion and are taking collective action to address the inequalities that exist within our organisation.

We are committed to making our organisation a better place to work for everyone, tackling gender inequalities, and challenging racism, homophobia and all other forms of discrimination. Developing shared understanding of these issues is the first step to making meaningful progress. This year we have conducted more than 100 listening sessions across our business, providing a safe space for our employees to talk about race and all forms of discrimination at work.

100+

listening sessions took place, providing a space space for employees to discuss discrimination

> 'It is vital that we continue to develop a workforce and senior leadership that reflects the diverse and vibrant city we serve. We have made progress in important areas and know there's much more to do.'

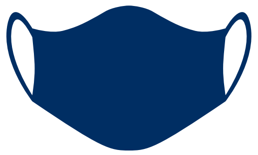
Vernon Everitt
Managing Director, Customers, Communication & Technology

We continue to be an organisation that reflects London's diverse population

Royal recognition

Last October, Ibrar Akram from our Dial-a-Ride service was recognised with a British Empire Medal, for his work supporting key workers and vulnerable Londoners during the coronavirus pandemic. Ibrar works in the control centre for Dial-a-Ride, managing a team who schedule bookings for disabled and older people relying on the service to get around London.

He ensured that Dial-a-Ride remained able to provide London-wide support to its customers and NHS key workers during the coronavirus pandemic by adapting Dial-a-Ride services. From just a transport service, he helped transform it to become a service delivering food parcels and shopping to the elderly. He organised and led the support effort from Dial-a-Ride, partnering with the London Emergency Planning Group to identify where help was most needed.



1.5 million

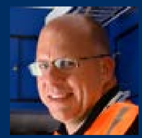
face coverings stored and distributed in 48 hours

In the Queen's New Year's Honours list, two more colleagues from London Underground were also awarded British Empire Medals. Mat Sullivan, from Railway Engineering Works, Train Modification Unit and Uniform Services, took the lead on receiving vastly increased levels of PPE equipment. This included millions of face masks, hundreds of thousands of hand sanitisers, as well as thousands of response kits, which had to be sorted, packed and distributed from the London Resilience stockpile to TfL staff across London.

At the peak of the first wave during the summer, Mat and his team stored and distributed 1.5 million face coverings across 48 hours, as well as creating more than 1,000 rapid response kits in three days to help keep colleagues safe.

Sharon Sear (former commercial manager, who has since left TfL) was recognised for her work during the coronavirus pandemic. Sharon had to think quickly when our usual PPE suppliers started redirecting their stock to the NHS. She worked diligently to find other companies who could continue to provide the level of protective equipment needed to keep cleaners, Tube and bus workers safe.

'I was honoured... to host the Duke and Duchess of Cambridge at Euston Station, as they met colleagues from across TfL and National Rail to say thank you for their efforts during the pandemic'



Andy Lord
Managing Director, London Underground and TfL Engineering

Royal visit at Euston station

In early December, the Duke and Duchess of Cambridge arrived at Euston station to start their three-day tour of England, Scotland and Wales by train.

The couple thanked transport workers for their support during the coronavirus pandemic. They met with Orson Parris, network traffic controller from Buses, Glyn Smith, a London Overground train driver, Alero Abbey, area manager Euston, Leah German, customer services assistant and Mike Boucher, Victoria line service manager, who had all been chosen because of their exceptional service and dedication during the coronavirus pandemic.

The Duke and Duchess left a message on one of our famous whiteboards, which was moved to London Transport Museum after being on display in Euston for a few days.

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Thanking our people

It’s been a tough year for everyone, yet despite the challenges we’ve faced, one thing remains consistent – our people, and their support and hard work. Now more than ever, it’s been so important that we acknowledge our people’s contributions and say thank you.

In November 2020, we launched our own internal COVID-19 Special Recognition awards for individuals and teams. In December 2020, we took it a step further through a customer-facing campaign that celebrated our people, and recognised their ongoing commitment. We ran a series of posters and short videos showcasing some of the incredible individuals who keep our organisation going, day in and day out.

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Here are some of our people who we say thanks to:

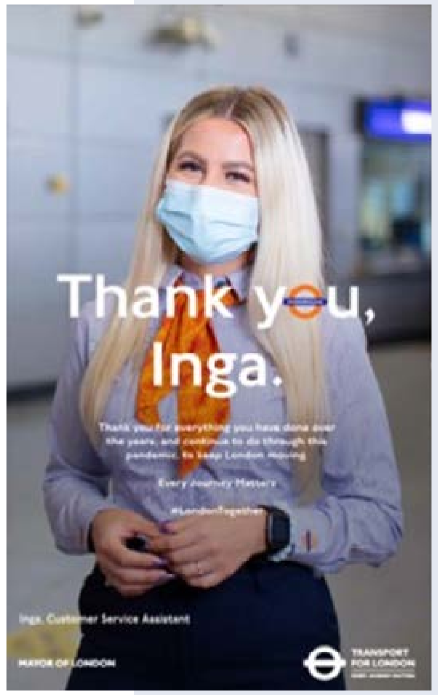
Lisa Dipnarine, senior bus business development manager
Lisa has been at the heart of making sure our bus network is able to react quickly to every change in Government advice since the onset of the pandemic. She and her team moved buses to middle-door boarding right from the start, but they’ve always made sure changes are clearly communicated to customers. ‘I would stress that there were other people involved,’ she says. ‘A lot of us found comfort in each other and our colleagues, and that is how we came together to make these changes.’

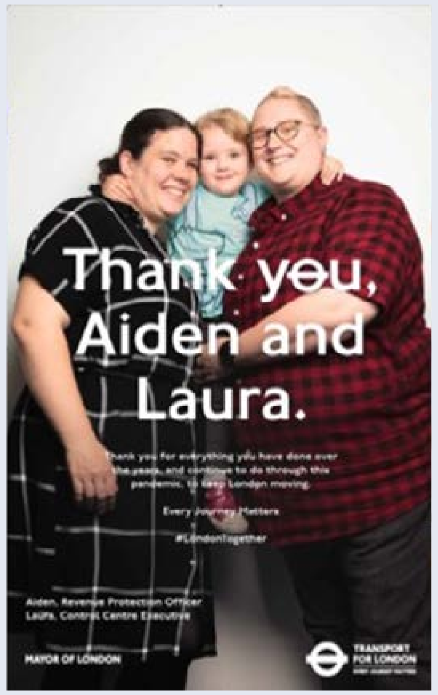
Ricky Gregory, customer service supervisor
Aided by his daughter, Ricky has been supplying tea, coffee and other refreshments for NHS workers passing through Whitechapel, a main transport hub for the Royal London Hospital. ‘It’s our way of saying thank you,’ Ricky said. ‘They seem to really appreciate what we have done.’

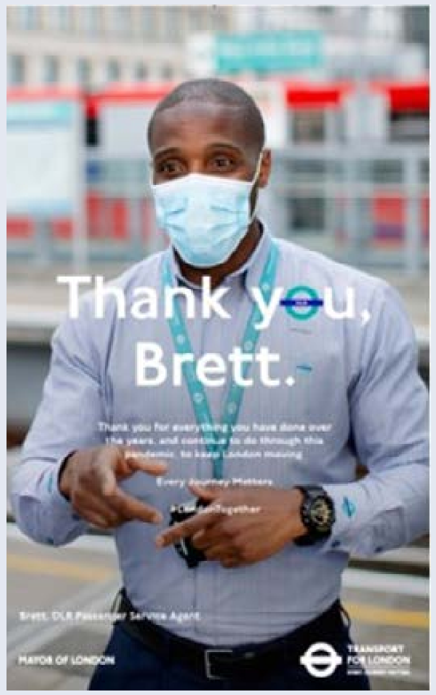
Adam Burton, service management process specialist, Business Services
Adam set about organising online social events to keep everyone together. ‘We are quite a social group,’ he says. ‘And there were people that didn’t know each other, so we had to make sure everyone stayed connected during the pandemic. There was a big focus on the wellbeing of everyone.’ Adam has also helped support job retention, manage the furlough tracker and create a travel allowance scheme to support the restart of our networks.

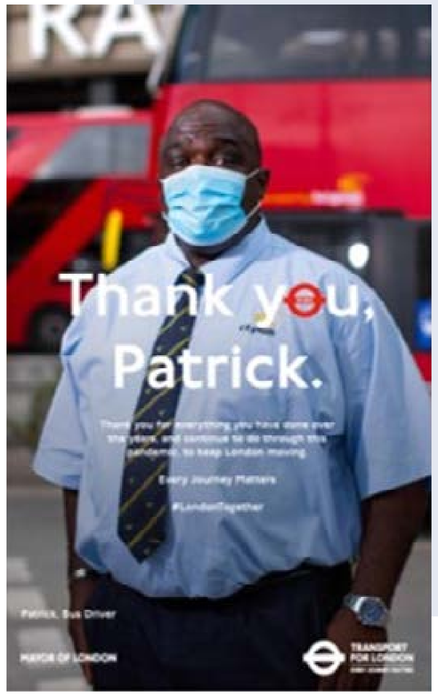
Aiden Costello, transport support and enforcement officer
Aiden really enjoyed getting involved, saying ‘I loved being a part of this campaign with my wife, and being able to share our experiences as an LGBT+ family at TfL.’ In a video featuring Aiden and his wife Laura, a network operations coordinator, Laura explained, ‘It’s such an open environment in Transport for London.’ Talking about their roles, Aiden added, ‘Being able to look after the city that we love is something I am really proud of.’

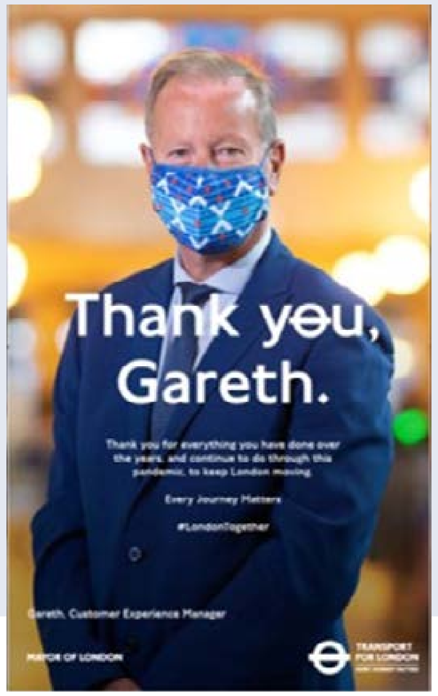
Patrick Lawson, bus driver
As part of the campaign, Patrick shared his life journey and enthusiasm for his role. He said, ‘I was once homeless but now I’m known as London’s happiest bus driver. When the customers come on my bus, I greet them with a smile and my customers respond to that.’

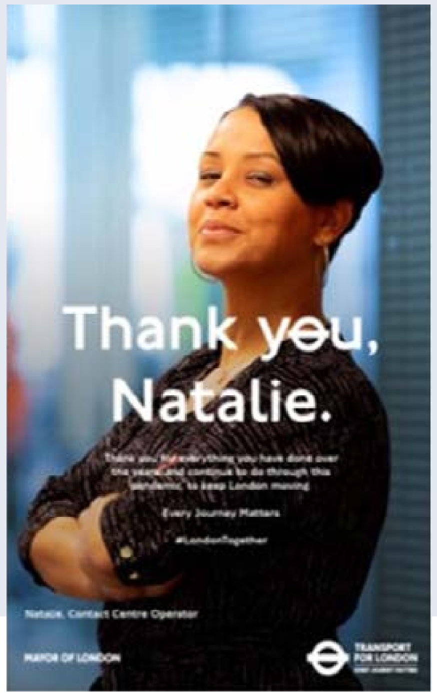












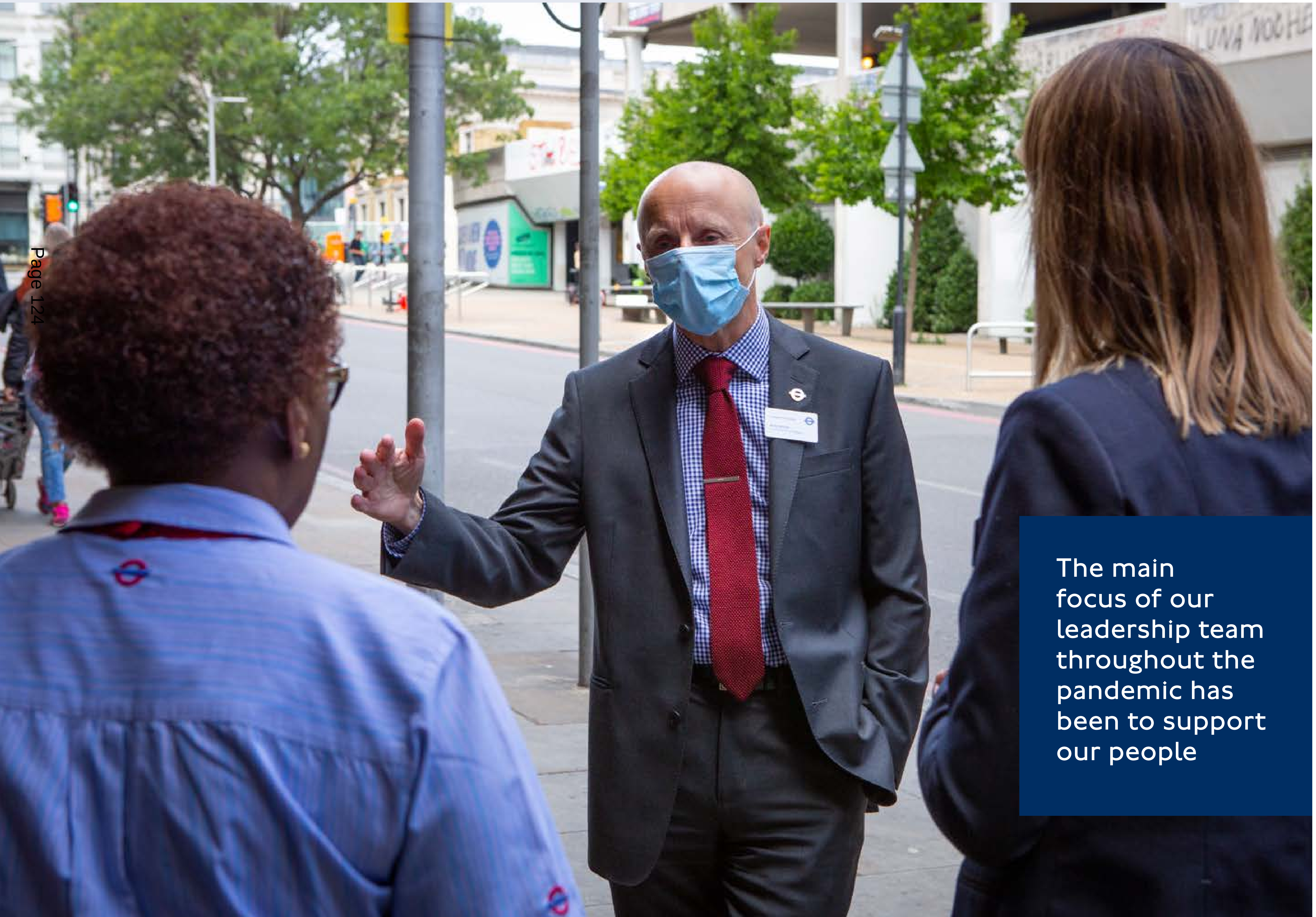
Gareth Leslie, Customer insight experience team
Gareth shared his thoughts and what he loves about working for TfL, saying ‘I love the fact that we are really passionate about looking after the heritage of London Underground.’

Natalie Gordon, who works in our Contact Centre
Throughout her career at TfL, Natalie has reached out to our customers in times of hardship, saying ‘Generally, my buzz in life is helping people. When I am able to help people, I just come alive.’

Our leaders and managers – our most important communications channel

The main focus of our leadership team throughout the pandemic has been to support our people. Our leaders and managers have worked hard to keep staff informed, motivated and supported.

Whether it's making use of technology to connect with their teams or getting out and about to meet people on the front line, it's all played a part in helping us to keep London moving.



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The main focus of our leadership team throughout the pandemic has been to support our people

Engaging and informing staff during the pandemic

Our Employee Communications and Engagement (ECE) team has played a key role throughout the pandemic, keeping colleagues updated while dealing with rapidly changing guidance. The team harnessed digital communications, focusing on what our people needed to know to deliver for London, and implementing a weekly communications schedule that included regular staff updates.

During the year, we ran more than 118 leadership calls split over different functions. We issued 48 'This Week' all-staff emails, which included regular updates from our Commissioner.

Yammer, our internal social network, played a vital role in communications, helping our people to connect with 735 engaged communities. Results showed our efforts paid off, with more than 8,500 colleagues responding to our first ever wellbeing survey and 90 per cent of people favouring email updates from ECE. Sixty-one per cent favoured updates from line managers while our internal website, Platform, was relied on by 36 per cent of staff.

Jane Leaker, head of ECE, says: 'Our creative use of new tools and technology to keep people reassured and informed has put us in a great position to provide internal communications in the new normal.'

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Narguis Horsford was featured on the front cover of July's Vogue magazine

'I am no hero, but I'm proud of being a train driver and the essential role we are playing during the coronavirus crisis'

Narguis Horsford
London Overground train driver

Vogue celebrates frontline workers

In July 2020, Narguis Horsford, one of our London Overground drivers, was featured on the front cover of Vogue magazine. For the first time in its history, Vogue shone a spotlight on frontline key workers, who kept essential services running in London during the coronavirus pandemic.

Narguis has worked at TfL for the past 10 years and has been a London Overground driver for the past five. In the article, she detailed her routine and what life has been like for her working during lockdown conditions. She said:

'Our services are vitally important to keep London moving throughout these unprecedented times and maintaining safety, to ensure our key workers can get to where they need to be to provide the services that are required.'

Narguis was featured alongside a midwife and a supermarket assistant on one of three Vogue covers, each depicting one of them in uniform at their workplaces.

3

Vogue covers were produced in July, each depicting a uniformed frontline worker at their workplace

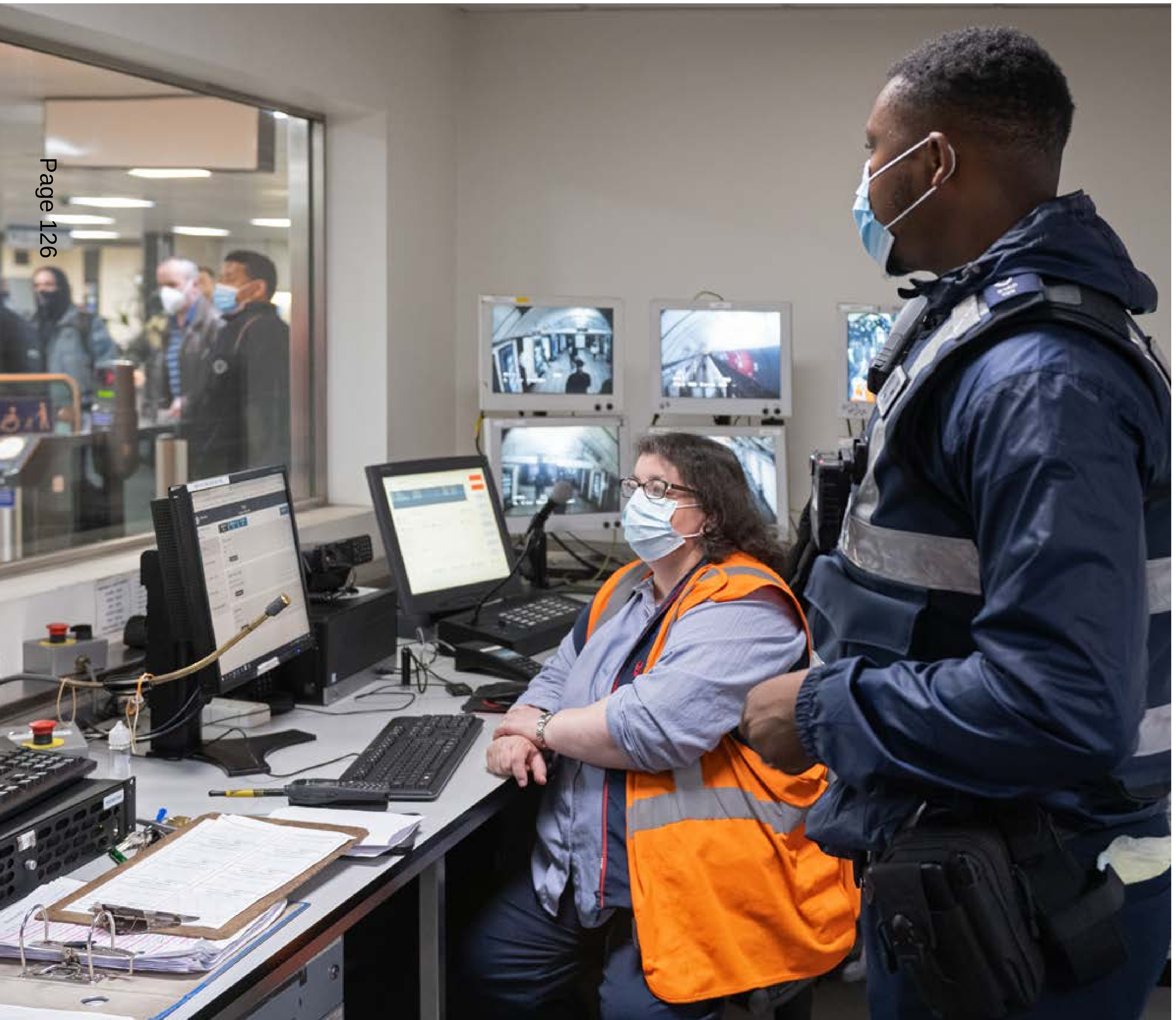
Photo credit: Jamie Hawkesworth/British Vogue

Working together for London

As our organisation responded to the coronavirus pandemic, our important work and partnerships with the transport unions has never been more important and these have been strengthened during the past year.

We have been closely communicating with our Trade Union colleagues throughout the pandemic, to ensure they are informed of the latest Government guidance and how this will impact upon our employees.

Weekly forums have taken place outlining key updates received from the Government that will affect our employees and service, and for us to hear how best we can approach any challenges posed by the changing guidance and our ongoing response and recovery from the pandemic.



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‘I'm delighted that Joshua's talent has been recognised in the wider industry. This is a testament to his skill and dedication’

Matt Brown
Director of News and External Relations

30 under 30 success

In July 2020, PR Week UK named Joshua Burrell, one of our senior press officers, as one of their picks of 30 talented people working in PR under the age of 30.

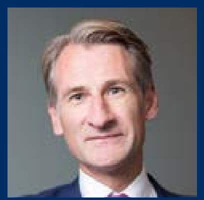
Joshua said about being picked for this award:

‘It was really great to be recognised by PR Week UK as one of their 30 Under 30 for 2020. After originally joining TfL on the Stuart Ross Press Office Internship, to be acknowledged for my public relations and communications work for the business was a real honour.

‘I had just returned to the TfL Press Office from a secondment working as an Advisor to the CEO of Crossrail and the nomination was announced while I was also supporting our response to the coronavirus pandemic, so it was an amazing feeling to be credited for my hard work by peers from across the PR industry.’

Remuneration report 2020/21

'It is vital that we attract and retain the right leadership to steer the organisation through the significant challenges that lie ahead.'



Ben Story
Chair, TfL Remuneration Committee

Message from the Chair

As chair of TfL's Remuneration Committee, my role is to ensure that TfL has an appropriate remuneration policy to help recruit and retain senior employees with the right experience to lead the organisation and deliver the Mayor's priorities.

This year's Annual Report sets out how TfL has kept London moving safely throughout the coronavirus pandemic and while facing significant financial challenges. Throughout the coronavirus pandemic, TfL has continued to run its services for key workers and essential journeys, and I commend all TfL staff, contractors, suppliers and other partners for their outstanding work throughout this difficult period. We also sadly remember those colleagues and friends who have died as a result of COVID-19. The important role they played for London will not be forgotten.

At our Remuneration Committee meeting in June 2020, we took the decision to defer pay out of all 2019/20 senior management performance awards for 12 months. We also agreed that senior management performance awards would be suspended for the 2020/21 performance year. We did not make this decision lightly and it was no reflection on the hard work and commitment of our staff. However, the decision demonstrated the circumstances in which TfL found itself due to the impact of the coronavirus pandemic on its revenue.

Over the last year, TfL has navigated its way through funding deals with the Government. It has made clear that continued support will be needed as London recovers from the devastating effects of the pandemic. It is vital that we attract and retain the right leadership to steer the organisation through the significant challenges that lie ahead. We need motivated and committed people to get TfL through this complex time and help get London moving and working in a safe and sustainable way.

The Committee is responsible for setting a policy that allows TfL to compete in a global market to secure the right talent, while delivering value for money. Extensive external benchmarking provides confidence that we continue to have an appropriate and balanced approach to rewarding senior staff that meets that goal.

SIGNATURE

Ben Story
Chair, TfL Remuneration Committee

'We are focused on delivering a safe, efficient and reliable service in challenging times'

Governance

Remuneration Committee members

Ben Story
Chair

Kay Carberry CBE
Vice Chair

Heidi Alexander

Ron Kalifa OBE

Remuneration Committee role and responsibilities

Remuneration policy is set by TfL's Remuneration Committee to attract, motivate and retain high-calibre, suitably-qualified individuals to successfully manage a large and complex business. The Committee will take into account the need to remunerate at a level that is competitive in comparison with the external market and peer organisations while also, in a fair and reasonable manner, rewarding them for their individual contributions to TfL's long-term success, without paying more than is necessary.

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

Dates of meetings during 2020/21

To comply with the coronavirus travel restrictions and social distancing requirements, members discussed the items on the agenda by video conference. This was recorded, in lieu of public access, and published on TfL's YouTube channel.

The Committee met formally on three occasions: 24 June 2020, 23 November 2020 and 11 March 2021.

Activities of the Remuneration Committee during 2020/21

Due to the very significant financial challenges faced by TfL, the ongoing discussions with Government about longer-term funding requirements and future revenue risk, Committee members agreed at the meeting in June 2020 that there was little option but to defer payout of all 2019/20 senior management performance awards for 12 months to June 2021.

It was agreed that all senior management performance award schemes would be suspended for the financial year 2020/21. This decision reflected the exceptional circumstances in which TfL found itself due to the impact of the coronavirus pandemic on its revenue, while it continued to run services to support key workers. At the time the Committee made it known that its decision was not a reflection on the hard work and commitment of staff, who the Committee recognised had made, and continue to make, an exceptional contribution to London, particularly in response to the coronavirus pandemic.

For 2020/21, it was critical that we continued to manage our performance effectively and to that end, TfL's performance management processes continued to operate. While normal reward mechanisms for individual performance were suspended, appropriate acknowledgement and recognition of good performance from senior management continued in a non-financial way. Committee members supported proposals for enhancing the Make a Difference Awards Scheme, including a COVID-19 Recognition Scheme, so that exceptional performance was recognised.

Information on the number of senior management staff and overall salary costs for the period 2016 to 2020 was reviewed in November. This clearly demonstrated that TfL's pay bill and headcount had reduced across the period, with a 17 per cent reduction in employees earning £100,000 or more. It was clear that the measures introduced to reduce the headcount and salary costs, including enhanced approval measures for high earners, were having an impact.

Also at the November meeting, members welcomed and supported the proposed approach to compliance training and recognised the work undertaken to ensure all mandatory training material was available and easily accessible online. Going forward, a Faculties of Learning project will be developed to identify representatives from TfL business areas to shape training strategy and content.

At the March 2021 meeting, the Committee was asked to note the new, integrated strategy for talent identification, performance management, critical roles and succession planning that is to be rolled out in 2021. The new approach is focused on how TfL will identify talent, develop its people and create a more inclusive culture that recognises everyone's strengths. This will develop a workforce with the skills and experience required for TfL to deliver its current and future business priorities against the backdrop of the significant changes and financial challenges facing TfL.

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

Policy

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

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

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

The remuneration for each member for the year ending 31 March 2021 is shown in appendix 5 of this report.

No fee is paid to the Chair or Deputy Chair of TfL.

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

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

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

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

To attract and retain the best people, we provide appropriate remuneration

Component	Purpose	Operation	Maximum
Base pay	To reflect the individual's role, experience and contribution. Set at a level to attract and retain individuals of the calibre required to lead a business of TfL's size and complexity.	The following factors are taken into account: • Remuneration benchmark information from a specific peer group to identify a market median range of base pay, which reflects what TfL's Commissioner, Managing Directors, General Counsel and Chief Finance Officer would receive if they were to work in a similar role in another company of similar size, complexity and scope • The scope and responsibility of the role • The individual's skill, experience and performance against targets • Affordability for TfL	There is no prescribed maximum salary. There will be no increases to base pay (where the accountabilities for the role remain unchanged) for the Commissioner, Managing Directors, General Counsel, Chief Finance Officer and Directors during the Mayor's current term in office.
Performance-related pay	To incentivise delivery of stretching one year key performance targets (both individual and collective) as measured through individual performance rating and scorecard results. The payment of senior manager performance awards for 2019/20 have been deferred to June 2021. No performance awards will be made for the 2020/21 performance year.	Performance awards are calculated using a matrix, which sets out the percentage performance award an employee will receive based on a combination of the scorecard result and their individual performance rating. Depending on the business area an employee works in, either the TfL Scorecard alone or a combination of the TfL Scorecard and the Delivery Business Scorecard sets the budget available for performance awards. An employee's contribution, in the form of a personal performance rating, determines the percentage performance award received from the available budget using a multiplier approach. Awards are paid in the following financial year.	The maximum award for the Commissioner is 50 per cent of base pay. The maximum award for Managing Directors, General Counsel and Chief Finance Officer is 30 per cent of base pay.

Component	Purpose	Operation	Maximum
Benefits	To provide a competitive total reward package that supports attraction, retention and motivation.	The Commissioner, Managing Directors, General Counsel and Chief Finance Officer receive the same core benefits as all other TfL employees. The only enhancements are full family cover for private medical benefit and an annual health assessment (which is available to all TfL Directors). Membership of the TfL Pension Fund, a 'defined benefit' scheme which provides for a pension payable from age 65, based on 1/60th of pensionable salary for each year of service or, if invited and eligible, similar benefits provided on an unfunded basis. Some legacy arrangements apply for certain employees whereby an employer contribution of 10 per cent of salary is paid to either a defined contribution arrangement or as cash supplement at a discounted amount.	Pensionable salary is capped at: • £166,200 from 6 April 2019 to 5 April 2020 • £170,400 from 6 April 2020 to 5 April 2021 for members who joined after 31 May 1989.

The remuneration received by the Commissioner, Managing Directors, General Counsel and Chief Finance Officer for 2020/21 is shown in appendix 2 of this report.

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Performance-related pay

There were no senior manager performance awards for 2020/21 so the scorecard was used solely to outline our priorities and monitor our performance against them.

TfL's performance monitoring in 2020/21 focused on restart and recovery as we managed the challenges the coronavirus pandemic placed on our operations, customers, colleagues and finances. Short-term priorities, such as service availability, allow TfL to focus on maintaining our network and retaining customers' trust. This puts us in the best position to recover strongly and continue to deliver the outcomes set out in the Mayor's Transport Strategy.

We set out an immediate scorecard to cover the first half the performance year, focused on short-term priorities to ramp up our services to support the restart of the economy.

The total Scorecard performance for the first half of 2020/21 was 98.75 per cent. All measures except one were better than target, with many showing improvement following an earlier and stronger recovery than assumed.

Measure	First half 2020/21 results	First half 2020/21 target	First half 2020/21 weighted result
Safety			
People killed or seriously injured in road traffic collisions per million journey stages	0.44	0.78	10.0%
Customers and workforce killed or seriously injured per million passenger journeys	0.09	0.20	10.0%
Operations			
Percentage of normal service delivered (compared to pre-coronavirus levels) – Bus	99.0%	94.0%	7.5%
Percentage of normal service delivered (compared to pre- coronavirus levels) – Rail	96.0%	98.0%	3.75%
Percentage of normal service delivered (compared to pre- coronavirus levels) – Tube	89.73%	83.0%	7.5%
Customer			
Percentage of Londoners who agree TfL cares about its customers	57%	53%	10.0%
People			
Wellbeing survey – improvement from baseline survey (59%) carried out in June 2020	62%	3%-point improvement	7.5%
Wellbeing equality – BAME disparity	2% points	Lower than 3% - point disparity	3.75%
Wellbeing equality – gender disparity	0% points	Lower than 3% - point disparity	3.75%
Delivery			
Milestone delivery	98%	90%	10.0%
Elizabeth line: commence use of signalling and train software for dynamic testing in the tunnels	03/09/2020	25/09/2020	2.5%
Delivery of Streetspace programme – highway reallocation to pedestrians	22,516m^2	22,000m^2	2.5%
Delivery of Streetspace programme – improved cycling infrastructure	61.6km	57km	2.5%
Finance			
Maintaining liquidity	£1,580m	£1,200m	12.5%
Operating cost v Revised Budget	£3,415m	£3,450m	2.5%
Capital expenditure v Revised Budget	£508m	£552m	2.5%
Total TfL Scorecard for first half of 2020/21			**98.75%**

Measure	Target
Safety	
Ambition that nobody is killed or seriously injured on our transport network	0.14 or fewer customer and workforce killed or seriously injured per million passenger journeys
Continue progress towards 2022 Vision Zero goal	0.45 or fewer people killed or seriously injured per million passenger journeys
Operations	
Continue to ramp up service to normal levels	Average of normal service delivered – Bus 95%, Tube 79%
Encourage a carbon-conscious culture and reduce the level of carbon emissions from our operations	Reduce our carbon emissions by 10% compared to the same period last year
Customer	
Continue to provide customer confidence in our services	53% of Londoners agree we care about our customers
Support and encourage active travel for short journeys and use of public transport	Achieve 52.8% of active travel and public transport usage on our transport network
People	
Embed an inclusive culture and strive for equality	1 percentage point boost in Viewpoint total engagement
	0.5 percentage point increase in our people feeling involved, included and safe at work
	Reduce existing inclusion disparity gap by half to 14.22%
Delivery	
Continue the delivery of our investment programme to support economic recovery	90% delivery of our milestones
Enable operational testing to be undertaken on the Elizabeth line, with an increased number of trains	Commence Systems Integration Dynamic Testing by December 2020
Finance	
Preserve our liquidity and control costs	Maintain our liquidity above £1.2bn Do not exceed budget costs for operating and capital

For the second half of the performance year we developed a TfL scorecard (shown left), which was recovery-focused, with a return to our core safety and people priorities and an emphasis on active travel and reducing carbon emissions. The scorecard results for the second half of the year were presented to the Remuneration Committee on 7 July 2021. These are set out on page 21.

Severance policy

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

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

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

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

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

Following the Dawn Jarvis report, which was commissioned by the Mayor to review termination clauses and payments for senior employees across the GLA Group, the Remuneration Committee will have oversight of any proposed exit payments for the Commissioner, Managing Directors and other Senior Directors reporting to the Commissioner.

In addition, any exit payment outside of standard redundancy terms and which exceeds £100,000 (excluding notice periods, which are contractual) will be considered by the Remuneration Committee.

Other severance arrangements

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

Remuneration

Benchmarking of senior executives' pay
The Remuneration Committee uses data from remuneration consultants Aon Hewitt to benchmark the remuneration for the Commissioner, Managing Directors, General Counsel and Chief Finance Officer using two separate peer groups. The first is made up of comparable (scale, complexity and sector) private and public sector companies with a focus on transport, infrastructure and engineering (with data mainly derived from Aon's Executive Total Reward Survey (ETRS)); while the second is a peer group constituted solely from publicly accountable organisations.

This ETRS survey peer group comprises 176 organisations, focusing on the transportation, infrastructure and engineering sectors, and excluding those less relevant such as financial services. This provides a broad cross-section of the UK private sector market, while incorporating some key public sector businesses as well.

The publicly accountable group is made up of a range of 14 UK organisations with some degree of public accountability and, in most cases, a focus on infrastructure and transportation.

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

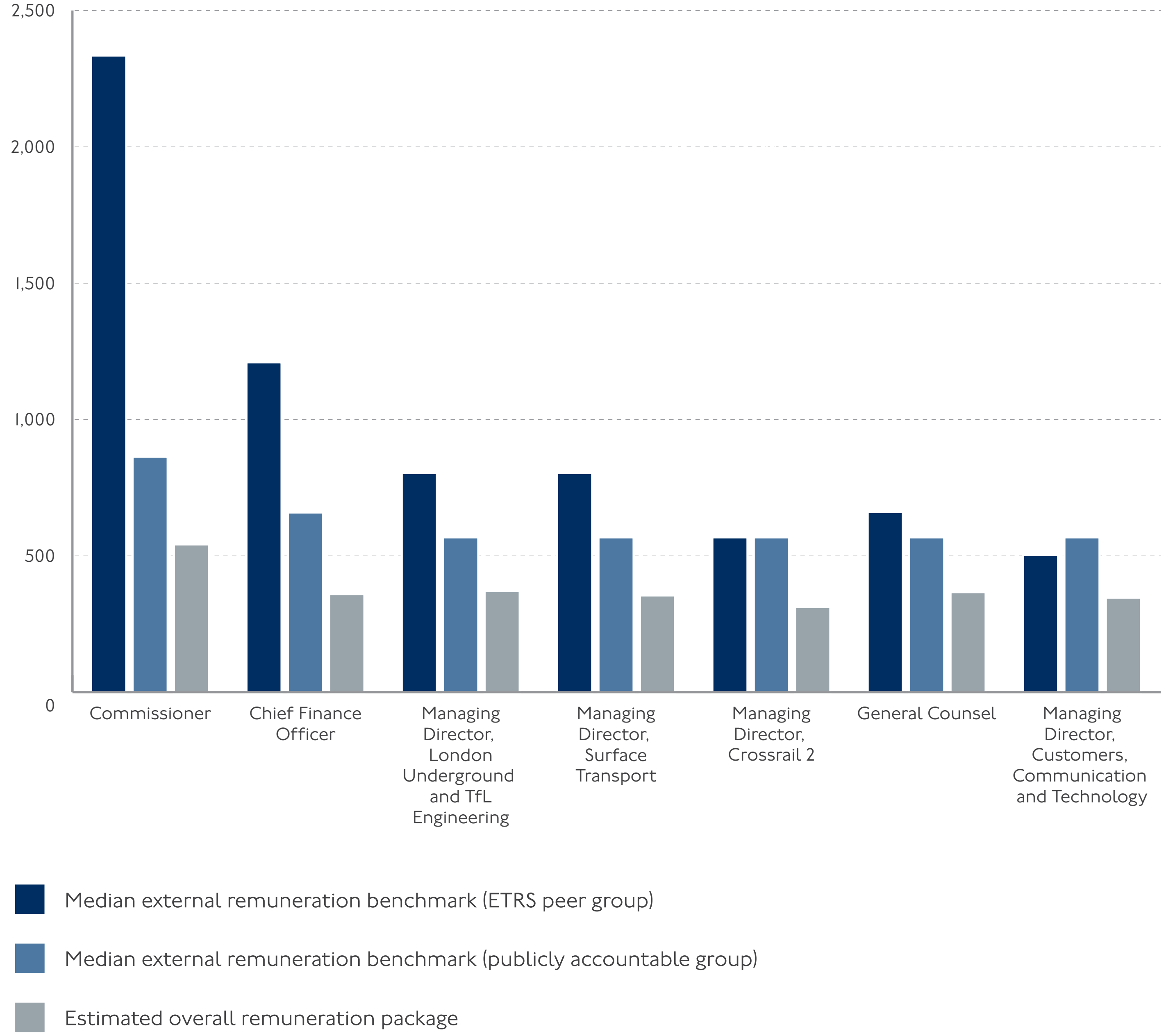
JobLink Levels are assigned to market data based on the scope and responsibilities of individual roles, as well as their seniority within their organisation and the scope of the organisation itself (typically with reference to group or divisional revenue). Role matching based on JobLink therefore ensures that a like-for-like comparison can be made between each role at TfL and the market data.

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

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

The benchmarking has shown that the base salaries and comparable remuneration for the Commissioner, Managing Directors, General Counsel and Chief Finance Officer are significantly below the market level; total estimated overall remuneration is on average 55 per cent of the ETRS peer group benchmark levels and 60 per cent of the publicly accountable group market benchmark levels. Individual alignment is shown in the following chart.

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



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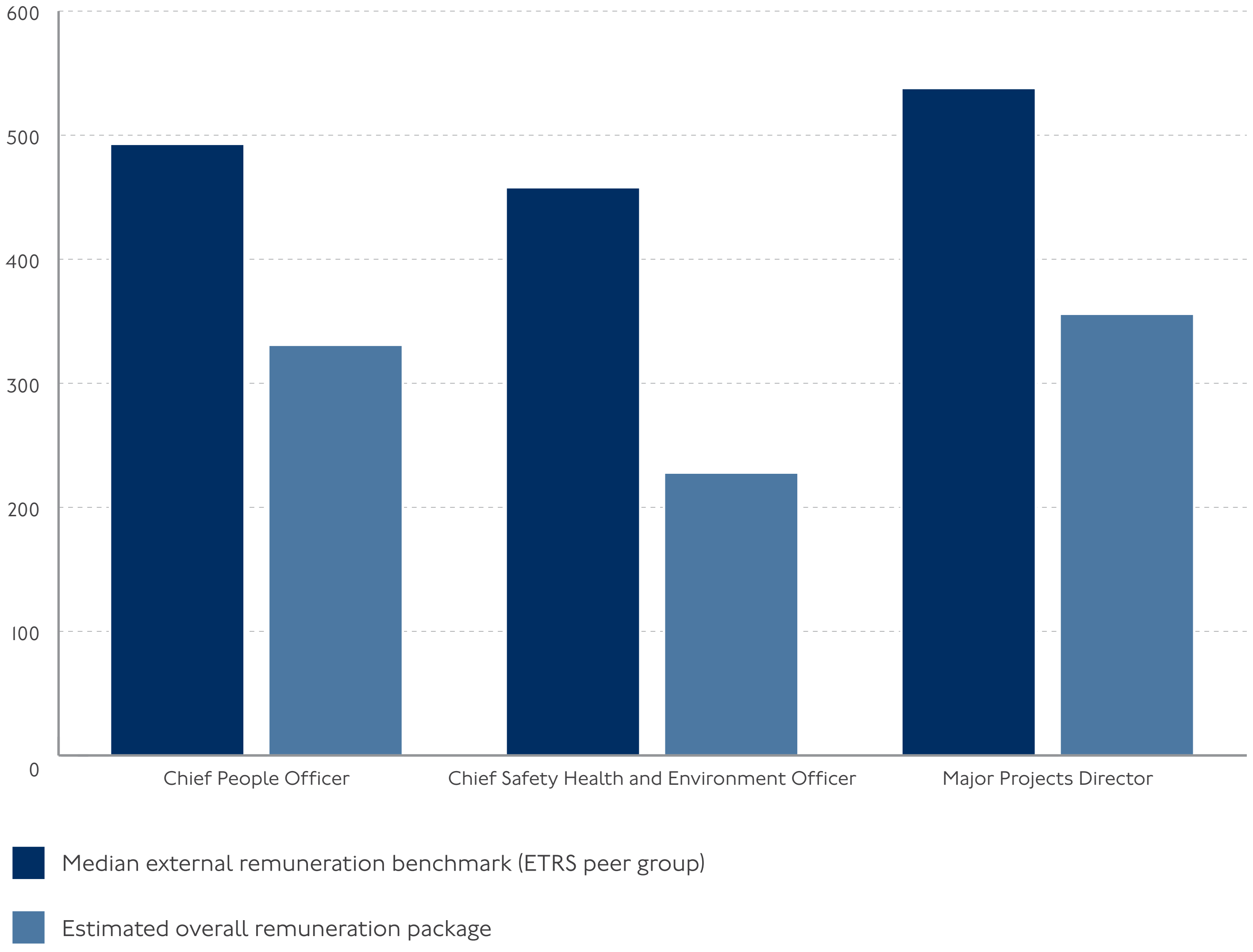
Benchmarking of other direct reports of the Commissioner (£000s)

Certain other direct reports of the Commissioner are benchmarked against the ETRS peer group as shown in the following chart.



Comparison of senior executive pay to rest of TfL

The base salary of the Commissioner in 2020/21 was £355,000. This compares with the median base salary of £52,809 and the lowest base salary (excluding apprentices) of £19,700. The ratio between the Commissioner's salary and median base salary is 6.7:1 and the ratio to the lowest base salary is 18:1.

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

	Percentage of total remuneration
Commissioner, Managing Directors, CFO and General Counsel	0.1
Directors	0.6
General managers	1.5
All other TfL employees	97.8

Note: employees' remuneration is consistent with the definition in appendix 1 of this report, and includes salaries, fees, performance-related pay, benefits in kind, lump sums and termination payments. It excludes employer pension contributions and employer national insurance contributions paid and is based on remuneration received by employees during the relevant year.

Summary of employee information

Total headcount (including agency staff) decreased by 810 people, from 27,605 on 31 March 2020 to 26,795 on 31 March 2021. The average headcount (permanent and fixed-term contract) has reduced by 122 since last year and the average number of agency staff has reduced by 536.

Total remuneration costs fell by £ 143.8m (seven per cent) compared to 2019/20.

Year	Average headcount*	Total remuneration costs (£m)*
2016/17	27,131	1,963.9
2017/18	26,994	2,250.6
2018/19	26,372	2,176.8
2019/20	25,814	2,172.9
2020/21	25,692	2,029.1

Note: average headcount and total remuneration costs include permanent, and fixed-term contract. Total remuneration costs include IAS 19 pension charges of £442.4m in 2020/21 (2019/20 £581.1m).

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Other employees' remuneration (including Crossrail)

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

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

The remuneration disclosure is also affected by the Crossrail project. The number of employees of Crossrail Limited receiving total remuneration of £50,000 or more increased from 201 in 2019/20 to 202 in 2020/21. The corresponding figures for those receiving total remuneration of more than £100,000 per year decreased from 36 in 2019/20 to 35 in 2020/21.

* From statutory accounts

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

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

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

In 2020/21, 162 people earned a total remuneration of more than £100,000 during the financial year and had a base salary of £100,000 or more per year, compared with 178 in 2019/20.

Overtime was worked by specialist engineers and highly-skilled project employees, 161 of whom earn a base salary of less than £100,000 per year, but the overtime they earned took their total remuneration above the threshold, compared with 131 in 2019/20. Many of these people are specialist engineers working overnight and at weekends on major projects, such as the Northern Line Extension, Bank station upgrade and installing new signalling on the Circle, District, Hammersmith & City and Metropolitan lines.

A total of 24 people (compared with 82 in 2019/20) who were on a base salary of less than £100,000 per year, received a one-off voluntary severance payment that took their total remuneration above this threshold. This is largely due to people leaving as part of our transformation programme, which is working to reduce management layers and eliminate duplication to improve efficiency and deliver recurring savings.

Therefore, the total number of TfL staff (excluding Crossrail) who received total remuneration of more than £100,000 per year, including severance payments and overtime, was 420 in 2020/21 compared with 521 in 2019/20.

	2020/21	2019/20
Base salary of £100k or more	162	178
Base salary between £80k and £100k	73	130
Voluntary severance payments taking earnings over £100k	24	82
Level of overtime worked taking earnings over £100k	161	131
Total TfL	**420**	**521**
Crossrail	35	36
Total (including Crossrail)	**455**	**557**

Fewer employees earned more than £100,000 per year in 2020/21

Appendices

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

Employees' remuneration

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

Remuneration (£)	Group 2021 number**	Group 2020 number**	Corporation 2021 number***	Corporation 2020 number***
50,000 - 54,999	2,512	3,993	828	744
55,000 - 59,999	4,691	3,885	732	689
60,000 - 64,999	2,603	1,807	514	515
65,000 - 69,999	1,730	1,428	575	438
70,000 - 74,999	1,248	962	395	327
75,000 - 79,999	840	795	236	264
80,000 - 84,999	652	539	179	174
85,000 - 89,999	456	394	106	126
90,000 - 94,999	329	265	62	90
95,000 - 99,999	229	193	55	72
100,000 - 104,999	120	136	29	47
105,000 - 109,999	83	77	22	35
110,000 - 114,999	49	64	14	22
115,000 - 119,999	33	53	9	21
120,000 - 124,999	32	33	10	15
125,000 - 129,999	25	27	13	11
130,000 - 134,999	19	20	8	5
135,000 - 139,999	7	23	2	12
140,000 - 144,999	14	16	9	7
145,000 - 149,999	7	4	4	1
150,000 - 154,999	13	11	6	9
155,000 - 159,999	4	9	2	6
160,000 - 164,999	4	12	2	4
165,000 - 169,999	6	9	4	5
170,000 - 174,999	2	7	1	6
175,000 - 179,999	4	3	-	-
180,000 - 184,999	6	4	4	2
185,000 - 189,999	2	6	1	4
190,000 - 194,999	1	4	1	3
200,000 - 204,999	2	7	1	2
205,000 - 209,999	2	2	2	2
210,000 - 214,999	-	2	-	1
215,000 - 219,999	-	2	-	2
220,000 - 224,999	2	1	1	-
225,000 - 229,999	1	2	1	2
230,000 - 234,999	4	-	3	-
235,000 - 239,999	-	4	-	4

* Information subject to audit

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

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

Remuneration (£)	Group 2021 number**	Group 2020 number**	Corporation 2021 number***	Corporation 2020 number***
240,000 - 244,999	3	2	3	2
245,000 - 249,999	1	-	-	-
250,000 - 254,999	-	2	-	2
265,000 - 269,999	1	-	1	-
270,000 - 274,999	-	2	-	2
275,000 - 279,999	1	1	1	-
285,000 - 289,999	1	-	-	-
290,000 - 294,999	1	1	1	1
305,000 - 309,999	1	-	1	-
310,000 - 314,999	1	-	1	-
315,000 - 319,999	1	1	1	1
355,000 - 359,999	-	3	-	2
360,000 - 364,999	1	2	-	2
370,000 - 374,999	-	1	-	1
375,000 - 379,999	-	1	-	1
400,000 - 404,999	-	1	-	-
445,000 - 449,999	1	-	-	-
475,000 - 479,999	-	1	-	-
515,000 - 519,999	-	1	-	1
Total	**15,745**	**14,818**	**3,840**	**3,682**

* Information subject to audit

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

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Remuneration for senior employees

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

Disclosure is made for each financial year under various categories and set out in the tables in appendix 2 of this report.

Employer’s pension contributions include the contribution in respect of future benefit accrual. Member contributions are payable by employees at a fixed rate of five per cent of pensionable salary.

Salary, fees and allowances are disclosed on an earned basis. Although performance-related pay is reported on a cash paid basis, it may not be determined for many months after the end of the relevant year.

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2: Named employees receiving a base annual salary in excess of £150,000 at 31 March 2021*

Name	Notes	Salary (including fees & allowances) 2020/21 (£)	Performance-related pay and retention payments paid in the year 2020/21*** (£)	Compensation for loss of employment 2020/21 (£)	Benefits in kind 2020/21 (£)	Total remuneration excluding pension contributions 2020/21 (£)	Employer's contribution to pension 2020/21**** (£)	Salary (including fees & allowances) 2019/20 (£)	Performance-related pay for 2018/19 paid in the year 2019/20 (£)	Total remuneration excluding pension 2019/20***** (£)
TfL employees including subsidiary companies but excluding Crossrail										
Andy Byford, Commissioner	a	268,438	-	-	580	269,018	34,661	-	-	-
Howard Carter, General Counsel	b	**247,782	-	-	2,186	249,968	-	**232,905	58,255	293,346
Michèle Dix, Managing Director, Crossrail 2	c	**169,027	-	-	1,706	170,733	-	**169,037	31,856	202,599
Vernon Everitt, Managing Director, Customers, Communication & Technology	d	243,003	-	-	2,186	245,189	-	252,642	61,622	316,450
Simon Kilonback, Chief Finance Officer		**312,733	-	-	2,186	314,919	-	**306,361	65,170	373,717
Andy Lord, Managing Director, London Underground and TfL Engineering	e	**315,717	-	-	2,186	317,903	-	**128,911	-	129,788
Gareth Powell, Managing Director, Surface Transport	f	**306,954	-	-	2,186	309,140	-	**305,773	68,692	376,651
Fiona Brunskill, Director of Business Partnering and Employee Relations	g	155,142	-	-	2,186	157,328	40,032	37,027	-	37,525
George Clark, Chief Engineer for Transport for London		165,000	-	-	1,706	166,706	-	165,000	7,755	174,461
Andrea Clarke, Director of Legal	h	165,369	24,805	-	1,706	191,880	42,822	162,200	29,436	193,342

* Information subject to audit

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

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

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

***** Total remuneration for 2019/20 also includes benefits in kind as reported in last year's Statement of Accounts

a entered service 29 June 2020

b salary sacrificed for pension of £8,517 (2019/20 £8,306) and holiday buy of £nil (2019/20 £4,558)

c salary sacrificed for pension of £22,000 (2019/20 £22,000). Paid for providing services four days per week

d salary sacrificed for pension of £8,517 (2019/20 £8,306)

e entered service 4 November 2019

f salary sacrificed for Cycle to Work scheme of £nil (2019/20 £538)

g entered service 6 January 2020

h salary sacrificed for holiday buy of £nil (2019/20 £3,169)

Name	Notes	Salary (including fees & allowances) 2020/21 (£)	Performance-related pay and retention payments paid in the year 2020/21*** (£)	Compensation for loss of employment 2020/21 (£)	Benefits in kind 2020/21 (£)	Total remuneration excluding pension contributions 2020/21 (£)	Employer's contribution to pension 2020/21**** (£)	Salary (including fees & allowances) 2019/20 (£)	Performance-related pay for 2018/19 paid in the year 2019/20 (£)	Total remuneration excluding pension 2019/20***** (£)
Graeme Craig, Director of Commercial Development		185,000	-	-	1,706	186,706	45,822	185,000	24,235	210,941
Nick Dent, Director of Customer Operations	i	150,658	-	-	1,706	152,364	37,342	145,000	16,617	163,323
Patrick Doig, Divisional Finance Director, Surface Transport & MPD	j	180,000	-	-	1,706	181,706	45,822	178,290	28,480	208,476
Stephen Field, Director of Compensation and Benefits	k	**189,906	-	-	1,706	191,612	-	**190,047	28,525	220,278
Lester Hampson, Property Development Director	l	176,135	-	-	1,706	177,841	45,403	177,301	179,638	358,645
Michael Hardaker, Director of Network Extensions		180,000	-	-	2,186	182,186	45,822	182,996	-	185,182
Stuart Harvey, Director of Major Projects		**277,136	-	-	1,706	278,842	-	**277,136	78,913	357,755
Joanna Hawkes, Corporate Finance Director	m	**210,542	18,000	-	-	228,542	-	**9,172	-	9,172
Chris Hobden, Head of Four Lines Modernisation		150,000	-	-	1,706	151,706	38,687	150,000	36,870	188,576
Antony King, Group Finance Director	n	**230,542	-	-	1,706	232,248	-	**208,287	27,590	237,583
Chris MacLeod, Customer Director		**207,411	-	-	-	207,411	-	**207,439	29,370	236,809
Lilli Matson, Chief Safety, Health and Environmental Officer	o	168,910	-	-	1,706	170,616	42,758	149,969	16,335	168,010
Peter McNaught, Director of Operational Readiness	p	180,988	-	-	1,024	182,012	45,822	166,622	18,336	186,664
Helen Murphy, Director of TfL Consulting and International Operations		151,000	-	-	1,706	152,706	38,956	151,000	15,067	167,773

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

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

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

***** Total remuneration for 2019/20 also includes benefits in kind as reported in last year's Statement of Accounts

i changed role in 2020/21

j salary sacrificed for Cycle to Work scheme of £nil (2019/20 £71)

k salary sacrificed for pension of £8,439 (2019/20 £8,306)

l performance related pay disclosed as received in 2019/20 also includes a deferred payment in respect of 2017/18 totalling £30,608

m entered service 16 March 2020

n changed role in 2019/20

o changed role in 2019/20. Salary sacrificed for Cycle to Work scheme of £nil (2019/20 £154)

p changed role in 2019/20. Salary sacrificed for holiday buy of £nil (2019/20 £943)

Name	Notes	Salary (including fees & allowances) 2020/21 (£)	Performance-related pay and retention payments paid in the year 2020/21*** (£)	Compensation for loss of employment 2020/21 (£)	Benefits in kind 2020/21 (£)	Total remuneration excluding pension contributions 2020/21 (£)	Employer's contribution to pension 2020/21**** (£)	Salary (including fees & allowances) 2019/20 (£)	Performance-related pay for 2018/19 paid in the year 2019/20 (£)	Total remuneration excluding pension 2019/20***** (£)
Jonathan Patrick, Chief Procurement Officer	q	225,000	-	-	769	225,769	45,822	111,788	-	112,170
Caroline Sheridan, Director of TfL Engineering & Asset Strategy		166,240	-	-	769	167,009	41,377	162,584	18,336	181,689
Howard Smith, Chief Operating Officer, Elizabeth line	r	**181,786	-	-	1,706	183,492	-	**182,447	21,175	205,328
Shashi Verma, TfL Strategy Director		234,611	-	-	769	235,380	45,822	234,615	36,675	272,059
Alex Williams, Director of City Planning		**206,553	-	-	-	206,553	-	**206,569	30,260	236,829
Brian Woodhead, Director of Customer Service		**230,542	-	-	1,706	232,248	-	**234,907	42,920	279,533
Tricia Wright, Chief People Officer	s	**231,860	-	-	769	232,629	-	**235,839	36,675	273,283
Ken Youngman, Divisional Finance Director, Commercial Development		155,000	-	-	1,706	156,706	-	**169,884	54,250	225,840
Crossrail current office holders/employees										
Mark Wild, Chief Executive Officer		**446,147	-	-	1,706	447,853	-	**446,133	31,692	479,531
Carole Bardell-Wise, Health, Safety, Quality and Environment Director	t	180,639	18,000	-	1,706	200,345	18,000	129,740	-	131,153
Susan Beadles, General Counsel		156,163	-	-	1,706	157,869	30,461	155,872	-	157,578
Chris Binns, Chief Engineer		182,010	-	-	1,706	183,716	18,201	179,618	-	181,324

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

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

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

***** Total remuneration for 2019/20 also includes benefits in kind as reported in last year's Statement of Accounts

q entered service 30 September 2019. Salary sacrificed for holiday buy of £nil (2019/20 £1,327)

r salary sacrificed for pension of £8,439 (2019/20 £8,306)

s salary sacrificed for pension of £8,517 (2019/20 £8,306)

t entered service 3 June 2019

Name	Notes	Salary (including fees & allowances) 2020/21 (£)	Performance-related pay and retention payments paid in the year 2020/21*** (£)	Compensation for loss of employment 2020/21 (£)	Benefits in kind 2020/21 (£)	Total remuneration excluding pension contributions 2020/21 (£)	Employer's contribution to pension 2020/21**** (£)	Salary (including fees & allowances) 2019/20 (£)	Performance-related pay for 2018/19 paid in the year 2019/20 (£)	Total remuneration excluding pension 2019/20***** (£)
Jim Crawford, Chief Programme Officer	u	359,040	-	-	1,706	360,746	-	61,381	-	61,670
Rachel McLean, Chief Finance Officer	v	233,000	11,650	-	2,186	246,836	45,822	57,295	-	57,817
Andy Weber, Delivery Construction Manager	w	150,629	-	-	769	151,398	15,113	149,356	-	150,125
Former Employees										
Mike Brown MVO, Commissioner	x	**146,600	-	-	631	147,231	-	**372,227	145,225	519,661
Tanya Coff, Divisional Finance Director, London Underground	y	127,573	-	-	1,158	128,731	30,627	176,211	26,406	204,323
Alexandra Kaufman, Communications Director, Crossrail	z	150,000	-	-	769	150,769	15,000	78,863	-	79,265
Tony Meggs, Non-Executive Chairman, Crossrail	aa	100,000	-	-	-	100,000	-	200,000	-	200,000
Nick Raynsford, Non-Executive Deputy Chairman, Crossrail	ab	24,000	-	-	-	24,000	-	48,000	-	48,000
Chris Sexton, Deputy Chief Executive, Crossrail	ac	68,323	-	8,070	370	76,763	7,409	302,784	100,000	404,490
Angela Williams, Chief People Officer, Crossrail	ad	166,488	-	57,000	-	223,488	16,649	-	-	-

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

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

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

***** Total remuneration for 2019/20 also includes benefits in kind as reported in last year's Statement of Accounts

u entered service 30 January 2020

v entered service 2 January 2020

w salary sacrificed for childcare vouchers of £496 (2019/20 £1,488)

x left service 10 July 2020

y left service 30 November 2020

z left service 31 March 2021

aa left service 30 September 2020

ab left service 30 September 2020

ac left service 18 June 2020

ad entered service 18 May 2020, left service 31 March 2021

3: Severance payments*

We have also published the number and cost of compulsory and voluntary severance termination packages agreed during the year. This is fully in line with the Code. Our policy on severance is found on page 67.

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

	Group 2021 (number)	Group 2021 (£m)	Corporation 2021 (number)	Corporation 2021 (£m)	Group 2020 (number)	Group 2020 (£m)	Corporation 2020 (number)	Corporation 2020 (£m)
Non-compulsory exit packages (£)								
0 - 20,000	15	0.2	4	-	28	0.4	24	0.4
20,001 - 40,000	18	0.6	4	0.1	40	1.2	28	0.9
40,001 - 60,000	11	0.5	7	0.4	44	2.2	25	1.3
60,001 - 80,000	8	0.5	4	0.3	41	2.8	25	1.7
80,001 - 100,000	17	1.5	14	1.2	30	2.7	11	1.0
100,001 - 150,000	16	2.0	11	1.3	35	4.1	16	1.9
150,001 - 200,000	4	0.7	3	0.5	9	1.6	7	1.2
200,001 - 250,000	1	0.2	1	0.2	2	0.4	2	0.4
250,001 - 300,000	-	-	-	-	5	1.4	4	1.1
300,001 - 350,000	-	-	-	-	2	0.6	2	0.6
350,001 - 400,000	-	-	-	-	2	0.8	2	0.8
400,001 - 450,000	-	-	-	-	1	0.4	1	0.4
Total non-compulsory exit packages	**90**	**6.2**	**48**	**4.0**	**239**	**18.6**	**147**	**11.7**
Compulsory exit packages (£)								
0 - 20,000	2	-	-	-	-	-	-	-
Total	**92**	**6.2**	**48**	**4.0**	**239**	**18.6**	**147**	**11.7**

* Information subject to audit

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4: Representation of equalities groups at different pay levels as at 31 March 2021* **

	<£20,000		£20,001 to £30,000		£30,001 to £40,000		£40,001 to £50,000		£50,001 to £60,000		£60,001 to £70,000		£70,001 to £80,000		£80,001 to £90,000		£90,001 to £100,000		>£100,000	
	No	%	No	%	No	%	No	%	No	%	No	%	No	%	No	%	No	%	No	%
Gender																				
Female	12	60	399	39	2,061	34	1,018	27	1,711	20	568	17	251	16	97	19	39	20	39	25
Male	8	40	625	61	3,986	66	2,770	73	7,032	80	2,837	83	1,573	84	412	81	157	80	116	75
Total	**20**		**1,024**		**6,047**		**3,788**		**8,743**		**3,405**		**1,824**		**509**		**196**		**155**	
Ethnicity																				
Black, Asian and minority ethnic	8	40	464	45	2,449	40	1,242	33	2,848	33	879	26	400	22	78	15	17	9	12	8
White	9	45	331	32	2,269	38	2,026	53	4,762	54	2,094	61	1,213	67	368	72	151	77	127	82
Not stated	3	15	229	23	1,329	22	520	14	1,133	13	432	13	211	11	63	13	28	14	16	10
Total	**20**		**1,024**		**6,047**		**3,788**		**8,743**		**3,405**		**1,824**		**509**		**196**		**155**	
Disabled/Not disabled																				
Disabled	2	10	48	5	225	4	114	3	211	2	101	3	45	2	28	5	3	2	3	2
Not disabled	14	70	605	59	3,853	64	2,142	57	5,232	60	1,931	57	932	51	283	56	126	64	112	72
Not stated	4	20	371	36	1,969	32	1,532	40	3,300	38	1,373	40	847	47	198	39	67	34	40	26
Total	**20**		**1,024**		**6,047**		**3,788**		**8,743**		**3,405**		**1,824**		**509**		**196**		**155**	

* Excluding Crossrail and TfL apprentices

** Information not subject to audit

5: Board remuneration*

	For the year ended 31/03/21 (£)
Current Board Member	
Sadiq Khan	Not remunerated by TfL
Heidi Alexander	Not remunerated by TfL
Cllr Julian Bell	18,000
Kay Carberry CBE	20,000
Professor Greg Clark CBE	20,000
Bronwen Handyside	18,000
Ron Kalifa OBE	20,000
Dr Alice Maynard CBE	18,000
Anne McMeel	20,000
Dr Mee Ling Ng OBE	20,000
Dr Nelson Ogunshakin OBE	19,000
Mark Phillips	19,000
Dr Nina Skorupska CBE	19,000
Dr Lynn Sloman	19,000
Ben Story	20,000

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* Information subject to audit
** Information not subject to audit

6: Trade union facility time**

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

Within TfL the following trade unions are represented:

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

As at 31 March 2021 TfL had 880 members of staff who are elected as union representatives. These employees spent the following amount of their working hours on facility time:

Percentage of time	Number of employees
0	-
1-50	826
51-99	19
100	35
Total	**880**

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

Total cost of facility time (£m)	6.4
Total remuneration costs for all TfL employees (£m)	2,029.1
Percentage of pay bill spent on facility time (%)	0.3

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

Statement of Accounts

'The safety of our colleagues and the travelling public has been our first priority and will remain so as we support London, and the whole country, to recover from the pandemic'

Simon Kilonback
Chief Finance Officer

Statement of Accounts

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Narrative Report and Financial Review

Overview
In last year's Narrative Report, published in wake of the first UK lockdown, we highlighted that our organisation was facing a crisis unprecedented in living memory. Our purpose is to connect Londoners and all our communities by keeping London moving, working and growing, to make life in our city better. The coronavirus outbreak at the start of the year, however, overshadowed everything we do. Throughout, the safety of our colleagues and those using our services has remained our first priority and, working with the Mayor, we have done and will continue to do all that we can to protect our staff and those who need to use our services. It is a matter of great sadness that a number of our colleagues have passed away owing to COVID-19. The incredibly important role that they have played for this city will be remembered by us all.

Over the course of the year we followed government guidance and met the requirement to provide services, and to maximise capacity, while observing the social distancing measures necessary to stop the spread of coronavirus. Where possible we aimed to mitigate the financial impact of lockdown for Londoners. Steps taken ranged from granting a three-month rental holiday to all small and medium enterprises for whom we are the landlord, to temporarily suspending our road user charging schemes in the early part of lockdown. From a safety perspective we implemented middle door only boarding of buses to reduce the risk of our drivers contracting the virus from passengers until additional safety measures could be put in place and we rolled out the use of a new anti-viral cleaner that kills viruses and bacteria on contact across all our services.

The above meant, for us, a continued high level of relatively fixed operational costs, combined with a significant reduction in our fares and other revenues. As we predicted, the impact on our 2020/21 income has been severe, compounding the underlying financial challenges TfL was already facing in relation to the loss of the operating grant from central Government and the delay to the opening of the Elizabeth line.

The income shortfall has necessitated the provision of extraordinary grant funding from the Government. In May 2020, we agreed a support package to cover the first half of the year and, in October, we finalised a new funding agreement that was subsequently extended to cover the period until 18 May 2021. In total we received £2.5bn of extraordinary grant from the Department for Transport (DfT) under these arrangements. Since the year end, our funding agreement has again been extended, to 11 December 2021, with conditions as set out in the going concern section of our Accounting Policies.

Until November 2020 we made full use of the Government's Coronavirus Job Retention Scheme, initially furloughing 7,000 employees across the organisation. Through our savings programme, recruitment controls, and even tighter financial oversight, we have kept operating costs low. Over the course of the year we have worked and continue to work closely with Government and their advisors towards agreeing a longer-term funding package that will secure TfL's ability to continue to operate and support London and the United Kingdom through the economic recovery and into the future.

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

Key priorities in the Mayor's Transport Strategy are: creating healthy streets and healthy people, creating a good public transport experience and delivering new homes and jobs. (See Delivering the Mayor's Transport Strategy on page 32).

High standards of business conduct
Our governance and decision-making arrangements ensure we manage the organisation responsibly and effectively and to high standards of business conduct (see TfL's Governance Framework on page 220). This includes operating within the requirements of relevant legislation (including Local Authority legislation), as well as understanding our responsibilities to spend public funds efficiently and manage risks effectively. TfL conducts, at least annually, a review of the effectiveness of its governance framework including the system of internal control, which is reported to the Audit and Assurance Committee. There is also an annual Board Effectiveness Review.

The opinion for the year ending 31 March 2021 concluded that TfL's governance framework was adequate for TfL's needs and operated in an effective manner. The opinion highlighted work currently in progress to address previously disclosed weaknesses in several audits of governance and financial controls relating to procurement and contract management.

The coronavirus pandemic has had a significant impact on TfL's operational activities and its finances. A Governance Improvement Plan was developed for 2020/21 that reflects this and a review has been conducted with the DfT on TfL's sustainability and financial model. Cost control initiatives continued throughout the year as we worked towards our target of turning a deficit on the net cost of operations at the TfL Group level into a surplus.

We have established a committee structure to which we delegate detailed scrutiny of key areas of our responsibilities. We have ensured the TfL Board has the right range and depth of knowledge, skills and experiences to run the organisation effectively. We refreshed our Board membership, in line with best practice, so it remained relevant and up to date (the list of our members is on pages 223 to 226). At the date of this report just over 53 per cent of our Board members are women. We understand the benefits of diversity and are continually seeking to improve this across our Board and executive teams.

We also have a series of policies and guidance setting out expected standards of behaviour and conduct. These include the TfL Code of Conduct, Anti-fraud and corruption policy, Slavery and Human Trafficking Statement and the Whistleblowing policy.

In an organisation as large as TfL, we partly fulfil our duties by delegating day-to-day decisions to company employees within our governance framework.

Coronavirus
Our priority during the coronavirus pandemic has been to follow government recommendations for action and keep services running.

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

- TfL and its subsidiary, Crossrail Limited, brought all construction project sites to a temporary Safe Stop during the initial phases of the first lockdown unless they needed to continue for operational safety reasons or essential maintenance of the transport network
- Enhanced cleaning and use of hospital grade anti-viral cleaning fluid and ultra-violet light sanitising to kill viruses and bacteria across our network services
- Enforcement of the mandatory wearing of face coverings on all public transport modes
- Actively managing demand across the network and promoting travel during quiet times to ensure that those who needed to travel could continue to do so safely
- Rent reliefs, including the grant of a three-month rent holiday during the initial phase of lockdown, to all small and medium enterprises across the commercial property estate (representing 86 per cent of TfL's tenants) to enable them to continue trading

We fully supported the Government's nationwide message to 'stay at home' during the lockdowns. As a result, we saw demand reduce by more than 90 per cent on the Tube and around 85 per cent on Buses in the first lockdown in March 2020. We have continued delivering essential transport services supporting the pandemic response.

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

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

Brexit
Terms for the new trading relationship between the UK and European Union were confirmed in December 2020 and took effect at the end of that month. The implementation of the new trading relationship ensured greater assurance on the cost impact and availability of goods and materials. TfL has experienced some supply chain disruptions, impacting cost and project delivery including border delays on goods from the EU, import and customs arrangements and quota and tariff charges on imported materials. We continue to proactively monitor and manage risks throughout our supply chains. In addition, we continue to support our non-UK European Union citizen staff by engaging through our Human Resources team and internal communications as well as providing guidance on applying for Settled Status.

On the revenue side, we are exposed to macroeconomic conditions through impacts of changed trading terms on the UK and London economies feeding through to ridership on our services. However, the scale of such impacts is minimal in comparison to the ongoing effects of the coronavirus pandemic. We will continue to monitor economic forecasts as the impacts of both the trading relationship and the recovery from the pandemic become clearer and use these in our forecasting of future revenue.

Likely consequences of decisions in the long-term
We develop our strategy in consultation with our stakeholders, to improve the services we provide to our passengers, suppliers, customers and communities, and our people. We have taken the three themes of the Mayor's Transport Strategy, being Healthy Streets and Healthy People; A Good Public Transport Experience; and New Homes and Jobs; and have developed a set of five key priorities that are the focus of our efforts up until March 2022. These priorities are:

- Future funding – to secure a long-term, sustainable financial deal for TfL
- Transformative projects – to complete the Northern line extension, finish Crossrail and open the Elizabeth line
- Pandemic recovery – to safely support and drive forward London's post-pandemic recovery and win back our customers
- Clear vision – to create a people-centric vision and a more diverse and inclusive organisation, informed by and for our colleagues
- Green future – to improve London's air quality and accelerate decarbonisation

Narrative Report and Financial Review (continued)

Interests of the organisation's employees
The safety of our people and customers remains paramount. Working alongside our suppliers and Trade Union partners, we have measures put in place to protect staff and customers ranging from installing protective screens for bus drivers, to implementing a rigorous new cleaning regime.

We have worked hard over the years to build up a comprehensive set of collective bargaining arrangements which provide for constructive discussions with Trade Union representatives and officials at all levels of the organisation. Our important work with the transport Unions has continued and our partnerships have been strengthened this past year.

We ensure that local, functional and company-level meetings take place, usually on a quarterly basis, across the various employers within the TfL Group. Additionally, there are separate Safety, Health and Environment meetings and other staff network groups focused on specific issues, such as the RACE (Raising Awareness of Culture and Ethnicity) Network, the Women's Network and the Staff Network Group for Disability.

During the coronavirus pandemic we have worked hard to respond collectively and adapt our normal ways of working. We have increased the frequency of meetings and introduced a weekly TfL-wide Trade Union summit to ensure that important issues can be raised and dealt with more quickly. We sought advice from Unions on how we can best work together to protect our bus drivers and the public who still needed to use the bus network to make essential journeys.

We have had a focus throughout the year on wellbeing support for our employees. Our internal intranet platform hosts a wide range of easy-to access resources, while our Occupational Health and Wellbeing team continues to provide access to support for employees, despite the challenges of the pandemic. In addition, we have partnered with Able Futures to offer nine months free confidential mental health support to those employees whose mental health is directly impacting their ability to work.

We have continued our annual staff survey and run other listening programmes, and business briefings.

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

Streamlined Energy & Carbon Reporting 2020/21

Description	Amounts	Units	2019/20 Comparison
Total Electricity consumption	1,464,725,952	kWh	1,642,058,014
Total Gas consumption	89,969,770	kWh	91,383,673
Total Fuel for company fleet	1,489,042	litres	1,191,102
Purchased District Heating and Cooling	3,298,494	kWh	3,390,416

Emissions Breakdown	Amounts	Units	Conversion factor ($kgCO_2e$)
Scope 1 Emissions from combustion of gas	16,543	tCO_2e	0.18387 (natural gas)
Scope 1 Emissions from combustion of fuel for transport purposes	3,774	tCO_2e	2.546 (diesel) 2.168 (petrol)
Scope 2 Emissions from purchased electricity	341,486	tCO_2e	0.23314 (UK grid electricity)
Scope 2 Emissions from purchased heating and cooling	465	tCO_2e	0.2023 (district heating) 0.0531 (district coolth)
Total Gross CO_2e based on the above	**362,268**	**tCO_2e**	
Total Gross CO_2e including energy/ fuel purchased by public transport service operators	**861,873**	**tCO_2e**	

Intensity Metric	Amounts	Units
Operated train km	89,712,049	3.99 $kgCO_2e$/ operated train km
Average headcount	25,692	14.1 tCO_2e/ employee

Narrative Report and Financial Review (continued)

Reporting Methodology

We have used invoiced consumption and metered data, and have calculated emissions using government conversion factors for company reporting of greenhouse gas emissions 2020. District heating and cooling factors are specific to the Olympic Park district heating system.

Energy efficiency action

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

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

Fostering business relationships with suppliers, customers and others

As stated previously, we have worked with our Trade Union partners and suppliers to ensure appropriate actions are taken to protect staff and customers during the pandemic.

During the year we developed initiatives to make us more dependable and easier to work with by working smarter with our supply chain and involving them earlier in the planning phase to help us improve efficiency. The Procurement and Supply Chain team has seen significant changes in its management, who are leading a programme of transformation activity aimed at strengthening commercial/procurement controls.

Financial review

Summary of financial performance for the TfL Group

Since the start of the coronavirus pandemic, and despite running a near-full level of services for the majority of the year, we have seen a significant decline in income, with total passenger fares for the year coming in at £1,600m – 66 per cent below the 2019/20 total, and with advertising and rental revenues also being significantly impacted. The dramatic drop in income has necessitated the provision of extraordinary grant funding from the Government. In May 2020, we agreed a support package of £1.6bn to cover the first half of the year. At the end of October 2020, we finalised a new funding agreement that was subsequently extended to cover the period to 18 May 2021. This new agreement provided a level of base funding, as well as passenger income top up to an agreed level. In return for this support, TfL committed to meeting a number of conditions, including making £160m of net savings in the second half of the year in addition to those already included in our budgets, investing in Streetspace for London, and producing a plan to achieve financial sustainability in the medium to long-term. Since the year end, our funding agreement has again been extended, to 11 December 2021, with conditions as set out in the going concern section of our Accounting Policies.

We continue to keep our costs low through tight cost controls, non-critical role recruitment freeze, and progressing our long-term savings programme. This includes savings delivered in 2020/21 across the London Underground supply chain and on bus contracts, as well as one-off savings from lower network costs during the first national lockdown at the start of the pandemic. The Procurement and Supply Chain team have supported TfL's business teams to realise these savings and have implemented a new Benefit Methodology and Reporting Suite for 2021/22 that will further enhance transparency and controls in our third party spend, and allow for targeted benefit initiatives that will maximise value for money across our supply chain.

In 2020/21, our net financing and investment expenditure increased from £411m to £549m, primarily reflecting the fact that investment property valuations gains of £59m seen in 2019/20, were replaced with fair value losses of £83m in 2020/21. Interest income also fell, reflecting lower cash and short-term investment balances held during the year and reduced investment yields, while the interest charge on borrowings increased as a consequence of new borrowings drawn down in the year.

Grant income, at £4,732m, was £1,464m above 2019/20 levels, reflecting the extraordinary funding grant of £2,457m received in the year. The share of losses from our associated undertakings and joint ventures reduced from £52m in 2019/20 to £3m in 2020/21.

These items combined with a Corporation tax credit of £11m to give an overall Group deficit after tax for the year of £911m compared to a prior year surplus of £671m. After reserves transfers, this translated to a reduction in usable reserves from £1,604m as at 31 March 2020 to £887m at 31 March 2021. This was £14m better than the 2020/21 forecast of £873m published in our submission to the Mayor's Budget 2021/22. As already highlighted, in the absence of the additional extraordinary funding support agreed with Government, the negative impact of coronavirus on our reserves would have been considerably greater.

The level of capital works undertaken fell during the year to £2,120m, 22 per cent below the prior year total of £2,724m. Reductions were a reflection of delays resulting from the Safe Stop of capital project works at the start of the year, combined with tight spend controls and the pausing or termination of non-core capital projects due to ongoing uncertainty regarding future funding.

In addition to £367m (2019/20 £453m) of spend on renewals works, capital spend included new investment of £704m (2019/20 £1,026m) on the Crossrail project and £1,049m (2019/20 £1,245m) on other investment projects. Major projects progressed in the year included the Four Lines Modernisation project, the Northern Line Extension, Major Station improvement works, and the design and planned construction of Piccadilly line rolling stock and associated infrastructure.

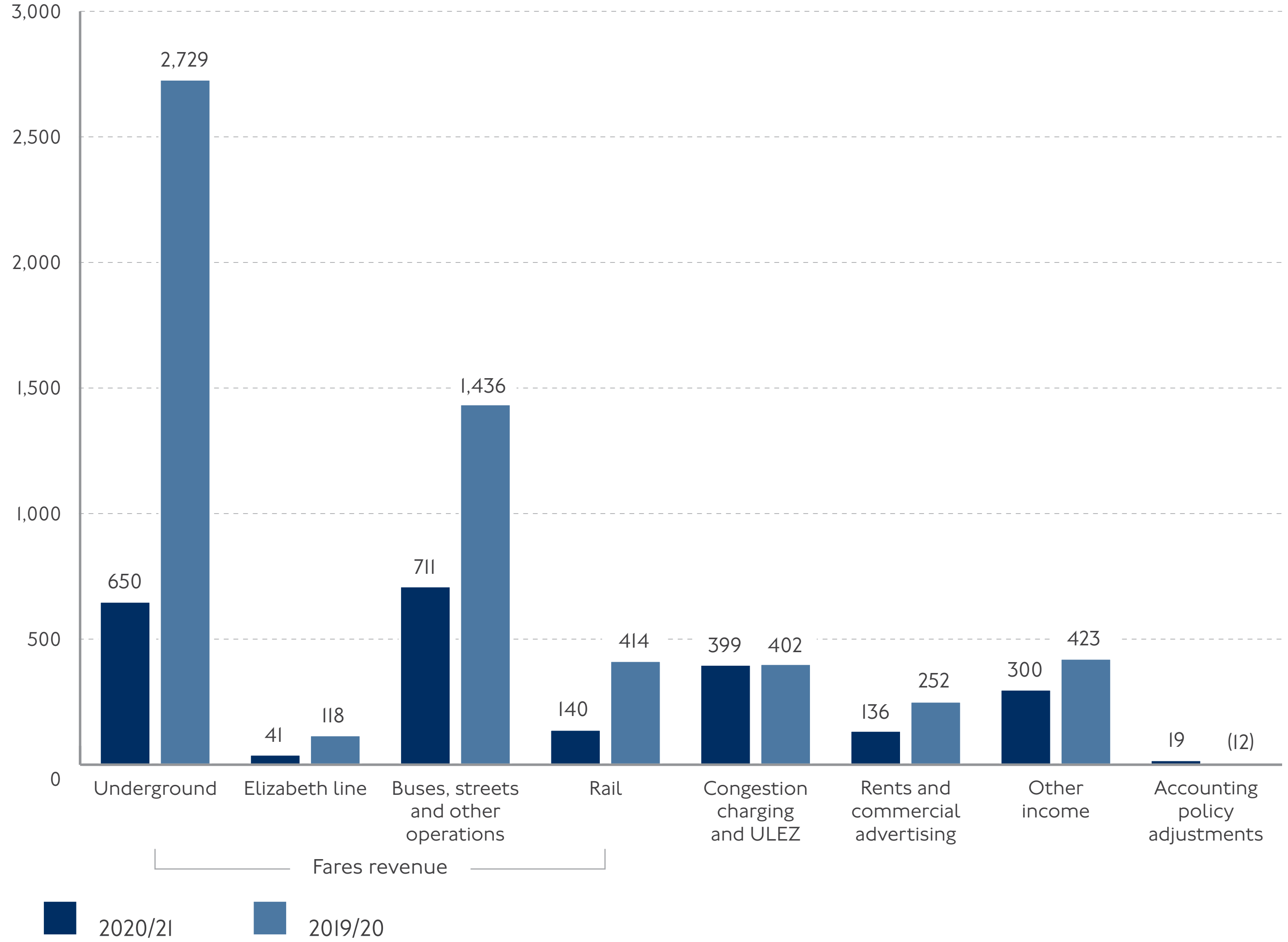
Funding sources

Our activities are funded from four main sources:

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

TfL's Business Plan is financially balanced over the medium term, with planned funding sources sufficient to meet planned expenditure. Short-term timing differences between expenditure and funding are managed through transfers to or from our cash reserves. Over the course of 2020/21, our usable reserves have been deliberately eroded as we have utilised brought forward cash reserves to subsidise the income shortfall arising as a result of the pandemic. This has been a condition of our extraordinary funding arrangements with the DfT. Work remains ongoing within TfL and through discussions with the DfT to determine how previous planned activity and funding plans will need to change to ensure that we are able to continue to balance our Business Plans and Budgets in a post-coronavirus operating environment.

Gross income
Gross income breakdown by type (£m)

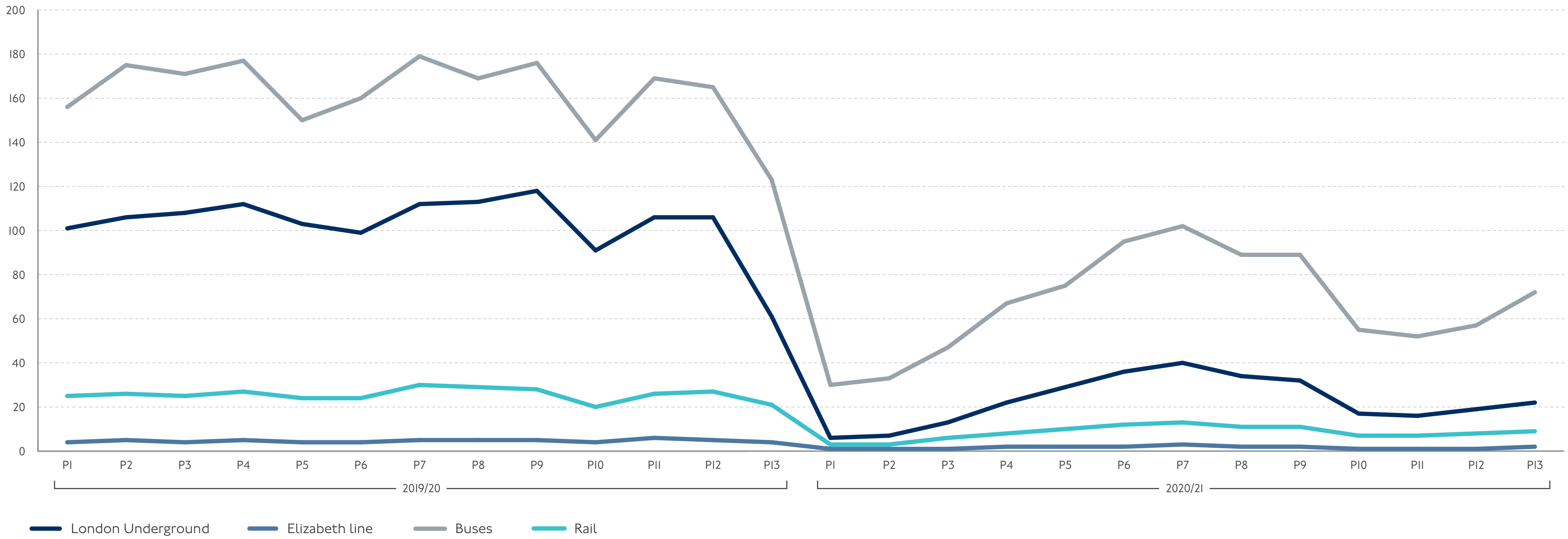


* Figures for 2019/20 have been restated to align with a revised internal management structure.

Total gross income fell 58 per cent from £5,762m in 2019/20 to £2,396m in 2020/21, reflecting a fall in revenue across almost all categories as a result of the coronavirus pandemic.

TfL's primary source of income comes from passenger fares, which have historically represented more than 70 per cent of all revenue generated. Fares income fell during the year from £4,751m in 2019/20 to £1,600m in 2020/21, as a consequence of reduced levels of ridership on all service lines.

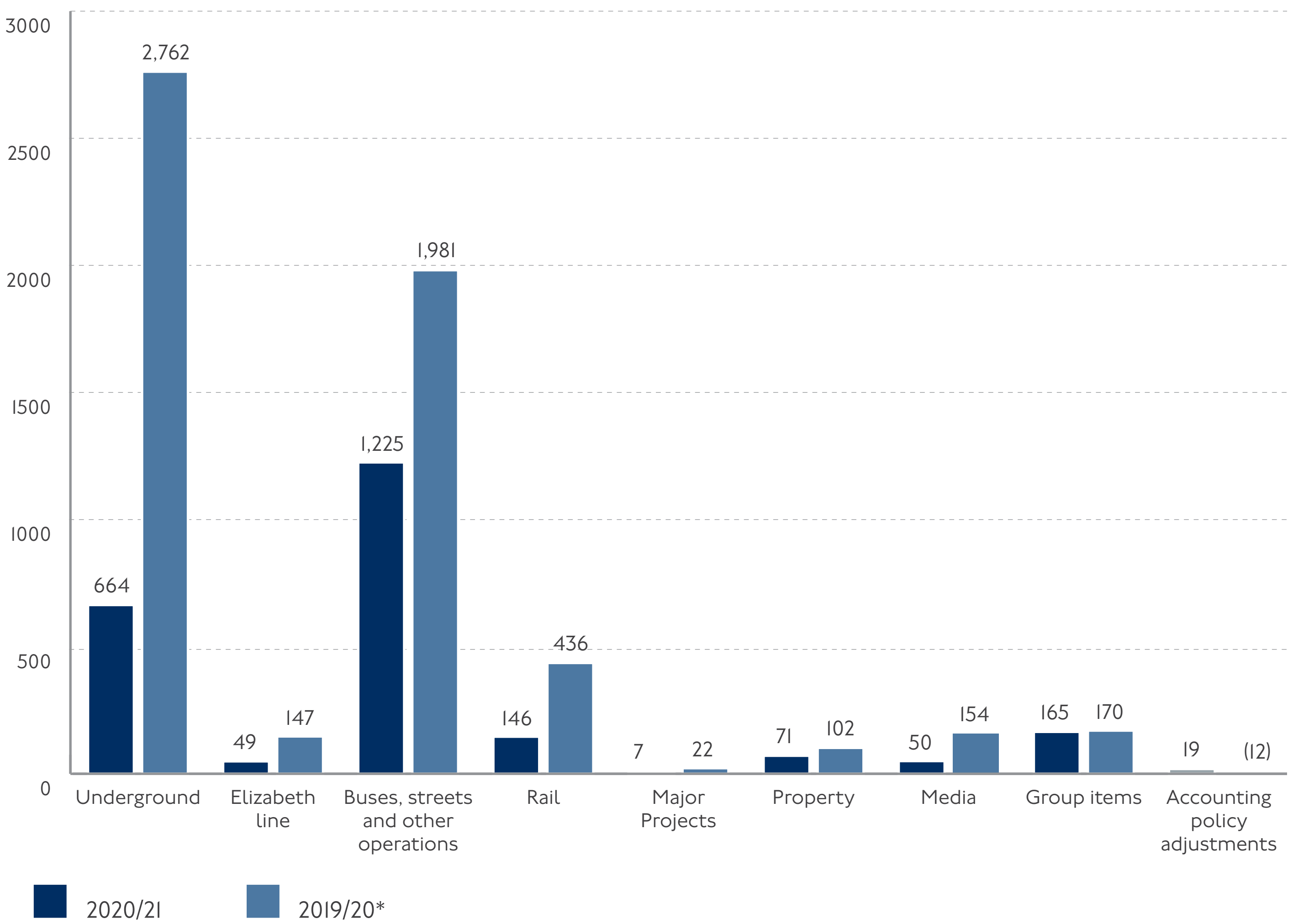
Passenger journeys per period (in millions) over 2019/20 and 2020/21



As well as the reduction in passenger journeys illustrated in the graph above, fare price increases were also kept low for the majority of the year. TfL fares decisions are taken annually by the Mayor who, following five years of fare freezes, increased overall fares from 1 March 2021 by 2.6 per cent (RPI plus one per cent). This was a condition of the funding agreement with Government in October 2020 and is in line with National Rail increases. Within the rise, some fares remained frozen – including some single pay as you go Tube, DLR, London Overground and TfL Rail fares – which will encourage people to central London when the time is right, and aid the Capital's recovery.

Narrative Report and Financial Review (continued)

Total gross income by operating division (£m)



* Figures for 2019/20 have been restated to align with a revised internal management structure.

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Total gross operating income for the Underground was £664m, £2,098m (or 76 per cent) below 2019/20 levels as a result of the coronavirus travel restrictions implemented by Government. The fares component of this total fell 76 per cent from £2,729m in 2019/20 to £650m in 2020/21 as a consequence of the reduction in passenger journey volumes from 1,337 million in 2019/20 to 296 million in 2020/21 (a 78 per cent decrease).

Average yield per journey improved from £2.04 per journey in 2019/20 to £2.21 in 2020/21. This reflected a change in ticket mix as a result of the pandemic with more people choosing to purchase single-use tickets rather than travelcards, combined with an increase in average fares for National Rail in January 2020 which had an impact on a proportion of TfL tickets. The increase was further compounded by the overall increase in fares by RPI plus one per cent from 1 March 2021.

Gross income for the Elizabeth line division (currently operating as 'TfL Rail') fell by 67 per cent from £147m in 2019/20 to £49m in 2020/21. Within this total, passenger income reduced from £118m to £41m reflecting a 66 per cent fall in journeys over the year.

Income from Buses, streets and other operations fell 38 per cent from £1,981m in 2019/20 to £1,225m in 2020/21. Within this total, passenger income for the Buses, at £709m, was £722m adverse to the prior year, owing to the impact of the pandemic which reduced passenger demand over the course of the year by 1,247 million passenger journeys. Fares income from the Emirates Airline, at £2m for the year, was £3m below the prior year total.

Streets' income, however, at £402m, was £47m higher than 2019/20 levels, despite the suspension of our three main road user charging schemes – the Congestion Charge, Ultra Low Emission Zone (ULEZ) and Low Emission Zone – during the first lockdown. This reflected a temporary increase in the daily Congestion Charge from £11.50 to £15.00 and the extension of the hours of operation to include evenings (up to 10pm) and weekends from 22 June 2020, as well as the closure of the residents' discount to new applicants from 1 August. These changes were brought forward in accordance with the conditions in our funding agreement with Government and were implemented to facilitate the flow of essential traffic, including buses, to support the Streetspace for London programme which is providing safe conditions for walking and cycling. Congestion Charge revenues for the full year increased from £247m in 2019/20 to £316m in 2020/21, offsetting a fall in ULEZ income from £149m to £77m. Cycle hire revenues were also up on the prior year, at £17m for the full year compared to £11m in 2019/20.

Narrative Report and Financial Review (continued)

In the Rail division, income at £146m was 67 per cent below prior year levels. Within this, passenger income of £140m fell £274m below the 2019/20 total, owing to the impact of coronavirus. Passenger journeys on the London Overground fell from 187.1 million to 53.8 million, while journeys on the DLR fell from 116.8 million in 2019/20 to 39.9 million in 2020/21.

Within the other divisions, Media saw a 68 per cent decrease in revenues to £50m in 2020/21 due to a combination of reduced footfall across the network combined with the fact that brands have reacted to the economic uncertainty arising from the pandemic by cancelling or reducing advertising spend. The Property division was also adversely impacted, with revenues from the rental portfolio falling from £102m in 2019/20 to £71m in 2020/21. This was primarily a reflection of rental relief concessions granted to our small- and medium-sized business tenants across London as well as a range of bespoke support packages put in place for our larger business tenants, to help ensure businesses survive through the pandemic and are supported through their recovery. Major projects saw a reduction in income from £22m in 2019/20 to £7m in 2020/21.

Income from Group items relates to a variety of activities, including taxi and private hire licencing, estates management and travelcard administration. This income is included in the management recharge of net central overheads for the purposes of our internal divisional management reporting.

Government grants and other funding
In 2020/21, the need to continue running near-full levels of service throughout the year to support social distancing combined with a dramatic fall in our fares, resulting in an unprecedented shortfall in funding to support the running of our operations. The DfT therefore contributed revenue grant funding totalling £2,457m to TfL in 2020/21 under two Extraordinary Funding and Financing Agreements dated 14 May 2020 and 31 October 2020. We received a further £58m of support from the Coronavirus Job Retention Scheme. And, in addition, TfL continued to receive funding from the GLA as part of local authority devolved arrangements. The Mayor retains a share of London's business rates and then allocates a proportion of this to TfL as a resource grant.

Other sources of grant income included specific capital grant from the GLA for the Crossrail project and other projects, such as the Northern Line Extension as well as contributions from third parties.

The total of resource and capital grants receivable by TfL in 2020/21 amounted to £4,732m (2019/20 £3,268m).

Prudential borrowing
The table below summarises movements in the value of borrowings during the year.

Movement in borrowing (£m)

Opening borrowing at 1 April 2020 per the accounts	11,689
Export Development Canada (EDC) loans – £100m due in 2040	100
Public Works Loan Board (PWLB) loans – eight tranches borrowed totalling £600m due between 2030-2058	600
DfT Crossrail loans	676
Issuance of rolling short-term Commercial Paper	165
Scheduled repayments on PWLB and European Investment Bank (EIB) loans	(263)
Fair value movements, issue premia/discounts and fee adjustments	1
Closing borrowing at 31 March 2021 per the accounts	**12,968**

The authorised limit for direct borrowings for the Corporation set by the Mayor for 2020/21 was £14,029.3m.

At 31 March 2021, TfL had one committed facility with the DfT, for the purposes of the Crossrail project, that was not fully drawn and is expected to be fully utilised early next year.

In addition to these sources of financing, other sources include Private Finance Initiative contracts (PFIs) (note 27 to the accounts) and other leasing arrangements which are discussed in more detail in note 14 to the financial statements.

Narrative Report and Financial Review (continued)

Uses of funding
Gross expenditure
Gross expenditure, which includes day-to-day operating costs as reported to management (see note 2 to the financial statements) and accounting policy adjustments (including depreciation and amortisation) reduced by 4.3 per cent from £7,739m in 2019/20 to £7,405m in 2020/21. Excluding accounting policy adjustments, expenditure fell by 1.4 per cent from £6,473m to £6,381m.

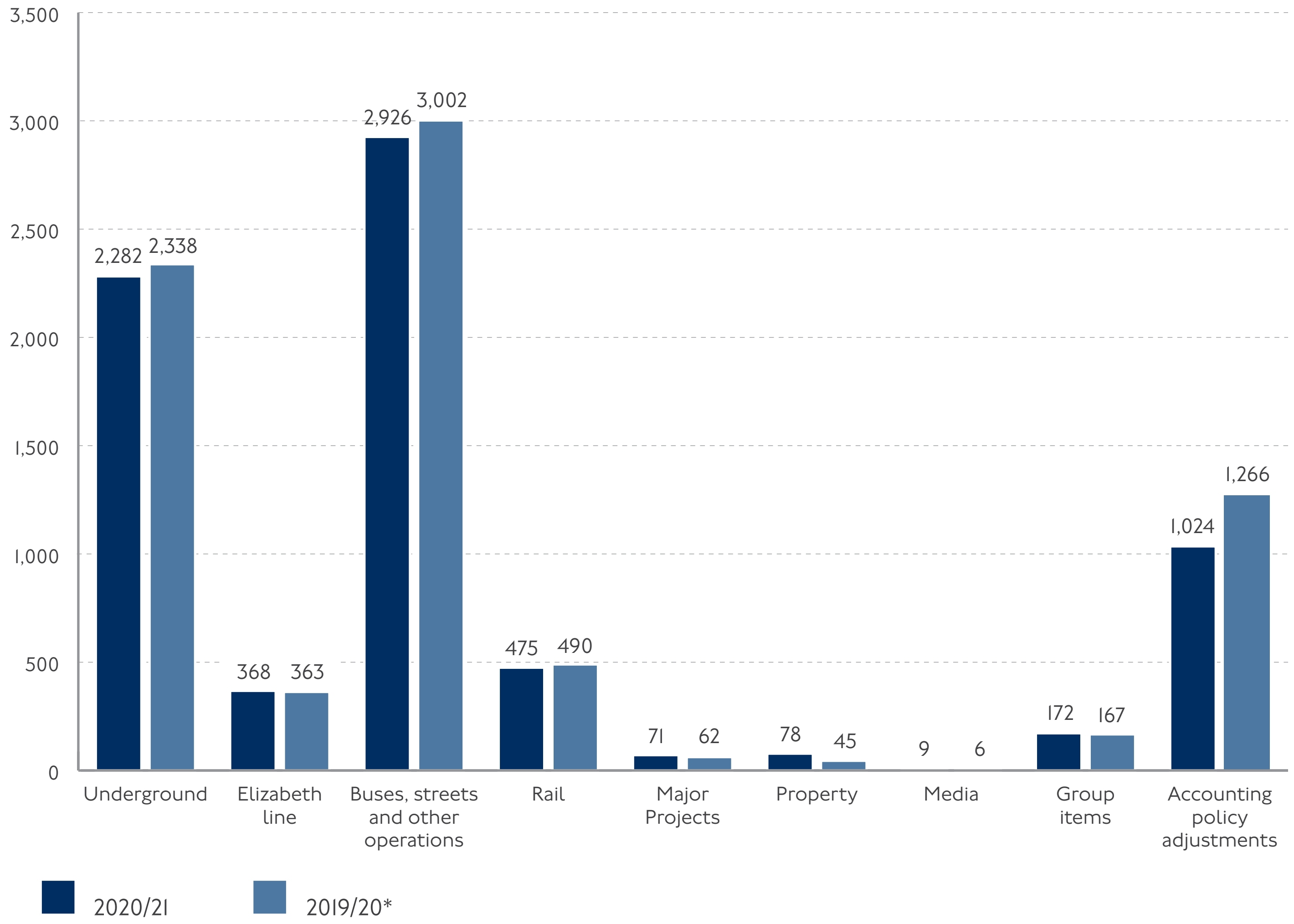
The level of operating costs reflected our continued focus on cost savings, tight controls on recruitment, even stronger financial oversight, and lower network operating costs at the start of the pandemic.

Cost control initiatives continued throughout the year as we worked towards our target of turning a deficit on the net cost of operations into a surplus. Overall, like-for-like operating costs were held to prior year levels. One-off items incurred in 2020/21 included £144m of direct coronavirus related expenditure. One-off expenditure in 2019/20 related primarily to coronavirus costs incurred in the last two weeks of the year.

Year-on-year costs of operations (£m)

	2021	2020
Cost of operations per internal management reports	(6,381)	(6,473)
Adjust for one-off items incurred	177	35
Adjust for one-off coronavirus savings	(126)	-
Adjust for investment programme operating costs included in operating expenditure	255	284
Adjust for Elizabeth line direct operating costs (excluding allocated overheads and one-off coronavirus expenses)	337	354
Adjust for other new services (new London Overground trains)	9	-
Adjust for one-off bus operators' payment	-	34
Cost of operations (like-for-like basis)	**(5,729)**	(5,766)
Year-on-year decrease	**37**	
Year-on-year percentage decrease	**0.6%**	

Gross expenditure by operating division (£m)



* Figures for 2019/20 have been restated to align with a revised internal management structure.

Direct operating costs for the Elizabeth line have reduced during the year as cost increases resulting from preparations for the opening of the Elizabeth line and inflation on contracts, have been more than offset by a one-off reduction in the rolling stock lease expenses recognised in our management accounts.

On the Underground, costs fell by £56m (two per cent) in the year, reflecting a continued emphasis on driving down costs while maintaining a safe and reliable network, as well as savings derived from lower indirect overheads allocated to the division.

Total operating expenditure on the Elizabeth line at £368m was broadly in line with the prior year figure of £363m. Lower maintenance and staff costs were offset by higher concession costs.

The cost of operating Buses, streets and other operations fell by three per cent from £3,002m in 2019/20 to £2,926m, partly reflecting lower bus contractor payments for the year of £2,028m, down from £2,055m in 2019/20. Savings were also made in streets' operations where spend fell seven per cent from £523m to £485m. These cost reductions were a reflection of lower levels of funding provided by TfL to London Boroughs, which fell from £164m in 2019/20 to £109m in 2020/21.

Operating expenditure for the Rail division fell three per cent from £490m in 2019/20 to £475m in 2020/21. The decrease primarily reflected maintenance savings – particularly on the DLR.

Property and Media costs, however, both increased during the year – from £45m to £78m for Property, and from £6m to £9m in Media. In both divisions the rise in costs was primarily a reflection of higher levels of bad debt expense as our tenants and advertising partners were challenged by the financial pressures arising from the pandemic.

Spend in Major projects also increased, by 13 per cent to £71m, as a result of increased non-capitalisable spend.

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

As set out in note 2, Accounting policy adjustments primarily represent charges not included in internal management reporting. The most significant line item within this balance comprises depreciation, amortisation and impairment charges recognised in relation to property, plant and equipment and intangible assets. The total of these charges fell from £1,069m in 2019/20 to £983m in 2020/21. This category also absorbs the difference between the accounting methodologies used in the statutory versus the management accounts. The most significant of these relate to the treatment of defined benefit pension schemes, and to the treatment of former operating lease payable arrangements. In our management accounts the costs of these items are recognised within operating expenditure based on cash flows, whereas in the statutory financial statements, as set out in the Accounting Policies notes to the accounts, IFRS 16 Leases and IAS 19 Employee Benefits are applied.

Net interest and finance income/charges

Gross financing and investment expenditure for the year was £599m, £79m above the prior year.

This increase was primarily a reflection of valuation losses of £83m recognised in relation to the Group's investment property portfolio. In the prior year £59m of valuation gains had been recognised within financing and investment income.

Also within this overall total, interest payable on direct borrowings increased by four per cent from £422m to £437m. This increase reflected a full year of interest costs on borrowings of £545m raised in 2019/20, coupled with the impact of the £1,278m net increase in borrowings during 2020/21. As at 31 March 2020, TfL had a nominal £11.720bn of borrowings, of which approximately £0.7bn was short-term borrowing under the Commercial Paper programme. The weighted average interest rate was 3.48 per cent and the borrowings had a weighted average remaining life to maturity of 18.1 years. As at 31 March 2021, the nominal value of borrowings outstanding had increased to £12.995bn, of which £0.8bn was short-term Commercial Paper. The weighted average interest rate was 3.20 per cent and the borrowings had a weighted average life to maturity of 16.8 years.

Interest payable on borrowings was offset, to a degree, by the amount of interest capitalised into the cost of qualifying property, plant and equipment. Interest capitalised in 2020/21 totalled £90m (£109m in 2019/20).

Interest payable on leases, including contingent rentals in respect of PFIs, fell from £82m in 2019/20 to £73m in 2020/21, primarily reflecting the fact that a number of the Group's PFI liabilities were fully settled during the year. The Group's net interest expense in respect of its defined benefit pension scheme obligations fell from £123m in 2019/20 to £90m in 2020/21.

Gross financing and investment income totalled £49m, a reduction of £60m from 2019/20. The fall was primarily a reflection of the fact that £59m of investment property valuation gains recognised within financing and investment income in 2019/20, were, in 2020/21, replaced by valuation losses of £83m.

Gains from the disposal of investment properties were broadly in line with the prior year at £36m compared to £32m in 2019/20. Similarly, interest receivable on finance leases held in respect of advertising assets remained constant at £3m in both 2019/20 and 2020/21.

Investment returns on cash and other investment balances fell during the year, from £15m in the prior year to £7m in 2020/21, reflecting both lower average cash balances during the year, and lower rates of return.

Capital expenditure

Total Group capital expenditure for the year, including Crossrail, totalled £2,120m (2019/20 £2,724m). Non-Crossrail related expenditure totalled £1,416m (2019/20 £1,698m). Within this total £367m was spent on capital renewals (2019/20 £453m) and £1,049m (2019/20 £1,245m) was spent on new capital investment.

As part of the coordinated TfL response to coronavirus, non-essential site works were brought to a Safe Stop at the end of March 2020 during the initial phase of the first lockdown.

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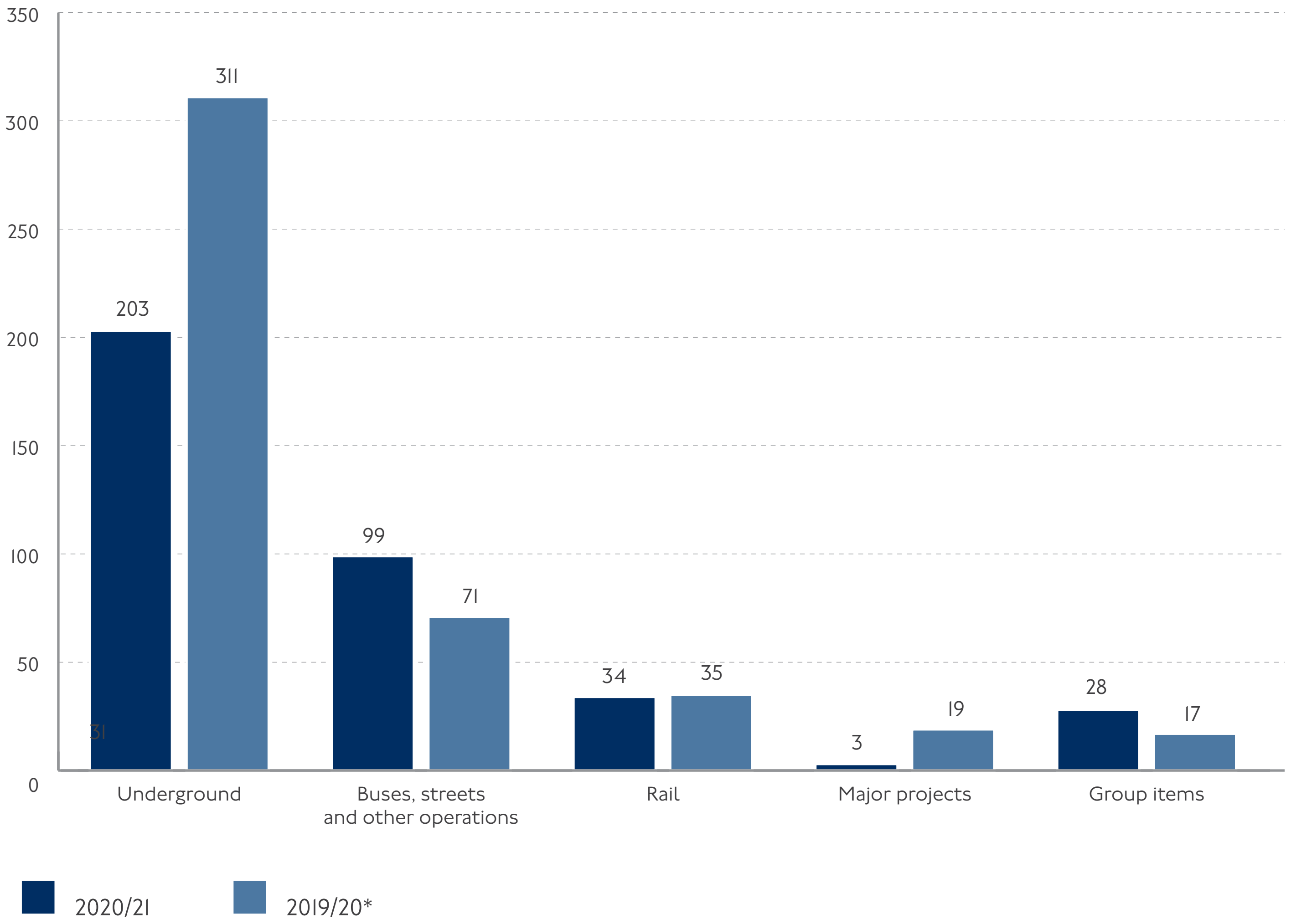
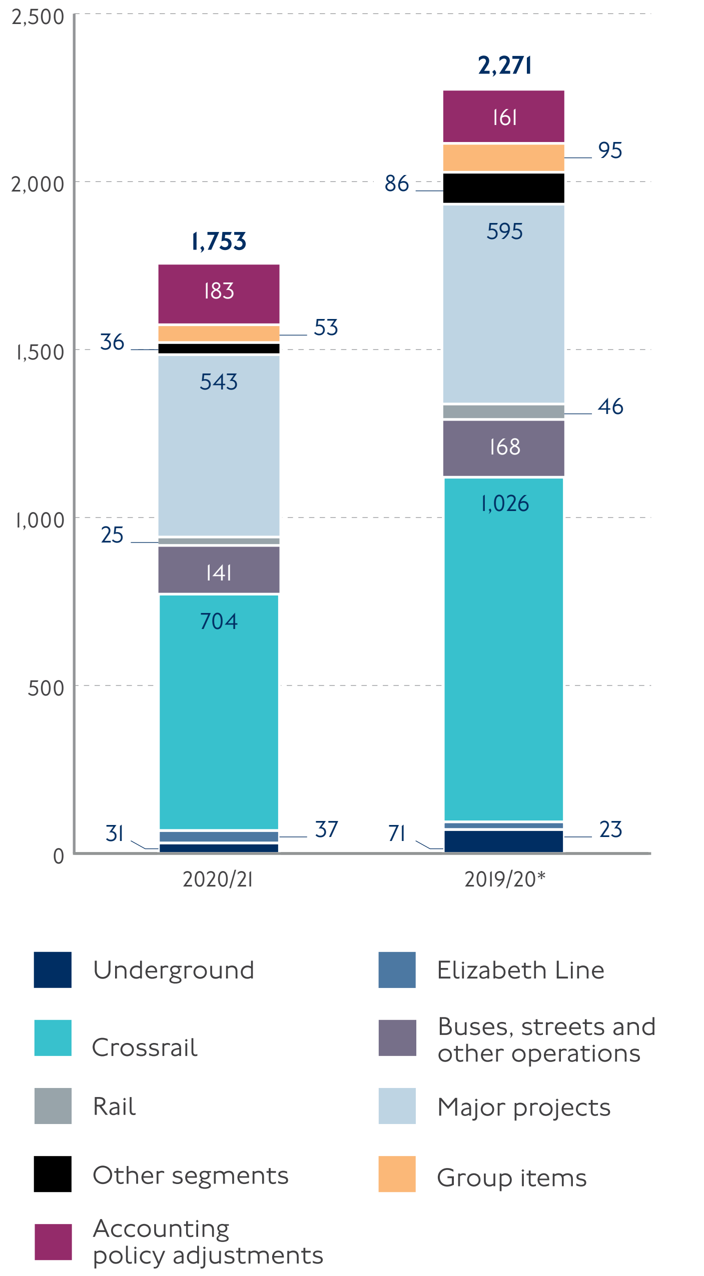
Capital renewals by business area (£m)



* Figures for 2019/20 have been restated to align with a revised internal management structure.

New capital investment by business area (£m)



* Figures for 2019/20 have been restated to align with a revised internal management structure.

On the Underground, capital expenditure totalled £234m, down from £382m in 2019/20. This included £31m of new capital investment in addition to £203m of renewals spend.

As at 31 March 2021, a further three stations were step-free (Cockfosters, Debden and Amersham) with five more to be completed by the end of 2021. In addition, improvements and capacity increases to stations including Tottenham Hale, Paddington, Knightsbridge, Colindale and Stratford are all progressing and are currently at different stages of completion.

Work to improve accessibility on the Bakerloo line fleet has commenced and overhauls and refurbishment of the Metropolitan, Victoria, Piccadilly and Central line fleets are ongoing. A new maintenance shed to house the Central line trains while they undergo heavy overhaul now has power and is nearing completion.

Although heavily impacted by the pandemic, we replaced over 8km of new track and 19 points and crossing units across the Underground network to improve reliability, reduce maintenance costs and increase capacity.

We have continued our programme to replace our lighting with low-energy LED equivalents, converting 17 stations in the year. Power and signalling assets have been replaced to improve safety and reliability and work to strengthen the embankment at Grange Hill-Chigwell is progressing well, with similar earthworks projects at earlier stages of maturity.

On the Elizabeth line, capital investment expenditure of £37m was incurred, primarily in relation to station improvements.

Total capital expenditure within the Buses, streets and other operations division of £240m is in line with 2019/20 levels of spend. Within this total, the amount spent on renewals increased from £71m to £99m.

Despite the pandemic, the division delivered significant projects in the year, including the refurbishment of Vauxhall Bridge, the delivery of replacement Dial-a-Ride vehicles and Cycle Hire Scheme bicycles. We have continued our work on critical renewals for the Rail modes, including a replacement asset management system for London Overground, replacement bogie frames and key IT updates for the DLR, and renewal of trams' track at Reeves Corner and Love Lane. We have continued our annualised programme of bus stop and shelter renewals across our Bus estate, and have designed, delivered and installed a new, safety-critical, fire control and detection system at Victoria Coach Station.

While momentum behind medium-term safety and air quality objectives slowed in the pandemic, we did not halt these programmes because of their importance. We continued rolling out the Bus Safety Standard to harness new technologies and better vehicle designs to help avoid deaths and reduce the severity of injuries on our roads. Just under 450 vehicles now meet this and are fitted with improved visibility side mirrors, Intelligent Speed Assistance and more slip-resistant floors. Around 300 of this number also have Acoustic Vehicle Alerting Systems to make their presence more obvious to pedestrians, cyclists and motorcyclists.

On the emissions front, we have lifted our core fleet to the ultra-clean Euro VI engine standard slightly later than planned because of lockdown impacts on vehicle delivery. Every vehicle lifted to this standard reduces its tailpipe emissions of particulate matter and oxides of nitrogen by up to 80 and 95 per cent respectively. We have also continued bringing in zero-emission buses despite lockdown impacts on production and delivery. We are close to having 500 of them in our fleet of around 9,000 buses and this total will rise to 700 by the end of 2021.

The Major projects directorate is responsible for our largest and most complex projects. It handles line upgrades, network extensions, Major Station Upgrades and capacity improvements. Capital expenditure in the directorate totalled £546m in 2020/21, including £543m of new capital investment.

Within this overall total, £114m was spent during 2020/21 on the Northern Line Extension. Running from Battersea Power Station to Kennington via Nine Elms, the extension will bring Battersea and the surrounding area within 15 minutes of the City and the West End, supporting the creation of around 25,000 jobs and more than 20,000 new homes. The test train runs allowed testing of the new signalling system, including stabling at all platforms and bi-directional running within the Kennington loop. The successful high-voltage power installation to the switch rooms has allowed the commissioning of key systems, such as escalators, lifts and CCTV. Stations and shafts tunnel ventilation fans were commissioned during the year. The key focus for the programme in 2021/22 is on the work packages and resources required for supporting the start of trial operations planned for June 2021 and revenue service in Autumn 2021.

A further £100m was invested in relation to the designed and planned construction of Piccadilly line rolling stock. In November 2018, we signed a £1.5bn contact with Siemens to design and build a new fleet of Piccadilly line trains. On 4 March 2021, a strategic milestone 'Completion of Final Design of the new Piccadilly line trains' was achieved ahead of the plan. The programme continues to work collaboratively with Siemens towards the commencement of train manufacture in the coming financial year. The contract for the 'one-person CCTV system' was awarded and the design work progresses as planned. This is a safety critical system that provides the train operator with CCTV images of the platform to enable safe departure. The programme expects the first of the new trains to be serving customers from 2025.

£104m was spent on the Four Lines Modernisation project. This project seeks to transform some of the world's oldest underground lines into a high performing, modern railway. Subsequent to the introduction of 192 new, larger, walkthrough trains across the Circle, District, Hammersmith & City and Metropolitan lines, we are in the process of replacing and improving outdated signalling, power and depot assets.

Narrative Report and Financial Review (continued)

The combined effect of the coronavirus pandemic delays and the complexity of re-planning the closure-based works integrating future events in London has led to challenges to the Four Lines programme. Nevertheless, significant progress was made over the year. On 7 March 2021, the programme reached a major milestone when the new signalling system went live in Signalling Migration Area 3 between Monument, Euston Square and Stepney Green. This paves the way for frequencies to be increased and reliability to be improved for our customers once the rest of the route has been automated. Signalling Migration Area 3 is the largest and most complex migration area commissioned to date and introduced the full complement of District line drivers to the new signalling system.

£65m was invested in the Major Stations Upgrade programme. At Bank Station, the main tunnelling excavation and associated civil works were completed in late January 2021. The installation of new track has begun and the project continues to progress well through the fitout phase. Cabling works have started in all areas, while installation of primary cable management and ventilation systems are approaching completion. Planning for the temporary closure of the Northern line Bank branch and some associated Northern line stations continues. This will allow the existing southbound Northern line to be connected into the new running tunnel and platform at Bank, allowing the old running tunnel to be transformed into a new larger passenger concourse.

£57m was spent on the Silvertown Tunnel, a new 1.4km long twin-bore road tunnel linking the A102 Blackwall Tunnel Approach on the Greenwich Peninsula to the Tidal Basin Roundabout in the Royal Docks area. The design, build, finance and maintain contract was awarded to the RiverLinx consortium in 2019. Construction works continue in line with expectations. The contract for the design and manufacture of the tunnel boring machine continues and construction of the launch chamber has begun, with more than 20 per cent of the total number of piles required for the chamber now in place.

£46m was spent during 2020/21 on the DLR Rolling Stock and System Integration programme. The aim of this programme is to manufacture and supply 43 new DLR trains, 33 to replace the life-expired B92 fleet and 10 to increase capacity. It will also include an expanded depot to stable and service the new fleet and signalling modifications to the Thales Automatic Train Operation system to support the new trains and functionality. Authority to enter into a grant agreement with the Housing Infrastructure Fund to fund works to deliver 14 additional trains and stabling capacity was approved in December 2020, and the grant agreement has now been signed.

Rolling stock manufacturing is underway with Construcciones y Auxiliar de Ferrocarriles. The Thales signalling software development started in 2020/21. The Beckton Depot enabling package has been awarded and the Beckton Depot northern sidings works tender evaluation has been completed and approval given to award the contract. Works to bring in a new traction power supply by UK Power Networks have commenced on site.

Other projects progressed by the Major projects division included the Barking Riverside Extension, a London Overground extension between Gospel Oak and Barking to serve a new station at Barking Riverside. Barking Riverside is the largest housing development in east London, with planning permission for up to 10,800 new homes. Train services are expected to start from Barking Riverside station in 2022/23.

At the new station, the main roof, platform canopy cladding and glazing were completed. Progress continued on the installation of mechanical and electrical equipment including the power supply for lifts and signalling. January 2021 saw completion of the major signalling stage that was cancelled at Easter 2020 due to the coronavirus pandemic and preparations are underway for commissioning of two signalling stages scheduled for June and July 2021.

New capital investment in the 'Other' category, totalled £36m, reflecting expenditure in the Property division on both the existing commercial estate and new housing developments.

In a difficult environment we obtained planning consents at Bollo Lane (Acton), Montford Place (Kennington), Southwark and Landmark Court (Southwark).

Bollo Lane was approved by Ealing Council during the last quarter of 2020/21. The development will provide 852 new, high-quality and affordable homes in the local area, spread over nine buildings. The masterplan, designed in collaboration with architects HOK, landscape architects East and engineers Mott MacDonald, covers a 3,600-square-metre site, spanning from Acton Town station in the north to the level crossing towards Chiswick.

The development, our largest to date, will include a mix of one-, two- and three-bedroom properties, suited to all types of households, including first-time buyers, families and downsizers. The area around the new homes has been designed to deliver long-term positive change and sustainability for the local community. As well as looking to incorporate renewable energy systems, such as solar panels, the designs include gardens and play spaces for the local community and residents. The vast site will provide more than 2,300 square metres of commercial space, which could be used by local businesses. Combined with the additional retail space included in the plans, the development will contribute to the local economic recovery.

A second success at planning committee was in relation to an over station development at Southwark Tube station, where our proposals will create 25,000 square meters of new office space. This development will include improvements around the station for pedestrians and cyclists, help the council provide 25 new affordable council homes and introduce new landscaping and access routes to Isabella Street. It will be one of the most sustainable office buildings in the world and will include a hybrid cross-laminated timber frame that will reduce embodied carbon by 40 per cent. We will also reduce our operational carbon emissions by 44 per cent by using solar panels and pumps that recycle heat from the London Underground network.

Narrative Report and Financial Review (continued)

During the year, £704m was spent on the Crossrail project. In March 2020, the Prime Minister announced unprecedented measures in the Government's bid to halt the spread of coronavirus in the UK. In response, Crossrail Limited brought non-essential physical activity at its project sites to a Safe Stop. A programme of this scale and complexity was already challenging, with pressures on the schedule even before coronavirus became a factor; the impact of coronavirus has made the existing pressures more acute. As the programme impacts became clearer, Crossrail Limited issued an update to Sponsors.

Crossrail Limited advised, in August 2020, that the cost to complete the Crossrail project could be up to £1.1bn above the financing package agreed in December 2018 (£450m more than the upper end of the range announced in November 2019) and their latest assessment is that the central section between Paddington and Abbey Wood will be ready to open in the first half of 2022.

On 1 October 2020, responsibility for the governance of the Crossrail Programme moved to sit directly with TfL. This ensures that decision making between Crossrail Limited and TfL is seamless and fully aligned during the critical final phases of the Programme. The Elizabeth Line Committee has been established as a new Special Purpose Committee of the TfL Board to address the Crossrail Project and bring the Elizabeth line into full passenger service.

On 1 December 2020, the Mayor of London, TfL, the DfT and HM Treasury confirmed an agreed funding and financing package for the final phase of the Crossrail project. This means work on the railway can continue at pace. Crossrail Limited is continuing to work hard to reduce its funding shortfall and TfL is ensuring that further independent analysis of costs is carried out. The shortfall will initially be covered by the GLA borrowing up to £825m from the DfT which will be given by the GLA to TfL as a grant. The GLA will repay this loan from the Business Rates Supplement and Mayoral Community Infrastructure Levy.

Delivery of the Elizabeth line is now in its complex final stages with the plan to complete the railway focused on the remaining construction, systems integration and extensive commissioning. In May 2021, the project hit the important milestone of beginning Trial Running. This involves integrated trials of the railway to demonstrate that the Elizabeth line is safe and reliable, and that it meets the capacity and performance requirements needed to move to the final commissioning stage, known as Trial Operations. This involves a wide range of trials and exercises such as evacuations of trains and stations. Following the opening of the central section, the introduction of full services across the Elizabeth line from Reading and Heathrow in the west and Shenfield in the east will be aligned with the National Rail timetable change. Crossrail and TfL are working to ensure the earliest possible opening for the Elizabeth line.

Expenditure of £81m on Group items included £29m of new capital investment spent on the Emergency Services Network – a programme, funded by the Home Office, to deliver a new emergency services mobile communications solution. Once live the network will provide mobile connectivity services, including 4G, to enable emergency services teams throughout the London Underground environment to communicate.

The £183m of Accounting policy adjustments includes £90m of interest capitalised into the cost of qualifying projects during the year (2019/20 £109m).

Cash and investments

Total cash, cash equivalents and investments with maturities greater than three months held by the Group at 31 March 2021 amounted to £1,729m, a decrease of £480m since the end of 2019/20, driven by the impact of the coronavirus pandemic. Of the total cash balance, £109m is held for the Crossrail project, London Transport Museum Limited and London Transport Insurance (Guernsey) Limited. Our cash position reflects £2,457m of extraordinary revenue grant, received from the Government as part of the extraordinary financing and funding packages. Of the balance held at the year end, £260m represents monies we are due to return to the DfT following a true-up of 2020/21.

Our liquidity policy requires us to maintain cash reserves equivalent to at least 60 days' worth of forecast annual operating expenditure (currently around £1.2bn). During 2020/21, our cash reserves remained above this minimum level.

The average yield from TfL's cash investments for 2020/21 was 0.12 per cent, down from 0.78 per cent in 2019/20. The low investment yield reflects the low interest rates environment and the conservative nature of TfL's investment strategy. Earmarked reserves for TfL's future investment programme, including the Crossrail project, at 31 March 2021 amount to £362m.

Treasury risk management

In March 2020, the Board approved TfL's treasury strategy for 2020/21 and its treasury policies. The strategy and policies have regard to the principles of the Code of Practice and Cross-Sectoral Guidance Notes for Treasury Management in the Public Services and to the Prudential Code for Capital Finance in Local Authorities, both issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and last updated in 2017. The strategy and policies also have regard to the Statutory Guidance on Local Authority Investments issued by the Ministry of Housing, Communities and Local Government, and last updated in February 2018.

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

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

Senior management continually monitor the Group's overall exposure to currency, inflation and interest rates as they affect its operating and commercial activities, as well as its financing activities (financial costs and investment returns on cash balances). TfL's objective under the 2020/21 borrowing strategy was to manage its borrowings in a manner that is affordable, sustainable and prudent, and combines value for money, flexibility, security of access to funds, and diversity of funding sources. TfL's investment strategy continues to reflect a low risk appetite consistent with the good stewardship of public funds and prioritises security and liquidity over yield.

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

Counterparty credit

The Group's exposure to credit-related losses, i.e. non-performance by counterparties on financial instruments, is mitigated by setting a minimum required credit rating and applying financial limits based on credit ratings. For 2020/21, TfL continued to follow a conservative investment strategy, investing in: the UK Government and its executive agency, the UK Debt Management Office (DMO); selected financial institutions with high (investment grade) credit ratings; selected supranational or sub-sovereign agencies; selected Money Market Funds; highly rated corporates; and other highly rated sovereign governments. In addition to Sterling investments, TfL had investments in Euros which were swapped back into Sterling as a matter of course. The amounts that can be invested with the UK Government and the UK DMO were not limited, while amounts invested with other institutions were based on their credit rating. Investments outstanding at 31 March 2021 were with counterparties with credit ratings of P-1/A-1 or higher. Credit ratings are obtained from the three main rating agencies and are kept under review on an ongoing basis.

Funding and liquidity

In the year to 31 March 2021, primary funding sources comprised passenger fares income, other income including commercial activity and road user charging, grant income (including extraordinary grant from the DfT and TfL's share of London's Business Rates) and cash reserves as well as Prudential Borrowing within approved Mayoral and Government affordable debt limits. By harnessing the assortment of funding sources available to TfL, liquidity risk is primarily managed by maintaining a minimum level of cash reserves of at least 60 days' worth of forecast annual operating expenditure, equivalent to approximately £1.2bn.

Maintaining sufficient cash reserves and having access to a range of flexible funding sources ensures the Group has sufficient liquidity to meet its liabilities, in both normal and stressed conditions. Although it has no immediate plans to borrow in the near term, TfL is able to access several sources of debt funding within the prudential borrowing limit set by the Mayor, including direct access to the UK DMO via the PWLB, the Commercial Paper market and debt capital markets, subject to market conditions. With respect to managing the affordability of debt financing, debt maturities are diversified across short-, medium- and long-term horizons that broadly equate to the lives of assets purchased with this source of funding. The maturity profile of borrowing and other financial liabilities outstanding at 31 March 2021 is set out in note 34 to the accounts.

Foreign exchange rates

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

Interest rates

The proportion of fixed rate borrowings (including Commercial Paper swapped to fixed rate through the use of interest rate derivatives) at 31 March 2021 was 94.1 per cent; the remaining 5.9 per cent constituted PWLB floating rate loans and unhedged Commercial Paper borrowing which, although it has fixed rates of interest, in practice behaves more like floating rate debt if used on a rolling basis.

Pensions

As at 31 March 2021, the majority of TfL's employees were members of the TfL Pension Fund. The Public Sector Section's deficit increased from £3,942m at the start of the year to £5,372m at the end of the year, as a result of a change in the financial assumptions adopted. The fall in gilt yields and the increase in expected inflation both increased the value placed on the liabilities over the accounting period. This has been partially offset by the return on assets being higher than expected (based on last year's discount rate) and the adoption of the latest model for mortality rate improvements, which produces slightly lower life expectancies than the model adopted at 31 March 2020.

The total deficit recognised in respect of all funded and unfunded pension arrangements at 31 March 2021 amounted to £5,603m (2020 £4,101m).

The latest available full actuarial valuation of the TfL Pension Fund was carried out as at 31 March 2018. The 2018 valuation showed a combined deficit on the Public Sector and Tube Lines Sections for funding purposes of £603m; and, as a result of this, the employers agreed a revised Schedule of Contributions with the Pension Fund.

Prospects, outlook, and principal risks

Viability statement

Since 2000, TfL has been London's spatial and transport planner, system integrator, network manager, regulator, operator and capital delivery body, and accountable to a democratically elected regional Mayor. This has been a period of considerable growth in the UK's capital city where improvements to the transport network have enabled the population to grow substantially, boosting the UK economy and quality of life for millions of people. We have been highly successful in reducing carbon emissions through driving modal shifts in the way people travel – facilitated by the provision of high quality public transport and improved walking and cycling facilities. Huge progress has been made, but we are currently facing unprecedented funding challenges that cast doubt on our ability to meet our targets for the future.

In the 20 years since it was created, TfL has built up a considerable debt burden to finance its capital investment activities, while simultaneously facing a reduction and subsequent withdrawal of its government grant. The cumulative impact of these changes means that, even before the coronavirus pandemic, we were facing a funding challenge which was forcing the deferral of some asset renewals and threatening our ability to achieve our future objectives. TfL is one of the only major cities in Europe not to receive a regular Government grant to cover day-to-day operations, with fares making up over 70 per cent of our operating budget, pre-pandemic. Our efficiency programme meant that we had been on a path to break even on the cost of operations, maintenance, financing costs and core renewals, having taken almost £1bn out of our net operating costs over the past four years. Despite this, we still required external support for capital investment. While, historically, TfL was able to borrow to fund its capital plans, the fact that its debt burden has now reached the limits of affordability means it can no longer continue to borrow significantly in the future. As a result, even before the pandemic, an expected shortfall of around £1bn per annum in constant prices had been identified from 2025 onwards in relation to the delivery of the 2019 capital plan.

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

To keep the city moving throughout the pandemic while supporting the Government's guidance on social distancing, we have run a full service on most modes and more than 100 per cent of pre-pandemic levels of service on the bus network, while receiving only extremely limited revenue to pay for them. To achieve this, we have had to secure emergency financial support from the Government.

On 14 May 2020, the Secretary of State for Transport confirmed that £1.6bn of funding would be made available to TfL over the period from 1 April to 17 October 2020. This included circa £1.1bn of grant funding and a further £505m of additional borrowing from the PWLB. On 31 October 2020, the Secretary of State for Transport agreed the provision of further funding to cover the period from 18 October 2020 until 31 March 2021 including £905m of grant and additional borrowing from the PWLB of £95m. These amounts assumed that the passenger demand over the period of funding support (the Support Period) would stay at approximately 65 per cent of pre-coronavirus levels. However, in recognition of the high level of uncertainty in predicting the future passenger revenue over the Support Period, the funding package permitted modification of the total amount of support up or down depending on actual passenger revenues. The actual level of extraordinary funding grant received in 2020/21 totalled £2,457m.

In addition to this, in August 2020, Crossrail Limited announced that the opening of the Elizabeth line through central London was expected to be delayed until the first half of 2022 and that additional funding beyond the previously agreed funding envelope would be required. Under a further financing package agreed with the DfT in December 2020, the shortfall is to be covered by the GLA borrowing up to a further £825m from the DfT to be given, by the GLA to TfL, as a grant.

Despite this support, we have experienced a reduction in our cash reserves from £2,209m at 31 March 2020 to £1,729m at 31 March 2021, as well as finding £160m of operating savings in the period from October 2020 to March 2021, over and above those already planned as part of the TfL Efficiency Programme.

While it is not yet clear how travel patterns might change and how quickly demand levels will return to pre-pandemic levels, it is clear that a significant financial gap will remain over the next few years.

On 22 March 2021, the funding arrangements agreed on 31 October were extended until 18 May 2021, on the same terms. Since the year end, our funding agreement has again been extended to 11 December 2021, with conditions as set out in the going concern section of our Accounting Policies. Without providing firm details of the quantum of future funding, the latest funding letter contained assurances of the DfT's continued support beyond this date, and acknowledgement that, over the long-term, TfL cannot be expected to cover the cost of major capital enhancements from its own operating incomes.

We anticipate further government grant will be needed to support ongoing operating activities until 1 April 2023. To achieve the Government's stated key priorities, additional government support will be required on a longer-term basis to fund the capital investment programme.

As set out in our Financial Sustainability Plan, published on 11 January 2021, because of the level of uncertainty surrounding medium to long-term demand, four financial scenarios have been developed to define the possible outcomes for the medium to long-term (from 2023/24 to 2029/30). Each of these has been created by combining a passenger demand scenario with a long-term capital planning scenario and funding lever (or additional grant):

Demand scenario + long-term capital planning scenario + funding lever or additional grant = outcome for London

Six possible passenger demand scenarios and three capital planning scenarios were considered, as described below.

The passenger demand scenarios follow five possible future city planning scenarios which show long-term demand to 2031, plus an additional hybrid model. The six scenarios are:

i. Return to business as usual, representing a London which has bounced back from the crisis and looks relatively similar to expectations pre pandemic

ii. Agglomeration x3, the story of an expanding London, where virus related changes to the economy enhance its global competitive advantage

iii. London declines, the story of a lower growth London, having to cope with the fallout from the virus and a diminished status in the UK and the wider world

iv. Low carbon localism, the story of a smaller but more sustainable London, which has been impacted significantly by the virus and becomes more local as a result

v. Remote revolution, the story of a successful but quite different city, where technology has changed how people live, work and travel

vi. Hybrid (+/-), a combination of the outcomes currently thought to be most probable from the scenarios explained above, incorporating changes to working patterns and behaviours. The Hybrid scenario is flexed with +/- variants to reflect the impact of demand on other assumptions in this plan

The associated trajectories of revenue growth or decline from the activities has a very significant degree of variability in possible outcomes. Given the high fixed nature of TfL's operating costs, the resultant impact is on asset maintenance and capital spend.

The three long-term capital planning scenarios are categorised as below.

i. Safety minimum scenario. Under this option we would defer renewals as long as possible while maintaining basic operability and maintaining safety levels and cease the majority of enhancements. This option is not considered viable alongside TfL's modernisation plans, with reliability and productivity suffering and costs escalating

ii. Financially constrained scenario. This option delivers a more optimal profile of renewals including replacement of rolling stock at end of design life (but no increase in fleet sizes). It includes a reduced programme of enhancements which although exceeding the safety minimum scenario, still falls well short of that expected by national and local policy. While the most critical locations would be improved, this scenario would not be sufficient to realise the ambitions of a green recovery post-pandemic, and many opportunities to support development, decarbonisation and improvements to our services would not be realised

iii. Policy consistent scenario. This would be much closer to the aspirations set by local and national Government policy. As well as adequate spending on renewals, we would deliver substantial decarbonisation by 2030, prevent a car-led recovery and invest to improve our services and support development of new homes and jobs

None of the long-term capital planning scenarios listed above contain new major projects in the first five years. This is reflective of network demand being lower compared to previous growth trajectories for London, resulting in less urgency for some previously strategically important major schemes that have now been re-prioritised to fall in the later years of the capital plan.

All scenarios have been modelled using the same underlying debt assumptions. TfL has a nominal value of direct debt outstanding as at 31 March 2021 of £12,995m, with a weighted average tenor of approximately 17 years. We are not planning to undertake any additional borrowing in the next few years due to affordability constraints. To reach and maintain financial sustainability TfL will only actually be able to make debt repayments in the years in which it generates an operating surplus and the cash available to make repayments, while maintaining the appropriate level of cash reserves. This is not expected to be earlier than 2024/25. However, for modelling purposes, annual debt repayments have been assumed based on a 25-year amortisation period, which reflects the long life of infrastructure assets funded through borrowing.

Combining the assumptions above on capital in conjunction with four of the key passenger demand scenarios considered (Hybrid (+/-) and London declines) has resulted in the four financial scenarios outlined below.

Financial scenarios modelled

	Passenger demand scenario	Long-term capital planning scenario	Vehicle Excise Duty (VED)/Greater London Boundary assumption	Annual operating and capital funding requirement post 2023-2030
Decarbonise by 2030	Hybrid (+)	Policy consistent	£500m per annum VED or Greater London Boundary Charge	£1.6bn capital funding
Limited recovery	Hybrid	Constrained	£500m per annum VED or Greater London Boundary Charge	£1.0bn capital funding
Managed decline	Hybrid (-)	Safety minimum	£500m VED	£300m both operating and capital funding
Rapid decline	London declines	Safety minimum	None	£1.6bn operating funding

In the first two scenarios, it has been assumed that an additional £500m income can be generated annually from retaining London's VED – none of which has historically been retained by London to fund London's roads – or from introducing a potential Greater London Boundary Charge to deliver key Mayor's Transport Strategy objectives whose net proceeds would be applied to facilitate the continued operation of a comprehensive transport network, particularly in outer London, and the provision of other sustainable travel options. The funding from the VED or a potential boundary change would cover renewals and maintenance of the bus and streets infrastructure.

The third scenario assumes £500m from VED retention, but that a Greater London Boundary Charge would not be considered due to an inability to invest in public transport services to take up displaced car usage. The fourth scenario assumes no additional levers to raise the £500m.

TfL's preferred option would be 'Decarbonise by 2030', since it is the only option that includes adequate funding to meet the Government's ambitious Net Zero climate change contributions by 2050. Additionally, this is the only option which invests to modernise and advance technology of outdated assets and practices and makes rapid progress against wider safety objectives.

Our modelling under this scenario indicates that, by 2023/24, TfL would have recovered sufficiently from the pandemic to be able to cover the costs of operations, maintenance and financing costs without government grant support, and by 2024/25 it would also start to cover the cost of its core capital renewals. For the remaining renewals and enhancements and to decarbonise by 2030, TfL requires £1.6bn per annum of support in 2024/25 constant prices.

The models outlined above were developed on a baseline assumption that TfL does everything within its control to recover services and be an economic and efficient operator. TfL has already taken steps in this direction through making services as attractive to customers as possible through the use of extensive cleaning regimes, safety procedures and marketing campaigns to restore passenger confidence. The opening of the Elizabeth line will also have a positive impact on TfL's revenues, hence the early transfer of the governance of the project to TfL to achieve the earliest possible opening date.

Furthermore, we have considered plans for medium term service level changes to respond to expected changes in longer term demand driven by the pandemic. We have identified a four per cent reduction in the kilometres operated on the bus network to respond to expected future travel patterns (including a passenger reduction in central London and an increase in outer London town centres). We also plan to implement a package of off-peak service reductions on a number of Tube lines once coronavirus vaccines have been successfully rolled out. We estimate these changes will result in an annual saving of £5.6m per annum.

We will continue to take forward our proposals for workforce modernisation and productivity improvements. Subject to the provision of funding, we also believe there are further opportunities associated with investing in technology that could unlock additional efficiency gains.

We will continue to keep our reward strategy, including the pension arrangements offered to all TfL employees, under review to ensure the reward package is affordable while remaining fair and competitive.

We have agreed a new capital prioritisation framework with the DfT, including the three comprehensive capital scenarios set out above, and will use this to explore, with the Government, the impact of lower funding levels over the next five years. We have also started to embed new processes across the Investment Programme to track capital efficiencies and will collaborate further with Highways England and Network Rail through the Transport Infrastructure Efficiency Strategy initiative to share best practice and learn lessons to accelerate the implementation of the processes and meet targets quickly.

We will explore opportunities to obtain non-recourse finance to generate greater sums from our commercial development activities, including retail and property, as well as unlocking significant numbers of new homes. This will enable TfL to create a surplus to reinvest in housing, transport and public services.

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

TfL is therefore seeking to agree a reformed structure with Government that will allow funding from Government and outputs from TfL to be set for multi-year 'control periods'. The introduction of a revised structural framework, taking some of the relevant principles of the sort commonly used to regulate rail networks, airports and other forms of utility type infrastructure, would enable TfL to achieve equivalent security of funding, where better medium to long-term planning and greater assurance can deliver more efficient decision making and value for money.

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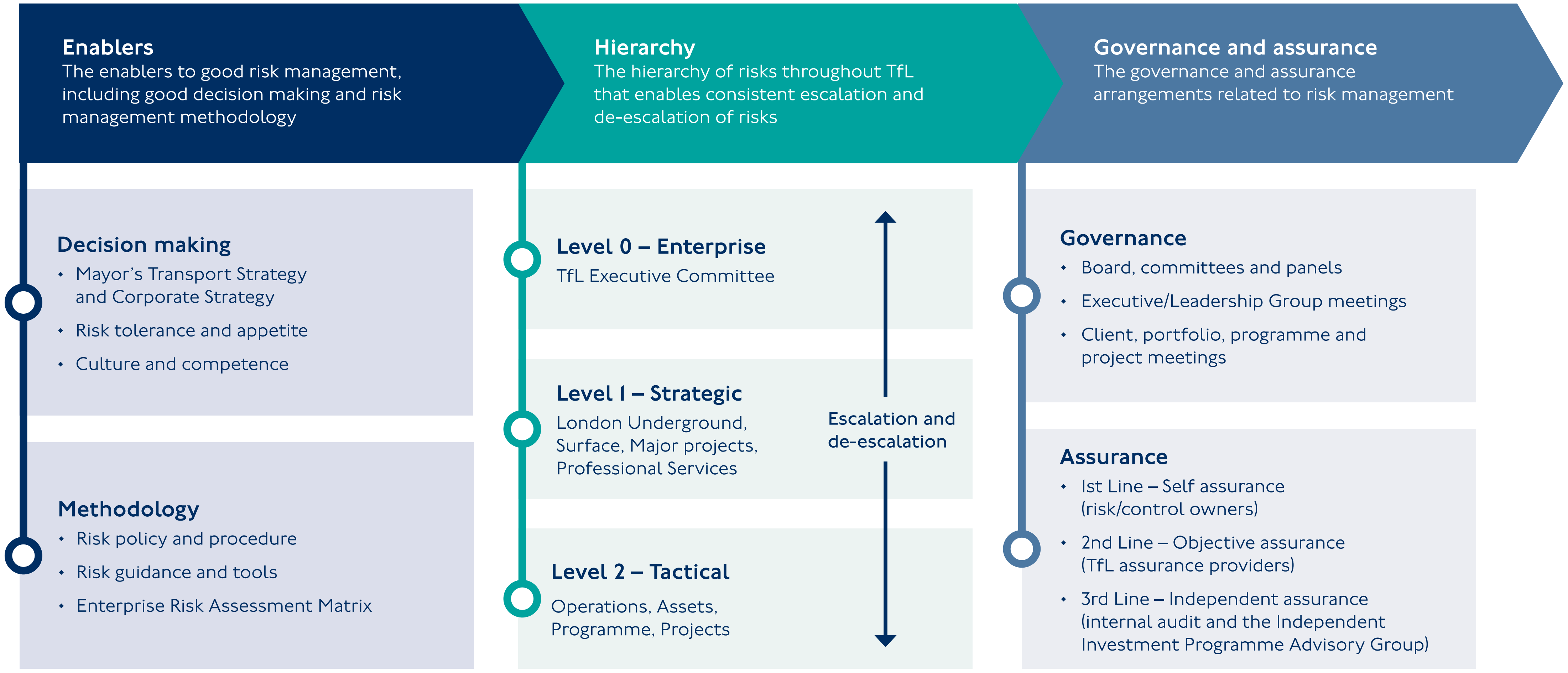
Enterprise Risk Management Framework



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

The framework encapsulates three key elements for risk management:

- The Enablers to good risk management include robust decision making and a risk management methodology. Risks are assessed against the Mayor's Transport Strategy bearing in mind TfL's risk tolerance and appetite
- The Hierarchy of risks throughout TfL enables consistent classification, escalation and de-escalation of risks. Risks exist at three levels across the organisation, with agreed ownership from TfL's Executive Committee to departmental level
- The Governance and Assurance arrangements related to risk management, including risk reporting at various levels of the organisation to the relevant governance forums. The Institute of Internal Auditors' Three Lines Model has been adopted

Principal risks

The TfL Board has overall accountability for risk management and setting TfL's risk tolerance and appetite levels. Progress of management of all key risks continues to be presented to TfL's committees and panels. Here, members of the Board have an opportunity to scrutinise, challenge or provide recommendations as appropriate. TfL's Executive Committee reviews and discusses enterprise risks quarterly, once a full assessment of each enterprise risk is carried out. The Audit and Assurance Committee is updated on key risk management activities every quarter and reviews the effectiveness of the risk process at least annually.

To ensure we continue to focus on the right risks as we emerge from the pandemic, our top-level enterprise risks have been refreshed, re-assessed and individually scrutinised by the Executive Committee and relevant panel or committee throughout the year. New themes have emerged, focussing our efforts on a safe and green recovery for London, as well as on responding to changes in customer demand, financial sustainability, the wellbeing of our employees and new ways of working. As illustrated below, we have modelled the systemic interconnectivity of the risks to better understand causality and enable the identification of more effective strategic mitigations.

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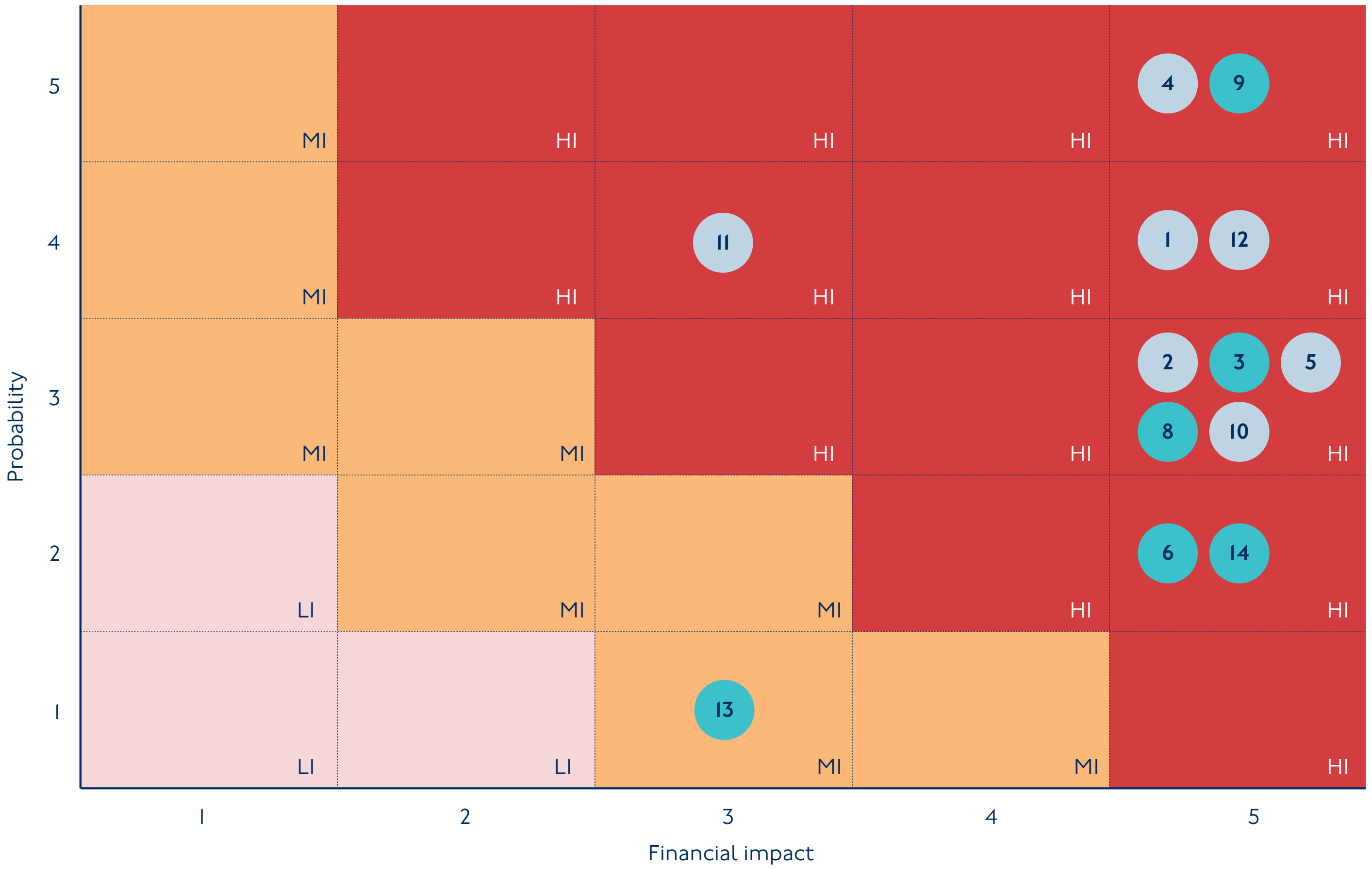
Risks mapped according to Financial impact



■ High impact/high probability ■ Medium impact/medium probability ■ Low impact/low probability

Enterprise Risks*

■ Adequately controlled ■ Requires improvement ■ Poorly controlled

1 Major safety, health or environmental incident or crisis
2 Protecting the wellbeing of our employees
3 Major service disruption
4 Major security incident
5 Supply chain disruption
6 Loss of stakeholder trust
8 Delivery of TfL key investment programmes and projects
9 Changes in customer demand
10 Inability to support new ways of working
11 Disparity leading to unequal or unfair outcomes
12 Asset condition unable to support TfL outcomes
13 Governance and controls suitability
14 Opening of the Elizabeth line

* Enterprise Risk 7 is excluded from the heat map above as our financial sustainability is the subject of ongoing discussions with the Government surrounding levels of future funding support. The details and possible financial impacts of this risk are set out at length in our Viability Statement.

Risks mapped according to Financial impact (continued)

Risk	Title	Mitigations
ER01	Major Safety, Health or Environmental incident or crisis	• Vision Zero (our ambition for zero road-deaths or serious injuries) • Corporate Environment Plan (our vision to be part of a zero carbon London) • Improvements to the Safety, Health & Environment Management System • Asset climate risk assessment
ER02	Protecting the wellbeing of our employees	• TfL People programme • Annual people planning activity, Health & Wellbeing strategy, Strategic workforce planning
ER03	Major service disruption	• Asset lifecycle review and active asset management • Reliability metrics • Travel demand management • Maintenance and renewals programmes • Essential maintenance monitoring • Operational resilience
ER04	Major security incident	• Security strategy • Security governance and culture • Threat intelligence and security liaison • Security risk management systems • Security incident preparedness • TfL whistleblowing policy
ER05	Supply chain disruption	• Monitoring Brexit risks and issues • High risk supplier contingency plans • Regular communication with suppliers • Financial monitoring • Individual action plans

ER06	Loss of stakeholder trust	• Media monitoring and management • Election planning and monitoring • Engagement programme • Active strategy to build consensus and alliances • Delivering spending review campaign • Stakeholder analysis
ER07	Financial sustainability	• Tightened financial controls • Business planning, budgeting and forecasting • Treasury management • Engagement with City Hall, DfT and HM Treasury
ER08	Delivery of TfL key investment programmes and projects	• Close management through use of Project Pathway lifecycle stages, activities and tasks • Project Management Office operating model • TfL governance structure (including oversight committees such as the Capital Delivery Investment Group) • Capital delivery resource management process • Pan-TfL project management capability and development • Executive Committee Radar Reporting, Quarterly deep dives with second- and third-line assurance • Continuous improvement and efficiencies initiatives
ER09	Changes in customer demand	• Scenario and risk-based planning • Improving the quality of transport • Active demand management • Transport innovation
ER10	Inability to support new ways of working	• New ways of working steering group • Technology improvements, including asset refresh, roll out of Windows 10/Evergreen and training • Staff support, support for managers • Office re-occupation programme

ER11	Disparity leading to unequal or unfair outcomes	• Action on inclusion strategy • Project Management Office framework and portfolio oversight • Inclusive design framework and programme • Inclusive recovery • Evidence-based decision making • Equality impact assessments • Stakeholder engagement • Marketing and customer information • Local community engagement and consultation
ER12	Asset condition unable to support TfL outcomes	• Asset inspections and monitoring • Maintenance regimes • Renewals, maintenance and technical assurance • Information analysis and risk assessment
ER13	Governance and controls suitability	• Standing orders • Governance framework and management system • Integrated assurance plan • Board, committees and panels • GLA and London Assembly oversight • Transparency and Strategic policy & publications framework • Privacy and Data Protection compliance Programme • Board Effectiveness Review • Election guidance
ER14	Opening of the Elizabeth line	• Elizabeth Line Delivery Group • Delivery management • Funding compliance • Programme reporting • Systems integration • Competencies of operational staff • Critical resources • Main contractor liaison • TfL Board oversight

Narrative Report and Financial Review (continued)

Climate change risk

One growing threat that touches on a number of the enterprise risks outlined above is the risk to the organisation of insufficient adaptation to climate change. The number and intensity of severe weather events is increasing over time and with prolonged periods of hot and cold weather, flash flooding and winter storms. There has been an anecdotal increase in incidents across TfL that have been linked to weather events and the potential of further severe weather events due to climate change could lead to many more incidents. Extensive flooding or failure of assets (for example, embankments and failure of flooding controls and defences) have the potential to be catastrophic for London and TfL.

Our data collection and monitoring systems do not currently allow for quantitative or comprehensive assessments of the impact of current weather events on our operations. Given funding constraints, this is likely to remain a challenge over the medium term. In the meantime, we have a dedicated programme of research to understand current and future severe weather impacts, to help inform adaptation requirements. This is a medium-term programme over several years that, in the short-term, is being supplemented with a range of case studies that highlight the impacts of severe weather on our operations. This information helps make climate change adaptation a priority in our decision-making. Adaptation is now a key environmental priority for London Underground's Asset Strategy. We are also planning work on an asset climate risk assessment, to help inform TfL's submission to the Department for Environment, Food and Rural Affairs under the Adaptation Reporting Power.

We are planning a scoping study to investigate which teams across the business should be using the latest climate projections, and how that data could be presented to be most useful to them. We are also working to increase awareness of the importance of green infrastructure for climate change adaptation. We aim to protect and increase green infrastructure and sustainable drainage measures, for example, to help mitigate surface water flood risk and provide shade and local cooling.

External audit

Appointment, re-appointment and assessment of effectiveness

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

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

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

TfL's key audit partner at Ernst & Young, Karl Havers, reached the end of his standard five-year term in the role with the audit of the 2019/20 financial statements. However, in order to maintain audit quality in this period of exceptional change and uncertainty, TfL's Audit and Assurance Committee agreed to the extension of his term as audit partner for a further year.

TfL's Audit and Assurance Committee, through the use of questionnaires and reports, formally reviews the performance of the external auditors at least annually against the four criteria of:

- Qualification;
- Expertise and resources;
- Effectiveness; and
- Independence.

The Audit and Assurance Committee remains satisfied with the quality, integrity and the effectiveness of the work undertaken by Ernst & Young LLP. The Committee carries out regular reviews to ensure that auditor objectivity and independence is maintained at all times.

Non-audit services

Under guidance issued by Financial Reporting Council in December 2019, only non-audit work that is closely related to the statutory audit may be undertaken by an entity's auditor. Furthermore, total fees for non-audit services provided is limited to no more than 70 per cent of the average of the fees paid in the last three consecutive financial years for the audit of the audited entity and of its controlled undertakings and of the consolidated financial statements of that group of undertakings.

Under TfL's policy on external audit services, Ernst & Young is required to report to the Committee every six months on fees billed for non-audit services. During 2020/21, the non-audit services provided by Ernst & Young were in respect of audit-related services provided in relation to the use of grant monies received and for procedures relating to regulation 4 of the Railway Safety Levy Regulations 2006. Total non-audit fees for the TfL Group represented two per cent of the total statutory audit fees paid in respect of the combined audit for the TfL and Transport Trading Limited (TTL) Groups, and 32 per cent of the audit fee of the Corporation as a single entity for 2020/21.

Accounting statements

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

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

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

Narrative Report and Financial Review (continued)

Under the GLA Act 1999, the Corporation is treated as a Local Authority for accounting purposes and the Statement of Accounts, which includes the individual financial statements of the Corporation, as well as those of the TfL Group, has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code), which is based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements.

TfL's subsidiaries are subject to the accounting requirements of the Companies Act 2006 and separate statutory accounts are prepared for each subsidiary and for the TTL Group. These accounts are prepared under International Financial Reporting Standards as adopted by the EU. Appropriate adjustments are made to the accounting policies of the subsidiaries upon consolidation into the TfL Group financial statements to ensure they are aligned to the requirements of the Code.

The financial statements for the TfL Group, which consolidate the accounts of the Corporation, its subsidiaries, and the Group's share of the results and net assets of its joint ventures and associated undertakings on the basis set out in the Statement of Accounting Policies (paragraph c), are here presented alongside the financial statements of the Corporation.

The Statement of Accounts comprises:

- The Group and Corporation Comprehensive Income and Expenditure Statements, Balance Sheets, Cash Flow Statements and the Movement in Reserves Statements
- The Expenditure and Funding Analysis
- The Statement of Accounting Policies
- The Statement of Responsibilities for the Accounts
- Notes to the Group and Corporation financial statements

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

Purposes of major schedules within the financial statements

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

Comprehensive Income and Expenditure Statement

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

The Balance Sheet

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

The Cash Flow Statement

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

Movement in Reserves Statement

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

Expenditure and Funding Analysis

The Expenditure and Funding Analysis, although not a primary statement, is presented alongside and shows how annual expenditure is used and funded from resources (grants, business rates etc.) by local authorities in comparison with those resources consumed or earned by authorities in accordance with Generally Accepted Accounting Practices. It also shows how this expenditure is allocated for decision making purposes between TfL's operating segments. Income and expenditure accounted for under Generally Accepted Accounting Practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Statement of Responsibilities for the Accounts

The Corporation is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers (the Statutory Chief Finance Officer) has responsibility for the administration of those affairs
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- Approve the Statement of Accounts

The Statutory Chief Finance Officer is responsible for the preparation of the Statement of Accounts for the Corporation and the Group in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Statutory Chief Finance Officer has:

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

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Corporation and Group at the accounting date and of the income and expenditure for the year ended 31 March 2021.

SIGNATURE

Patrick Doig
Statutory Chief Finance Officer
28 July 2021

Independent Auditor's Report to Transport for London

Opinion
We have audited the financial statements of Transport for London for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Group Comprehensive Income and Expenditure Statement,
- Group Balance Sheet,
- Group Movement in Reserves Statement,
- Group Statement of Cash Flows,
- Corporation Comprehensive Income and Expenditure Statement,
- Corporation Balance Sheet,
- Corporation Movement in Reserves Statement,
- Corporation Statement of Cash Flows,
- Accounting Policies,
- Related notes 1 to 44 and the Expenditure and Funding Analysis.

In our opinion the financial statements:

- give a true and fair view of the financial position of Transport for London Corporation and Group as at 31 March 2021 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

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

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

Material uncertainty relating to the availability of funding to deliver current operational and capital plans
We draw your attention to note d) of Accounting Policies, which indicates that there is a material uncertainty over the availability of funding which may cast significant doubt on TfL's ability to continue to operate the current planned level of services, including the planned capital programme post 11 December 2021.

Independent Auditor's Report to Transport for London

As disclosed, the COVID-19 pandemic has had a significant impact on fares income and the availability of funding. During the pandemic, the Group has secured a series of short-term Extraordinary Funding and Financing Agreements with the DfT, the most recent of which provides funding through to 11 December 2021, subject to certain terms and conditions as set out in note d) of Accounting Policies. Alongside these agreements, the Government has conducted a review of the Group, which has included a review of the capital programme. A Financial Sustainability Plan has been drawn up identifying projects that align with Government priorities for future funding and management has categorised current and future projects according to relative funding priority. Certain projects where termination was not prohibitive have been paused or terminated during the year and the related assets under construction have been written off.

At 31 March 2021, the Group had capital projects in the course of construction totalling £20 billion, of this £14.7 billion relates to Crossrail and £1.4 billion relates to 4 Lines Modernisation. The remaining balance relates to a range of projects across the network at varying stages of completion.

As a result of current discussions, the Board believes that the current level of services and all capital projects currently recorded in assets in the course of construction should be funded. However, until the review is complete, and the balanced budget agreed, there is a material uncertainty as to whether:

1. all of the projects, included in assets in the course of construction at 31 March 2021, will receive funding to completion and the extent of any changes required to the Crossrail project as a result of revised funding that could lead to some non-essential elements of the completion plan not being funded.

2. the funding available may mean that the level of services able to be operated will change, resulting in some assets in use no longer having the useful economic life assumed in these financial statements.

Given the Government's undertaking it is expected that a funding package will be agreed to support a balanced budget beyond 11 December 2021 and that plans will be put in place to complete Crossrail as efficiently as possible. However, there is material uncertainty surrounding the funding of the Group, which may cast significant doubt on its ability to continue to operate the current level of services, including the planned capital programme post 11 December 2021.

No adjustments have been made in the financial statements to the carrying value of assets in the course of construction or tangible fixed assets should the funding not be forthcoming.

Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of management's assessment of the Group and Corporation's ability to continue to adopt the going concern basis of accounting included:

- The audit engagement partner increased his time directing and supervising the audit procedures on going concern and understanding the latest position with respect to funding arrangements.
- We have assessed management's review of the capital programme and the 2021/22 Board approved TfL Budget, by benchmarking key assumptions and considered whether key assumptions are consistent with our understanding of the business and concluded that there is a significant level of uncertainty within the forecasts, surrounding the key assumption of the speed at which people return to public transport, the choices on how people travel, as well as a number of other economic factors.
- We compared scenario analysis re future fare income, to the independent forecast report of future trends on transport usage prepared and illustrated by Imperial College, the worst case fare income was used in the Budget.
- We considered the terms of TfL's other borrowings and whether commitments were appropriately reflected in the TfL Budget and we recalculated management's forecast covenants and assessed compliance during the period covered by the Budget.
- We compared the liquidity requirements in the Budget to the funding set out in the Extraordinary Funding and Financing Agreement to assess whether the Budget indicated that this funding would allow TfL to operate activities up to 11 December 2021.
- We compared actual performance for the period to 31 March 2021 to the Budget for that period to assess the accuracy of historical data.
- We obtained a breakdown of capital projects in progress at 31 March 2021 and management's assessment of the likelihood of future funding, to ensure consistent with management's disclosure in note d) of Accounting Policies.
- We obtained the Extraordinary Funding and Financing Agreement extending to 11 December 2021 from the DfT and assessed the impact of the Extraordinary Funding and Financing Agreement and funding conditions on TfL's short-term Budget.
- We reviewed the funding conditions set out in note d) of Accounting Policies, to ensure the conditions were either achievable, within TfL's control, or outside the going concern period, which is 12 months to July 2022.
- We assessed the adequacy of the disclosures of the material uncertainty relating to funding post 11 December 2021 in the financial statements.

We have observed that TfL has been severely impacted by the COVID-19 pandemic which had a significant impact on its ability to generate fares income due to the impact of various national lockdowns and travel restrictions. TfL expects to return to 75-80 per cent of the pre-COVID-19 passenger demands by the end of 31 March 2022. As a result, TfL has had to rely on the availability of funding to support both operational and planned capital programme costs. Based on TfL's latest forecast the most recent Extraordinary Financing and Funding agreement will only support TfL's funding needs through to 11 December 2021. TfL is committed to agreeing a Sustainable Funding Agreement with the Government. The lack of a Sustainable Funding Agreement has caused material uncertainty over the future funding of the long-term capital programme post 11 December 2021.

Our responsibilities and the responsibilities of management with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

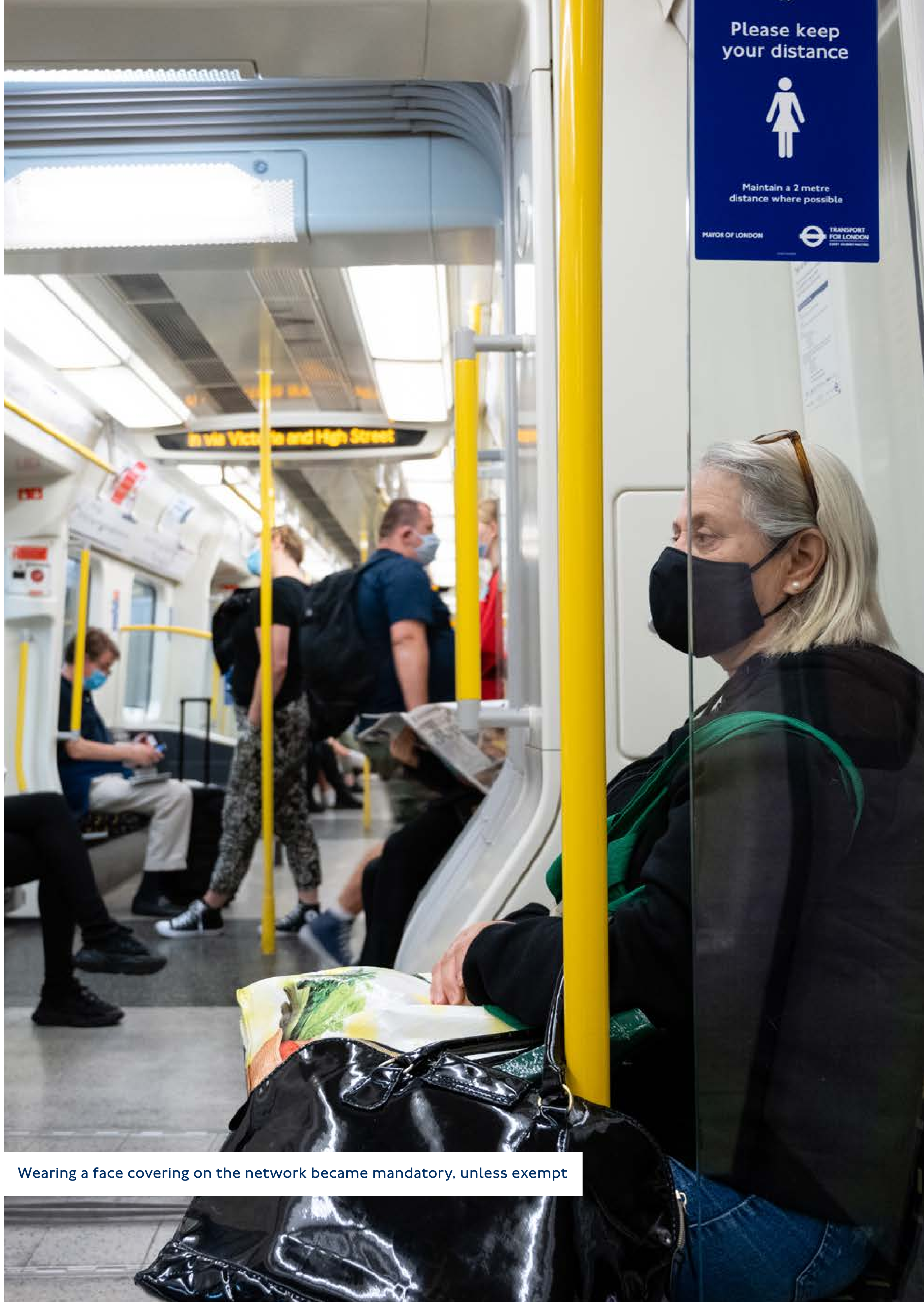
Overview of our audit approach

Key audit matters	Revenue recognition Capital projects Property valuation Crossrail delivery overruns and impact on funding
Materiality	Overall group materiality of £99m which represents 1 per cent of group operating and capital expenditure.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. There is one integrated audit team led by the audit engagement partner performing the procedures across the Corporation and its components, all procedures performed in relation to key audit matters were performed by the one integrated audit team.

In addition to the matter described in the material uncertainty related to the availability of funding section, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.



Wearing a face covering on the network became mandatory, unless exempt

Revenue recognition relating to the allocation of fares received based on time periods, services provided by other parties and refunds

Risk	Our response to the risk	Key observations communicated to the Audit and Assurance Committee
Refer to note 1 in the consolidated financial statements. TfL generated 54 per cent of its revenue from direct fares charged to customers during FY20/21. The impact of COVID-19 and related lockdowns, saw a significant reduction in passenger journeys during FY20/21, which resulted in fares revenue representing a lower percentage of revenue compared to previous years. For the Group, given the reduction of other sources of income such as grant funding and the impact of COVID-19 on reduced passenger demand, there is an incentive to overstate fares revenue. Fares revenue remains a focus of the financial statements audit due to the complexity and amount of judgement associated with it. This risk over revenue recognition specifically arises in the following judgemental areas, where there is opportunity to overstate revenue: • Oyster pay as you go and contactless pay: Revenue is recognised on a real time basis and is apportioned between TfL and Train Operating Companies where necessary. TfL requires a robust control environment to ensure that TfL's share of fares are accurately recognised as revenue. TfL retains an appropriate accrual for potential refunds over time. • Travelcard and Through Ticket: Revenue from annual or periodic tickets and travel cards is recognised on a straight-line basis over the period of validity of the ticket or travel card. Revenue received in advance is released over the validity period. Daily travelcards and Through Tickets are recognised on the day of purchase. All the above is apportioned between TfL and the Train Operating Companies based on agreed apportionment factors.	Our testing of revenue recognition included both tests of control and substantive testing. Our test of controls focused on the effectiveness of the cash collection process and sales made at various sales outlets. We utilised the conclusions from an ISAE3402 report on the controls operated by service organisations over contactless ticketing and Oyster pay as you go. Our substantive testing of revenue relating to Oyster pay as you go, contactless pay, Travelcard and Through Ticket included: • Re-performing calculations from the Oyster Click Model which calculates the apportionment of revenue between TfL and the Train Operating Companies. • Testing the calculation of the proportion of revenue relating to future periods for annual or periodic tickets and travel cards purchased in the 2020/21 year and confirming the appropriate reflection of this amount as payments received in advance. • Comparing the assessment of fares apportioned to the Train Operating Companies for reasonableness against latest agreements, settlements in year and correspondence with the Train Operating Companies. Additional procedures in response to the impact of COVID-19 on our significant risk were as follows: • Assessed changes, including those as a result of COVID-19, to underlying assumptions used for the recognition of revenue such as Train Operating Company apportionment and Oyster Card releases; and • We searched journal entries for unusual postings for COVID-19 adjustments to revenue as well as any instances breaching segregation of duties given the remote working conditions and staff on furlough. We performed full scope audit procedures over this risk area for the whole Group, which covered 100 per cent of the risk amount.	We concluded that the basis on which fares revenue is recognised is reasonable. The judgements made related to fares revenue in the financial statements have been appropriately described.

Capital projects

Risk	Our response to the risk	Key observations communicated to the Audit and Assurance Committee
Refer to note 13 in the consolidated financial statements. The TfL Group undertakes multiple capital projects at any point in time. These projects vary in size, complexity and length of time to complete, therefore an amount of judgement is needed when determining the amount of cost capitalised on each individual project. Further, there can be changes in TfL priorities driven by updated Mayoral priorities which can result in changes in individual project scopes. This can give rise to a risk of impairment of expenditure previously capitalised. In particular, the impact of COVID-19 on TfL has created the need for emergency funding and re-assessment of priorities. An emergency funding agreement is currently in place for operational expenditure up to 11 December 2021, however a capital funding plan has not yet been agreed. The Government has conducted a review of the Group, which has included a review of the capital programme and a Financial Sustainability Plan has been drawn up identifying projects that remain Government priorities for future funding and management has categorised current and future projects according to relative funding priority. Certain projects where termination was not prohibitive have been paused or terminated during the year and the related assets under construction have been written off. Management has performed an impairment assessment to identify non-essential projects. Costs capitalised to the value of £57.7 million were written off and £6.3 million impaired as a result of the assessment performed by TfL. Crossrail did not identify any impairments through their assessment. As part of the coordinated TfL response to COVID-19, capital programmes ceased non-essential site works at the end of March 2020 until June 2020. Costs totalling £43.1 million were incurred by TfL and £17 million were incurred by Crossrail relating to the Safe Stop of capital projects during the lockdown phase of the pandemic. The overall estimated forecast costs for Crossrail are expected to increase by £400 million to £650 million as a result of COVID related delays and further time extensions.	Testing of capital projects included both tests of controls and substantive testing. We have gained an understanding of key controls and governance surrounding capital project accounting and management. Our test of controls focused on the effectiveness of the approval process for expenditure and for capitalisation. The following procedures were performed as part of our substantive testing: • Testing of major projects during the financial period to supporting project documentation has been performed. • We have also met with project management for a sample of projects to understand the scope and progress of the project. • We have compared the latest positions recorded in respect of pain or gain arrangements to contract terms and conditions and to latest project outturn forecasts to assess the appropriateness of related amounts recorded. • We have also performed detailed testing on a sample of capital accruals to source documentation to test completeness of costs recognised at 31 March 2021. • For material projects in progress at the year end, we tested whether the completion of the projects was included in the pre COVID-19 business plan. • Where management has assessed this is not the case, we have tested the completeness of removal of project costs from the balance sheet and write off in the income statement. • We reviewed claims, contracts and discussed with legal to test for the existence of additional obligations or expenditure that was inappropriate to capitalise. Additional procedures in response to the impact of COVID-19 on our significant risk were as follows: • We obtained an understanding of the COVID-19 impact on all capital projects selected for testing. Enquiries focused on delays in the project timeline, project teams being demobilised, expected changes to cost to complete and any contractors that have submitted a force majeure notification in terms of the contract to encompass impact up until signing date. • We have obtained details of costs incurred in respect of Safe Stop, incurred in the period from 1 April 2020 to 9 June 2020 and tested to supporting evidence. • We have corroborated enquiries through detail testing where deemed appropriate. • Further, we obtained management's impairment analysis to assess if any projects required write-offs as result of COVID-19, in particular whether it was probable the projects in progress at 31 March 2021 were likely to receive funding to completion. Considering the increase in costs for Crossrail, we have challenged the assessment performed, we reviewed future forecasts to understand the basis of the programme's ability to generate future income and understood how this compares to the carrying value of assets under construction. • We also viewed, via video, the progress on projects, given we were not able to visit sites. We performed full scope audit procedures over this risk area for the whole Group, which covered 100 per cent of the risk amount.	We are satisfied that the capitalised costs in the year meet the criteria for capitalisation and are appropriate. We have reviewed impairment assessments performed during the current year and concur with the assessments made by management. As noted above, there is a material uncertainty relating to future funding of capital projects, including those in progress at 31 March 2021.

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Crossrail – delivery overruns and impact on funding

Risk	Our response to the risk	Key observations communicated to the Audit and Assurance Committee
Refer to note 13 in the consolidated financial statements. The Crossrail project continues to be complex and as it reaches its conclusion, there will be the finalisation of related costs and contractual matters. These matters were not completed at the year end and therefore judgement is required in assessing the appropriate value of obligations, considering whether there are any obligations inappropriately omitted from the financial statements. Further there is a risk that costs may be incurred that do not meet the criteria for capitalisation. During the year the Trial Running date was delayed from 28 December 2020 to 29 March 2021, followed by an additional delay to 26 April 2021 as a result of a maintenance blockade period to ensure all works are ready for this key date. Due to the COVID-19 pandemic, all physical works on all Crossrail sites were temporarily paused on 24 March 2020 through to 15 June 2020. This programme wide 'Safe Stop' period has resulted in inefficiency cost with the addition of further COVID-19 related costs to ensure all construction sites are in line with COVID-19 safety requirements. Crossrail continues to be informed by the latest guidance from the Government and Public Health England.	The following procedures were performed as part of our substantive testing: • We reviewed the latest forecast outcome for completion of the whole Crossrail project. • We have gained an understanding of the latest agreements on sources of funding for Crossrail, including amounts included in the TfL Business Plan and agreed funding from the DfT. • We have tested whether there is any evidence to suggest that additional obligations exist within the various contractual arrangements that have been omitted from the financial statements. • We tested the nature of the expenditure incurred to determine if capitalisation was appropriate. • We have tested the impact of any amounts to be funded by TfL on the overall position of TfL including whether there is any impact on other in progress projects. Additional procedures in response to the impact of COVID-19 on our significant risk were as follows: • We have gained an understanding of the impact of COVID-19 on Crossrail and its projects. • We assessed the adequacy of additional disclosures in the financial statements in respect of this matter. • We have discussed the status of the financial budget and performed an analysis of the COVID-19 costs which were expensed or capitalised in the year. We have also challenged the assumptions made when capitalising or expensing COVID-19 related costs. We performed full scope audit procedures for Crossrail over this risk area which covered 100 per cent of the risk amount.	We are satisfied that the capitalised costs in the year meet the criteria for capitalisation and are appropriate. We did not identify additional obligations requiring provision at 31 March 2021. We confirmed that at 31 March 2021 no element of projects had been removed/reduced as a result of budget requirements. However, we note that the funding agreement could lead to some non-essential elements of the completion plan not being funded, resulting in expensing of abortive project costs. As noted above, there is a material uncertainty relating to the extent of any changes required to the Crossrail project as a result of revised funding that could lead to some non-essential elements of the completion plan not being funded.

Property valuation

Risk	Our response to the risk	Key observations communicated to the Audit and Assurance Committee
Refer to notes 13 and 15 in the consolidated financial statements. The TfL Group has an extensive and diversified property portfolio across London. Any changes to the assumptions used to value properties within the portfolio could have a significant impact on the financial statements due to the nature of the properties. External valuers perform a detailed valuation across the property portfolio during each financial year. Significant judgement is used during the valuation of the property portfolio due to the uniqueness thereof. **Impact of COVID-19** In the current year, as referred to in notes 13 and 15, due to the unprecedented impact of COVID-19 on the market, CBRE (TfL's external valuer) has highlighted that valuations at 31 March 2021 for car parks which represent 7 per cent of the total property portfolio were subject to a 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty and a higher degree of caution should be attached to these values than would normally be the case.	The following procedures were performed as part of our substantive testing: • We tested the valuations report prepared by TfL's external valuers, agreeing the entries in the report back to the financial statements to confirm the accuracy of the entries. • We met with TfL's external valuers and discussed the methodology applied and key assumptions used. • We used our internal valuation experts to assist in our review of whether TfL's key assumptions are within an acceptable range based on comparative market data for rental yields. • We tested property additions, disposals and the accounting treatment of leases to supporting documentation. Additional procedures in response to the impact of Covid-19 on our significant risk were as follows: • We reassessed and challenged judgements made by the valuer in light of the uncertainties highlighted. • We assessed the adequacy of additional disclosures made in notes 13 and 15 of the financial statements in respect of the 'material valuation uncertainty' noted by TfL's external valuer. We performed full scope audit procedures over this risk area for the whole Group, which covered 100 per cent of the risk amount.	We have concluded that property valuations were within an acceptable range. The disclosures set out in the notes to the financial statements are fundamental to users' understanding of this matter. We conclude that the balances and disclosures in the financial statements and notes appropriately reflect the risk factors identified.

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The above risk areas are consistent with those in the prior year.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Corporation and Group. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Corporation and Group, and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the four reporting components, Transport for London Corporation, Transport Trading Limited (which consolidates Crossrail Limited), London Transport Insurance (Guernsey) Limited, and TfL Trustee Company Limited, only Transport Trading Limited and the Corporation are material to the Group, representing 99 per cent of the Group's gross expenditure. The other two entities represent less than 1 per cent of Group's gross expenditure and are considered immaterial to the Group.

We performed an audit of the complete financial information of Transport for London Corporation and Transport Trading Limited (which consolidates Crossrail Limited).

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £99 million (2020 £104.4 million), which is 1 per cent (2020 1 per cent) of Group operational and capital expenditure. TfL Group's key responsibilities are to provide transportation services across London and to continue to develop the capital's transport infrastructure. TfL has two key purposes; operational responsibilities for transport services and the development of London's transport infrastructure. Both of these elements are of significant interest to the users of the financial statements identified above and therefore TfL expenditure in these areas is of most interest to the users of the financial statements.

We calculated materiality for the Transport for London Corporation to be £184.3 million (2020 £151.9 million), which is 0.5 per cent of Total Assets. However, as this exceeded the materiality noted above for the Group, we restricted materiality for the Corporation to the same amount (£99 million).

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50 per cent (2020 75 per cent) of our planning materiality, namely £49.5 million (2020 £78.3 million). In setting performance materiality at this percentage based on our assessment of the Group's internal control environment and the extent and nature of audit findings identified in the prior period, which resulted in the reduction to 50 per cent for the current year audit.

Audit work at Transport for London Corporation and Transport Trading Limited for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for Transport for London Corporation of £21.3 million (2020 £35.2 million) and Transport Trading Limited £40.2 million (2020 £78.3 million) is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit and Assurance Committee that we would report to them all uncorrected audit differences in excess of £5 million (2020 £5.2 million), which is set at 5 per cent of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Statutory Chief Finance Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we report by exception
We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the organisation;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

In respect of the following, we have matters to report by exception.

Report on Transport for London's proper arrangements for securing economy, efficiency and effectiveness in the use of resources
We report to you, if we are not satisfied that Transport for London has put in place proper arrangements to secure economy efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

Significant weaknesses in arrangements

- Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services

As noted above, we draw your attention to note d) of Accounting Policies, which indicates that there is a material uncertainty over the availability of funding which may cast doubt on TfL's ability to continue to operate the current planned level of services, including the planned capital programme post 11 December 2021.

Without continuous, stable investment to operate and maintain TfL's existing network and ensure it keeps pace with societal expectations, its performance will decline. This will mean fewer people using public transport to travel around London and more people using cars, resulting in increased pollution and congestion. In turn this will have a negative impact on the attractiveness of the City and will negatively impact the local economy.

Without a longer-term funding agreement in place, TfL is making short-term decisions based on the current funding arrangements. The focus on short-term funding, restricts TfL's ability to make progress on and commit to key long-term priorities set by policy makers. This means that TfL is not obtaining the best value for money due to lack of clarity of long-term funding agreements going forward.

As such, we have identified a significant weakness with regards to how TfL plans and manages its resources to ensure it can continue service delivery.

Agreeing long-term funding packages is extremely challenging in the current economic environment with conflicting funding demands on government funding, without an agreed long-term plan TfL will continue to have to make suboptimal decisions and spend significant management time continually reprioritising. Therefore, it is fundamental to the ability of management to appropriately exercise their responsibilities and enable TfL to fulfil its strategic priorities and facilitate Government policies for London, that a longer-term funding plan is agreed. It is recommended that TfL agree a long-term funding plan that will support TfL in achieving best value for money in the long-term even if delivering less in overall terms by way of service or service improvement.

- Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers services

During 2019/20 Transport for London identified a series of weaknesses with the application of procurement rules throughout the organisation. Procurement arrangements were not being followed in all cases, leading to a significant amount of single source tender arrangements and other contracting arrangements that may not have provided value for money. An action plan was drawn up and implemented to address these matters. Implementation of this action plan commenced during 2019/20, but corrective actions were only completed by 31 March 2021 and those that were implemented were not in place during the entirety of 2020/21.

As such, we have identified a significant weakness with regards to how TfL uses information about its cost to improve the way it manages and delivers services.

It is recommended that TfL should continue to monitor progress against, and compliance with, the implemented action plan and identify areas of further improvement.

Responsibility of the Statutory Chief Finance Officer

As explained more fully in the Statement of Responsibilities for the Accounts set out on page 106, the Statutory Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Statutory Chief Finance Officer is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporation either intends to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are the Accounts and Audit Regulation 2015, the Local Government Act 2003 and the Local Government Finance Act 2012.

- We understood how the Group is complying with those frameworks by making enquiries from those charged with governance, those responsible for legal and compliance procedures and for internal audit. We understood the oversight of those charged with governance, the culture of honesty and ethical behaviour and whether a strong emphasis is placed on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and punishment. We corroborated our enquiries through our review of board minutes, papers provided to the Audit and Assurance Committee and correspondence received from regulatory bodies.

- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by meeting with management within various parts of the business to understand where they considered there was susceptibility to fraud. Where this risk was considered higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements are free from fraud or error.

- From time to time we have matters escalated to us by members of the public. We investigate the matters reported and assess the impact thereof on our audit risk. Any findings identified are reported to the Audit and Assurance Committee.

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved a review of board minutes to identify any non-compliance with laws and regulations, a review of the reporting to the Audit and Assurance Committee on compliance with regulations, enquiries of the Head of Counter-Fraud and Corruption and enquiries of management.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- We were appointed by Public Sector Audit Appointments on 20 July 2017 to audit the financial statements for the year ending 31 March 2019 and subsequent financial periods.

- The period of total uninterrupted engagement is 3 years, including previous renewals and reappointment is 6 years, covering the years ended 31 March 2016 to 31 March 2021.

- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent Corporation and we remain independent of the Group and the parent Corporation in conducting the audit.

- The audit opinion is consistent with the additional report to the Audit and Assurance Committee.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General (C&AG) in April 2021, as to whether Transport for London had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves as to whether Transport for London put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Transport for London had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Under the Code of Audit Practice issued by the National Audit Office (NAO) we are required to report to you if TfL has not made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Corporation's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Corporation's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Until we have completed these procedures we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to Transport for London in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Corporation, for our audit work, for this report, or for the opinions we have formed.

SIGNATURE

Karl Havers
Key Audit Partner
Ernst & Young LLP
Local Auditor, London
XX XXXX 2021

The maintenance and integrity of the Transport for London website is the responsibility of TfL management; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Group Comprehensive Income and Expenditure Statement

Year ended 31 March	Note	Gross income 2021 £m	Gross expenditure 2021 £m	Net income/ (expenditure) 2021 £m	Gross income 2020 restated £m*	Gross expenditure 2020 restated £m*	Net income/ (expenditure) 2020 restated £m*
Operating segment							
Underground		**664.0**	**(2,282.0)**	**(1,618.0)**	2,762.0	(2,338.0)	424.0
Elizabeth line		**49.0**	**(368.0)**	**(319.0)**	147.0	(363.0)	(216.0)
Buses, streets and other operations		**1,225.0**	**(2,926.0)**	**(1,701.0)**	1,981.0	(3,002.0)	(1,021.0)
Rail		**146.0**	**(475.0)**	**(329.0)**	436.0	(490.0)	(54.0)
Other segments		**128.0**	**(158.0)**	**(30.0)**	278.0	(113.0)	165.0
Group items		**165.0**	**(172.0)**	**(7.0)**	170.0	(167.0)	3.0
Net cost of operations per internal management reports	2	**2,377.0**	**(6,381.0)**	**(4,004.0)**	5,774.0	(6,473.0)	(699.0)
Accounting policy adjustments between management and statutory accounts	2	**18.8**	**(1,023.8)**	**(1,005.0)**	(11.8)	(1,265.8)	(1,277.6)
Net cost of services before exceptional items	2	**2,395.8**	**(7,404.8)**	**(5,009.0)**	5,762.2	(7,738.8)	(1,976.6)
Exceptional items	6			**(29.4)**			(19.3)
Net cost of services after exceptional items				**(5,038.4)**			(1,995.9)
Other net operating expenditure	7			**(63.4)**			(30.9)
Financing and investment income	8			**49.4**			108.7
Financing and investment expenditure	9			**(598.6)**			(519.9)
Grant income	10			**4,732.3**			3,268.1
(Deficit)/surplus on the provision of services				**(918.7)**			830.1
Group share of profit before tax of joint ventures	17			**0.7**			(0.1)
Group share of loss before tax of associated undertakings	18			**(3.5)**			(52.0)
Group (deficit)/surplus before tax				**(921.5)**			778.0
Taxation	11			**10.5**			(106.8)
Group (deficit)/surplus after tax				**(911.0)**			671.2

Year ended 31 March	Note	Gross income 2021 £m	Gross expenditure 2021 £m	Net income/ (expenditure) 2021 £m	Gross income 2020 restated £m*	Gross expenditure 2020 restated £m*	Net income/ (expenditure) 2020 restated £m*
Group (deficit)/surplus after tax				**(911.0)**			671.2
Other comprehensive income and expenditure							
Items that will not be subsequently reclassified to profit or loss							
Surplus on the revaluation of property, plant and equipment**	13			**11.4**			29.4
Surplus on the valuation of newly created investment properties	15			**72.6**			875.2
Deferred tax on the surplus on valuation of newly created investment properties	11			**(0.7)**			(135.7)
Net remeasurement (loss)/ gain on defined benefit pension schemes**	35			**(1,361.0)**			1,687.9
				(1,277.7)			2,456.8
Items that may be subsequently reclassified to profit or loss							
Movement in the fair value of derivative financial instruments**	37			**5.1**			(26.8)
Derivative fair value loss reclassified to income and expenditure**	37			**9.3**			9.0
				14.4			(17.8)
				(1,263.3)			2,439.0
Total comprehensive income and expenditure				**(2,174.3)**			3,110.2

* Figures for 2019/20 have been restated to show the split of net cost of services by revised internal management operating segment (see note 2). Other comprehensive income and expenditure for 2019/20 has also been restated to exclude derivative fair value losses recycled to the Balance Sheet of £0.2m, as these are not considered a reclassification under IFRS 9. They are, instead, disclosed as movements in the Group Movement in Reserves Statement.

** There is no tax effect of these items on other comprehensive income and expenditure in the years ended 31 March 2021 or 2020 (see note 11).

Group Balance Sheet

	Note	31 March 2021 £m	31 March 2020 £m
Long-term assets			
Intangible assets	12	**149.3**	118.7
Property, plant and equipment	13	**43,093.9**	42,092.6
Right-of-use assets	14	**2,329.5**	2,309.6
Investment property	15	**1,458.7**	1,430.5
Investment in joint ventures	17	**41.3**	7.2
Investment in associated undertakings	18	**166.9**	194.6
Long-term derivative financial instruments	30	**0.2**	1.5
Long-term finance lease receivables	19	**28.6**	37.0
Long-term debtors	21	**52.2**	97.4
		47,320.6	46,289.1
Current assets			
Inventories	20	**51.5**	58.9
Short-term debtors	21	**493.1**	512.8
Assets held for sale	22	**95.5**	113.4
Short-term derivative financial instruments	30	**6.5**	3.4
Short-term finance lease receivables	19	**15.4**	15.7
Short-term investments	23	**19.0**	642.4
Cash and cash equivalents	24	**1,710.2**	1,566.8
		2,391.2	2,913.4

	Note	31 March 2021 £m	31 March 2020 £m
Current liabilities			
Short-term creditors	25	**(2,077.9)**	(2,128.8)
Short-term borrowings	26	**(1,198.1)**	(936.5)
Short-term right-of-use lease liabilities	14	**(329.3)**	(318.2)
Short-term PFI liabilities	27	**(9.9)**	(13.9)
Other short-term financing liabilities	28	**(6.2)**	(3.5)
Short-term derivative financial instruments	30	**(12.0)**	(26.3)
Short-term provisions	29	**(109.1)**	(192.6)
		(3,742.5)	(3,619.8)
Long-term liabilities			
Long-term creditors	25	**(56.7)**	(61.6)
Long-term borrowings	26	**(11,769.7)**	(10,752.5)
Long-term right-of-use lease liabilities	14	**(2,179.8)**	(2,098.8)
Long-term PFI liabilities	27	**(101.7)**	(111.6)
Other long-term financing liabilities	28	**(128.1)**	(132.5)
Long-term derivative financial instruments	30	**(47.3)**	(63.1)
Long-term deferred tax liabilities	11	**(234.3)**	(242.5)
Long-term provisions	29	**(60.9)**	(58.0)
Retirement benefit obligation	35	**(5,603.1)**	(4,100.6)
		(20,181.6)	(17,621.2)
Net assets		**25,787.7**	27,961.5
Reserves			
Usable reserves		**886.9**	1,604.2
Unusable reserves	37	**24,900.8**	26,357.3
Total reserves		**25,787.7**	27,961.5

The Expenditure and Funding Analysis on page 124 and the notes on pages 126 to 219 form part of these financial statements. These financial statements were approved by the Board on 28 July 2021 and signed on its behalf by:

SIGNATURE

Sadiq Khan
Chair of TfL

Group Movement in Reserves Statement

	Note	General Fund £m	Earmarked Reserves £m	**General Fund and Earmarked Reserves £m**	Street Works Reserve £m	**Usable reserves £m**	Unusable reserves £m	**Total reserves £m**
At 1 April 2019		150.0	1,456.5	**1,606.5**	20.5	**1,627.0**	23,226.6	**24,853.6**
Movement in reserves during 2019/20								
Group surplus after tax		1,047.8	–	**1,047.8**	–	**1,047.8**	(376.6)	**671.2**
Other comprehensive income and expenditure		–	–	**–**	–	**–**	2,439.0	**2,439.0**
Total comprehensive income and expenditure		1,047.8	–	**1,047.8**	–	**1,047.8**	2,062.4	**3,110.2**
Impact of the implementation of IFRS 16 Leases at 1 April 2019		–	–	**–**	–	**–**	(2.5)	**(2.5)**
Derivative fair value loss reclassified to the Balance Sheet	37	–	–	**–**	–	**–**	0.2	**0.2**
Adjustments between accounting basis and funding basis under regulations	38	(1,073.6)	–	**(1,073.6)**	3.0	**(1,070.6)**	1,070.6	**–**
Net (decrease)/increase before transfer to/from Earmarked Reserves		(25.8)	–	**(25.8)**	3.0	**(22.8)**	3,130.7	**3,107.9**
Transfer to/from Earmarked Reserves		375.8	(375.8)	**–**	–	**–**	–	**–**
Increase/(decrease) in 2019/20		350.0	(375.8)	**(25.8)**	3.0	**(22.8)**	3,130.7	**3,107.9**
Balance at 31 March 2020		**500.0**	**1,080.7**	**1,580.7**	**23.5**	**1,604.2**	**26,357.3**	**27,961.5**
Movement in reserves during 2020/21								
Group deficit after tax		(180.2)	–	**(180.2)**	–	**(180.2)**	(730.8)	**(911.0)**
Other comprehensive income and expenditure		–	–	**–**	–	**–**	(1,263.3)	**(1,263.3)**
Total comprehensive income and expenditure		(180.2)	–	**(180.2)**	–	**(180.2)**	(1,994.1)	**(2,174.3)**
Derivative fair value loss reclassified to the Balance Sheet	37	–	–	**–**	–	**–**	0.5	**0.5**
Adjustments between accounting basis and funding basis under regulations	38	(538.4)	–	**(538.4)**	1.3	**(537.1)**	537.1	**–**
Net (decrease)/increase before transfer to/from Earmarked Reserves		(718.6)	–	**(718.6)**	1.3	**(717.3)**	(1,456.5)	**(2,173.8)**
Transfer to/from Earmarked Reserves		718.6	(718.6)	**–**	–	**–**	–	**–**
(Decrease)/increase in 2020/21		–	(718.6)	**(718.6)**	1.3	**(717.3)**	(1,456.5)	**(2,173.8)**
Balance at 31 March 2021		**500.0**	**362.1**	**862.1**	**24.8**	**886.9**	**24,900.8**	**25,787.7**

Earmarked Reserves have been established to finance future projects and form part of the overall funding available for the Investment Programme and revenue projects. Application of funds against specific projects is dependent on the level and mix of other sources of funding also available to fund TfL's Investment Programme.

Group Statement of Cash Flows

Year ended 31 March	Note	2021 £m	2020 £m
Group (deficit)/surplus after tax		**(911.0)**	671.2
Adjustments to deficit/surplus after tax	36a	**560.2**	(348.6)
Net cash flows from operating activities		**(350.8)**	322.6
Investing activities	36b	**(472.2)**	(664.6)
Financing activities	36c	**966.4**	243.0
Increase/(decrease) in net cash and cash equivalents in the year		**143.4**	(99.0)
Net cash and cash equivalents at the start of the year		**1,566.8**	1,665.8
Net cash and cash equivalents at the end of the year	24	**1,710.2**	1,566.8

Corporation Comprehensive Income and Expenditure Statement

Year ended 31 March	Note	2021 £m	2020 £m
Highways and Transport Services			
Gross income		**534.3**	588.0
Gross expenditure	3	**(1,174.9)**	(1,495.0)
Net cost of services before exceptional items*		**(640.6)**	(907.0)
Exceptional items	6	**-**	(7.8)
Net cost of services after exceptional items		**(640.6)**	(914.8)
Other net operating expenditure	7	**(20.4)**	(0.3)
Financing and investment income	8	**436.7**	413.6
Financing and investment expenditure	9	**(534.9)**	(556.2)
Grant income	10	**4,613.2**	3,181.9
Grant funding of subsidiaries		**(4,034.2)**	(1,076.4)
(Deficit)/surplus on the provision of services		**(180.2)**	1,047.8
Other comprehensive income and expenditure			
Items that will not be subsequently reclassified to profit or loss			
Surplus on the revaluation of property, plant and equipment	13	**2.8**	11.1
Surplus on the valuation of newly created investment properties		**-**	16.8
Net remeasurement (loss)/gain on defined benefit pension schemes	35	**(1,324.5)**	1,673.7
		(1,321.7)	1,701.6
Total comprehensive income and expenditure		**(1,501.9)**	2,749.4

* Decisions taken by the Board about resource allocation are made using internal management reports which show total expenditure for the TfL Group. No segmental disclosures are included for the Corporation as the Corporation's results are not reported to the Board on a segmental basis.

Corporation Balance Sheet

	Note	31 March 2021 £m	31 March 2020 £m
Long-term assets			
Intangible assets	12	**86.9**	77.7
Property, plant and equipment	13	**4,253.7**	4,151.5
Right-of-use assets	14	**391.3**	421.1
Investment property	15	**11.6**	14.1
Investments in subsidiaries	16	**12,222.5**	11,562.5
Long-term debtors	21	**12,259.5**	11,155.0
		29,225.5	27,381.9
Current assets			
Short-term debtors	21	**439.9**	553.3
Assets held for sale	22	**17.5**	19.1
Short-term investments	23	**-**	623.5
Cash and cash equivalents	24	**1,628.4**	1,410.7
		2,085.8	2,606.6
Current liabilities			
Short-term creditors	25	**(907.0)**	(740.4)
Short-term borrowings	26	**(1,198.1)**	(936.5)
Short-term right-of-use lease liabilities	14	**(26.7)**	(25.7)
Short-term PFI liabilities	27	**(9.6)**	(9.0)
Short-term provisions	29	**(64.9)**	(124.6)
		(2,206.3)	(1,836.2)

	Note	31 March 2021 £m	31 March 2020 £m
Long-term liabilities			
Long-term creditors	25	**(24.6)**	(20.8)
Long-term borrowings	26	**(11,774.1)**	(10,757.5)
Long-term right-of-use lease liabilities	14	**(386.8)**	(413.6)
Long-term PFI liabilities	27	**(101.6)**	(111.2)
Long-term provisions	29	**(29.6)**	(23.0)
Retirement benefit obligation	35	**(5,546.3)**	(4,082.3)
		(17,863.0)	(15,408.4)
Net assets		**11,242.0**	12,743.9
Reserves			
Usable reserves		**886.9**	1,604.2
Unusable reserves	37	**10,355.1**	11,139.7
Total reserves		**11,242.0**	12,743.9

The Expenditure and Funding Analysis on page 124 and the notes on pages 126 to 219 form part of these financial statements. These financial statements were approved by the Board on 28 July 2021 and signed on its behalf by:

SIGNATURE

Sadiq Khan
Chair of TfL

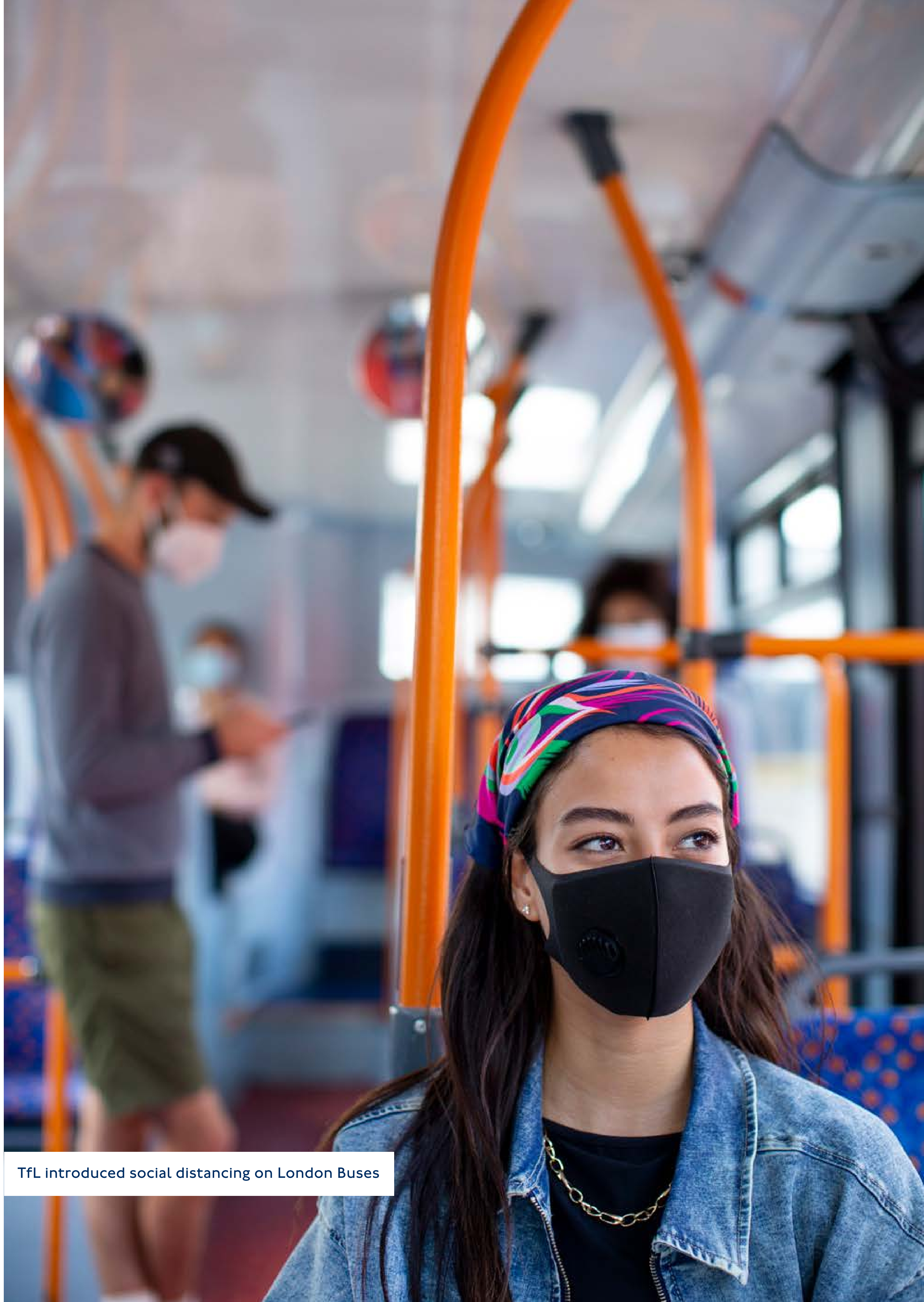
Corporation Movement in Reserves Statement

	Note	General Fund £m	Earmarked Reserves £m	**General Fund and Earmarked Reserves £m**	Street Works Reserve £m	**Usable reserves £m**	Unusable reserves £m	**Total reserves £m**
At 1 April 2019		150.0	1,456.5	**1,606.5**	20.5	**1,627.0**	8,367.5	**9,994.5**
Movement in reserves during 2019/20								
Surplus on the provision of services		1,047.8	-	**1,047.8**	-	**1,047.8**	-	**1,047.8**
Other comprehensive income and expenditure		-	-	**-**	-	**-**	1,701.6	**1,701.6**
Total comprehensive income and expenditure		1,047.8	-	**1,047.8**	-	**1,047.8**	1,701.6	**2,749.4**
Adjustments between accounting basis and funding basis under regulations	38	(1,073.6)	-	**(1,073.6)**	3.0	**(1,070.6)**	1,070.6	**-**
Net increase/(decrease) before transfer to/from Earmarked Reserves		(25.8)	-	**(25.8)**	3.0	**(22.8)**	2,772.2	**2,749.4**
Transfer to/from Earmarked Reserves		375.8	(375.8)	**-**	-	**-**	-	**-**
Increase/(decrease) in 2019/20		350.0	(375.8)	**(25.8)**	3.0	**(22.8)**	2,772.2	**2,749.4**
Balance at 31 March 2020		**500.0**	**1,080.7**	**1,580.7**	**23.5**	**1,604.2**	**11,139.7**	**12,743.9**
Movement in reserves during 2020/21								
Deficit on the provision of services		(180.2)	-	**(180.2)**	-	**(180.2)**	-	**(180.2)**
Other comprehensive income and expenditure		-	-	**-**	-	**-**	(1,321.7)	**(1,321.7)**
Total comprehensive income and expenditure		(180.2)	-	**(180.2)**	-	**(180.2)**	(1,321.7)	**(1,501.9)**
Adjustments between accounting basis and funding basis under regulations	38	(538.4)	-	**(538.4)**	1.3	**(537.1)**	537.1	**-**
Net (decrease)/increase before transfers to/from Earmarked Reserves		(718.6)	-	**(718.6)**	1.3	**(717.3)**	(784.6)	**(1,501.9)**
Transfer to/from Earmarked Reserves		718.6	(718.6)	**-**	-	**-**	-	**-**
(Decrease)/increase in 2020/21		-	(718.6)	**(718.6)**	1.3	**(717.3)**	(784.6)	**(1,501.9)**
Balance at 31 March 2021		**500.0**	**362.1**	**862.1**	**24.8**	**886.9**	**10,355.1**	**11,242.0**

Earmarked Reserves have been established to finance future projects and form part of the overall funding available for the Investment Programme and revenue projects. Application of funds against specific projects is dependent on the level and mix of other sources of funding also available to fund TfL's Investment Programme.

Corporation Statement of Cash Flows

Year ended 31 March	Note	2021 £m	2020 £m
(Deficit)/surplus on the provision of services		**(180.2)**	1,047.8
Adjustments to deficit/surplus after tax	36a	**(261.8)**	(791.0)
Net cash flows from operating activities		**(442.0)**	256.8
Investing activities	36b	**(583.4)**	(859.9)
Financing activities	36c	**1,243.1**	509.2
Increase/(decrease) in net cash and cash equivalents in the year		**217.7**	(93.9)
Net cash and cash equivalents at the start of the year		**1,410.7**	1,504.6
Net cash and cash equivalents at the end of the year	24	**1,628.4**	1,410.7


TfL introduced social distancing on London Buses

Expenditure and Funding Analysis

For the year ended 31 March 2021	London Underground £m	Elizabeth line £m	Buses, streets and other operations £m	Rail £m	Other segments £m	Group items £m	**Total per management reports £m**	Accounting policy adjustments between management and statutory accounts £m	**Total per the Group Comprehensive Income and Expenditure Statement £m**	Less amounts recognised in subsidiaries £m	**Total per the Corporation Comprehensive Income and Expenditure Statement £m**	Adjustments between accounting basis and funding basis under regulations £m	**Amounts remaining chargeable to the General Fund £m**
Gross income	664.0	49.0	1,225.0	146.0	128.0	165.0	**2,377.0**	18.8	**2,395.8**	(1,861.5)	**534.3**	-	**534.3**
Gross expenditure	(2,282.0)	(368.0)	(2,926.0)	(475.0)	(158.0)	(172.0)	**(6,381.0)**	(1,023.8)	**(7,404.8)**	6,229.9	**(1,174.9)**	184.0	**(990.9)**
Net cost of services before exceptional items	(1,618.0)	(319.0)	(1,701.0)	(329.0)	(30.0)	(7.0)	**(4,004.0)**	(1,005.0)	**(5,009.0)**	4,368.4	**(640.6)**	184.0	**(456.6)**
Exceptional items	-	-	-	-	-	-	**-**	(29.4)	**(29.4)**	29.4	**-**	-	**-**
Net cost of services after exceptional items	(1,618.0)	(319.0)	(1,701.0)	(329.0)	(30.0)	(7.0)	**(4,004.0)**	(1,034.4)	**(5,038.4)**	4,397.8	**(640.6)**	184.0	**(456.6)**
Other net operating expenditure	-	-	-	-	-	-	**-**	(63.4)	**(63.4)**	43.0	**(20.4)**	20.4	**-**
Financing and investment income	-	-	-	-	-	-	**-**	49.4	**49.4**	387.3	**436.7**	(30.9)	**405.8**
Financing and investment expenditure	(280.0)	(87.0)	(41.0)	(27.0)	-	(5.0)	**(440.0)**	(158.6)	**(598.6)**	63.7	**(534.9)**	92.0	**(442.9)**
Grant income	37.0	1.0	9.0	-	2.0	3,495.0	**3,544.0**	1,188.3	**4,732.3**	(4,153.3)	**579.0**	(786.3)	**(207.3)**
Group share of profit before tax of joint ventures	-	-	-	-	-	-	**-**	0.7	**0.7**	(0.7)	**-**	-	**-**
Group share of loss before tax of associated undertakings	-	-	-	-	-	-	**-**	(3.5)	**(3.5)**	3.5	**-**	-	**-**
Capital renewals	(203.0)	-	(99.0)	(34.0)	(3.0)	(28.0)	**(367.0)**	367.0	**-**	-	**-**	-	**-**
(Deficit)/surplus before tax	(2,064.0)	(405.0)	(1,832.0)	(390.0)	(31.0)	3,455.0	**(1,267.0)**	345.5	**(921.5)**	741.3	**(180.2)**	(520.8)	**(701.0)**
Taxation	-	-	-	-	-	-	**-**	10.5	**10.5**	(10.5)	**-**	-	**-**
(Deficit)/surplus after tax	(2,064.0)	(405.0)	(1,832.0)	(390.0)	(31.0)	3,455.0	**(1,267.0)**	356.0	**(911.0)**	730.8	**(180.2)**	(520.8)	**(701.0)**
Employer's pension contributions and direct payments to pensioners payable in the year											**-**	49.8	**49.8**
Minimum revenue provision											**-**	(55.7)	**(55.7)**
Amortisation of premium on financing											**-**	(11.7)	**(11.7)**
Net decrease in 2020/21											**(180.2)**	(538.4)	**(718.6)**
Balance of General Fund and Earmarked Reserves at 1 April 2020													**1,580.7**
Balance of General Fund and Earmarked Reserves at 31 March 2021													**862.1**

Expenditure and Funding Analysis (continued)

For the year ended 31 March 2020	London Underground £m	Elizabeth line £m	Buses, streets and other operations £m	Rail £m	Other segments £m	Group items £m	**Total per management reports £m***	Accounting policy adjustments between management and statutory accounts £m	**Total per the Group Comprehensive Income and Expenditure Statement £m**	Less amounts recognised in subsidiaries £m	**Total per the Corporation Comprehensive Income and Expenditure Statement £m**	Adjustments between accounting basis and funding basis under regulations £m	**Amounts remaining chargeable to the General Fund £m**
Gross income	2,762.0	147.0	1,981.0	436.0	278.0	170.0	**5,774.0**	(11.8)	**5,762.2**	(5,174.2)	**588.0**	(3.3)	**584.7**
Gross expenditure	(2,338.0)	(363.0)	(3,002.0)	(490.0)	(113.0)	(167.0)	**(6,473.0)**	(1,265.8)	**(7,738.8)**	6,243.8	**(1,495.0)**	559.6	**(935.4)**
Net cost of services before exceptional items	424.0	(216.0)	(1,021.0)	(54.0)	165.0	3.0	**(699.0)**	(1,277.6)	**(1,976.6)**	1,069.6	**(907.0)**	556.3	**(350.7)**
Exceptional items	-	-	-	-	-	-	**-**	(19.3)	**(19.3)**	11.5	**(7.8)**	-	**(7.8)**
Net cost of services after exceptional items	424.0	(216.0)	(1,021.0)	(54.0)	165.0	3.0	**(699.0)**	(1,296.9)	**(1,995.9)**	1,081.1	**(914.8)**	556.3	**(358.5)**
Other net operating expenditure	-	-	-	-	-	-	**-**	(30.9)	**(30.9)**	30.6	**(0.3)**	0.3	**-**
Financing and investment income	-	-	-	-	-	-	**-**	108.7	**108.7**	304.9	**413.6**	(19.3)	**394.3**
Financing and investment expenditure	(261.0)	(81.0)	(38.0)	(25.0)	-	(6.0)	**(411.0)**	(108.9)	**(519.9)**	(36.3)	**(556.2)**	122.0	**(434.2)**
Grant income	-	-	-	-	-	1,105.0	**1,105.0**	2,163.1	**3,268.1**	(1,162.6)	**2,105.5**	(1,578.9)	**526.6**
Group share of loss before tax of joint ventures	-	-	-	-	-	-	**-**	(0.1)	**(0.1)**	0.1	**-**	-	**-**
Group share of loss before tax of associated undertakings	-	-	-	-	-	-	**-**	(52.0)	**(52.0)**	52.0	**-**	-	**-**
Capital renewals	(311.0)	-	(71.0)	(35.0)	(19.0)	(17.0)	**(453.0)**	453.0	**-**	-	**-**	-	**-**
Surplus before tax	(148.0)	(297.0)	(1,130.0)	(114.0)	146.0	1,085.0	**(458.0)**	1,236.0	**778.0**	269.8	**1,047.8**	(919.6)	**128.2**
Taxation	-	-	-	-	-		**-**	(106.8)	**(106.8)**	106.8	**-**	-	**-**
Surplus after tax	(148.0)	(297.0)	(1,130.0)	(114.0)	146.0	1,085.0	**(458.0)**	1,129.2	**671.2**	376.6	**1,047.8**	(919.6)	**128.2**
Employer's pension contributions and direct payments to pensioners payable in the year											**-**	(86.1)	**(86.1)**
Minimum revenue provision											**-**	(56.1)	**(56.1)**
Amortisation of premium on financing											**-**	(11.8)	**(11.8)**
Net increase/(decrease) in 2019/20											**1,047.8**	(1,073.6)	**(25.8)**
Balance of General Fund and Earmarked Reserves at 1 April 2019													**1,606.5**
Balance of General Fund and Earmarked Reserves at 31 March 2020													**1,580.7**

* The divisional split of management reporting has been restated to reflect revised internal management operating segments.

Accounting Policies

a) Code of practice
TfL is required to prepare an annual Statement of Accounts under Section 3 of the Local Audit and Accountability Act 2014, and by the Accounts and Audit Regulations 2015 (the 2015 Regulations). The 2015 Regulations require the Statement of Accounts to be prepared in accordance with proper accounting practices. The Statement of Accounts have therefore been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code), developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code Board under the oversight of the Financial Reporting Advisory Board. The Code constitutes proper accounting practice for the purpose of the 2015 Regulations.

The Code for 2020/21 is based on International Financial Reporting Standards (IFRS) adopted by the EU (Adopted IFRS) and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements. It requires that local authorities prepare their financial statements in accordance with the International Accounting Standards Board (IASB) 'Framework for the Preparation and Presentation of Financial Statements' as interpreted by the Code.

CIPFA/LASAAC announced its plans to delay implementation of IFRS 16 Leases in the Code until 1 April 2022. IFRS 16 Leases (mandatory for years beginning on or after 1 January 2019 under Adopted IFRS) replaces the previous guidance in IAS 17 on leases. However, as a significant proportion of the Group's activities are conducted through subsidiary companies, which were obliged, under EU Adopted IFRS, to apply IFRS 16 from 1 April 2019, CIPFA included a provision in the Code that permits TfL to adopt IFRS 16 from the same date. The Group has therefore adopted IFRS 16 in its financial statements from 1 April 2019.

The areas where the Code differs materially from Adopted IFRS are listed below:

Capital grants and contributions
Capital grants and contributions are recognised immediately in the Comprehensive Income and Expenditure Statement once there is reasonable assurance that all conditions relating to those grants have been met. Under Adopted IFRS capital grants and contributions are recorded as deferred income and recognised in the Comprehensive Income and Expenditure Statement over the useful life of the assets funded by that grant.

FRS 102 The Financial Reporting Standard: Heritage assets
The Code has adopted the requirements of FRS 102 in respect of its rules on accounting for heritage assets. The Group has taken the exemption available under the Code to hold heritage assets at historical cost less any accumulated depreciation or impairment losses and has made additional disclosures on its heritage assets as required by the standard. There is no equivalent standard for accounting for heritage assets under Adopted IFRS.

IAS 36 Impairment of Assets
The Code requires that impairments be accounted for in accordance with IAS 36 Impairment of Assets, except where interpretations or adaptations to fit the public sector are detailed. Consequently, these financial statements have been prepared in accordance with the guidance contained in IPSAS 21 Impairment of Non-Cash-Generating Assets and IPSAS 26 Impairment of Cash-Generating Assets. This guidance stipulates that where an asset is not held primarily with the intention of generating a commercial return, that asset's value in use should be regarded as the present value of its remaining service potential, rather than the present value of the future cash flows that are expected to be derived from it.

Peppercorn rents
The Code includes an adaptation to IFRS 16 Leases in respect of the accounting for peppercorn lease arrangements for lessees. Leases with payments at peppercorn or nominal consideration that are provided at substantially below market terms, and leases for nil consideration, are accounted for as follows:

a) Any portion of the lease that is payable is accounted for in the same way as other lease obligations under IFRS 16 Leases;

b) The difference between the present value of any future lease payments due and the fair value of the lease on initial recognition is recognised as a fair value right-of-use asset on the Balance Sheet, with a corresponding gain recognised in grant income within the surplus or deficit recognised on the provision of services.

TfL has a number of leases over property and other transport infrastructure under which it pays £nil or peppercorn rents. A majority of these leases were held at peppercorn rents by a previous lessee prior to the leases being taken on by TfL. We have undertaken an exercise to assess the fair value of the assets leased under these arrangements and have concluded that they have no material value. No amounts have therefore been recorded in the financial statements in 2020/21 or 2019/20 in respect of these leases.

b) Basis of preparation
The accounts are made up to 31 March 2021. The Corporation is a single service authority and all expenditure is attributable to the provision of highways, roads and transport services.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The accounts have been prepared under the accruals concept and in accordance with the historical cost accounting convention, modified by the revaluation of certain categories of non-current assets and financial instruments.

Where items are sufficiently significant by virtue of their size or nature, they are disclosed separately in the financial statements in order to aid the reader's understanding of the Corporation's and Group's financial performance.

c) Basis of consolidation
The Code requires local authorities with, in aggregate, material interests in subsidiary and associated companies and joint ventures, to prepare group financial statements.

Accounting Policies (continued)

The Group financial statements presented with the Corporation's financial statements consolidate the individual financial statements of TfL and its subsidiary undertakings. A subsidiary undertaking is an undertaking controlled by the Corporation. Control is achieved when the Corporation: has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns. The Corporation reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control.

The Group incorporates its share of the profits or losses and its share of the net assets of associated undertakings and joint ventures using the equity accounting method. Associate undertakings are those where the Group is considered to have the power to significantly influence, but not control, the financial and operating policies of the investee. Joint ventures are those where the Group has an interest in the net assets of an investee and has joint control over its financial and operating policies.

The acquisition method of accounting has been adopted for acquisitions or disposals into the Group of subsidiary undertakings. Under this method, the identifiable assets and liabilities of an acquired entity are recorded at their fair values at the date of acquisition. Costs of acquisition are expensed in line with IFRS 3 (revised) Business Combinations. The results of subsidiary undertakings acquired or disposed of are included in the Group Comprehensive Income and Expenditure Statement from the date of acquisition until the date of disposal.

d) Going concern

The financial statements have been prepared on a going concern basis as the Board remain confident that TfL will continue in operational existence for at least 12 months from the date of signing these financial statements and will meet its liabilities as they fall due for payment.

As set out in the Narrative Report, the unprecedented global pandemic of coronavirus has significantly impacted the organisation's ability to execute its activities.

In response to coronavirus, TfL has fully supported the Government's nationwide message to 'stay at home'. As a result, the Group saw demand reduce by more than 90 per cent on the Tube and around 85 per cent on Buses in the early part of 2020/21 with significant reductions in demand expected to continue throughout 2021/22. This has had a profound impact on our finances as passenger revenues have contributed more than 70 per cent of total TfL Group revenue income in recent years. Other income streams, including advertising and property rentals have also been significantly adversely impacted by the changes to Londoners' travel patterns, and by TfL's implementation of other measures in response to the pandemic.

The Group has continued delivering essential transport services supporting the crisis response and is well positioned to partner with the Government in driving economic recovery and growth. Nevertheless, the pandemic has acted to decimate our finances and has exposed the inadequacy of the Group's current funding model. TfL's significant exposure to changes in demand due to its high fixed costs and dependence on fares revenue mean that it is particularly susceptible to recessions.

During 2020/21, the Group was able to utilise the Job Retention Scheme as a source of additional funding. It also secured a series of Extraordinary Funding and Financing Agreements from the Secretary of State, as set out in the Viability Statement section of the Narrative report, which give it secure access to funding in the form of a mixture of Government grant and borrowing from the Public Works Loan Board until 11 December 2021. These agreements contain an acknowledgement from the Secretary of State for Transport that further financial support from the Government is likely to be needed until April 2023, with longer term external funding being required to support TfL's capital investment programme.

A number of conditions were attached to the latest funding arrangement agreed with the DfT on 1 June 2021, details of which are set out on the TfL website. As part of the arrangement, TfL has committed to deliver savings and/or new income of at least £300m in 2021/22. However, when taking into account the amount of funding available to TfL in the arrangement, there remains a funding shortfall compared with the TfL Budget for 2020/21. This means that TfL will, in practice, need to deliver savings and/or new income of around £900m over the course of 2021/22. This is expected to be met through a combination of measures, including utilisation of cash reserves, additional non-passenger income and reduced or deferred costs. These additional savings are incremental to our existing efficiency plans.

The funding arrangement assumes that TfL will maintain useable cash reserves of £1.2bn throughout, and at the end of, the funding period, in line with our current liquidity policy.

Over the course of the funding period to 11 December 2021, TfL will be supported by the DfT in implementing a programme of work designed to allow TfL to reach a financially sustainable position as soon as possible, with a target of no later than April 2023 and a declining trajectory, in the meantime, of temporary Government grant support. TfL will also be required to make progress on longer-term reforms, which are likely to be implemented beyond 2023.

The programme of work will include the following initiatives (among others):

- Identification and consultation on new or increased income sources for the value of between £0.5bn and £1.0bn per annum from 2023
- A joint review of demand to inform future service level requirements and potential changes from 2022/23 onwards
- Preparation of a revised medium-term capital investment programme, which will be confirmed with Government through the 2021 Spending Review
- A review of TfL's pension scheme and potential reform options with the aim of moving TfL's Pension Fund into a financially sustainable position
- A DfT-led joint programme on the implementation of driverless trains on the London Underground
- A TfL plan for housing delivery through a dedicated commercial property company
- A joint review of options for longer-term reform of the funding framework for TfL, including governance and oversight

Accounting Policies (continued)

The above initiatives and savings are within TfL's control to deliver, given the commitment from the DfT to work collaboratively with TfL over the funding period.

A material uncertainty remains as to the level of longer-term support that will be agreed, and what this means for the shape of TfL's planned future activities. This uncertainty casts significant doubt over TfL's ability both to continue operating the level of services currently provided and to continue with all projects included in the capital investment plan.

Absorption of the financial impacts of the unprecedented coronavirus pandemic directly restricts the level and availability of funding to the Group for spend on capital investment and certain projects have been already terminated or paused, and others are likely to continue to be delayed as a result. Over the short to medium term we will continue with those projects critical to operational safety, those related to Governmental priorities (such as those that promote cycling or walking) or which are already committed and nearing completion. Other pipeline projects may be abandoned, as coupled with reduced availability of funding, planned infrastructure projects may be de-prioritised or no longer considered optimal.

As part of the wider Government review of the Group, a review of the capital programme has been conducted and a Financial Sustainability Plan has been drawn up identifying the projects that remain priorities for future funding. TfL's current and planned future capital investment projects have been categorised by management according to their relative funding priority, taking into consideration such factors as health and safety requirements, the phase at which a project sits in its lifecycle, Government and mayoral priorities, sources of funding and penalties that may be incurred if projects are paused or permanently halted. Certain lower priority projects where termination penalties are not prohibitive have been paused or terminated during the year and related assets under construction have been written off or impaired as appropriate (see note 13). Work is ongoing to identify possible cost savings that could be made while delivering against the core priorities of the Investment Programme.

As at 31 March 2021, TfL had capital projects in the course of construction totalling £20bn, of which £14.7bn related to Crossrail and £1.4bn to the Four Lines Modernisation project. The remaining balance related to a range of projects across the network at varying stages of completion. Through the work outlined above, and through ongoing discussions with the Government and the GLA, management believe that all projects in progress at 31 March 2021 should continue to be funded. However, until a longer-term financing package is formally agreed, a material level of uncertainty remains as to whether all projects in the course of construction at 31 March 2021 will be fully funded to completion.

Uncertainty also exists in respect of the levels of future funding available to support our operational services. If future funding levels are set such that the level of services currently operated needs to be revised, some assets in use as at 31 March may no longer have the useful economic lives assumed in these financial statements. If projects or non-essential elements of in-progress projects are not funded, or if changes in services provided are required, there could be a possible further impairment of carrying values at 31 March 2021, which is not reflected in these financial statements.

As at 31 March 2021, the Group had usable reserves totalling £886.9m.

e) The application of new and revised standards

The Code stipulates that the requirements of IFRS and other pronouncements by the International Accounting Standards Board (as adopted by the EU) be applied unless specifically adapted or otherwise stated by the Code. The following new standards and amendments have therefore been applied for the first time in these financial statements:

- Amendments to IAS 1 and IAS 8 Definition of material

  The amendments provide a new definition of material that states, 'information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments have no impact on the consolidated financial statements of, nor is there expected to be any future impact to, the Group.

- Conceptual Framework for Financial Reporting

  The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments have no impact on the consolidated financial statements of the Group.

Accounting Policies (continued)

- Amendments to IFRS 16 COVID-19-Related Rent Concessions

  On 28 May 2020, the IASB issued COVID-19-Related Rent Concessions – amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19-related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19-related rent concession the same way it would for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted and TfL has applied the amendment from 1 April 2020. This amendment has no significant impact on the consolidated financial statements of the Group.

f) Accounting standards that have been issued but have not yet been adopted
The following revisions to IFRS are expected to be applicable in future periods, subject to endorsement where relevant. These have been issued by the EU, but have not been applied in these financial statements:

- IFRS 17 Insurance Contracts (mandatory for years commencing on or after 1 January 2023)

  IFRS 17 will replace IFRS 4 and provides an accounting model for insurance contracts that is more useful and consistent for insurers than existing standards. This standard is not expected to have a significant impact for the TfL Group.

- Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (effective for annual periods beginning on or after 1 January 2021)

  The phase 2 amendment addresses financial reporting implications when an existing interest rate benchmark is replaced with an alternative and highlights the following:

  (i) Facilitates a practical expedient when accounting for changes in the basis for determining the contractual cash flows (and resultant carrying value) of financial assets and liabilities measured at amortised cost or fair value through comprehensive income, to allow the effective interest rate to be adjusted

  (ii) Relief from discontinuing hedge relationships because of changes to hedge documentation required by the Reform

  (iii) Temporary relief from having to meet the separately identifiable requirement when an alternative Risk Free Rate, such as SONIA, is designated as a risk component of a hedge relationship as a replacement for the existing interest rate benchmark (LIBOR)

  (iv) IFRS 16 lessees are required to remeasure their lease liabilities in similar fashion to any other change in estimate, rather than as a lease modification

  Our initial assessment of Interest Rate Benchmark Reform is that the new basis for determining the contractual cash flows would be 'economically equivalent' to the previous basis.

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 (effective for annual periods beginning on or after 1 January 2022)

  The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  The amendment must be applied retrospectively only to assets made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 (effective for annual periods beginning on or after 1 January 2022)

  The amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets specifies that only directly related costs need to be included when assessing whether a contract is onerous or loss-making. The directly related costs include both incremental costs (e.g. the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g. depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded, unless they are explicitly chargeable to the counterparty under the contract.

  The amendments must be applied prospectively to contracts for which an entity has not yet fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

- Classification of Liabilities as Current or Non-current – Amendments to IAS 1 (effective for annual periods beginning on or after 1 January 2023)

  The amendments clarify the requirements for classifying liabilities as current or non-current.

- Reference to the Conceptual Framework – Amendments to IFRS 3 (effective for annual periods beginning on or after 1 January 2022)

Accounting Policies (continued)

- The amendment adds an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

  The amendments must be applied prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in IFRS Standards.

- Amendments from the 2018-2020 annual improvements cycle consisting of:

  (i) Subsidiary as a first-time adopter of International Financial Reporting Standards (IFRS 1). The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

  An entity applies the amendment for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted

  (ii) Fees in the '10 per cent' test for derecognition of financial liabilities under IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

  An entity applies the amendment for annual reporting periods beginning on or after 1 January 2022. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (IASB decided to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method)

  The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3.

The Group does not consider that any standards, amendments or interpretations issued by the IASB, but not yet applicable, other than those indicated in the paragraphs above, will have a significant impact on the financial statements.

g) Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative Comprehensive Income and Expenditure Statement is re-presented as if the operation had been discontinued from the start of the comparative period.

h) Uses of estimates, judgements and errors

The preparation of financial statements in conformity with the Code requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements are disclosed below. It is not considered likely that any reasonably possible changes in key assumptions in the next 12 months would have a material impact on the carrying amounts of Balance Sheet items not already held on the Balance Sheet at fair value.

Use of judgement

Determining whether an arrangement contains a lease

In determining whether an arrangement contains a lease, as required by IFRS 16 Leases, there is significant judgement in determining whether the arrangement conveys the right to control the use of an identified asset and in determining the lease term particularly in respect of whether the Group is reasonably certain to exercise extension options or renewal options.

For arrangements where TfL is a lessor there is significant judgement involved in respect of whether the arrangement is a finance or an operating lease.

Classification of investment properties

The Code requires that properties be classified as investment properties where they are held solely for the purpose of capital appreciation or to earn rentals. The Group owns a number of commercial properties as part of its infrastructure where part of the property is leased out to third parties. Judgement needs to be exercised in determining whether these properties can be separately identified and classified as investment properties in accordance with the requirements of the Code. As investment properties are valued at fair value with movements in the fair value being recorded in the Comprehensive Income and Expenditure Statement this could have a significant effect on the financial performance of the Group.

Accounting Policies (continued)

Leases
From the lessor's perspective in assessing whether a lease is an operating lease or a finance lease, judgement needs to be exercised in determining whether or not substantially all the risks and rewards of ownership of the leased asset are retained by the Group or are transferred to the lessee. Given that assets leased under a finance lease are derecognised from the Balance Sheet, and assets leased out under operating leases are not, this can have a significant effect on the reported financial position of the Group.

Availability of future capital funding
In assessing whether any impairment of the carrying value of assets under construction on the Balance Sheet date is required, management exercises judgement as to the level of funding that may be available to fund future expenditure on these projects through to completion. If insufficient future funding is anticipated, management reviews the carrying value of existing assets under construction for possible impairment.

Capitalisation of assets with third party interest
In assessing situations where TfL assets are constructed on, or have significant involvement with, external third parties, judgement is exercised in determining whether substantially all the risks and rewards of ownership of the asset are held by the Group.

Use of estimates

Useful economic life of property, plant and equipment
In determining the useful economic life of property, plant and equipment management estimate the length of time that the assets will be operational.

Post-retirement benefits
The pension costs and defined benefit plan obligations of the Group's defined benefit plans are calculated on the basis of a range of assumptions, including the discount rate, inflation rate, salary growth and mortality. Differences arising as a result of actual experience differing from the assumptions, or future changes in the assumptions will be reflected in subsequent periods. A small change in assumptions can have a significant impact on the valuation of the liabilities. More details are given in note 35.

Financial derivative instruments
The Group uses financial derivative instruments to manage certain exposures to fluctuations in foreign currency exchange rates and interest rates. In making its assessment and judgements, the Group assesses the effectiveness of the derivatives and changes in their fair values. Note 34 and Accounting Policy aj) on financial instruments provide detailed information about the key assumptions used in the determination of the fair value of financial instruments, as well as a sensitivity analysis for these assumptions. Management believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

Provisions
Estimation techniques are employed in the calculation of the best estimate of the amount required to settle obligations, including determining how likely it is that expenditure will be required by the Group. This can be very complex, especially when there is a wide range of possible outcomes. More details are given in note 29.

Expected credit loss allowance
The expected credit loss allowance recognised in respect of financial assets is based on a forward-looking probability-weighted measure considering reasonable and supportable information on past events, current conditions and the time value of money. As at 31 March 2021, management were required to make estimates regarding future losses based on the impact of the coronavirus outbreak on credit risk. Given the unprecedented nature of the pandemic, a greater than usual level of judgement was involved in reaching this estimate.

Taxes
Deferred tax assets are recognised for unused tax losses only to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The Group has tax losses carried forward with a tax value of £999.0m (2020 £1,001.9m). These losses relate to subsidiaries that have a history of losses, do not expire, and may be used to offset future taxable income in those subsidiaries. If the Group was able to recognise all unrecognised deferred tax assets, profit and equity would have increased by £2,119.9m (2020 £1,751.4m).

Investment property
Investment property, which is property held to earn rentals and/or capital appreciation, is stated at its fair value (open market value), as estimated by external, professionally qualified surveyors in accordance with Royal Institution of Chartered Surveyors (RICS) guidelines. Gains and losses from changes in the fair value of investment property are included in the Comprehensive Income and Expenditure Statement for the period in which they arise. Market activity has been impacted in many sectors by the coronavirus pandemic. As at 31 March 2021, our valuers were able to attach less weight to previous market evidence for comparison purposes in informing their opinions of value of car park assets which comprise only seven per cent of our investment portfolio. The valuations included in these financial statements in respect of this element of the portfolio are therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty and a higher degree of caution should be attached to these values than would normally be the case.

Office buildings
Owner-occupied office buildings held within property, plant and equipment are held at their existing use value, as estimated by external, professionally qualified surveyors in accordance with RICS guidelines. Movements in the value of the property are taken to the revaluation reserve.

Accounting Policies (continued)

Leases
When the interest rate implicit in the lease cannot be readily determined, TfL's incremental borrowing rate (IBR) at the lease commencement date is used to calculate the present value of the lease payments. This is the interest rate that the lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. When no observable inputs are available, the Group estimates the IBR, making assumptions to reflect the terms and conditions of the lease and certain entity-specific estimates. These assumptions include the consideration of a number of components including the risk-free rate, the lease term, the credit spread and adjustments related to the specific nature of the underlying asset.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension or termination option. The assessment is reviewed if a significant event or change in circumstances occurs which affects this assessment.

Valuation of peppercorn leases
TfL has a number of leases over property and other transport infrastructure under which it pays £nil or peppercorn rents. It has undertaken an exercise to assess the fair value of the assets leased under these arrangements and has concluded that they have no material value. No amounts have therefore been recorded in the financial statements in respect of these leases.

Defined benefit plans
The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'AA' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality.

Those having excessive credit spreads are excluded from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality corporate bonds.

The mortality rate is based on publicly available mortality tables. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases and pension increases are based on expected future inflation rates.

Further details about pension obligations are provided in note 35.

i) Revenue recognition
Revenue includes income generated from the provision of travel, other fees and charges, the letting of commercial advertising space and the rental of commercial properties.

Revenue is measured after the deduction of value added tax (where applicable).

Fares revenue
Revenue from annual or periodic tickets and Travelcards is recognised in the Comprehensive Income and Expenditure Statement on a straight-line basis over the period of validity of the ticket or Travelcard as TfL has a stand ready obligation to provide unlimited travel over the period of validity of the ticket or Travelcard. Oyster pay as you go revenue is recognised on usage and one-day Travelcards and single tickets are recognised on the day of purchase.

Revenue received in advance and not recognised in the Comprehensive Income and Expenditure Statement is recorded in the Balance Sheet and held within current liabilities – contract liabilities representing creditors' receipts in advance for Travelcards, bus passes and Oyster cards.

Revenue in respect of free and reduced fare travel for older customers and disabled customers
Revenue from the London Borough Councils in respect of free travel for older and disabled customers is recognised on a straight-line basis over the financial year to which the settlement relates, as TfL has a stand ready obligation to provide unlimited travel over the financial year to which the settlement relates.

Congestion Charging
The standard daily Congestion Charge, including those paying through auto-pay, is recognised as income on the day the eligible vehicle enters the Congestion Charge zone.

Income from penalty charge notices is recognised at an amount adjusted for the probability of cancellation, as payment becomes due. Each increase in charge results in income being recognised in full at the date the increase is applied.

Road network compliance
Income from penalty charge notices for traffic and parking infringements on red routes is recognised as it becomes due. Each increase in charge results in income being recognised in full at the date the increase is applied.

Taxi licensing
Income from taxi and private hire licences is recognised on a straight-line basis over the term of the licence.

Accounting Policies (continued)

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Commercial advertising
TfL grants a concessionaire partner control over certain advertising assets to facilitate the generation of advertising income across its estate and receives income from this arrangement. This is considered a lease arrangement for accounting purposes.

Where the arrangement is viewed as an operating lease under IFRS 16, revenue is recognised on a straight-line basis over the term of the contract.

Where the arrangement is viewed as a finance lease (where the lease transfers substantially all the risks and rewards of ownership of the underlying asset to the third party), a lease receivable is recognised. Finance income is recognised over the term of the lease, based on a pattern reflecting a constant periodic rate of return on the lease receivable. Lease receipts are allocated between reducing the principal balance and interest income.

TfL, through its concessionaire partner, also sells advertising space to customers and receives income from such arrangements under a revenue share agreement with its concessionaire. Revenue share income is dependent upon the revenue generated by the concessionaire and is therefore contingent in nature. Such revenue is recognised in the period when it is earned.

The Group receives performance monitoring credits when certain performance standards are not met. The performance monitoring credits are recognised as revenue when they are earned.

Rental income
Rental income from operating leases of properties, ATMs and car parks is recognised on a straight-line basis over the term of the lease. Rent-free periods, incentives, or fixed annual increases in the lease payments are spread on a straight-line basis over the lease term. Any inflation linked annual increases in rentals are treated as contingent rents and are recognised as income when they occur. Rental income based on tenant turnover is considered to be variable income and is therefore recognised as income in the period in which it is earned.

For finance leases, where the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset to the customer, a lease receivable is recognised. Finance income is recognised over the term of the lease, based on a pattern reflecting a constant periodic rate of return on the lease receivable. Lease receipts are allocated between reducing the principal balance and interest.

Third party contributions to operating costs
Revenue from third-party contributions to operating costs is earned on services performed by TfL in conjunction with other organisations or Government in relation to works such as dropping curbs, building roundabouts, installing traffic lights, installing shelters, escalators or elevators in stations, installing bus shelters, etc.

Revenue from third-party contributions is measured on the basis of progress towards completion, calculated using the proportion of costs incurred to date in relation to the total costs to be incurred on the entire project.

Cycle hire scheme revenues
Sponsorship revenue is recognised on a straight-line basis over the term of the contract as it represents an obligation to provide branding promotion to the customer during the period of the contract.

Annual memberships scheme revenue is recognised on a straight-line basis over the membership period, as it represents an obligation to provide specific numbers of memberships to clients during the membership period.

Daily access fees are recognised upon providing the customer with access to the bicycles.

Museum income

Store sales
Revenue from store sales is recognised at the point of sale to the customer.

Venue hire revenue
Revenue from venue hire is recognised on the date when the space is provided to the customer.

Venue hire catering commission
Venue hire catering commission is recognised upon completion of the event based on the estimated consideration receivable from the customer.

Corporate membership scheme
Corporate membership scheme revenue is recognised on a straight-line basis over the period of membership, as it represents a stand-ready obligation to provide unlimited entry during the period of membership.

Café concessionaire commission
Revenue from café concessionaire commission income is recognised over the term of the concessionaire contract and measured based on the estimated consideration receivable from the concessionaire in each period.

Ticket and photocard commission income
Revenue from ticket and photocard commission income is recognised upfront when the ticket or photocard is issued.

j) Segmental reporting
In accordance with the Code, the Group's operating segments have been determined by identifying the segments whose operating results are reviewed by the Board, when making decisions regarding the allocation of resources and for the assessment of performance.

The operating segments of the Group and their principal activities are as follows:

- Underground – Provision of passenger rail services on the London Underground and refurbishment and maintenance of certain parts of the rail network
- Elizabeth line – Delivery of passenger rail services on the Elizabeth line and services currently operating as TfL Rail
- Buses, streets and other operations – Provision of bus services; maintenance of London's roads and cycle routes; and provision of other operations, including Dial-a-Ride, London River Services, Taxi and Private Hire, Santander Cycles, Victoria Coach Station and the Emirates Air Line

Accounting Policies (continued)

- Rail – Provision of passenger rail services through contracted third-party operators on the DLR, London Overground and London Trams
- Major projects – Delivery of TfL's largest and most complex infrastructure projects
- Property development– Investment in our commercial and residential estate and building portfolio
- Media – Advertising estate and digital marketing infrastructure

Within these financial statements, the Major projects, Property and Media segments outlined above have been combined and disclosed collectively as 'Other segments'. Amounts included in TfL Group level management reporting, but excluded from divisional breakdowns are referred to as 'Group items'.

TfL's management reports to the TfL Board are presented using a basis of preparation that differs to the accounting requirements of the CIPFA Code. A reconciliation between the operating performance of the Group as reported to the Board to amounts included in the Group Comprehensive Income and Expenditure Statement is set out in Note 2.

k) Exceptional items

Exceptional costs are costs that are unusual, infrequent and which do not occur in the normal course of operations. An unusual event or transaction has a high degree of abnormality and is clearly unrelated to (or only incidentally related to) the ordinary activities of the organisation, taking into account the operating environment. Infrequent refers to events and transactions that would not reasonably be expected to recur in the foreseeable future, taking into account the operating environment.

The significant costs incurred in relation to the coronavirus pandemic, such as costs incurred in bringing construction projects to a Safe Stop, have been considered exceptional items. These costs have been identified separately below the net cost of services on the face of the Comprehensive Income and Expenditure Statement.

l) Grants and other funding

The main source of grant funding during 2020/21 was the Extraordinary Funding Support Grant from the DfT. Other grants included a share of Business Rate Retention received from the GLA, which is classified as a resource grant; and specific capital grants from the GLA for the Crossrail project.

In the accounts of the Corporation and Group, all non-specific grants are credited to the Comprehensive Income and Expenditure Statement upon receipt or when there is reasonable assurance that the grant will be received. If a capital grant is received but certain conditions remain before it may be applied, it will be held, in the first instance, as capital grant received in advance, within the payables section of the Balance Sheet. Once any relevant conditions have been met, the capital grant is credited to the Comprehensive Income and Expenditure Statement.

Where expenditure on property, plant and equipment is financed either wholly or partly by capital or non-specific grants or other contributions, the amount of the grant applied is credited to the Capital Adjustment Account through the Movements in Reserves Statement. Amounts not utilised in the year are credited to the Capital Grants Unapplied Account, a usable reserve, for application in future periods.

Amounts of non-specific grants not used in the year are credited to the General Fund balance or to an Earmarked Reserve for specific use in future periods, where appropriate.

Grant received on the Furlough Scheme is credited to the Comprehensive Income and Expenditure Statement upon receipt.

m) Overheads

Overheads are recognised in the Comprehensive Income and Expenditure Statement on an accruals basis.

n) Financing and investment income and expenses

Financing and investment income comprises interest income on funds invested, interest received in relation to finance leases, and premia received on the early settlement of borrowings. Interest income is recognised in the Comprehensive Income and Expenditure Statement as it accrues, using the effective interest rate method.

Financing and investment costs comprise the interest expense on borrowings and lease liabilities and the net financing cost on defined benefit pension obligations. Also included are premia paid on the early settlement of borrowings and interest rate derivatives. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the Comprehensive Income and Expenditure Statement using the effective interest rate method (see also Accounting Policy z) Borrowing costs).

Also included within financing and investment income or expenditure are fair value gains or losses recognised in relation to the revaluation of investment properties, and any profits or losses recognised on disposal of investment properties.

o) VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

p) Taxation

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the Comprehensive Income and Expenditure Statement except to the extent that they relate to a business combination, or to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Accounting Policies (continued)

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are disclosed net to the extent that they relate to taxes levied by the same authority and the Group has the right of offset.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

q) Business combinations

On the acquisition of a business, fair values are attributed to the identifiable assets and liabilities and contingent liabilities unless the fair value cannot be measured reliably in which case the value is subsumed into goodwill. Where fair values of acquired contingent liabilities cannot be measured reliably, the assumed contingent liability is not recognised but is disclosed in the same manner as other contingent liabilities.

Goodwill is the difference between the fair value of the consideration payable and the fair value of net assets acquired.

r) Intangible assets

Goodwill

Where the cost of a business combination exceeds the fair values attributable to the net assets acquired, the resulting goodwill is capitalised and tested for impairment at each Balance Sheet date. Goodwill is allocated to income-generating units for the purpose of impairment testing.

Other intangible assets

Software costs are measured at cost less accumulated depreciation and accumulated impairment losses.

Where components of an asset are significant in value in relation to the total value of the asset as a whole, and they have substantially different economic lives, they are recognised separately.

Amortisation is charged to the Comprehensive Income and Expenditure Statement on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use, unless such lives are indefinite.

The useful lives and amortisation methods for software costs are as follows:

Software costs	Straight-line	Up to 10 years

s) Property, plant and equipment

Recognition and measurement

Infrastructure consists of roads, tunnels, viaducts, bridges, stations, track, signalling, bus stations and stands; properties attached to infrastructure which are not separable from infrastructure; and properties attached to infrastructure that are used to facilitate the service provision but are limited in use by operational constraints. Some of these properties generate revenues which are considered to be incidental to the Group's activities.

Infrastructure, plant and equipment and rolling stock are measured at cost less accumulated depreciation and accumulated impairment losses. Assets under construction are measured at cost less any recognised impairment loss.

Owner-occupied office buildings are valued at existing use value by external, professionally qualified surveyors in accordance with RICS Guidelines. Existing use value is the estimated amount for which a property should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction disregarding potential alternative uses and any other characteristics of the asset that would cause its market value to differ from that needed to replace the remaining service potential at the measurement date. In determining the existing use value, the capitalisation of net income method and the discounting of future cash flows to their present value has been used. This is based upon various assumptions including the anticipated future rental income, maintenance costs and the appropriate discount rate, making reference to market evidence of transaction prices for similar properties. A deduction is made to reflect purchaser's acquisition costs.

Valuations are performed annually. Movements in the value of the property are taken to the Revaluation Reserve, with the exception of permanent diminutions in value which are recognised in profit or loss.

The cost of certain items of property, plant and equipment was determined by reference to a revalued amount determined under a previous accounting regimen. The Group elected to apply the optional exemption to use this previous valuation as deemed cost at 1 April 2009, the date of transition to IFRS.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, borrowing costs on qualifying assets for which the commencement date for capitalisation is on or after 1 April 2009, and any other costs directly attributable to bringing the assets to a working condition for their intended use. Where there is a legal obligation to remove the asset and/or restore the site on which it is located at the end of its useful economic life, the costs of dismantling and removing the items and restoring the site on which they are located are also included in the cost of the asset.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. When components are replaced, the costs of the overhaul are capitalised as additions and the carrying amounts of the replaced components are written off to profit or loss.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the item and are recognised net within other gains and losses in the Comprehensive Income and Expenditure Statement.

Depreciation

Depreciation is calculated on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less the expected residual value at the end of its useful economic life.

Depreciation is recognised in the Comprehensive Income and Expenditure Statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Tunnels and embankments	up to 120 years
Bridges and viaducts	up to 120 years
Track	up to 120 years
Road pavement	up to 40 years
Road foundations	up to 50 years
Signalling	up to 40 years
Stations	up to 120 years
Other property	up to 120 years
Rolling stock	up to 50 years
Lifts and escalators	up to 40 years
Plant and equipment	up to 75 years
Computer equipment	up to 15 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate, the effect of such adjustment being prospectively recognised as a change of estimate.

t) Heritage assets

Property, plant and equipment includes a number of assets classified as heritage assets in accordance with the Code. Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. These provisions apply to the collection of transport-related artefacts held at London Transport Museum. Due to the diverse nature of the assets held and the lack of comparable market values, the cost of obtaining a valuation of TfL's heritage assets is such that it would not be commensurate with the benefits provided to users of the financial statements. TfL has therefore taken the exemption available under the Code to hold its heritage assets at historical cost less any accumulated depreciation or impairment losses.

u) Investment property

Investment property is property held solely either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the supply of services or for administrative purposes.

Investment property is measured initially at cost, including transaction costs, and subsequently measured at fair value with any change therein recognised in profit or loss within financing and investment income or expenditure. During 2019/20 and 2020/21, as part of an exercise undertaken by management to create a consolidated commercial property portfolio, new lease structures created allowed the recognition, for the first time, of newly separable investment property assets which were recorded within investment property at fair value at the date of creation of the lease structure. Due to the fact that these assets were created through the separation of new lease structures from larger items of transport infrastructure (included within property, plant and equipment) and the revaluation uplift recorded on initial recognition does not fairly represent the increase in value in the period of the underlying assets, these valuation gains were recognised directly within other comprehensive income. Movement in the fair values of existing investment properties continued to be recognised within financing income or expenditure.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting. Investment properties held at fair value are not subject to depreciation.

Investment properties are valued annually at fair value by external, professionally qualified surveyors in accordance with RICS Guidelines. Fair value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. The methodology assumes the valuation is based on the highest and best use of the asset. In determining the fair value, the capitalisation of net income method and the discounting of future cash flows to their present value has been used. This is based upon various assumptions including the anticipated future rental income, maintenance costs and the appropriate discount rate, making reference to market evidence of transaction prices for similar properties. A deduction is made to reflect purchaser's acquisition costs. Properties are therefore categorised as Level 3 in the fair value hierarchy, as the measurement technique uses significant unobservable inputs to determine the fair value measurements.

Revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund balance. Any such gains and losses recognised by the Corporation are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and transferred to the Capital Adjustment Account.

Accounting Policies (continued)

v) Investment in joint ventures
A joint venture is a type of joint arrangement wherein the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in joint ventures are accounted for using the equity method. Under the equity method, the investment is initially recognised on the Balance Sheet at cost and is thereafter adjusted to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture.

w) Investment in associated undertakings
An associate is an entity over which the Group has significant influence, but not control. The results and assets and liabilities of associates are incorporated in these consolidated accounts using the equity method of accounting from the date on which the investee becomes an associate. Under the equity method, the investment is initially recognised on the Balance Sheet at cost and is thereafter adjusted to recognise the Group's share of the profit or loss and other comprehensive income of the associate.

x) Inventories
Inventories consist primarily of fuel, uniforms, and materials required for the operation of services and maintenance of infrastructure. Equipment and materials held for use in a capital programme are accounted for as inventory until they are issued to the project, at which stage they become part of assets under construction.

Inventories are stated at cost less a provision for excess and obsolete inventories. Cost comprises direct materials, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method.

y) Assets held for sale
Long-term assets (and disposal groups comprising a group of assets and potentially some liabilities that an entity intends to dispose of in a single transaction) are classified as held for sale if; their carrying amount will be recovered principally through sale rather than continuing use, they are available for immediate sale and sale is highly probable.

On initial classification as held for sale, long-term assets or disposal groups are measured at the lower of their previous carrying amount and fair value less costs to sell. No amortisation or depreciation is charged on long-term assets (including those in disposal groups) classified as held for sale.

z) Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets (those necessarily taking a substantial period of time to get ready for their intended use) are added to the cost of those assets, until such time as the assets are ready for their intended use. The Group has opted to use the date of transition to IFRS (1 April 2009) as the effective date for applying IAS 23 Borrowing Costs (IAS 23).

In the initial phase of the first lockdown in 2020, on-site works on our capital projects were brought to a temporary Safe Stop. During this period, capitalisation of borrowing costs was temporarily paused and interest incurred during this period was recognised within financing and investment expenditure.

All other finance and borrowing costs are recognised in the Comprehensive Income and Expenditure Statement in the period in which they are incurred.

aa) Provisions
Provisions are recognised on the Balance Sheet when a present legal or constructive obligation exists for a future liability in respect of a past event and where the amount of the obligation can be estimated reliably. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the Balance Sheet date and are discounted to present value where the effect is material.

ab) Foreign currencies
Transactions in currencies other than sterling are recognised at the rates of exchange prevailing at the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks (see Accounting Policy aj) below for hedging accounting policies).

ac) Leases (the Group as lessee)
At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

The lease liabilities arising from a lease are initially measured on a present value basis comprising the following lease payments:

- Fixed payments (including in-substance fixed payments) less any lease incentives receivable
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- Amounts expected to be payable by the Group under residual value guarantees
- The exercise price of a purchase option if the Group is reasonably certain to exercise that option
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option

Accounting Policies (continued)

- Lease payments to be made under reasonably certain extension options

The lease payments are discounted using the TfL Group's incremental borrowing rate, being the rate the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

TfL's incremental borrowing rate for each tenor consists of two elements: an underlying rate, which is the UK Gilt rate and a credit spread representing the percentage payable above the underlying rate to reflect the credit profile of the TfL Group. TfL has a number of outstanding public bonds that can be used to estimate the credit spread payable for a range of tenors. For rolling stock leased assets, an adjustment to the rate was made to reflect the additional credit risk inherent in these lease arrangements.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate takes effect, then the lease liability is re-measured using the changed cash flows and changed discount rate. Further, a corresponding adjustment is also made to the right-of-use asset.

Lease payments are allocated between the repayment of principal and a finance cost. The finance cost is charged to the Comprehensive Income and Expenditure Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The right-of-use assets are measured at cost comprising the following:

- The amount of initial measurement of lease liability
- Any lease payments made at or before the commencement date, less any lease incentives received
- Any initial direct costs
- Restoration costs

The right-of-use assets are generally depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term. If it is reasonably certain that the Group will exercise a purchase option, then the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and with low-value assets are recognised on a straight-line basis as an expense in the Comprehensive Income and Expenditure Statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

IFRS 16 permits the use of a practical expedient that permits lessees to make an accounting policy election, by class of underlying asset, to account for each separate lease component of a contract and any associated non-lease components as a single lease component. Contracts for bus services contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. TfL's accounting policy is to apply this expedient to other equipment as a class of underlying asset. If the non-lease components over the contract duration total less than five per cent of the total contract value or £500,000, whichever is lower, then the non-lease and lease components are treated as a single lease.

Peppercorn leases

Leases with payments at peppercorn or nominal consideration that are provided at substantially below market terms, and leases for nil consideration, are accounted for as follows:

- Any portion of the lease that is payable is accounted for in the same way as other lease obligations under IFRS 16 Leases
- The difference between the present value of any future lease payments due and the fair value of the lease on initial recognition is recognised as a fair value right-of-use asset on the Balance Sheet, with a corresponding gain recognised in grant income within the surplus or deficit recognised on the provision of services

TfL has a number of leases over property and other transport infrastructure under which it pays £nil or peppercorn rents. It has undertaken an exercise to assess the fair value of the assets leased under these arrangements and has concluded that they have no material value. No amounts have therefore been recorded in the financial statements in respect of these leases.

ad) Leases (the Group as lessor)

Lease income from operating leases is recognised as income on a straight-line basis over the lease term. Rent free periods, incentives, or fixed annual increases in the lease payments are spread on a straight-line basis over the lease term. Any inflation linked annual increases in rentals are treated as contingent rents and are recognised as income when they occur. Rental income based on turnover is considered variable and therefore is recognised in the period in which it is earned. The respective leased assets are included in the Balance Sheet within property, plant and equipment based on their nature.

Lease income from finance leases is recognised over the lease term at an amount that produces a constant periodic rate of return on the remaining balance of the net investment in the lease. The net investment in the lease is the sum of lease payments receivable during the lease term discounted at the interest rate implicit in the lease.

Lease income in respect of property leases has been adversely impacted by the coronavirus pandemic. Bespoke support has been provided to tenants on a case-by-case basis and includes the grant of rent-free periods and other arrangements reflecting the position of each customer. The accounting treatment for the tenant support, which results in some divergence between net rental income on a reported basis and cash flow basis, is as follows:

Accounting Policies (continued)

- Rent-free periods are generally considered to constitute a lease modification under IFRS 16, with the lease incentive deferred over the remaining lease term. The lease incentive balance will be assessed for impairment at each reporting date. If the pandemic continues and if the level of tenant failures is higher than expected, the impairment of tenant incentives and bad debt expense is also expected to increase

- Lease income from finance leases is recognised over the lease term at an amount that produces a constant periodic rate of return on the remaining balance of the net investment in the lease. The net investment in the lease is the sum of lease payments receivable during the lease term discounted at the interest rate implicit in the lease

- On lease commencement the carrying value of the asset is derecognised, the net investment in the lease is recognised as a finance lease receivable and any selling profit or loss is recognised in the Comprehensive Income and Expenditure Statement

ae) Private Finance Initiative (PFI) transactions and similar contracts

The Code requires the Group to account for infrastructure PFI schemes where it controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement. TfL therefore recognises such PFI assets as items of property, plant and equipment together with a liability to pay for them. The fair values of services received under the contract are recorded as operating expenses.

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:

a) The service charge

b) Repayment of the capital

c) The interest element (using the interest rate implicit in the contract)

Services received

The fair value of services received in the year is recorded under the relevant expenditure headings within 'gross expenditure'.

Assets

Assets are recognised as property, plant and equipment or intangible assets when they come into use. The assets are measured initially at fair value in accordance with IPSAS 32 Service Concession Arrangements – Grantor (IPSAS 32).

Where the operator enhances assets already recognised in the Balance Sheet the fair value of the enhancement in the carrying value of the asset is recognised as an asset.

Liabilities

A PFI liability is recognised at the same time as the assets are recognised. It is measured initially at the same amount as the fair value of the PFI assets and is subsequently measured as a finance lease liability in accordance with IAS 17.

An annual finance cost is calculated by applying the implicit interest rate in the lease to the opening lease liability for the year and is charged to financing and investment expenditure within the Comprehensive Income and Expenditure Statement.

The element of the unitary payment that is allocated as a finance lease rental is applied to meet the annual finance cost and to repay the lease liability over the contract term.

Life cycle replacement

Components of the asset replaced by the operator during the contract (lifecycle replacement) are capitalised where they meet the Group's criteria for capital expenditure. They are capitalised at the time they are provided by the operator and are measured initially at their fair value.

af) Impairment of non-financial assets

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired. Other intangible assets, property, plant and equipment and investments in subsidiaries, joint ventures and associates are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss.

Impairment occurs when an asset's carrying value exceeds its recoverable amount. An asset's recoverable amount is the higher of its value in use and its fair value less costs to sell.

In accordance with the Code, when an asset is not held primarily for the purpose of generating cash flows but for service provision, value in use is the present value of the asset's remaining service potential, which can be assumed to be at least equal to the cost of replacing that service potential. This is the case for the majority of the Group's assets.

ag) Employee benefits

Defined benefit pension plans

The majority of the Group's employees are members of the Group's defined benefit plans, which provide benefits based on final pensionable pay. The assets of schemes are held separately from those of the Group.

On retirement, members of the schemes are paid their pensions from a fund which is kept separate from the Group. The Group makes cash contributions to the funds in advance of members' retirement.

Every three years the Group's schemes are subject to a full actuarial funding valuation using the projected unit method. Separate valuations are prepared for accounting purposes on an IAS 19 basis as at the Balance Sheet date. Pension scheme assets are measured using current market bid values. Pension scheme defined benefit obligations are measured using a projected unit credit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the defined benefit obligation.

Accounting Policies (continued)

The difference between the value of the pension scheme assets and pension scheme liabilities is a surplus or a deficit. A pension scheme surplus is recognised to the extent that it is recoverable and a pension scheme deficit is recognised in full. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is reflected immediately in the Balance Sheet with a charge or credit recognised in other comprehensive income in the period in which it occurs. Remeasurement recognised in other comprehensive income will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit obligation or asset. Defined benefit costs are categorised between; (a) service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements), (b) net interest expense or income, and (c) remeasurement. The Group presents the first two components in profit or loss within the surplus on the provision of services before tax. Curtailment gains and losses are accounted for as past service costs.

Multi-employer exemption

For certain defined benefit schemes, the Corporation and/or the Group is unable to identify its share of the underlying assets and defined benefit obligations of the scheme on a consistent and reasonable basis. As permitted by the multi-employer exemption in the Code, these schemes are accounted for as defined contribution schemes. Contributions are therefore charged to the Comprehensive Income and Expenditure Statement as incurred.

Group schemes under common control

The Corporation and certain of its subsidiaries are members of a Group defined benefit plan wherein risks are shared between the entities under common control. There is no contractual arrangement in place to apportion the net defined benefit cost across the member entities. Accordingly, in line with the provisions of IAS 19, the total net defined benefit obligation is recognised in the individual financial statements of the sponsoring employer, the Corporation.

Unfunded pension schemes

Ex gratia payments are made to certain employees on retirement in respect of service prior to the establishment of pension funds for those employees. Supplementary payments are made to the pensions of certain employees who retired prior to the index linking of pensions. The Group also augments the pensions of certain employees who retire early under voluntary severance arrangements. In addition, certain employees also accrue benefits under an unfunded pension arrangement. These unfunded pension liabilities are provided for in the Balance Sheet.

Defined contribution plans

Some employees are members of defined contribution plans. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the Comprehensive Income and Expenditure Statement in the periods during which services are rendered by employees.

Other employee benefits

Other short- and long-term employee benefits, including holiday pay and long service leave, are recognised as an expense over the period in which they accrue.

ah) Reserves

Reserves consist of two elements, usable and unusable. Usable reserves are those that can be applied to fund expenditure. They are made up of the General Fund, Earmarked Reserves, the Capital Grants Unapplied Account and the Street Works Reserve. Amounts in the Street Works Reserve represent the net income/expenditure generated from lane rental revenues. These net revenues may only be employed in funding the reduction of disruption and other adverse effects caused by street works.

Unusable reserves cannot be applied to fund expenditure as they are not cash backed. They include the Capital Adjustment Account, Pension Reserve, the Hedging Reserve, the Financial Instruments Revaluation Reserve, the Financial Instruments Adjustment Account, the Retained Earnings Reserve in subsidiaries and the Fixed Asset Revaluation Reserve.

ai) Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (grants, business rates, etc.) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between TfL's operating segments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

aj) Financial instruments

Financial instruments within the scope of IFRS 9 Financial Instruments (IFRS 9) are classified as:

- Financial assets measured at amortised cost
- Financial assets measured at fair value through other Comprehensive Income and Expenditure (FVTOCI)
- Financial assets measured at fair value through the Comprehensive Income and Expenditure Statement (FVTPL)
- Financial liabilities measured at amortised cost
- Financial liabilities at fair value through the Comprehensive Income and Expenditure Statement (FVTPL)

The Group determines the classification of its financial instruments at initial recognition. Financial assets may be reclassified only when the Group changes its business model for managing financial assets, at which point all affected financial assets would be reclassified. Financial liabilities are not reclassified subsequent to initial recognition.

Accounting Policies (continued)

When financial instruments are recognised initially, they are measured at fair value, being the transaction price plus any directly attributable transaction costs. The exception to this is for assets and liabilities measured at fair value through the Comprehensive Income and Expenditure Statement, where transaction costs are immediately expensed.

The subsequent measurement of financial instruments depends on whether they are financial assets or financial liabilities and whether specified criteria are met.

Financial assets are measured at amortised cost if:

- it is the objective of the Group to hold the asset in order to collect contractual cash flows; and
- the contractual terms give rise to cash flows, which are solely repayments of a principal value and interest thereon.

After initial recognition, these assets are carried at amortised cost using the effective interest rate method if the time value of money is significant. Gains and losses are recognised in the Comprehensive Income and Expenditure Statement when the asset is derecognised or a loss allowance applied, as well as through the amortisation process.

Financial assets are measured at FVTOCI if:

- assets are non-derivative and held within a business model whose objective is to realise their value through either the collection of contractual cash flows or selling of the financial assets; and
- the contractual terms of the financial asset give rise to periodic cash flows that are the payment of principal and interest.

After initial recognition, interest is taken to the Comprehensive Income and Expenditure Statement using the effective interest rate method and the assets are measured at fair value with gains or losses being recognised in Other Comprehensive Income and Expenditure (and taken to the Financial Instruments Revaluation Reserve), except for impairment gains or losses, until the investment is derecognised, or reclassified at which time the cumulative fair value gain or loss previously reported in reserves is included in the Comprehensive Income and Expenditure Statement. For equity instruments, unlike debt instruments, there is no transfer of accumulated amounts in Other Comprehensive Income to the Comprehensive Income and Expenditure Statement.

Financial assets are measured at FVTPL if they are:

- Derivatives
- Not held as amortised cost or at FVTOCI
- Financial assets that were elected to be designated as measured at FVTPL

After initial recognition, assets are carried in the Balance Sheet at fair value with gains or losses recognised in the Comprehensive Income and Expenditure Statement.

Financial liabilities are measured at amortised cost if they are non-derivative with limited exceptions.

After initial recognition, non-derivative financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities are measured at FVTPL if they are:

- Derivatives
- Other liabilities held for trading
- Financial liabilities that were elected to be designated as measured at FVTPL

Loans to subsidiaries
Loans to subsidiaries are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Loans are classified as amortised cost.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and investments that are readily convertible to cash and with an outstanding maturity, at the date of acquisition, of less than or equal to three months. Cash and cash equivalents are classified as financial assets at amortised cost.

Other investments
Short-term investments with an outstanding maturity, at the date of acquisition, of greater than three months and less than or equal to a year, are classified as short-term investments on the basis that they are not readily convertible to cash. Short-term investments are classified as financial assets at amortised cost.

Trade and other receivables
Trade and other receivables are recognised initially at fair value and subsequently classified as financial assets at amortised cost.

Finance lease receivables
Finance lease receivables are recognised initially at fair value and subsequently classified as financial assets at amortised cost.

Trade and other creditors
Trade and other creditors are recognised initially at fair value and subsequently at amortised cost using the effective interest rate method.

Interest bearing loans and borrowings
All loans and borrowings are classified as financial liabilities measured at amortised cost.

Obligations under leases and PFI arrangements
All obligations under leases and PFI arrangements are classified as financial liabilities measured at amortised cost.

Accounting Policies (continued)

Other financing liabilities
Other financing liabilities are classified as financial liabilities measured at amortised cost.

Financial derivative instruments
The Group uses financial derivative instruments to manage certain exposures to fluctuations in foreign currency exchange rates and interest rates. The Group does not hold or issue derivative instruments for speculative purposes. The use of derivatives is governed by the Group's Treasury Management policies, approved by the Board.

Derivative assets and derivative liabilities are classified as FVTPL. Such financial derivative instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of the foreign currency risk of firm commitments (cash flow hedges).

The fair value of hedging derivatives is classified as a long-term asset or a long-term liability if the remaining maturity of the hedge relationship is more than 12 months and as a short-term asset or a short-term liability if the remaining maturity of the hedge relationship is less than 12 months. Derivatives not designated into an effective hedge relationship are classified as a short-term asset or a short-term liability.

Hedge accounting
In order to qualify for hedge accounting, at inception of the transaction the Group formally designates and documents the hedging relationship, which includes the Group's risk management strategy and objective for undertaking the hedge, identification of the hedging instrument, the hedged item, the ratio between the amount of hedged item and the amount of hedging instrument, the nature of the risk being hedged and how the Group assesses that the hedging instrument is highly effective including analysis of potential sources of hedge ineffectiveness.

At the inception of the hedge relationship and prospectively on an ongoing basis, the Group assesses three criteria in determining the hedge is effective and qualifies for hedge accounting, namely:

- An economic relationship exists such that the fair value or cash flows attributable to the hedged risk will be offset by the fair value of the hedged instrument
- Credit risk does not dominate changes in the value of the hedging instrument or hedged item
- The hedge ratio used for hedge accounting purposes is the same as that used for risk management purposes and is to be maintained as initially set throughout the hedge relationship

Where derivatives or portions of hedges do not qualify for hedge accounting, they are recorded at fair value through the Comprehensive Income and Expenditure Statement and any change in value is immediately recognised in the Comprehensive Income and Expenditure Statement.

Cash flow hedges
Derivative instruments are classified as cash flow hedges when they hedge the Group's exposure to variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction. Derivative instruments qualifying for treatment as cash flow hedges are principally interest rate swaps and foreign currency forward exchange contracts.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is deferred in reserves. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts deferred in reserves are recycled to profit or loss in the periods when the hedged items (the hedged asset or liability) are recognised in the Comprehensive Income and Expenditure Statement. When the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in reserves are transferred from reserves and are included in the initial measurement of the cost of the related asset or liability. For transaction-related hedged items, this will occur once the hedged transaction has taken place. For time-period related hedged items, the amount that is accumulated in reserves is amortised on a systematic and rational basis as a reclassification adjustment.

Hedge accounting is discontinued when the hedging instrument expires, is sold, terminated, exercised or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in reserves at that time remains in reserves and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in reserves is recognised immediately in profit or loss.

Fair value measurement of financial instruments
The fair value of quoted investments is determined by reference to bid prices at the close of business on the Balance Sheet date, within Level 1 of the fair value hierarchy as defined within IFRS 13.

Where there is no active market, fair value is determined using valuation techniques. These include using recent arm's length transactions; reference to the current market value of another instrument which is substantially the same; and discounted cash flow analysis and pricing models.

In the absence of quoted market prices, derivatives are valued by using quoted forward prices for the underlying commodity/currency and discounted using quoted interest rates (both as at the close of business on the Balance Sheet date). Hence, derivatives are within Level 2 of the fair value hierarchy as defined within IFRS 13.

Accounting Policies (continued)

Impairment of financial assets

At each reporting date, the Group assesses whether the credit risk on a significant financial asset measured at amortised cost or FVTOCI has increased significantly since initial recognition and subsequently measures an expected credit loss allowance for that financial instrument.

The expected loss allowance is a measurement based on the probability of default over the lifetime of the contract for trade receivables, lease receivables or contract assets in scope of IFRS 15. For other financial assets, the allowance is based on the probability of default occurring in 12 months providing credit risk is assessed as low.

The expected credit loss is based on a forward-looking, probability-weighted measure considering reasonable and supportable information on past events, current conditions and the time value of money. Where financial assets are determined to have shared risk characteristics they are assessed collectively, otherwise, they are reviewed on an individual basis.

No loss allowance for expected credit loss is recognised on a financial asset where the counterparty is central government or a local authority and where relevant statutory provisions prevent default. Expected credit loss allowances are recognised in the Comprehensive Income and Expenditure Statement.

Embedded derivatives

Derivatives that are embedded in other financial instruments or other host contracts are treated as separate derivatives when:

- the host contract is a financial liability or an asset not within the scope of IFRS 9; and
- the derivative's risks and characteristics are not closely related to those of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the host contracts are not carried at fair value.

In such cases, an embedded derivative is separated from its host contract and accounted for as a derivative carried on the Balance Sheet at fair value from inception of the host contract. Unrealised changes in fair value are recognised as gains/losses within the Comprehensive Income and Expenditure Statement during the period in which they arise.

TfL advertised that there was a £200 fine for not wearing a face covering

Notes to the Financial Statements
1. Gross income

a) Group gross income

Year ended 31 March	2021 £m	% of total	2020 £m	% of total
Passenger income	1,284.6	53.6	4,432.9	76.9
Revenue in respect of free travel for older and disabled customers	315.0	13.1	317.9	5.5
Congestion Charging	315.7	13.2	247.0	4.3
ULEZ charges	77.1	3.2	149.1	2.6
Low Emission Zone charges	5.7	0.2	5.5	0.1
Charges to London Boroughs and Local Authorities	12.4	0.5	15.3	0.3
Charges to transport operators	1.6	0.1	10.2	0.2
Road Network compliance income	47.4	2.0	69.0	1.2
Commercial advertising receipts	58.9	2.5	158.3	2.7
Rents receivable	77.1	3.2	93.9	1.6
Contributions from third parties to operating costs	56.7	2.4	77.7	1.3
Taxi licensing	26.5	1.1	36.7	0.6
Ticket and photocard commission income	7.6	0.3	14.4	0.3
General fees and charges	7.5	0.3	13.7	0.2
ATM and car parking income	3.3	0.1	21.7	0.4
Museum income	3.9	0.2	11.4	0.2
Training and specialist services	13.5	0.6	16.7	0.3
Cycle hire scheme	16.8	0.7	11.0	0.2
Other	64.5	2.7	59.8	1.1
	2,395.8	100.0	5,762.2	100.0

b) Corporation gross income

Year ended 31 March	2021 £m	% of total	2020 £m	% of total
Congestion Charging	315.7	59.1	247.0	42.0
UELZ charges	77.1	14.4	149.1	25.4
Low Emission Zone charges	5.7	1.1	5.5	0.9
Charges to London Boroughs and Local Authorities	11.9	2.2	11.5	2.0
Road Network compliance income	47.4	8.9	69.0	11.7
Rents receivable	0.5	0.1	0.4	0.1
Contributions from third parties to operating costs	24.5	4.6	39.6	6.7
Taxi licensing	26.5	5.0	36.2	6.2
General fees and charges	3.2	0.6	-	-
Training and specialist services	12.1	2.3	13.4	2.3
Other	9.7	1.7	16.3	2.7
	534.3	100.0	588.0	100.0

c) Congestion Charging

Year ended 31 March	Group and Corporation 2021 £m	Group and Corporation 2020 £m
Income	315.7	247.0
Toll facilities and traffic management	(83.0)	(73.2)
	232.7	173.8
Administration, support services and depreciation	(8.5)	(11.7)
Net income from Congestion Charging	224.2	162.1

Net income from the Congestion Charge (above), Low Emission Zone and ULEZ (page 145) is spent on delivering the Mayor's Transport Strategy.

1. Gross income (continued)

d) Low Emission Zone charging

Year ended 31 March	**Group and Corporation 2021 £m**	Group and Corporation 2020 £m
Income	**5.7**	5.5
Toll facilities and traffic management	**(0.7)**	(1.7)
	5.0	3.8
Administration, support services and depreciation	**-**	-
Net income from Low Emission Zone charging	**5.0**	3.8

e) ULEZ charging

Year ended 31 March	**Group and Corporation 2021 £m**	Group and Corporation 2020 £m
Income	**77.1**	149.1
Toll facilities and traffic management*	**(33.1)**	(54.8)
	44.0	94.3
Administration, support services and depreciation	**(6.4)**	(3.8)
Net income from ULEZ charging	**37.6**	90.5

* Traffic management costs for 2019/20 have been restated to remove costs of operating van, car and motorcycle scrappage and taxi delicensing schemes, as these are no longer considered direct costs of operating the charge.

f) Street works

Year ended 31 March	**Group and Corporation 2021 £m**	Group and Corporation 2020 £m
Income	**8.7**	9.1
Allowable operating costs of managing the lane rental scheme	**(2.0)**	(1.7)
Application of Street Works Reserve to projects reducing the adverse effects caused by street works	**(5.4)**	(4.1)
Net income recognised within net cost of services	**1.3**	3.3
Allowable capital costs of managing the lane rental scheme	**-**	(0.3)
Net income for the year transferred to the Street Works Reserve	**1.3**	3.0

Under the London lane rental scheme, introduced in 2012, TfL receives payments where utilities carry out certain street works in circumstances significantly affecting traffic. The legislation (SI 2012/425) requires TfL to apply the net proceeds of these payments to reducing the adverse effects caused by street works. The net income shown above has been transferred to the Street Works Reserve.

Notes to the Financial Statements
2. Segmental analysis

2a) Segmental analysis
The breakdown of performance reporting by segment is presented in the Expenditure and Funding Analysis on page 124. The analysis only shows Group segmental information and no disclosures are included for the Corporation. This is because the Corporation's results are not reported to the TfL Board on a segmental basis.

Prior year segmental information has been restated to reflect the fact that the Buses, Streets and Other operations segments are now being reported as a single combined division. The realignment of operating divisions has also had a consequential impact on the historically reported allocation of indirect costs between divisions.

No Balance Sheet information is reported internally by segment and there is accordingly no requirement under the Code to disclose segmental Balance Sheet information in the Statement of Accounts.

2b) Reconciliation of the Operating Account as included in internal reports to management to the Group Comprehensive Income and Expenditure Statement
The segmental information presented in the Expenditure and Funding Analysis reflects the presentation of the Operating Account as included in internal management reports, published on TfL's website in the form of Quarterly Performance Reports (www.tfl.gov.uk/corporate/publications-and-reports/quarterly-progress-reports). The methodology for preparation and the presentation of figures within the Operating Account differs in several respects from the Group Comprehensive Income and Expenditure Statement as presented in these financial statements. To aid understanding of TfL information as reported in Quarterly Performance Reports, a reconciliation of the Operating Account to the Group Comprehensive Income and Expenditure Statement is presented on the following pages.

London Buses played a key role during the coronavirus pandemic

Notes to the Financial Statements
2. Segmental analysis (continued)

Reconciliation of the Operating Account as included in internal reports to management to the Group Comprehensive Income and Expenditure Statement (CI&E)

Year ended 31 March 2021	Operating Account as reported to management £m	Items included in the CI&E but excluded from the Operating Account £m	Items included in the Operating Account but excluded from the CI&E £m	Reclassifications between line items £m	Items with different accounting treatment (see note 2c) £m	Group Comprehensive Income and Expenditure Statement £m
Gross income/(total operating income)	2,377.0	-	-	-	18.8	2,395.8
Gross expenditure/(operating cost)	(6,381.0)	(1,802.5)	751.5	29.4	(2.2)	(7,404.8)
Net cost of services before exceptional items/ (divisional net operating deficit excluding grant income)	(4,004.0)	(1,802.5)	751.5	29.4	16.6	(5,009.0)
Exceptional items	-	-	-	(29.4)	-	(29.4)
Net cost of services after exceptional items	(4,004.0)	(1,802.5)	751.5	-	16.6	(5,038.4)
Other net operating expenditure	-	(63.4)	-	-	-	(63.4)
Grant income	3,544.0	933.5	-	-	254.8	4,732.3
Group share of profit before tax of joint ventures	-	0.7	-	-	-	0.7
Group share of loss before tax of associated undertakings	-	(3.5)	-	-	-	(3.5)
(Capital renewals)	(367.0)	-	367.0	-	-	-
(Net cost of operations before financing)	(827.0)	(935.2)	1,118.5	-	271.4	(372.3)
Financing and investment income	-	35.8	-	13.6	-	49.4
Financing and investment expenditure	-	(146.0)	-	(453.6)	1.0	(598.6)
(Net financing costs)	(440.0)	-	-	440.0	-	-
Group deficit before tax/(net cost of operations after extraordinary grant)	(1,267.0)	(1,045.4)	1,118.5	-	272.4	(921.5)
Taxation income	-	10.5	-	-	-	10.5
Group deficit after tax	(1,267.0)	(1,034.9)	1,118.5	-	272.4	(911.0)

2. Segmental analysis (continued)

Reconciliation of the Operating Account as included in internal reports to management to the Group Comprehensive Income and Expenditure Statement (CI&E) (restated)

Year ended 31 March 2020	Operating Account as reported to management £m	Items included in the CI&E but excluded from the Operating Account £m	Items included in the Operating Account but excluded from the CI&E £m	Reclassifications between line items £m	Items with different accounting treatment (see note 2c) £m	Group Comprehensive Income and Expenditure Statement £m
Gross income/(total operating income)	5,774.0	–	–	–	(11.8)	5,762.2
Gross expenditure/(operating cost)	(6,473.0)	(1,997.7)	648.5	19.3	64.1	(7,738.8)
Net cost of services/(divisional net operating deficit excluding grant income)	(699.0)	(1,997.7)	648.5	19.3	52.3	(1,976.6)
Exceptional items	–	–	–	(19.3)	–	(19.3)
Net cost of services/(divisional net operating deficit)	(699.0)	(1,997.7)	648.5	–	52.3	(1,995.9)
Other net operating expenditure	–	(30.9)	–	–	–	(30.9)
Grant income	1,105.0	2,231.6	–	–	(68.5)	3,268.1
Group share of loss before tax of joint ventures	–	(0.1)	–	–	–	(0.1)
Group share of loss before tax of associated undertakings	–	(52.0)	–	–	–	(52.0)
(Capital renewals)	(453.0)	–	453.0	–	–	–
(Net cost of operations before financing)	(47.0)	150.9	1,101.5	–	(16.2)	1,189.2
Financing and investment income	–	90.7	–	18.0	–	108.7
Financing and investment expenditure	–	(82.0)	–	(429.0)	(8.9)	(519.9)
(Net financing costs)	(411.0)	–	–	411.0	–	–
Group surplus before tax/(net cost of operations after extraordinary grant)	(458.0)	159.6	1,101.5	–	(25.1)	778.0
Taxation expense	–	(106.8)	–	–	–	(106.8)
Group surplus after tax	(458.0)	52.8	1,101.5	–	(25.1)	671.2

Where line item descriptors differ between the Operating Account and the Comprehensive Income and Expenditure Statement, those used in the Operating Account are shown within parentheses in the above tables.

2. Segmental analysis (continued)

2c) Detailed reconciliation of segmental information reported in internal management reports to amounts included in the Group (deficit)/surplus

The segmental analysis is prepared using internal management reporting accounting methodologies. In some cases, these methodologies are different from the accounting policies used in the financial statements. Where there are accounting policy differences between management reports and the statutory accounts, statutory accounting adjustments are not recorded by segment in the underlying accounting records. It is not therefore possible to produce a segmental breakdown of the Group financial statements on a statutory basis of preparation. Differences between the methodologies are explained in the paragraphs and table below:

- Depreciation, amortisation of intangibles and impairment charges are not included in the segmental analysis

- The cost of retirement benefits is recognised within gross expenditure in the Operating Account as a charge based on cash contributions paid during the year, rather than the pension service cost and net interest charge on defined benefit pension obligations recognised in the Comprehensive Income and Expenditure Statement. This better reflects the actual charge made to the General Fund in respect of pension costs which is calculated based on actual contributions paid as opposed to the charges flowing through the Comprehensive Income and Expenditure Statement as calculated under IAS 19

- The Operating Account excludes the net gain on disposal of investment properties and the change in fair value of investment properties that are included within financing and investment income in the Comprehensive Income and Expenditure Statement. Fair value movements are excluded from management reporting as these gains or losses are unrealised. The net proceeds from disposals, meanwhile, are included in the Capital Account for management reporting purposes, as these income streams may only be employed by the Corporation to fund capital expenditure and do not represent an ongoing revenue stream that can be employed to meeting the day-to-day operating costs of the network

- Similarly, the Operating Account excludes gains and losses on the disposal of property, plant and equipment and intangible assets recognised within other operating expenditure, and instead includes the net proceeds from these disposals in the Capital Account

- Internal management reporting includes a charge within operating expenditure for the costs of right-of-use leases, based on cash payments made in the period in relation to those leases. In the net cost of services in the Comprehensive Income and Expenditure Statement, this charge has been stripped out and replaced with the amortisation charge in respect of right-of-use assets within net cost of services and a financing charge included within financing and investment expenditure

- The Operating Account includes a charge for capital renewals expenditure which, in the statutory financial statements, is included within additions to property, plant and equipment. Renewals expenditure is included in the Operating Account for management reporting purposes to allow the Operating Account to present the ongoing, full, day-to-day cost of running and maintaining our existing network

- The Operating Account excludes the adjustment to financing expenditure made in respect of borrowing costs capitalised into qualifying assets (see note 9). Instead this charge is left within net financing costs so that amounts charged to the Operating Account reflect the full cost to the Group of financing its debt

- Certain grants received (primarily Business Rates Retention) are treated as capital grant for management reporting purposes and are thus excluded from the Operating Account (being instead included in the Capital Account). For statutory reporting purposes, however, all grant is recognised as income in the Comprehensive Income and Expenditure Statement. Moreover, certain grants badged as 'capital grant' for management reporting purposes, under law constitute resource grants, and may only be classified as capital grant where they have been applied to fund capital expenditure during the year

- The results of joint ventures and associated undertakings are excluded from the Operating Account as the TfL Group does not hold a controlling interest in these undertakings

- Other minor differences between the Comprehensive Income and Expenditure Statement and the Operating Account are collectively referred to as Central items and are not included in reports to management

Notes to the Financial Statements

2. Segmental analysis (continued)

Detailed reconciliation of net cost of operations per internal management reports to net cost of services per the Comprehensive Income and Expenditure Statement

Year ended 31 March	Note	2021 £m	2021 £m	2020 £m	2020 £m
Net cost of operations after Extraordinary grant per internal management reports			**(1,267.0)**		(458.0)
Adjustments between management and statutory reports:					
Add amounts included in the Comprehensive Income and Expenditure Statement not reported in management reports					
Depreciation	3	**(939.7)**		(1,032.9)	
Amortisation of right-of-use assets	3	**(367.6)**		(334.8)	
Amortisation of software intangibles	3	**(37.2)**		(36.4)	
Impairment	3	**(6.3)**		-	
Pension service costs	35	**(451.7)**		(593.6)	
			(1,802.5)		(1,997.7)
Other net operating expenditure	7		**(63.4)**		(30.9)
Group share of profit/(loss) before tax of joint ventures	17		**0.7**		(0.1)
Group share of loss before tax of associated undertakings	18		**(3.5)**		(52.0)
Change in fair value of investment properties included in financing and investment income	8	**-**		59.0	
Net gain on disposal of investment properties	8	**35.8**		31.7	
			35.8		90.7
Net interest on defined benefit obligation	9	**(90.1)**		(122.7)	
Interest payable on lease and PFI liabilities	9	**(63.0)**		(67.8)	
Change in fair value of investment properties included in financing and investment expenditure	9	**(83.3)**		-	
Amounts capitalised into qualifying assets	9	**90.4**		108.5	
			(146.0)		(82.0)
Capital grant income	10		**933.5**		2,231.6
Tax	11		**10.5**		(106.8)
			(1,034.9)		52.8

Year ended 31 March	Note	2021 £m	2021 £m	2020 £m	2020 £m
Less items included in the Operating Account but excluded from the Comprehensive Income and Expenditure Statement					
Cash payments under PFI and lease arrangements		**351.2**		350.1	
Pension payments charged to operating costs		**400.3**		298.4	
			751.5		648.5
Capital renewals			**367.0**		453.0
			1,118.5		1,101.5
Amounts subject to differing accounting treatment between the Operating Account and the Comprehensive Income and Expenditure Statement					
Grant income			**254.8**		(68.5)
Central items			**17.6**		43.4
			272.4		(25.1)
Group (deficit)/surplus after tax per the Comprehensive Income and Expenditure Statement			**(911.0)**		671.2

Notes to the Financial Statements

3. Gross expenditure

Gross expenditure recognised in the Comprehensive Income and Expenditure Statement comprises:

Year ended 31 March	Note	**Group 2021 £m**	Group 2020 £m	**Corporation 2021 £m**	Corporation 2020 £m
Staff costs:					
Wages and salaries*		**1,422.8**	1,427.7	**388.6**	390.4
Social security costs		**163.9**	164.1	**44.9**	45.0
Pension costs	35	**442.4**	581.1	**169.2**	368.6
		2,029.1	2,172.9	**602.7**	804.0
Other service expenditure**		**3,896.7**	4,046.1	**303.1**	406.3
Credit loss expense		**128.2**	115.7	**85.7**	108.6
Depreciation	13	**939.7**	1,032.9	**131.2**	125.5
Amortisation right-of-use assets	14	**367.6**	334.8	**30.0**	28.6
Amortisation of software intangibles	12	**37.2**	36.4	**22.2**	22.0
Impairment	13	**6.3**	-	**-**	-
		7,404.8	7,738.8	**1,174.9**	1,495.0

* Wages and salaries include amounts provided for the cost of voluntary severance.

** Included in the Corporation's other service expenditure is £108.5m (2019/20 £164.2m) relating to financial assistance to London Boroughs and other third parties (see note 41 for detailed analysis).

The average number of persons employed in the year was:

Year ended 31 March	**Group 2021 Number**	Group 2020 Number	**Corporation 2021 Number**	Corporation 2020 Number
Permanent staff (including fixed term contracts)	**25,692**	25,814	**7,006**	7,069
Agency staff	**1,175**	1,711	**814**	928
	26,867	27,525	**7,820**	7,997

4. External audit fees

External audit fees are made up as follows:

Year ended 31 March	**Group 2021 £m**	Group 2020 £m	**Corporation 2021 £m**	Corporation 2020 £m
Auditor's remuneration:				
for statutory audit services	**1.8**	1.4	**0.1**	0.3
for non-statutory audit services	**0.1**	0.1	**-**	0.1
for non-audit services***	**-**	-	**-**	-
	1.9	1.5	**0.1**	0.4

*** The Audit and Assurance Committee reviews and notes the nature and extent of non-audit services provided by TfL's external auditor to ensure that independence is maintained.

5. Remuneration

Disclosures in respect of the remuneration of employees (including senior employees) and of termination payments made during the year may be found in the Remuneration Report on pages 61 to 80.

6. Exceptional items

Year ended 31 March	Group 2021 £m	Group 2020 £m	Corporation 2021 £m	Corporation 2020 £m
Exceptional costs relating to the coronavirus pandemic	29.4	19.3	-	7.8

Exceptional costs included in the table above comprise costs relating to the Safe Stop of capital projects during the lockdown phase of the pandemic.

7. Other operating expenditure

Year ended 31 March	Group 2021 £m	Group 2020 £m	Corporation 2021 £m	Corporation 2020 £m
Net loss on disposal of property, plant and equipment	63.4	30.9	20.4	0.3
Total other operating expenditure	63.4	30.9	20.4	0.3

8. Financing and investment income

Year ended 31 March	Group 2021 £m	Group 2020 £m	Corporation 2021 £m	Corporation 2020 £m
Interest income on bank deposits and other investments	2.2	14.5	2.1	14.1
Realised exchange gain on foreign currency investments	4.1	-	-	-
Interest income on loans to subsidiaries	-	-	400.1	376.6
Change in fair value of investment properties (including those classified as held for sale)	-	59.0	-	-
Net gain on disposal of investment properties	35.8	31.7	30.9	22.9
Interest receivable on finance lease receivables	2.7	3.2	-	-
Other investment income	4.6	0.3	3.6	-
	49.4	108.7	436.7	413.6

9. Financing and investment expenditure

Year ended 31 March	Note	Group 2021 £m	Group 2020 £m	Corporation 2021 £m	Corporation 2020 £m
Interest payable on loans and derivatives		437.3	422.2	415.5	401.5
Interest payable on right-of-use lease liabilities		57.5	59.1	11.6	12.1
Interest payable on PFI liabilities		5.5	8.7	5.2	5.7
Contingent rentals on PFI contracts		9.7	14.1	9.5	10.4
Change in fair value of investment properties (including those classified as held for sale)		83.3	-	2.3	3.6
Net interest on defined benefit obligation	35	90.1	122.7	89.7	122.0
Other financing and investment expenditure		5.6	1.6	1.1	0.9
		689.0	628.4	534.9	556.2
Less: amounts capitalised into qualifying assets	13	(90.4)	(108.5)	-	-
		598.6	519.9	534.9	556.2

10. Grant income

Year ended 31 March	Group 2021 £m	Group 2020 £m	Corporation 2021 £m	Corporation 2020 £m
Non ring-fenced resource grant from the DfT used to fund operations	**2,457.2**	27.1	**2,457.2**	27.1
Non ring-fenced Business Rates Retention from the GLA used to fund operations	**1,189.4**	913.5	**1,189.4**	913.5
Coronavirus Job Retention Scheme grant	**57.7**	-	**17.3**	-
Other revenue grant received	**88.5**	89.9	**87.1**	89.9
Council tax precept	**6.0**	6.0	**6.0**	6.0
Total grants allocated to revenue	**3,798.8**	1,036.5	**3,757.0**	1,036.5
Ring-fenced grant from the GLA used to fund capital expenditure relating to Crossrail	**46.0**	989.0	**46.0**	989.0
Non ring-fenced Business Rates Retention from the GLA used to fund capital	**689.6**	967.8	**689.6**	967.8
Other capital grants and contributions received	**197.9**	274.8	**120.6**	188.6
Total grants allocated to capital	**933.5**	2,231.6	**856.2**	2,145.4
Total grants	**4,732.3**	3,268.1	**4,613.2**	3,181.9

Allocation of capital grants

Year ended 31 March	Note	Group 2021 £m	Group 2020 £m	Corporation 2021 £m	Corporation 2020 £m
Capital grant funding of subsidiaries		**-**	-	**69.9**	566.5
Applied capital grants	37	**933.5**	2,231.6	**786.3**	1,578.9
Total capital grants		**933.5**	2,231.6	**856.2**	2,145.4

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11. Taxation

TfL Corporation is exempt from Corporation Tax, but its subsidiaries are assessable individually to taxation in accordance with current tax legislation.

a) Corporation Tax

The Group tax expense for the year, based on the rate of Corporation Tax of 19 per cent (2019/20 19 per cent) comprised:

Year ended 31 March	Group 2021 £m	Group 2020 £m
UK Corporation Tax – current year charge	**-**	-
UK Corporation Tax – adjustments in respect of prior years	**(1.6)**	-
Total current tax income	**(1.6)**	-
Deferred tax – current year (credit)/charge	**(8.9)**	106.8
Total tax (credit)/charge for the year	**(10.5)**	106.8

Reconciliation of tax expense

Year ended 31 March	Group 2021 £m	Group 2020 £m
(Deficit)/surplus on the provision of services before tax	**(921.5)**	778.0
(Deficit)/surplus on the provision of services before tax multiplied by standard rate of Corporation Tax in the UK of 19% (2019/20 19%)	**(175.1)**	147.8
Effects of:		
Non-taxable income/non-deductible expenses	**99.0**	92.7
Prior period adjustments	**(1.6)**	-
Permanent difference in TfL Corporation	**8.0**	(277.0)
Amount charged to current tax for which no deferred tax was recognised	**58.7**	137.9
Tax losses carried forward for which no deferred tax was recognised	**-**	6.9
Utilisation of tax losses carried forward for which no deferred tax was recognised	**(0.9)**	(0.9)
Overseas earnings	**1.4**	(0.6)
Total tax (credit)/expense for the year	**(10.5)**	106.8

11. Taxation (continued)

b) Unrecognised deferred tax assets
The Group has a potential net deferred tax asset of £2,119.9m (2020 £1,751.4m) in respect of the following items:

	Group 2021 £m	Group 2020 £m
Deductible temporary differences	1,120.9	749.5
Tax losses	999.0	1,001.9
Unrecognised deferred tax asset	**2,119.9**	1,751.4

No net deferred tax asset has been recognised in respect of the above as it is not considered probable that there will be sufficient future taxable profits available against which the unused tax credits can be utilised. The tax losses and the deductible temporary differences do not expire under current tax legislation.

The net deferred tax asset excludes any amounts connected to the pension deficit.

c) Movement in recognised deferred tax assets and liabilities during the year
Deferred tax assets have been recognised only to the extent that they are considered available to offset deferred tax liabilities as at the Balance Sheet date. Their movements during the year were in respect of the following items:

For the year ended 31 March 2021	Balance at 1 April 2020 £m	Movement in the provision of services £m	Movement in other comprehensive income during the year £m	Balance at 31 March 2021 £m
Deferred tax assets				
Property, plant and equipment	16.0	(1.5)	–	**14.5**
Derivative financial instruments	23.3	(2.6)	–	**20.7**
Total	39.3	(4.1)	–	**35.2**
Deferred tax liabilities				
Investment properties	(263.9)	9.9	(0.7)	**(254.7)**
Assets held for sale	(17.9)	3.1	–	**(14.8)**
Total	(281.8)	13.0	(0.7)	**(269.5)**
Net deferred tax liability	(242.5)	8.9	(0.7)	**(234.3)**

Notes to the Financial Statements

11. Taxation (continued)

c) Movement in recognised deferred tax assets and liabilities during the year (continued)

For the year ended 31 March 2020	Balance at 1 April 2019 £m	Movement in the provision of services £m	Movement in other comprehensive income during the year £m	Balance at 31 March 2020 £m
Deferred tax assets				
Property, plant and equipment	77.2	(61.2)	-	16.0
Derivative financial instruments	17.3	6.0	-	23.3
Total	94.5	(55.2)	-	39.3
Deferred tax liabilities				
Investment properties	(77.9)	(50.3)	(135.7)	(263.9)
Assets held for sale	(16.6)	(1.3)	-	(17.9)
Total	(94.5)	(51.6)	(135.7)	(281.8)
Net deferred tax liability	-	(106.8)	(135.7)	(242.5)

The key movements in the period were due to the following:

- The deferred tax liability arising on investment properties, including those classified as assets held for sale, has reduced due to the revaluation movements recognised in financing and investment income and other comprehensive income during the year
- Certain properties that had not previously been held at a value were reclassified as investment property and valued at open market value prior to transfer to TTL Properties Limited (a subsidiary of the Corporation) during the year. It is not considered that sufficient deferred tax assets will be available to offset this deferred tax liability in full. A deferred tax liability has been recognised in other comprehensive income in relation to the revaluation gain recognised in other comprehensive income in respect of these assets
- The property, plant and equipment deferred tax asset has changed in the period due to assets acquired in the year, movements in the market value of assets held and capital allowances claimed
- Included in the deferred tax balances for property, plant and equipment is the deferred tax movement on revaluation gains recognised in other comprehensive income
- The deferred tax asset arising in respect of derivative financial instruments has decreased during 2020/21 due to movement in the fair value of derivatives

The Finance Bill 2020 set the main rate of Corporation Tax for all non-ringfenced profits to 19 per cent from 1 April 2020. The Corporation Tax charge and the main rate are also set at 19 per cent from April 2021. In his Spring Budget on 3 March 2021, the Chancellor of the Exchequer announced that the main rate of Corporation Tax will rise to 25 per cent from April 2023. However, as this change had not yet been substantively enacted by the end of the reporting period, deferred tax balances at 31 March 2021 have been calculated at the rate of 19 per cent. If the recognised deferred tax liability was calculated at a rate of 25 per cent it would increase to £308.3m.

No deferred tax asset has been recognised on the Corporation's pension deficit of £5,546.3m as the principal employer is not a taxpaying entity. Future tax deductions for some contributions will be made in the taxable entities, however, as at 31 March 2021, no deferred tax assets have been recognised in these entities.

Notes to the Financial Statements
12. Intangible assets

a) Group intangible assets

	Note	Software costs £m	Intangible assets under construction £m	Goodwill £m	Total £m
Cost					
At 1 April 2019		492.4	2.7	351.8	846.9
Additions		-	21.0	-	21.0
Net transfers from property, plant and equipment	13	21.5	-	-	21.5
Transfers between asset classes		7.2	(7.2)	-	-
Disposals		(57.4)	-	-	(57.4)
At 31 March 2020		463.7	16.5	351.8	832.0
Additions		**37.8**	**1.9**	**-**	**39.7**
Net transfers from property, plant and equipment	13	**28.1**	**-**	**-**	**28.1**
Transfers between asset classes		**0.1**	**(0.1)**	**-**	**-**
At 31 March 2021		**529.7**	**18.3**	**351.8**	**899.8**
Amortisation and impairment					
At 1 April 2019		385.1	-	349.2	734.3
Amortisation charge for the year	3	36.4	-	-	36.4
Disposals		(57.4)	-	-	(57.4)
At 31 March 2020		364.1	-	349.2	713.3
Amortisation charge for the year	3	**37.2**	**-**	**-**	**37.2**
At 31 March 2021		**401.3**	**-**	**349.2**	**750.5**
Net book value at 31 March 2021		**128.4**	**18.3**	**2.6**	**149.3**
Net book value at 31 March 2020		99.6	16.5	2.6	118.7

Intangible assets under construction comprise software assets under development by the Group.

b) Corporation intangible assets

	Note	Software costs £m	Intangible assets under construction £m	Total £m
Cost				
At 1 April 2019		320.1	0.9	321.0
Additions		-	16.8	16.8
Net transfers from property, plant and equipment	13	4.6	-	4.6
Transfers between asset classes		7.2	(7.2)	-
At 31 March 2020		331.9	10.5	342.4
Additions		**31.4**	**-**	**31.4**
Transfers between asset classes		**2.6**	**(2.6)**	**-**
At 31 March 2021		**365.9**	**7.9**	**373.8**
Amortisation and impairment				
At 1 April 2019		242.7	-	242.7
Amortisation charge for the year	3	22.0	-	22.0
At 31 March 2020		264.7	-	264.7
Amortisation charge for the year	3	**22.2**	**-**	**22.2**
At 31 March 2021		**286.9**	**-**	**286.9**
Net book value at 31 March 2021		**79.0**	**7.9**	**86.9**
Net book value at 31 March 2020		67.2	10.5	77.7

Intangible assets under construction comprise software assets under development by the Corporation.

Notes to the Financial Statements
13. Property, plant and equipment

a) Group property, plant and equipment at 31 March 2021 comprised the following elements:

	Note	Infrastructure and office buildings £m	Rolling stock £m	Plant and equipment £m	Assets under construction £m	Total £m
Cost or valuation						
At 1 April 2020		34,182.4	4,976.6	2,129.7	19,252.7	60,541.4
Additions		953.2	74.1	126.5	894.8	2,048.6
Transfers to intangible assets	12	-	-	-	(28.1)	(28.1)
Transfers to investment properties	15	(21.1)	-	-	-	(21.1)
Transfers between asset classes		0.2	-	21.3	(21.5)	-
Disposals		(1.1)	-	(35.8)	(3.0)	(39.9)
Write offs		-	-	(1.5)	(56.2)	(57.7)
Revaluation		7.4	-	-	-	7.4
At 31 March 2021		35,121.0	5,050.7	2,240.2	20,038.7	62,450.6
Depreciation and impairment						
At 1 April 2020		14,754.8	2,266.1	1,427.9	-	18,448.8
Depreciation charge for the year	3	716.8	117.5	105.4	-	939.7
Impairment charge for the year	3	-	-	1.4	4.9	6.3
Transfers to investment properties	15	(0.2)	-	-	-	(0.2)
Disposals		-	-	(33.9)	-	(33.9)
Revaluation		(4.0)	-	-	-	(4.0)
At 31 March 2021		15,467.4	2,383.6	1,500.8	4.9	19,356.7
Net book value at 31 March 2021		19,653.6	2,667.1	739.4	20,033.8	43,093.9
Net book value at 31 March 2020		19,427.6	2,710.5	701.8	19,252.7	42,092.6

b) Group property, plant and equipment at 31 March 2020 comprised the following elements:

	Note	Infrastructure and office buildings £m	Rolling stock £m	Plant and equipment £m	Assets under construction £m	Total £m
Cost or valuation						
At 1 April 2019		33,608.2	5,411.0	2,034.5	17,443.9	58,497.6
Additions		389.7	9.6	27.6	2,253.2	2,680.1
Transfers to right-of-use assets	14	-	(407.7)	(0.4)	-	(408.1)
Transfers to intangible assets	12	-	-	-	(21.5)	(21.5)
Transfers to investment properties	15	(32.3)	-	-	-	(32.3)
Transfers between asset classes		356.6	(35.8)	97.4	(418.2)	-
Disposals		(133.2)	(0.5)	(29.4)	(4.7)	(167.8)
Revaluation		(6.6)	-	-	-	(6.6)
At 31 March 2020		34,182.4	4,976.6	2,129.7	19,252.7	60,541.4
Depreciation						
At 1 April 2019		13,904.7	2,358.6	1,419.1	-	17,682.4
Depreciation charge for the year	3	804.1	114.2	114.6	-	1,032.9
Transfers to right-of-use assets	14	-	(180.8)	(0.1)	-	(180.9)
Transfers to investment properties	15	(18.9)	-	-	-	(18.9)
Transfers between asset classes		102.2	(25.4)	(76.8)	-	-
Disposals		(1.3)	(0.5)	(28.9)	-	(30.7)
Revaluation		(36.0)	-	-	-	(36.0)
At 31 March 2020		14,754.8	2,266.1	1,427.9	-	18,448.8

Notes to the Financial Statements

13. Property, plant and equipment (continued)

The Group holds its office buildings at valuation. All other items of property, plant and equipment are held at cost.

As set out in the going concern note to the accounting policies, as part of the wider Government review of the Group, a review of the capital programme has been conducted and a Financial Sustainability Plan has been drawn up identifying capital projects that remain priorities for future funding. TfL's current and planned future capital investment projects have been categorised by management according to their relative funding priority, taking into consideration such factors as health and safety requirements, the phase at which a project sits in its lifecycle, Government and mayoral priorities, sources of funding and penalties that may be incurred if projects are paused or permanently halted. Certain lower priority projects where termination penalties are not prohibitive have been paused or terminated during the year and related assets under construction have been written off or impaired as appropriate in the table above. Management believe that all capital projects in progress at 31 March 2021 should continue to be funded. However, until a longer-term financing package has been formally agreed, a material level of uncertainty remains as to whether all projects in the course of construction at 31 March 2021 will be fully funded to completion.

Borrowing costs are included in the costs of qualifying assets to the extent that the asset is funded by borrowings. As a result, the total borrowing costs capitalised during the year were £90.4m (2020 £108.5m). The cumulative borrowing costs capitalised are £808.8m (2020 £718.4m). Borrowings are capitalised at the rate of interest directly incurred on the specific borrowings taken out to fund the asset in question.

At 31 March 2021, the Group had capital commitments which are contracted for but not provided for in the financial statements amounting to £1,240.9m (2020 £1,237.9m).

On 21 November 2019, the Corporation entered into an agreement with RiverLinx Limited for the Design, Build, Financing, Operations and Maintenance (DBFOM) of Silvertown Tunnel, connecting the Greenwich Peninsula and the Royal Docks in London. Our financial obligations to make payments to RiverLinx Limited will start once the tunnel is open, currently planned in early 2025 (the 'Permit to Use Date'). From the Permit to Use Date, the Corporation will make performance-based availability payments, initially at £65m annually and indexed until the expiry date of the agreement in January 2050.

c) Group PFI assets

The net book value above includes the following amounts in respect of PFI assets:

	Infrastructure and office buildings £m	Rolling stock £m	Plant and equipment £m	Total £m
Gross cost	433.0	45.3	16.7	495.0
Accumulated depreciation	(178.2)	(45.3)	(16.7)	(240.2)
Net book value at 31 March 2021	**254.8**	**-**	**-**	**254.8**
Net book value at 31 March 2020	426.8	-	-	426.8

d) Depreciation charge

The total depreciation charge for the Group for the year comprised:

Year ended 31 March	Note	2021 £m	2020 £m
Depreciation of owned assets		934.8	993.0
Depreciation of assets held under PFI arrangements		4.9	39.9
Total depreciation	3	**939.7**	1,032.9

13. Property, plant and equipment (continued)

e) Group office buildings
The existing use value of owner-occupied office buildings at 31 March 2021 has been arrived at on the basis of a valuation carried out at that date by CBRE, a real estate advisory business not connected with the Group, and by chartered surveyors working for TfL. In determining the existing use value, the capitalisation of net income method and the discounting of future cash flows to their present value has been used. This is based upon various assumptions including the anticipated future rental income, maintenance costs and the appropriate discount rate, making reference to market evidence of transaction prices for similar properties. A deduction is made to reflect purchaser's acquisition costs.

Properties are valued in accordance with the Red Book, RICS Valuation – Global Standards published by the Royal Institution of Chartered Surveyors.

Valuations are performed annually. The value of these buildings at 31 March 2021 was £185.2m (2020 £204.2m) and the depreciated historical cost value was £36.6m (2020 £25.7m). A related revaluation gain for the year of £11.4m (2019/20 a gain of £29.4m) has been recognised within Other Comprehensive Income and Expenditure.

f) Group and Corporation heritage assets
Property, plant and equipment includes a number of assets of importance to the history of London transport which are classified as heritage assets in accordance with the Code. These comprise transport-related objects and material (including vehicles, posters and photographs) held to advance the preservation, conservation and education objects of London Transport Museum. The collection consists of more than 400,000 items and is housed at the Museum's sites in Covent Garden and Acton.

These assets are primarily former operational assets of the TfL Group whose legal title is retained by the Corporation or another of its operating subsidiaries. Due to the diverse nature of the assets held and the lack of comparable market values, the cost of obtaining a valuation of TfL's heritage assets is such that it would not be commensurate with the benefits provided to users of the financial statements. The assets therefore remain recorded in the accounts at historical cost less accumulated depreciation. The collections have been externally valued for insurance purposes only. Management do not consider these insurance valuations to be necessarily indicative of open market fair value and hence have not incorporated the insurance values into the financial statements. As at 31 March 2021, the latest available insurance value for the collection was £37.5m (2020 £37.5m). The net book value of these assets at 31 March 2021 was £nil (2020 £nil).

g) Corporation property, plant and equipment at 31 March 2021 comprised the following elements:

	Note	Infrastructure and office buildings £m	Plant and equipment £m	Assets under construction £m	Total £m
Cost or valuation					
At 1 April 2020		5,356.9	253.1	1,274.1	6,884.1
Additions		163.2	40.2	47.6	251.0
Disposals		-	-	(1.5)	(1.5)
Write offs		-	-	(18.9)	(18.9)
Revaluation		2.4	-	-	2.4
At 31 March 2021		5,522.5	293.3	1,301.3	7,117.1
Depreciation					
At 1 April 2020		2,549.2	183.4	-	2,732.6
Depreciation charge for the year	3	113.2	18.0	-	131.2
Revaluation		(0.4)	-	-	(0.4)
At 31 March 2021		2,662.0	201.4	-	2,863.4
Net book value at 31 March 2021		2,860.5	91.9	1,301.3	4,253.7
Net book value at 31 March 2020		2,807.7	69.7	1,274.1	4,151.5

13. Property, plant and equipment (continued)

h) Corporation property, plant and equipment at 31 March 2020 comprised the following elements:

	Note	Infrastructure and office buildings £m	Plant and equipment £m	Assets under construction £m	Total £m
Cost or valuation					
At 1 April 2019		5,289.1	228.7	1,136.9	6,654.7
Additions		42.8	1.7	181.9	226.4
Transfers to intangible assets	12	-	-	(4.6)	(4.6)
Transfers to investment properties	15	(3.2)	-	-	(3.2)
Transfers between asset classes		17.4	22.7	(40.1)	-
Disposals		(0.3)	-	-	(0.3)
Revaluation		11.1	-	-	11.1
At 31 March 2020		5,356.9	253.1	1,274.1	6,884.1
Depreciation					
At 1 April 2019		2,439.2	167.9	-	2,607.1
Depreciation charge for the year	3	110.0	15.5	-	125.5
At 31 March 2020		2,549.2	183.4	-	2,732.6

The Corporation holds its office buildings at valuation. All other items of property, plant and equipment are held at depreciated cost.

Direct borrowing costs are included in the cost of qualifying assets to the extent that the asset is funded by borrowings. Total borrowing costs capitalised during the year were £nil (2020 £nil). The cumulative borrowing costs capitalised are also £nil (2020 £nil).

At 31 March 2021, the Corporation had capital commitments which are contracted for but not provided for in the financial statements amounting to £64.9m (2020 £30.7m).

In addition, and as described in section b) to this note, the Corporation has entered into an agreement with RiverLinx Limited for DBFOM of a Silvertown Tunnel, connecting the Greenwich Peninsula and the Royal Docks in London. Our financial obligations to make payments to RiverLinx Limited will start once the tunnel is open, currently planned in early 2025, initially at £65m annually and indexed until the expiry date of the agreement in January 2050.

i) Corporation PFI assets

The net book value above includes the amounts in the table below in respect of PFI assets:

	Infrastructure and office buildings £m	Plant and equipment £m	Total £m
Gross cost	**209.1**	**16.7**	**225.8**
Depreciation	**(96.3)**	**(16.7)**	**(113.0)**
Net book value at 31 March 2021	**112.8**	**-**	**112.8**
Net book value at 31 March 2020	115.4	-	115.4

j) Depreciation charge

The total depreciation charge for the Corporation comprised:

Year ended 31 March	Note	**2021 £m**	2020 £m
Depreciation of owned assets		**128.6**	122.8
Depreciation of assets held under PFI		**2.6**	2.7
Total depreciation	3	**131.2**	125.5

13. Property, plant and equipment (continued)

k) Corporation office buildings and other infrastructure assets held at valuation
The existing use value of owner-occupied office buildings at 31 March 2021 has been arrived at on the basis of a valuation carried out at that date by CBRE, a real estate advisory business not connected with the Group, and by chartered surveyors working for TfL. In determining the existing use value, the capitalisation of net income method and the discounting of future cash flows to their present value has been used. This is based upon various assumptions including the anticipated future rental income, maintenance costs and the appropriate discount rate, making reference to market evidence of transaction prices for similar properties. A deduction is made to reflect purchaser's acquisition costs.

Properties are valued in accordance with the Red Book, RICS Valuation – Global Standards published by the Royal Institution of Chartered Surveyors.

Valuations are performed annually. The value of these buildings held by the Corporation at 31 March 2021 was £10.2m (2020 £nil) and the depreciated historical cost value was £nil (2020 £nil). A related revaluation gain for the year of £2.8m (2019/20 a gain of £nil) has been recognised within Other Comprehensive Income and Expenditure.

During 2019/20 the Corporation transferred operational land that had previously been classified as operational infrastructure and held at a nominal net book value, into investment properties. In accordance with the provisions of IAS 40 Investment Property, the assets were revalued to their fair market value of £11.1m immediately prior to transfer. The resultant revaluation gains were recognised in the revaluation reserve.

14. Right-of-use assets and related lease liabilities

This note provides information for leases where the Group and/or Corporation is a lessee. For leases where the Group and/or Corporation is a lessor, see note 19.

As described in note e) to the Accounting Policies, the IASB issued COVID-19-Related Rent Concessions – amendment to IFRS 16 Leases to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the coronavirus pandemic. In a few instances, particularly on property leases,

a) Group right-of-use assets at 31 March 2021 comprised the following elements:

	Note	Infrastructure and office buildings £m	Rolling stock £m	Buses £m	Motor vehicles £m	Other equipment £m	Total £m
Cost or valuation							
At 1 April 2020		555.8	1,384.7	762.1	11.4	111.3	2,825.3
Additions		23.2	127.3	244.5	2.3	8.0	405.3
Valuation adjustment		(1.5)	(16.3)	-	-	-	(17.8)
At 31 March 2021		**577.5**	**1,495.7**	**1,006.6**	**13.7**	**119.3**	**3,212.8**
Amortisation							
At 1 April 2020		38.3	245.5	213.8	2.5	15.6	515.7
Charge for the year	3	39.1	78.9	224.6	3.0	22.0	367.6
At 31 March 2021		**77.4**	**324.4**	**438.4**	**5.5**	**37.6**	**883.3**
Net book value at 31 March 2021		**500.1**	**1,171.3**	**568.2**	**8.2**	**81.7**	**2,329.5**
Net book value at 31 March 2020		517.5	1,139.2	548.3	8.9	95.7	2,309.6

Notes to the Financial Statements

14. Right-of-use assets and related lease liabilities (continued)

b) Group right-of-use assets at 31 March 2020 comprised the following elements:

	Note	Infrastructure and office buildings £m	Rolling stock £m	Buses £m	Motor vehicles £m	Other equipment £m	Total £m
Cost or valuation							
Assets held under finance leases as at 1 April 2019*	13	-	407.7	0.4	-	-	408.1
Assets held under operating leases as at 1 April 2019		550.8	598.5	589.1	5.7	75.3	1,819.4
Additions		5.0	441.9	172.6	5.7	36.0	661.2
Revaluation		-	(63.4)	-	-	-	(63.4)
At 31 March 2020		555.8	1,384.7	762.1	11.4	111.3	2,825.3
Amortisation							
Assets held under finance leases as at 1 April 2019*	13	-	180.8	0.1	-	-	180.9
Charge for the year	3	38.3	64.7	213.7	2.5	15.6	334.8
At 31 March 2020		38.3	245.5	213.8	2.5	15.6	515.7

* In 2018/19, the Group only recognised leased assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17 Leases. At 31 March 2019, these finance lease assets were presented in property, plant and equipment and the related finance lease liabilities were disclosed separately on the Balance Sheet. The cost and accumulated amortisation of assets at 1 April 2019 in the table above represents the right-of-use assets recognised on transition to IFRS 16.

c) Group lease liabilities in relation to right-of-use assets

At 31 March	2021 £m	2020 £m
Principal outstanding		
Short-term liabilities	**329.3**	318.2
Long-term liabilities	**2,179.8**	2,098.8
	2,509.1	2,417.0

d) Group maturity analysis of right-of-use lease liabilities

At 31 March	2021 £m	2020 £m
Contractual undiscounted payments due in:		
Not later than one year	**361.8**	352.0
Later than one year but not later than two years	**334.4**	322.2
Later than two years but not later than five years	**596.6**	583.4
Later than five years	**1,875.8**	1,880.9
	3,168.6	3,138.5
Less:		
Present value discount	**(659.2)**	(720.8)
Prepaid amounts	**-**	(0.3)
Exempt cashflows	**(0.3)**	(0.4)
Present value of minimum lease payments	**2,509.1**	2,417.0

14. Right-of-use assets and related lease liabilities (continued)

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e) Analysis of amounts included in the Group Comprehensive Income and Expenditure Statement

Year ended 31 March	Note	2021 £m	2020 £m
Amortisation of right-of-use assets	3	**367.6**	334.8
Interest payable on right-of-use lease liabilities (before impact of interest rate hedges)		**61.8**	58.8
Expense relating to short-term leases (included in gross expenditure)		**0.5**	18.3
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in gross expenditure)		**-**	0.2
Income from sub-leasing right-of-use assets (included in gross income)		**10.7**	13.8

f) Analysis of amounts included in the Statement of Cash Flows

The total cash outflow in the Group in respect of leases was £357.2m (2019/20 £317.4m).

g) The Group's leasing activities and how these are accounted for

As a lessee, the Group leases various infrastructure and office buildings, rolling stock, buses, motor vehicles and other equipment. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The accounting for these leases is described within the Accounting Policies, notes s) and ac).

h) Future cash flows to which the lessee is potentially exposed that are/are not reflected in the measurement of lease liabilities

Variable lease payments

Most of the Group's infrastructure and office buildings have variable lease payments linked to a consumer price index. Rolling stock contracts have variable lease payments interest linked to a floating rate. When there is a change in cash flows because of the change in consumer price index or change in floating rate, then the lease liability is re-measured to reflect those revised lease payments and corresponding adjustments are made to the right-of-use asset.

Extension and termination options

Some of the Group's lease contracts have extension and termination options. These options and related payments are only included when the Group is reasonably certain that it will exercise these options. At the date of these financial statements, there are no facts and circumstances that create an economic incentive for the Group to extend or terminate the lease.

Leases not yet commenced to which the TfL Group as a lessee is committed

As at 31 March 2021 two rolling stock contracts had commenced. However, while a certain number of units of rolling stock had been accepted and leased under these contracts as at 31 March, the entire quota in each contract had not yet been received or recognised. The right-of-use asset and the related lease liability in relation to the rolling stock accepted at 31 March 2021 were £911.4m and £1,037.5m respectively (2020 £848.8m and £914.3m respectively), out of a total commitment of £1,100m in the contracts. Because contractual payments under these lease arrangements are set at the outset of the contract in relation to the full quota of trains to be received, and the total contractual payments are not linked to the timing of acceptance of specific batches of trains, the Incremental Borrowing Rate at the commencement of the lease has been applied as the rate at which future liabilities relating to all trains under these contracts are discounted, irrespective of the date of their acceptance into use by TfL.

Notes to the Financial Statements

14. Right-of-use assets and related lease liabilities (continued)

i) Corporation right-of-use assets at 31 March 2021 comprised the following elements:

	Note	Infrastructure and office buildings £m	Other equipment £m	Total £m
Cost or valuation				
At 1 April 2020		432.3	17.4	449.7
Additions		(0.1)	1.7	1.6
Revaluation		(1.4)	-	(1.4)
At 31 March 2021		430.8	19.1	449.9
Amortisation				
At 1 April 2020		25.2	3.4	28.6
Charge for the year	3	25.2	4.8	30.0
At 31 March 2021		50.4	8.2	58.6
Net book value at 31 March 2021		380.4	10.9	391.3
Net book value at 31 March 2020		407.1	14.0	421.1

j) Corporation right-of-use assets at 31 March 2020 comprised the following elements:

	Note	Infrastructure and office buildings £m	Other equipment £m	Total £m
Cost or valuation				
Assets held under operating leases at 1 April 2019*		427.3	5.7	433.0
Additions		5.0	11.7	16.7
At 31 March 2020		432.3	17.4	449.7
Amortisation				
At 1 April 2019*		-	-	-
Charge for the year	3	25.2	3.4	28.6
At 31 March 2020		25.2	3.4	28.6

* In 2018/19, the Corporation only recognised leased assets and lease liabilities in relation to leases that were classified as 'finance leases' in relation to PFI contracts under IAS 17 Leases. At 31 March 2019, these lease assets were presented in property, plant and equipment and the related finance lease liabilities were disclosed separately on the Balance Sheet. The net book value at 1 April 2019 in the table above represents the right-of-use assets recognised on transition to IFRS 16.

Notes to the Financial Statements

14. Right-of-use assets and related lease liabilities (continued)

k) Corporation lease liabilities in relation to right-of-use assets

At 31 March	2021 £m	2020 £m
Principal outstanding		
Short-term liabilities	**26.7**	25.7
Long-term liabilities	**386.8**	413.6
	413.5	439.3

l) Corporation maturity analysis of right-of-use lease liabilities

At 31 March	2021 £m	2020 £m
Contractual undiscounted payments due in:		
Not later than one year	**37.6**	37.3
Later than one year but not later than two years	**35.8**	37.2
Later than two years but not later than five years	**101.2**	104.5
Later than five years	**340.4**	373.5
	515.0	552.5
Less:		
Present value discount	**(101.5)**	(113.2)
Present value of minimum lease payments	**413.5**	439.3

m) Analysis of amounts included in the Corporation Comprehensive Income and Expenditure Statement

Year ended 31 March	Note	2021 £m	2020 £m
Amortisation of right-of-use assets	3	**30.0**	28.6
Interest payable on right-of-use lease liabilities		**11.6**	12.1
Expense relating to short-term leases (included in gross expenditure)		**-**	4.0
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in gross expenditure)		**-**	0.2
Income from sub-leasing right-of-use assets (included in gross income)		**-**	0.4

14. Right-of-use assets and related lease liabilities (continued)

n) Analysis of amounts included in the Corporation Statement of Cash Flows

The total cash outflow in the Corporation in respect of leases in 2020/21 was £37.7m (2019/20 £26.5m).

o) The Corporation's leasing activities and how these are accounted for

As a lessee, the Corporation leases various office buildings. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The accounting for these leases is described within the Accounting Policies, notes s) and ac).

p) Future cash flows to which the lessee is potentially exposed that are/are not reflected in the measurement of lease liabilities.

Variable lease payments

Most of the Corporation's office buildings have variable lease payments linked to a consumer price index. When there is a change in cash flows because of the change in consumer price index or change in floating rate, then the lease liability is remeasured to reflect those revised lease payments and a corresponding adjustment is made to the right-of-use asset.

Extension and termination options

Some of the Corporation's lease contracts have extension and termination options. These options and related payments are only included when the Corporation is reasonably certain that it will exercise these options. At the date of these financial statements, there are no facts and circumstances that create an economic incentive for the Corporation to extend or terminate the lease.

Leases not yet commenced to which the Corporation as a lessee is committed

As at 31 March 2021 the Corporation is not party to any lease arrangements to which the Corporation as a lessee is committed but for which it has not yet recognised any right-of-use asset or liability on the Balance Sheet (2020 none).

q) Peppercorn leases in the Group and Corporation

TfL has a number of leases over property and other transport infrastructure under which it pays £nil or peppercorn rents. It has undertaken an exercise to assess the fair value of the assets leased under these arrangements and has concluded that they have no material value. No amounts have therefore been recorded in these financial statements in respect of these leases.

15. Investment properties

	Note	Group £m	Corporation £m
Valuation			
At 1 April 2019		492.0	6.8
Additions		2.7	2.7
Transfers to subsidiary undertakings		-	(10.0)
Transfers to assets held for sale	22	(4.8)	(3.2)
Transfers from property, plant and equipment	13	13.4	3.2
Disposals		(11.3)	(2.9)
Fair value adjustments	8	938.5	17.5
At 31 March 2020		1,430.5	14.1
Additions		**22.7**	**17.7**
Transfers to subsidiary undertakings		**-**	**(1.6)**
Net transfers from assets held for sale	22	**19.7**	**1.0**
Transfers from property, plant and equipment	13	**20.9**	**-**
Disposals		**(22.3)**	**(17.7)**
Fair value adjustments		**(12.8)**	**(1.9)**
At 31 March 2021		**1,458.7**	**11.6**

The fair value of the Group's investment properties at 31 March 2021 has been arrived at on the basis of valuations at that date by CBRE, a real estate advisory business not connected with the Group, and by chartered surveyors working for TfL. In determining the fair value, the capitalisation of net income method and the discounting of future cash flows to their present value has been used. This is based upon various assumptions including the anticipated future rental income, maintenance costs and the appropriate discount rate; making reference to market evidence of transaction prices for similar properties. A deduction is made to reflect purchaser's acquisition costs. Values are therefore calculated under level 3 of the fair value hierarchy. In estimating fair value, the highest and best use of the properties is assumed to be their current use. There were no transfers of properties in or out of level 3 of the fair value hierarchy during the year (2019/20 none).

Notes to the Financial Statements

15. Investment properties (continued)

Market activity has been impacted in many sectors by the coronavirus pandemic. As at 31 March 2021 our valuers were able to attach less weight to previous market evidence for comparison purposes in informing their opinions of value for certain assets, namely car parks, held within the investment portfolio. The valuations included in these financial statements are therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. Consequently, less certainty and a higher degree of caution should be attached to these values than would normally be the case.

Properties are valued in accordance with the Red Book, RICS Valuation – Global Standards published by the Royal Institution of Chartered Surveyors. Properties are valued annually.

During 2019/20 and 2020/21, in order to create a consolidated commercial property portfolio, assets previously held at a depreciated historical cost value within property, plant and equipment, have been identified and transferred into a designated investment portfolio alongside a range of existing investment properties. In addition, the creation of new lease structures allowed the recognition, for the first time, of newly separable investment property assets which have been recorded at fair value at the date of creation of the lease structure. These assets have been combined into a vehicle to deliver homes under the Mayor's Transport Strategy, and a growing sustainable income stream, as well as to facilitate the ability to generate both debt and equity to fund capital requirements. In the year to 31 March 2021, a total net revaluation loss of £10.7m (including movements on investment properties held for sale) was recognised for the Group (2019/20 a gain of £934.2m). Of this, a gain of £72.6m (2019/20 £875.2m) in relation to the initial valuation of newly created assets was recognised within other comprehensive income. The remaining £83.3m net loss (2019/20 £59.0m net gain) relating to movements in the valuation of assets already held at valuation has been reflected within financing expenditure/ income.

Rental income earned in relation to investment properties is disclosed in note 1. Operating expenditure for the year in respect of investment properties totalled £55.7m for the Group (2019/20 £24.3m). The increase was primarily a reflection of an increased credit loss expense during 2020/21 as our tenants faced the financial challenges posed by the coronavirus pandemic.

Information about the impact of changes in unobservable inputs (level 3) on the fair value of the Group's investment portfolio is set out in the table below.

All other factors being equal:

- A higher equivalent yield or discount rate would lead to a decrease in the valuation of an asset
- An increase in the current or estimated future rental stream would have the effect of increasing the capital value

However, there are interrelationships between the unobservable inputs which are partially determined by market conditions, which would impact on these changes.

TfL is encouraging active travel such as walking and cycling

Notes to the Financial Statements

15. Investment properties (continued)

Information about fair value measurements for the TfL Group using unobservable inputs (level 3) for the year ended 31 March 2021

		Estimated value £m Yield shift (0.5)%	% change from baseline Yield shift (0.5)%	Estimated value £m Yield shift (0.25)%	% change from baseline Yield shift (0.25)%	**Estimated value £m Yield shift 0.0%**	**% change from baseline Yield shift 0.0%**	Estimated value £m Yield shift 0.25%	% change from baseline Yield shift 0.25%	Estimated value £m Yield shift 0.5%	% change from baseline Yield shift 0.5%
Estimated rental value	**(10)%**	1,427.2	(2.16)%	1,443.2	(1.06)%	1,357.5	(6.94)%	1,331.1	(8.75)%	1,246.0	(14.58)%
	(5)%	1,484.8	1.79%	1,419.8	(2.67)%	1,408.2	(3.46)%	1,384.3	(5.10)%	1,294.7	(11.24)%
	0%	1,542.3	5.73%	1,474.2	1.06%	**1,458.7**	**0.00%**	1,437.8	(1.43)%	1,343.9	(7.87)%
	5%	1,599.6	9.66%	1,528.6	4.79%	1,509.3	3.47%	1,490.9	2.21%	1,392.6	(4.53)%
	10%	1,656.9	13.59%	1,583.0	8.52%	1,559.9	6.94%	1,544.2	5.86%	1,441.6	(1.17)%

The table above shows the sensitivity of the valuation of the investment property portfolio to a 5 or 10 per cent increase/(decrease) in estimated rental values, combined with a 0.5 or 0.25 per cent increase/(decrease) in yield from the baseline assumptions used to calculate the values as recorded in these accounts.

Notes to the Financial Statements
16. Investments in subsidiaries

Cost	Corporation 2021 £m	Corporation 2020 £m
At 1 April	**11,562.5**	10,322.5
Investments in year	**660.0**	1,240.0
At 31 March	**12,222.5**	11,562.5

During the year, the Corporation increased its investment in the ordinary share capital of Transport Trading Limited (TTL) by £660.0m (2019/20 £1,240.0m). TTL subsequently increased its investment in the ordinary share capital of a number of its subsidiaries, including Crossrail Limited.

The Group holds 100 per cent of the share capital of all subsidiaries. All companies listed in the table below, with the exception of London Transport Insurance (Guernsey) Limited, are registered in England and Wales; and their financial statements are lodged at Companies House and also at the Charity Commission for the London Transport Museum Limited. London Transport Insurance (Guernsey) Limited is registered in Guernsey.

TfL produced temporary signs to encourage social distancing

16. Investments in subsidiaries (continued)

The Group's subsidiaries are:

Subsidiaries	Principal activity
City Airport Rail Enterprises Limited	Dormant company
Crossrail 2 Limited	Dormant company
Crossrail Limited	Construction of Crossrail infrastructure
Docklands Light Railway Limited	Passenger transport by rail
London Bus Services Limited	Passenger transport by bus
London Buses Limited	Dial-a-Ride services
London Dial-a-Ride Limited	Dormant company
London River Services Limited	Pier operator
London Transport Insurance (Guernsey) Limited	Insurance
London Transport Museum (Trading) Limited	Trading company
London Transport Museum Limited	Charitable company
London Underground Limited	Passenger transport by underground train
LUL Nominee BCV Limited	Dormant company
LUL Nominee SSL Limited	Dormant company
Rail for London Limited	Passenger transport by rail
Rail for London (Infrastructure) Limited	Infrastructure manager for the Crossrail Central Operating Section
TfL Trustee Company Limited	Pension Fund Trustee
Tramtrack Croydon Limited	Passenger transport by train
Transport for London Finance Limited	Manages financial risk of the Group
Transport Trading Limited	Holding company
TTL Blackhorse Road Properties Limited	Holding company
TTL Build to Rent Limited	Holding company
TTL Earls Court Properties Limited	Holding company
TTL FCHB Properties Limited	Dormant company
TTL Kidbrooke Properties Limited	Holding company
TTL Landmark Court Properties Limited	Dormant company
TTL Northwood Properties Limited	Dormant company
TTL Properties Limited	Property investment and development
TTL Southwark Properties Limited	Property investment
TTL South Kensington Properties Limited	Property investment
TTL Wembley Park Properties Limited	Dormant company
Tube Lines Limited	Maintenance of underground lines
Tube Lines Pension Scheme Trustees Limited	Pension Fund Trustee
Victoria Coach Station Limited	Coach station
Woolwich Arsenal Rail Enterprises Limited	Dormant company

17. Investment in joint ventures

a) Connected Living London (BTR) Limited
In 2019/20, the Group via its subsidiary, TTL Build to Rent Limited, acquired a 49 per cent interest in a joint arrangement called Connected Living London (BTR) Limited (CLL), which was set up as a partnership together with Grainger Plc, to fund the development of a major build to rent portfolio across London. The registered office address of CLL is Citygate, St James Boulevard, Newcastle Upon Tyne, Tyne & Wear, United Kingdom, NE1 4JE.

As the Group has joint control over the net assets and operations of its investment through equal representation on the board and equal voting rights, it has equity accounted for its investment as a joint venture in these consolidated financial statements. The financial year end of CLL is 30 September. For the purposes of applying the equity method of accounting, unaudited management accounts have been employed. For prior period comparatives unaudited management accounts from the date of incorporation of 25 April 2019 up to 31 March 2020 have been used.

During 2019/20 the Group invested £7.3m in the equity of CLL, and in the year to 31 March 2021 a further £1.6m was invested. Summarised financial information in respect of the Group's investment is set out below:

Balance Sheet of Connected Living London (BTR) Limited at the 100 per cent level

At 31 March	Group 2021 £m	Group 2020 £m
Long-term assets		
Investment property under construction	15.5	10.5
	15.5	10.5
Current assets		
Cash	3.2	5.0
Other short-term assets	0.2	6.6
	3.4	11.6
Current liabilities		
Other short-term liabilities	(1.8)	(7.4)
	(1.8)	(7.4)
Long-term liabilities		
Borrowings	-	-
Other long-term liabilities	-	-
	-	-

Reconciliation of net assets to amounts included in the consolidated Group accounts

At 31 March	Group 2021 £m	Group 2020 £m
Net assets at 100%	17.1	14.7
Percentage held by the TfL Group	49%	49%
Carrying amount of the Group's equity interest in CLL	8.4	7.2

17. Investment in joint ventures (continued)

Group share of comprehensive income and expenditure of CCL

At 31 March	Group 2021 £m	Group 2020 £m
Group share of loss from continuing operations	(0.4)	(0.1)
Group share of other comprehensive income	-	-
Total Group share of comprehensive income and expenditure for the year	(0.4)	(0.1)

The share of loss from continuing operations reflects administrative expenditure relating to the operations of the company.

b) Kidbrooke Partnership LLP

The Group, through its subsidiary, TTL Kidbrooke Properties Limited, holds a 49 per cent holding in the members' interest of Kidbrooke Partnership LLP (KP LLP), a property development partnership. During 2019/20, through its voting rights, it was assessed that the Group had significant influence but not control over the relevant activities of KP LLP. The Group's investment was therefore accounted for as an associate using the equity method for that year. In 2020/21, the partnership agreements were reassessed, and through a combination of its voting rights, Board representation and other rights embedded in the relevant management agreements, the Group was assessed as having joint control. The investment has therefore been accounted for as a joint venture using the equity method for 2020/21.

KP LLP has a 299 year lease over the land lying to the South East of Kidbrooke Park Road and is developing the site as a mixed use development incorporating affordable housing. The financial year end of KP LLP is 31 March.

Summarised financial information in respect of the Group's investment in KP LLP is set out below:

KP LLP has recognised neither a profit nor loss in the year to 31 March 2021 (2019/20 £nil). There is therefore no impact on Group consolidated profits relating to the joint venture. The increase in the carrying amount of the Group's equity interest during the year reflects an investment of £3.7m in additional equity share capital of KP LLP during the year. The Group's percentage shareholding has remained unchanged.

Balance Sheet of Kidbrooke Partnership LLP at the 100 per cent level

At 31 March	Group 2021 £m	Group 2020 £m
Current assets		
Cash	2.3	1.8
Other short-term assets	36.6	29.0
	38.9	30.8
Current liabilities		
Other short-term liabilities	(1.3)	(0.6)
	(1.3)	(0.6)

Reconciliation of net assets to amounts included in the consolidated Group accounts

At 31 March	Group 2021 £m	Group 2020 £m
Net assets at 100%	37.6	30.2
Percentage held by the TfL Group	49%	49%
Carrying amount of the Group's equity interest in KP LLP	18.4	14.7

17. Investment in joint ventures (continued)

c) Blackhorse Road Properties LLP

In 2019/20 the Group acquired a 49 per cent holding in the members' interest of Blackhorse Road Properties LLP (BRP LLP), a newly created property development partnership, for a cash consideration of £11.3m. The investment was purchased through a newly incorporated subsidiary of the Group, TTL Blackhorse Road Properties Limited. During 2019/20, through its voting rights it was assessed that the Group had significant influence but not control over the relevant activities of BRP LLP. The Group's investment was therefore accounted for as an associate using the equity method for that year. In 2020/21, the partnership agreements were reassessed, and through a combination of its voting rights, Board representation and other rights embedded in the relevant management agreements, the Group was assessed as having joint control. The investment has therefore been accounted for as a joint venture using the equity method for 2020/21.

During 2019/20 the Group granted a 999 year lease over land at Blackhorse Road to BRP LLP for a consideration of £15.9m. The financial year end of BRP LLP is 30 June.

Summarised financial information in respect of the Group's investment in BRP LLP is set out below. Amounts presented are taken from unaudited management accounts made up to 31 March.

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Balance sheet of BRP LLP at the 100 per cent level

At 31 March	Group 2021 £m	Group 2020 £m
Current assets		
Cash	**9.4**	14.6
Other short-term assets	**28.8**	18.8
	38.2	33.4
Current liabilities		
Other short-term liabilities	**(8.7)**	(5.9)
	(8.7)	(5.9)

Reconciliation of net assets to amounts included in the consolidated Group accounts

At 31 March	Group 2021 £m	Group 2020 £m
Net assets at 100%	**29.5**	27.5
Percentage held by the TfL Group	**49%**	49%
Carrying amount of the Group's equity interest in BRP LLP	**14.5**	13.4

Group share of comprehensive income and expenditure of BRP LLP

Year ended 31 March	Group 2021 £m	Group 2020 £m
Group share of profit from continuing operations	**1.1**	2.1
Group share of other comprehensive income	**-**	-
Total Group share of comprehensive income and expenditure for the year	**1.1**	2.1

18. Investment in associated undertakings

a) Earls Court Partnership Limited
The Group holds a 37 per cent holding in the ownership and voting rights of Earls Court Partnership Limited (ECP), a property development company incorporated in England and Wales. Through its voting rights and representation on the Board of Directors of ECP, the Group has significant influence but not control over the relevant activities of ECP. The Group's investment is therefore accounted for using the equity method in these consolidated accounts.

The Group has invested share capital and non-interest bearing loans into ECP. The loan notes are non-interest bearing and have no fixed repayment date. They have therefore been treated in these financial statements as an investment in the equity of ECP. As at 31 March 2021 the Group had invested £44.4m in share capital and a further £416.2m in loan notes, of which a total of £3.9m was invested in 2020/21.

The financial year end of ECP is 31 December. For the purposes of applying the equity method of accounting, the financial statements of ECP for the year ended 31 December have been used, and appropriate adjustments made for the effects of significant transactions between that date and 31 March. On 31 March 2021, TfL obtained an independent valuation of the underlying investment and development property assets of ECP. This indicated no material movement in the value of the assets between 31 December and 31 March. Neither were there any material movements in net income/expenditure or in the net assets of ECP between 31 December 2020 and 31 March 2021.

Summarised financial information in respect of the Group's investment in ECP is set out below:

Balance Sheet of Earls Court Partnership Limited at the 100 per cent level

At 31 December	Group 2020 £m	Group 2019 £m
Current assets	6.9	10.4
Long-term assets	516.2	514.5
Current liabilities	(1.8)	(3.2)
Long-term liabilities	(73.4)	(71.7)

Included within current assets above at 31 December 2020 is £5.7m of cash (2019 £9.2m). Long-term liabilities represent third-party borrowings.

Reconciliation of net assets to amounts included in the consolidated Group accounts

At 31 December	Group 2021 £m	Group 2020 £m
Net assets at 100% at 31 December 2020/ 31 December 2019	447.9	450.0
Percentage held by the TfL Group	37%	37%
TfL Group share of net assets at 31 December	165.7	166.5
Investment in equity loan notes between 31 December and 31 March	1.2	-
Carrying amount of the Group's equity interest in Earls Court Partnership Limited at 31 March	166.9	166.5

Group share of comprehensive income and expenditure of Earls Court Partnership Limited

Year ended 31 March	Group 2021 £m	Group 2020 £m
Group share of loss from continuing operations	(3.5)	(54.1)
Group share of other comprehensive income	-	-
Total Group share of comprehensive income and expenditure for the year	(3.5)	(54.1)

The share of loss from continuing operations primarily reflects fair value losses recognised in respect of the revaluation of the Earl's Court development site.

Notes to the Financial Statements

19. Finance lease receivables

Group finance lease receivables
The Group leases certain items of plant and equipment related to its media activities to a third party under a finance lease arrangement.

Finance lease receivables on the Balance Sheet are calculated as the present value of minimum lease payments outstanding. Interest is accrued at a rate of 6.29 per cent per annum.

As at 31 March	2021 £m	2020 £m
Principal outstanding		
Short-term	**15.4**	15.7
Long-term	**28.6**	37.0
	44.0	52.7

As at 31 March	2021 £m	2020 £m
Principal outstanding		
At 1 April	**52.7**	52.2
Additions	**7.0**	14.8
Interest	**2.6**	3.2
Repayments	**(18.3)**	(17.5)
	44.0	52.7

At 31 March	2021 £m	2020 £m
Minimum cash receipts in:		
Not later than one year	**17.2**	18.4
Later than one year but not later than five years	**29.7**	39.8
	46.9	58.2
Less unearned finance income	**(2.9)**	(5.5)
	44.0	52.7

20. Inventories

As at 31 March	Group 2021 £m	Group 2020 £m
Raw materials and consumables	**50.7**	58.1
Goods held for resale	**0.8**	0.8
	51.5	58.9

There is no material difference between the balance sheet value of Group inventories and their net realisable value. The Corporation had no inventories as 31 March 2021 or 31 March 2020.

The movement on inventories was as follows:

	Group £m
Balance at 1 April 2019	61.0
Purchases in the year	76.1
Recognised as an expense in the year:	
Consumed/sold in the year	(71.7)
Net write offs in the year	(6.5)
Balance at 31 March 2020	58.9
Purchases in the year	**50.4**
Recognised as an expense in the year:	
Consumed in the year	**(54.9)**
Goods sold in the year	**(0.1)**
Net write offs in the year	**(2.8)**
Balance at 31 March 2021	**51.5**

21. Debtors

At 31 March	Group 2021 £m	Group 2020 £m
Short-term		
Trade debtors	**140.3**	99.7
Capital debtors	**5.5**	22.7
Other debtors	**76.7**	22.8
Other tax and social security	**58.8**	61.1
Grant debtors	**68.5**	118.2
Interest debtors	**1.2**	1.7
Contract assets: accrued income	**35.7**	58.5
Prepayments for goods and services	**106.4**	128.1
	493.1	512.8
Long-term		
Other debtors	**17.4**	59.4
Prepayments for goods and services	**34.8**	38.0
	52.2	97.4

Trade debtors are non-interest bearing and are generally paid within 28 days.

As at 31 March 2021, £488.4m (2020 £424.9m) was recognised as a provision for expected credit losses on trade and other debtors (see note 34).

Contract asset balances represent accrued income recognised where balances have not yet been invoiced to the customer. Upon completion of the terms of the contract and agreement with the customer/third party contributor, the amounts recognised as contract assets are reclassified to trade debtors.

At 31 March	Corporation 2021 £m	Corporation 2020 £m
Short-term		
Trade debtors	**30.4**	31.8
Amounts due from subsidiary companies	**297.8**	412.4
Capital debtors	**0.6**	6.4
Other debtors	**49.3**	5.7
Other tax and social security	**7.6**	-
Grant debtors	**17.4**	64.8
Interest debtors	**(0.4)**	1.5
Contract assets: accrued income	**13.0**	5.6
Prepayments for goods and services	**24.2**	25.1
	439.9	553.3
Long-term		
Loans made to subsidiary companies	**12,251.9**	11,106.2
Other debtors	**-**	42.8
Prepayments for goods and services	**7.6**	6.0
	12,259.5	11,155.0

Trade debtors are non-interest bearing and are generally paid within 28 days. In 2021, £457.9m (2020 £415.3m) was recognised as a provision for expected credit losses on trade debtors (see note 34).

Contract assets balances represent accrued income recognised where balances have not yet been invoiced to the customer. Upon completion of the terms of the contract, the amounts recognised as contract assets are reclassified to trade debtors.

Long-term loans made to subsidiary companies are interest-bearing loans, primarily representing the pass-down of external third-party borrowings to the subsidiaries that hold the assets which have been funded by that borrowing. These loans accrue market rates of interest reflecting rates achieved on debt issued to third parties by the Corporation. The average rate of interest accruing on loans outstanding at 31 March 2021 was 3.3 per cent (2020 3.6 per cent).

22. Assets held for sale

	Note	Group £m	Corporation £m
Balance at 1 April 2019		122.4	23.4
Assets newly classified as held for sale			
Investment properties	15	4.8	3.2
Revaluation losses			
Investment properties		(4.3)	(4.3)
Disposals			
Investment properties		(9.5)	(3.2)
Balance at 31 March 2020		113.4	19.1
Net assets transferred from held for sale to investment property			
Investment properties	15	**(19.7)**	**(1.0)**
Revaluation gains/(losses)			
Investment properties		**2.1**	**(0.4)**
Disposals			
Investment properties		**(0.3)**	**(0.2)**
Balance at 31 March 2021		**95.5**	**17.5**

As at 31 March 2021, certain development sites and surplus land were being actively marketed for sale. Disposals are expected to complete within the next 12 months, or, where agreements to sell have already been put in place, in line with the timing of those agreements.

23. Other investments

At 31 March	Group 2021 £m	Group 2020 £m
Short-term		
Investments held at amortised cost	**19.0**	642.4

At 31 March	Corporation 2021 £m	Corporation 2020 £m
Short-term		
Investments held at amortised cost	**-**	623.5

Short-term investments comprise fixed deposits, UK treasury bills and other tradeable instruments with a maturity of greater than three but less than 12 months.

24. Cash and cash equivalents

At 31 March	Group 2021 £m	Group 2020 £m
Cash at bank	126.5	231.4
Short-term investments with a maturity of less than three months	1,575.8	1,325.1
Cash in hand and in transit	7.9	10.3
	1,710.2	1,566.8

At 31 March	Corporation 2021 £m	Corporation 2020 £m
Cash at bank	52.6	85.6
Short-term investments with a maturity of less than three months	1,575.8	1,325.1
	1,628.4	1,410.7

Short-term investments comprise fixed deposits, UK treasury bills, repo and other tradeable instruments. These are classified as cash and cash equivalents as they have a maturity of less than three months.

25. Creditors

a) Group creditors at 31 March comprised:

	Group 2021 £m	Group 2020 £m
Short-term		
Trade creditors	164.7	101.9
Accrued interest	111.7	109.9
Capital works	656.3	677.0
Retentions on capital contracts	9.4	8.5
Capital grants received in advance	32.2	26.8
Wages and salaries	136.9	144.6
Other taxation and social security creditors	49.3	47.9
Contract liabilities: receipts in advance for Travelcards, bus passes and Oyster cards	217.7	348.2
Contract liabilities representing other deferred income	48.3	58.7
Accruals and other payables	651.4	605.3
	2,077.9	2,128.8
Long-term		
Trade creditors	-	0.7
Capital grants received in advance	11.1	2.4
Retentions on capital contracts	3.9	4.7
Contract liabilities representing other deferred income	29.7	46.6
Accruals and other payables	12.0	7.2
	56.7	61.6

Notes to the Financial Statements

25. Creditors (continued)

The level of outstanding long-term liabilities as at 31 March 2021 has decreased from the prior year primarily as a result of £16.3m of deferred income recorded at 31 March 2020, relating to the redevelopment of a depot, being released to income during 2020/21.

The performance obligations, related to deferred income balances recorded as at 31 March 2021, which are expected to be met in more than one year relate to:

i. License revenue and funding received from developers for improvements to bus services, which together total £21.6m (2020 £20.4m), of which £13.1m (2020 £16.6m) relates to obligations that are to be satisfied within two to three years, and £4.7m (2020 £3.8m) within five years and £3.8m (2020 £nil) over five years

ii. Maintenance income of £6.4m (2020 £5.2m) expected to be released over 30 years

iii. Other miscellaneous contracts, together totalling £1.6m (2020 £4.7m)

Set out below is the amount of revenue recognised by the Group during the year from:

Year ended 31 March	Group 2021 £m	Group 2020 £m
Amounts included in contract liabilities at 1 April	213.0	294.3
Performance obligations satisfied in previous years	-	-

b) Corporation creditors at 31 March comprised:

At 31 March	Corporation 2021 £m	Corporation 2020 £m
Short-term		
Trade creditors	44.6	50.2
Accrued interest	109.3	107.8
Capital works	127.9	118.9
Retentions on capital contracts	1.8	-
Capital grants received in advance	14.2	11.7
Amounts due to subsidiary companies	278.0	208.2
Wages and salaries	37.2	28.3
Other taxation and social security creditors	2.8	2.5
Contract liabilities representing other deferred income	16.0	18.3
Accruals and other payables	275.2	194.5
	907.0	740.4
Long-term		
Capital grants received in advance	8.3	2.4
Contract liabilities representing other deferred income	16.3	18.4
	24.6	20.8

Total long-term contract liabilities balances in the Corporation are broadly consistent with the prior year.

25. Creditors (continued)

At 31 March 2021, the significant balance of remaining performance obligations in relation to contract liabilities expected to be recognised in more than one year represents deferred license revenue totalling £9.8m (2020 £11.5m), of which £9.6m is expected to be satisfied within three to four years (2020 £10.6m) and £0.2m (2020 £0.9m) within five years. Maintenance income of £6.4m (2020 £5.2m) is expected to be released over 30 years. Balances relating to other miscellaneous contracts totalled £0.1m (2020 £1.7m).

Set out below is the amount of revenue recognised during the year from:

Year ended 31 March	Corporation 2021 £m	Corporation 2020 £m
Amounts included in contract liabilities at 1 April	14.9	11.1
Performance obligations satisfied in previous years	-	-

26. Borrowings and overdrafts

At 31 March	Group 2021 £m	Group 2020 £m
Short-term		
Borrowings	1,198.1	936.5
Long-term		
Borrowings	11,769.7	10,752.5

At 31 March	Corporation 2021 £m	Corporation 2020 £m
Short-term		
Borrowings	1,198.1	936.5
Long-term		
Borrowings	11,774.1	10,757.5

Further information about the maturity and interest rate profiles of the Group and Corporation's borrowings is provided in note 34 (Funding and financial risk management).

We have a number of loan facilities with the European Investment Bank (EIB) and Export Development Canada (EDC), all of which were fully drawn as at 31 March 2021. We also have a loan facility with the DfT for the purposes of the Crossrail project. In addition, we have direct access to the UK Debt Management Office (DMO) via the Public Works Loan Board (PWLB). Borrowing from these sources has contributed to the financing of a range of projects during the year. Further, we utilised our £2bn Commercial Paper programme throughout the year to manage our liquidity requirements.

A total of £600m was borrowed from the PWLB, of which £336m is at floating rates of interest, and £100m was drawn under our EDC facilities, at fixed interest rates, during the year. A further £676m was borrowed from the DfT, as part of a £750m facility. The remaining £74m was drawn down after the year end, in April 2021.

Notes to the Financial Statements

26. Borrowings and overdrafts (continued)

Changes in liabilities arising from financing activities

	Group 2021 £m	Group 2020 £m
Balance at 1 April		
Short-term	**1,272.1**	816.2
Long-term	**13,095.4**	10,879.6
	14,367.5	11,695.8
Right-of-use lease liabilities recognised on the implementation of IFRS 16	**-**	1,768.1
Borrowings drawn down	**1,541.0**	640.9
Net (repayment of)/additions to other financing liabilities	**(1.7)**	3.3
Repayment of borrowings	**(263.6)**	(96.0)
Repayment of PFI liabilities	**(13.9)**	(54.2)
Repayment of right-of-use lease liabilities	**(295.4)**	(248.4)
Non-cash increase in right-of-use lease liabilities	**387.5**	658.5
Other movements*	**1.4**	(0.5)
At 31 March	**15,722.8**	14,367.5
Short-term	**1,543.5**	1,272.1
Long-term	**14,179.3**	13,095.4
	15,722.8	14,367.5

* Other movements in the tables above are non-cash and relate to the unwind of discounts and fees.

Changes in liabilities arising from financing activities

	Corporation 2021 £m	Corporation 2020 £m
Balance at 1 April		
Short-term	**971.2**	756.9
Long-term	**11,282.3**	10,524.8
	12,253.5	11,281.7
Right-of-use lease liabilities recognised on the implementation of IFRS 16	**-**	447.2
Borrowings drawn down	**1,541.0**	640.9
Repayment of borrowings	**(263.6)**	(96.0)
Repayment of PFI lease liabilities	**(9.0)**	(11.1)
Repayment of right-of-use lease liabilities	**(26.0)**	(24.6)
Non-cash increase in right-of-use-lease liabilities	**0.2**	16.7
Other movements*	**0.8**	(1.3)
At 31 March	**13,496.9**	12,253.5
Short-term	**1,234.4**	971.2
Long-term	**12,262.5**	11,282.3
	13,496.9	12,253.5

Notes to the Financial Statements
27. Private finance initiative contracts

Private Finance Initiative contracts
The Group is party to the following PFI arrangements where the Group controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement. These arrangements are treated as service concession arrangements and, as stipulated by the Code, are accounted for in accordance with IPSAS 32 Service Concession Arrangements – Grantor (IPSAS 32).

The Group therefore recognises PFI assets as items of plant, property and equipment together with a liability to pay for them (see note 13 for details of PFI assets). The fair values of services received under the contract are recorded as operating expenses.

The unitary charge is apportioned between the repayment of the liability, financing costs and charges for services. The service is recognised as an expense in net operating costs and the finance costs are charged to financial expenses in the Comprehensive Income and Expenditure Statement.

Contract	Contract dates	Description
TfL		
A13 Thames Gateway contract	2000 to 2030	Design and construction of improvements to the A13 infrastructure (including communication and traffic signals systems) and ongoing maintenance and operation of the A13 between Butcher Row and Wennington. The contract requires TfL to make an annual unitary payment, charged monthly and calculated according to the service provided by the concession company and the payment mechanisms defined in the contract.
London Underground Limited (LU)		
British Transport Police (London Underground)	1999 to 2022	Provision and ongoing management and maintenance of operational infrastructure to support efficient policing of the Jubilee Line Extension and the delivery of the long-term policing strategy for LU. The contract requires LU to make a base annual unitary payment which is adjusted for indexation and performance as specified in the contract.
Docklands Light Railway Limited (DLR)		
Greenwich	1996 to 2021	Design, construction and ongoing maintenance of the Greenwich extension to the Docklands Light Railway. The contract required DLR to make payments, which are charged monthly and adjusted for any penalties relating to adverse performance against output measures describing all relevant aspects of the contract. The contract terminated on 31 March 2021.

27. Private finance initiative contracts (continued)

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PFI finance lease liabilities

	Group 2021 £m	Group 2020 £m	Corporation 2021 £m	Corporation 2020 £m
At 1 April	**125.5**	179.7	**120.2**	131.3
Payments	**(19.4)**	(62.9)	**(14.2)**	(16.8)
Interest	**5.5**	8.7	**5.2**	5.7
At 31 March	**111.6**	125.5	**111.2**	120.2

Group

Amounts payable under the PFI arrangements cover payments for repayment of capital, payments of interest and payment of service charges. The total amount payable breaks down as follows:

	Payments of interest £m	Repayment of capital £m	Payments for service charges £m	Total amount payable under non-cancellable PFI arrangements £m
At 31 March 2021				
Less than 1 year	**4.8**	**9.9**	**29.3**	**44.0**
Between 1 and 5 years	**14.4**	**55.9**	**128.2**	**198.5**
Between 6 and 10 years	**3.9**	**45.8**	**110.3**	**160.0**
	23.1	**111.6**	**267.8**	**402.5**
At 31 March 2020				
Less than 1 year	5.5	13.9	42.8	62.2
Between 1 and 5 years	16.6	50.4	125.9	192.9
Between 6 and 10 years	6.6	60.4	140.1	207.1
Between 11 and 15 years	-	0.8	1.8	2.6
	28.7	125.5	310.6	464.8

Corporation

Amounts payable under the PFI arrangements cover payments for repayment of capital, payments of interest and payment of service charges. The total amount payable breaks down as follows:

	Payments of interest £m	Repayment of capital £m	Payments for service charges £m	Total amount payable under non-cancellable PFI arrangements £m
At 31 March 2021				
Less than 1 year	**4.8**	**9.6**	**25.1**	**39.5**
Between 1 and 5 years	**14.4**	**55.8**	**127.5**	**197.7**
Between 6 and 10 years	**3.9**	**45.8**	**110.3**	**160.0**
	23.1	**111.2**	**262.9**	**397.2**
At 31 March 2020				
Less than 1 year	5.2	9.0	22.8	37.0
Between 1 and 5 years	16.5	50.0	120.9	187.4
Between 6 and 10 years	6.6	60.4	140.1	207.1
Between 11 and 15 years	-	0.8	1.8	2.6
	28.3	120.2	285.6	434.1

28. Other financing liabilities

Group other financing liabilities at 31 March comprised:

	Group 2021 £m	Group 2020 £m
Short-term		
Deferred capital payments	**6.2**	3.5
Long-term		
Deferred capital payments	**128.1**	132.5

Other financing liabilities comprise deferred capital payments in respect of the acquisition of property, plant and equipment. Gross payments with a nominal value of £162.1m (2020 £159.7m) fall due over the period to March 2033. These have been discounted back at an effective rate of interest of 3.2 per cent (2020 2.5 per cent) to the present value recorded in the table above.

29. Provisions

a) Group provisions

	At 1 April 2020 £m	Payments in the year £m	Charge for the year £m	Releases in the year £m	At 31 March 2021 £m
Compensation and contractual	100.4	(19.3)	16.2	(25.4)	**71.9**
Capital investment activities	76.9	(8.2)	0.1	(2.3)	**66.5**
Environmental harm	1.4	-	-	-	**1.4**
Severance and other	71.9	(35.1)	12.9	(19.5)	**30.2**
	250.6	(62.6)	29.2	(47.2)	**170.0**

At 31 March	2021 £m	2020 £m
Due		
Short-term	**109.1**	192.6
Long-term	**60.9**	58.0
	170.0	250.6

29. Provisions (continued)

b) Corporation provisions

	At 1 April 2020 £m	Payments in the year £m	Charge for the year £m	Releases in the year £m	At 31 March 2021 £m
Compensation and contractual	19.1	(2.5)	9.2	(7.6)	**18.2**
Capital investment activities	76.9	(8.2)	0.3	(2.3)	**66.7**
Severance and other	51.6	(30.5)	6.3	(17.8)	**9.6**
	147.6	(41.2)	15.8	(27.7)	**94.5**

At 31 March	2021 £m	2020 £m
Due		
Short-term	**64.9**	124.6
Long-term	**29.6**	23.0
	94.5	147.6

c) Nature of provisions

Compensation and contractual

The Group has provisions for expected compensation and contractual claims that arise in respect of disputes arising in the ordinary course of business. The provisions recorded as at 31 March are based on management's best estimate at the Balance Sheet date of the likely loss to be incurred through settlement. Reflecting the inherent uncertainty with many legal proceedings and claim settlements, the timing and amount of the outflows could differ from the amount provided. Based on current estimates management expects that these amounts, which are based on known facts and take account of past experience for similar items, will be settled within the next one to five years. Where material the provision held is discounted to its present value.

Capital investment activities

Capital investment activities include compulsory purchases, claims in respect of structural damage or diminution in value of properties affected by transport schemes, and other related third-party claims. Estimates are made with reference to relevant market trends. Compulsory Purchase Order provision amounts have been based on the professional estimates of lawyers and surveyors of the land acquisition, development value, disturbance, statutory interest and professional fees for both sides of the negotiation on a case by case basis. Due to the nature of these liabilities and the need to negotiate settlement amounts, there is considerable uncertainty regarding when Compulsory Purchase Order cases will be settled and payments made. At present management expects these provisions to be settled within the next five years.

Environmental harm

Environmental harm relates to potential costs associated with damage to the environment as a result of actions taken in the past. Management expects this provision to be settled within the next five years.

Severance and other

Severance and other provisions include voluntary severance costs arising from reorganisations and other smaller claims. Management expects these provisions to be settled within the next year.

30. Derivative financial instruments

Cash flow hedges

At 31 March	Fair value 2021 £m	Notional amount 2021 £m	Fair value 2020 £m	Notional amount 2020 £m
Long-term assets				
Foreign currency forward contracts	**0.2**	**19.7**	1.5	20.1
	0.2	**19.7**	1.5	20.1
Current assets				
Foreign currency forward contracts	**6.5**	**229.1**	3.4	40.5
	6.5	**229.1**	3.4	40.5
Current liabilities				
Interest rate swaps	**(1.2)**	**75.0**	(0.3)	25.0
Foreign currency forward contracts	**(10.8)**	**165.7**	(26.0)	688.5
	(12.0)	**240.7**	(26.3)	713.5
Long-term liabilities				
Interest rate swaps	**(29.6)**	**336.9**	(50.9)	408.6
Foreign currency forward contracts	**(17.7)**	**271.5**	(12.2)	316.6
	(47.3)	**608.4**	(63.1)	725.2

The Corporation has not entered into any derivative financial instrument contracts. Further detail on the Group's derivative instruments is set out in note 34.

31. Contingencies

There are a number of uncertainties surrounding projects, including claims in the course of negotiations, which may affect the Group's financial performance. Where claims are possible but are not probable, or are unquantifiable, such claims are treated as contingent liabilities. Contingent liabilities are not recognised in the financial statements, but are monitored to ensure that, where a possible obligation has become probable or a transfer of economic benefits has become probable, a provision is made.

The impact of these contingent liabilities on the Group's financial performance, liquidity or financial position is not considered to be material.

Notes to the Financial Statements
32. Guarantees

Section 160 of the GLA Act 1999 (the GLA Act) sets out the conditions under which the Corporation may give certain guarantees, indemnities or similar arrangements. Under section 161 of the GLA Act TfL is obliged to disclose in its Annual Report details of all guarantees etc. so given.

TfL and its subsidiaries have entered into joint and several guarantees in favour of HSBC Bank plc as security for any bank indebtedness outstanding from time to time. TfL has also separately guaranteed any liabilities owing to HSBC Bank plc by its subsidiary, Crossrail Limited.

The Corporation has given guarantees in respect of some of its subsidiary companies' contracts. The amount that could be payable under the guarantees (as described below) varies depending on a number of factors, including, inter alia, responsibility for the costs arising from an early termination of the underlying contract, which are not known before the event. For information only, the approximate maximum amounts of debt that were envisaged to be drawn by the counterparty at the signing of the agreements are disclosed below. For the avoidance of doubt, these amounts do not represent the amounts that could be payable by TfL under the guarantees but are shown here to give an indication of the relative size of each contract.

	Estimated maximum debt drawn by counterparty at start of contract £m
Agreement with 345 Rail Leasing Limited	1,050
Agreements with QW Rail Leasing Ltd	380
Agreement with London Rail Leasing Ltd	350
Agreement with Lloyds Bank PLC	109
Agreement with Pittville Leasing Ltd	51
Agreement with Lombard North Central Plc	7
Agreement with Services Support (BTP) Limited (formerly APSLL)	4

In addition, TfL also guarantees the payments of certain of its subsidiaries under a number of other service and construction contracts. It has guaranteed amounts owed by London Bus Services Limited to the Fuel Cells and Hydrogen Joint Undertaking under a Grant agreement for the 3EMOTION Environmentally Friendly, Efficient Electric Motion project. It has guaranteed London Underground Limited's payment obligations as a tenant in respect of an operating lease for the Stratford City Business District. It has also provided an indemnity to Berkeley 55 Limited in respect of future Mayoral CIL payments that Berkeley 55 Limited may be charged in relation to the fit out of the Crossrail station at Woolwich.

Unlike the agreements listed above, these contracts are not based on an initial amount of debt and so cannot be quantified in a similar manner.

TfL also acts as a guarantor in respect of all liabilities under third party derivative contracts entered into by its subsidiary, Transport for London Finance Limited. The fair value of net liabilities outstanding under derivative contracts at 31 March 2021 is £52.6m (2020 £84.5m).

No arrangements were entered into with another person under which that person gives a guarantee which TfL has power to give under section 160 (4) of the GLA Act and no indemnities associated with the guarantees were given by virtue of section 160 (5) of the GLA Act.

The majority of guarantees granted by TfL are in respect of the obligations of its subsidiaries. These obligations are, in any case, recorded as liabilities on the Group Balance Sheet. The probability of any amounts becoming payable by the Corporation under the above guarantees and indemnities is considered remote. As at 31 March 2021 the fair value of all financial guarantees granted has been recorded as £nil (2020 £nil).

Notes to the Financial Statements
33. Financial commitments

Operating leases – The Group and Corporation as lessor

The Group and Corporation lease out commercial, retail and office property, and land that they hold as a result of their infrastructure holdings.

At the Balance Sheet date, the Group and Corporation had contracted with customers for the following future minimum lease payments:

Land and buildings	Group £m	Corporation £m
At 31 March 2021		
Within one year	**57.3**	**0.7**
Between one and two years	**52.1**	**0.7**
Between two and five years	**111.4**	**1.7**
Later than five years	**617.8**	**4.9**
	838.6	**8.0**
At 31 March 2020		
Within one year	73.8	3.7
Between one and two years	64.8	3.1
Between two and five years	148.5	6.9
Later than five years	611.6	53.4
	898.7	67.1

Sanitising taxi and private hire vehicles between passengers played a key role

Notes to the Financial Statements
34. Funding and financial risk management

Introduction
TfL is a statutory corporation established under the GLA Act 1999. TfL is funded by revenues, grant and prudential borrowing. The Group's debt is issued by the statutory corporation, Transport for London, in the form of loans from the PWLB, the EIB and EDC, Medium Term Notes under the £5bn TfL Euro Medium Term Note programme, and short-term Commercial Paper under the £2bn TfL Euro Commercial Paper programme.

Treasury Management
TfL has a Treasury Management Strategy which is required to be updated on at least an annual basis. The Treasury Management Strategy for 2020/21 was prepared having regard to the Local Government Act 2003 and the Local Authorities (Capital Finance and Accounting) Regulations 2003 (as amended), the key recommendations of the Code of Practice and Cross-Sectoral Guidance Notes for Treasury Management in the Public Services (2017 Edition) (the Treasury Management Code) and the Prudential Code for Capital Finance in Local Authorities (2017 Edition) (the Prudential Code), both issued by CIPFA, as well as the key recommendations of the Statutory Guidance on Local Authority Investments (2018 Edition) issued by the Ministry for Housing, Communities and local Government (the Investment Guidance). The strategy was approved by the TfL Board prior to the commencement of the year.

The Group's principal financial instruments comprise borrowings, investments, derivatives, lease liabilities and receivables, PFI liabilities and cash and cash equivalents. These financial instruments are used to manage funding and liquidity requirements.

Other financial instruments that arise directly from the Group's operations include trade receivables and payables and other financing liabilities.

The Group monitors the risk profile of its borrowing, investment and derivative programmes against approved benchmarks and provides regular reports to the Chief Finance Officer. Semi-annual reports on overall performance against the approved strategy are considered by the Finance Committee (a committee of the TfL Board). Section 49 of the TfL Act 2008 confers upon TfL the powers to use derivative financial instruments for risk management purposes only via qualifying subsidiaries.

The Prudential Borrowing Regime
TfL has the power to borrow as it is treated as a local authority for the purposes of financial management under the Local Government Act 2003. In accordance with this Act, the Mayor, in consultation with TfL, sets an affordable borrowing limit for external debt (including direct borrowing and other long-term liabilities). In setting this limit, the Mayor and TfL are required by regulation to have regard to the Prudential Code. In accordance with the Prudential Code and Treasury Management Code, the TfL Board annually approves a long-term capital strategy and a set of indicators, for prudent and affordable borrowing, for estimates of capital expenditure, for interest rate exposures and the maturity profile of its borrowing.

TfL also agrees its maximum annual incremental borrowing capacity with Government.

Financial Risks and Risk Management
The Group is exposed to a number of financial risks in the normal course of its business operations, the key ones being:

- Credit risk
- Market risk
- Liquidity risk

Each of these risks is managed in accordance with the Group's comprehensive risk management process. The TfL Board, through its Finance Committee, approves and monitors the risk management processes, including documented treasury policies, counterparty limits, and controlling and reporting structures.

Credit risk
Credit risk is managed on a Group-wide basis. Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet contractual obligations. The following categories comprise the main credit exposures of the Group:

(i) Trade receivables and contract assets
The Group earns the majority of its revenue through prepaid fares. Financial assets arise from: penalty charges, fare revenues not earned on a prepaid basis, commercial activities such as property rental or advertising and amounts due under contractual arrangements from partners or suppliers. The maximum exposure to credit risk at the reporting date is the carrying value disclosed in note 21.

A significant portion of the financial assets arising in the Corporation are with other Group companies. Per note 32, the Corporation has granted guarantees in respect of the obligations of its subsidiaries, mitigating credit risk attached to settlement of these intercompany financial assets.

Customer credit risk is managed by a central credit control function subject to TfL's policy, procedures and control framework. Counterparties are assessed individually for their creditworthiness at the time of entering into contracts and an internal credit rating is assigned.

At each reporting date, the Group applies the IFRS 9 simplified approach to measuring expected credit losses. This approach uses a lifetime expected loss allowance for all trade receivables and contract assets. In determining the expected loss rates, trade receivables and contract assets are considered together based on shared credit risk characteristics. Historical loss rates over the short to medium term are applied to groupings of various customer segments within trade receivables and contract assets. These rates are adjusted to reflect expectations about future credit losses. There is a rebuttable presumption that default has occurred if assets are more than 90 days past due.

Despite the application of a loss allowance, these balances remain subject to enforcement activity and recoveries will be credited against the same line item as the expected credit loss within operating profit. On that basis, the loss allowance as at 31 March 2021 was determined as follows for both trade receivables and contract assets:

34. Funding and financial risk management (continued)

Age of trade and other debtors: Group

	Not overdue £m	Overdue by less than 3 months £m	Overdue by between 3 and 6 months £m	Overdue by between 6 months and 1 year £m	Overdue by more than 1 year £m	Total £m
At 31 March 2021						
Expected credit loss rate	0.7%	36.1%	87.8%	94.4%	99.0%	54.7%
Estimated total gross carrying amount at default	340.6	82.3	43.3	84.4	341.9	892.5
Expected credit loss allowance	(2.5)	(29.7)	(38.0)	(79.7)	(338.5)	(488.4)
At 31 March 2020						
Expected credit loss rate	0.3%	48.1%	93.8%	99.9%	100.0%	48.9%
Estimated total gross carrying amount at default	421.7	40.1	42.2	71.8	293.2	869.0
Expected credit loss allowance	(1.1)	(19.3)	(39.6)	(71.7)	(293.2)	(424.9)

Age of trade and other debtors: Corporation

	Not overdue £m	Overdue by less than 3 months £m	Overdue by between 3 and 6 months £m	Overdue by between 6 months and 1 year £m	Overdue by more than 1 year £m	Total £m
At 31 March 2021						
Expected credit loss rate	-	58.9%	87.9%	98.0%	99.4%	3.5%
Estimated total gross carrying amount at default	12,645.0	35.8	36.5	73.5	334.7	13,125.5
Expected credit loss allowance	-	(21.1)	(32.1)	(72.0)	(332.7)	(457.9)
At 31 March 2020						
Expected credit loss rate	-	64.0%	97.4%	100.0%	100.0%	3.4%
Estimated total gross carrying amount at default	11,665.5	29.7	37.9	68.3	291.1	12,092.5
Expected credit loss allowance	-	(19.0)	(36.9)	(68.3)	(291.1)	(415.3)

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there may be no reasonable expectation of recovery include, amongst other things; failure of a debtor to engage in a repayment plan or advice from TfL's legal department. TfL has a statutory duty to maximise recovery of charges and fees, including road user charges.

(ii) Investments

All cash balances are invested in accordance with TfL's Treasury Management Strategy, which was developed with regard to the Treasury Management Code and the Investment Guidance, and which requires a prudent approach to the investment of surplus funds with priority given to security and liquidity.

Throughout 2020/21 investments were made within limits approved by the TfL Board. From 2021/22 limits will be approved annually by the Finance Committee. Counterparty limits are set according to the assessed risk of each counterparty and are linked to the credit rating of the institution. Exposures are monitored against these limits on a regular basis.

TfL considers the risk of the overall portfolio as well as individual investments, seeking to diversify its investments and has regard to the exposure to any one counterparty, country, industry, investment type and credit. The investment portfolio is allocated across sovereigns, government agencies, financial institutions, corporates and money market funds.

Certain banks hold collateral on TfL's account to provide security for TfL's reverse repurchase agreement investments. As at 31 March 2021, the fair value of the collateral held amounted to £200m (2020 £nil).

The centrally managed cash reserves at 31 March 2021 totalled £1,575.8m (2020 £1,949.1m).

Notes to the Financial Statements

34. Funding and financial risk management (continued)

As at 31 March, principal funds managed centrally on behalf of the Group and placed on deposit by the Corporation were as follows:

	Amount £m	Minimum Credit Rating (S&P/ Moody's/ Fitch)	Weighted average days to maturity
At 31 March 2021			
UK Debt Management Office	**388.0**	**P-1/A-/1+**	**45**
Other Government Agencies	**201.2**	**P-1/A-1+/F1+**	**43**
Money Market Funds	**374.7**	**AAA/AAA/AAA**	**1**
Banks (including Gilt backed repos)	**526.7**	**P-1/A-1+/F1+**	**33**
Corporates	**85.2**	**P-1/A-1/F1**	**8**
Total	**1,575.8**		**29**
At 31 March 2020			
UK Debt Management Office	742.0	P-1/A-1+	28
Other Government Agencies	480.6	P-1/A-1+/F1+	47
Banks (including Gilt backed repos)	377.0	P-1/A-1+/F1+	34
Corporates	349.5	P-2/A-2/F2	37
Total	1,949.1		35

All of the entity's cash and investments are considered to have low credit risk; they are highly rated by major rating agencies, have a low risk of default and the counterparties have a strong capacity to meet obligations in the near term. While low risk, these remain subject to the impairment requirements of IFRS 9 at each reporting date. The identified 12 month expected loss allowance at 31 March 2021 and as at 31 March 2020 was immaterial.

(iii) Derivative financial instruments

Counterparty limits are established and monitored in accordance with TfL's Policy relating to the use of Derivative Investments, which, for 2020/21, was approved by the TfL Board. The Group spreads its exposure over a number of counterparties and has strict policies on how much exposure can be assigned to each counterparty.

The Group's maximum credit risk exposure relating to financial derivative instruments is noted in the maturity profile of derivatives tables within the market risk section of this note. The credit risk with regard to financial derivative instruments is limited because TfL has arrangements in place with each bank wherein, should the derivative be in an asset position for TfL and the market value reaches a contractually defined threshold, TfL can call upon the bank to post collateral in cash or eligible securities. TfL only envisages using these rights in the event that the financial strength of the institution has deteriorated since the limits were approved.

(iv) Guarantees

The Corporation provides guarantees to third parties under section 160 of the GLA Act, as disclosed in note 32, which are deemed necessary for the fulfilment of its policies. The Group's policy is to recognise financial guarantees at the higher of an expected credit loss allowance and the amount initially recognised as fair value less any amortisation that has occurred to date. As at 31 March 2021, the fair value of the Corporation's financial guarantees has been assessed as £nil (2020 £nil).

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and inflation will affect the Group's income, expenditure or the value of its holdings of financial instruments. The Group, through its wholly owned subsidiary, Transport for London Finance Limited, uses derivatives (hedging instruments) to reduce exposure to interest rate and foreign exchange rate movements (the hedged risks) on existing contracts and highly probable future transactions. The Group does not use derivative financial instruments for speculative purposes.

On inception, all interest rate derivatives and foreign currency derivative instruments hedging commercial contracts are designated in highly effective hedge relationships and hedge accounting is applied. If a derivative should no longer satisfy the hedging criteria in accordance with adopted IFRS 9 Financial Instruments (IFRS 9), hedge accounting ceases and the derivative is fair valued immediately through the Comprehensive Income and Expenditure Statement.

The use of derivative instruments can itself give rise to credit and market risk. Market risk is the possibility that future changes in interest rates may make a derivative more or less valuable. Since the Group uses derivatives for risk management, market risk relating to derivative instruments is principally offset by changes in the cash flows of the transactions being hedged.

Notes to the Financial Statements

34. Funding and financial risk management (continued)

For the years ended 31 March 2021 and 2020 all derivatives in designated hedge relationships were assessed as highly effective and no ineffectiveness was recognised. Accordingly, the full movement in the fair value of those derivatives was taken to reserves.

(i) Foreign exchange risk
During 2020/21, TfL held certain short-term investments denominated in Euros. These foreign currency denominated investments were swapped back to GBP through the use of forward foreign exchange contracts. These contracts were not in formally designated hedging relationships for accounting purposes, as the currency gain or loss on retranslation of the investments is offset within net cost of services at the Group level by the movement in the fair value of the derivative instruments. As at 31 March 2021, the Group held foreign exchange contracts to hedge €215.0m future Euro receipts in relation to its Euro investments (2020 €720.4m). Throughout the year, the hedging strategy provided an effective offset of fair value movements due to holding foreign currency investments. The unrealised exchange net gain was £0.1m as at 31 March 2021 (2020 a net gain of £0.7m). These derivative instruments mature in the period to May 2021.

For 2020/21, the broad policy on managing transactional foreign exchange risk arising from contractual obligations with overseas providers was to retain the risk where there was a value in doing so, where the exposure was highly probable and the risk profile highly certain. For exposures not meeting these criteria, the exchange risk was passed on to the vendor. These exchange rate exposures were managed through the use of forward foreign exchange contracts whose critical terms are closely aligned to the exposure, such as notional amount, expected maturity date and currency. Hedge accounting is applied to these derivative instruments.

Where funds were received in specific currencies in which the Group expected to have future exposures, the Treasury Management Strategy made allowances to place these funds on deposit. This gave the Group the flexibility to offer certain payments in specific foreign currencies where required.

Effects of hedge accounting – Foreign currency hedges in relation to capital expenditure

At 31 March 2021, the Group held forward foreign exchange derivative contracts in Euros, Canadian Dollars, Swiss Francs, Swedish Krona and Chinese Yuan Renminbi. These forward contracts hedge planned foreign currency capital expenditure payments with a nominal value of £371.5m (2020 £443.1m). At 31 March 2021, these contracts had a combined net fair value of £(25.7)m (2020 £(10.2)m). The fair value of forward contracts was recognised in equity at 31 March 2021, with the exception of Swiss Franc contracts with a fair value of £(0.3)m for which hedge accounting was discontinued as future hedged payments in that currency were no longer considered probable. The fair value loss was recognised in the income statement. For all other currencies, once hedged purchases occur, the subsequent realised gain or loss will be transferred to fixed asset additions as a basis adjustment.

The hedge ratio is 1:1. The economic relationship of all hedging relationships has been assessed as effective and the change in value of hedged items since 1 April 2020 has been offset by the change in value of hedging instruments.

It is expected that the hedged purchases will take place in the period to March 2027.

Detail on the maturity of these contracts is disclosed later in this note.

The Group has no other material financial assets or liabilities denominated in foreign currencies, and thus has no general translation exposure to gains or losses arising from movements in exchange rates.

Sensitivity analysis on foreign exchange risk at 31 March

	2021 Net nominal value £m	2021 Fair value £m	2021 Fair value after a 10% increase in GBP against other currency £m	2021 Fair value after a 10% decrease in GBP against other currency £m	2020 Net nominal value £m	2020 Fair value £m	2020 Fair value after a 10% increase in GBP against other currency £m	2020 Fair value after a 10% decrease in GBP against other currency £m
Impact on Comprehensive Income and Expenditure								
Net sell								
Euros	(183.2)	3.9	20.6	(16.4)	(614.3)	(23.1)	34.8	(93.9)
Net buy								
Swiss Francs	2.5	(0.3)	(0.5)	(0.1)	-	-	-	-
	n/a	3.6	20.1	(16.5)	n/a	(23.1)	34.8	(93.9)
Impact on Hedging Reserves								
Net buy								
Euros	302.5	(24.7)	(52.5)	9.3	349.6	(10.2)	(41.1)	27.4
Canadian dollars	36.4	1.2	(2.1)	5.2	62.3	2.5	(3.4)	9.6
Swiss Francs	-	-	-	-	2.3	(0.1)	(0.3)	0.2
Swedish Krona	23.3	(1.8)	(3.9)	0.8	22.5	(2.9)	(4.4)	(0.5)
Chinese Yuan Renminbi	6.8	(0.1)	(0.7)	0.6	6.4	0.5	(0.1)	1.3
	n/a	(25.4)	(59.2)	15.9	n/a	(10.2)	(49.3)	38.0
Total liability	n/a	(21.8)	(39.1)	(0.6)	n/a	(33.3)	(14.5)	(55.9)

34. Funding and financial risk management (continued)

(ii) Interest rate risk

The Group is mainly exposed to interest rate risk on its planned future borrowings. As TfL is required by legislation to produce a balanced Budget and also produces a balanced Business Plan, any uncertainty over the cost of future borrowing requires funding to be set aside in the Business Plan against that risk rather than being invested in the transport system.

The Group is also exposed to interest rate risk in respect of its investments. Investments are made in accordance with the Treasury Management Strategy, which prioritises security and liquidity over yield.

In order to achieve certainty over the cost of a portion of its planned borrowings, TfL, through its wholly owned subsidiary, Transport for London Finance Limited, employs a number of interest rate swaps and gilt locks of both highly probable and existing borrowings. Transport for London Finance Limited also holds interest rate swaps to fix the floating interest rate risk within committed lease payments for rolling stock. The critical terms of these derivative instruments are closely aligned to the payment schedules and hedge accounting is applied.

Effects of IBOR reform

Following the financial crisis, the reform and replacement of benchmark interest rates such as interbank offered rates ('IBORs') has become a priority for global regulators. The Financial Conduct Authority has confirmed that LIBOR will either cease to be provided by any administrator or no longer be representative immediately after 31 December 2021. Sterling Overnight Index Average (SONIA) has been selected as the preferred sterling risk-free rate by the Bank of England's Working Group on Sterling Risk Free Reference Rates.

The Group's most significant risk exposure affected by these changes relates to its LIBOR linked floating rate borrowing and lease payments, for which we are actively transitioning away from LIBOR before 31 December 2021.

The notional amount of interest rates swaps designated as hedges relating to LIBOR is disclosed below. We have adopted the International Swaps and Derivatives Association IBOR Fallbacks Protocol for all our interest rate swaps.

In assessing whether the hedge is expected to be highly effective on a forward looking basis, the Group has early adopted IFRS 9 Phase 1 amendments and applied the associated temporary reliefs to assume that the GBP LIBOR interest rate, upon which the cashflows of the interest rate swaps and the cashflows attributable to the hedged risk are based, are not altered by IBOR reform.

Effects of hedge accounting – Interest rate swaps

As at 31 March 2021, the Group, through its wholly owned subsidiary, Transport for London Finance Limited, held eight interest rate swaps at a total notional value of £411.9m (2020 nine interest rate swaps at a total notional value of £433.6m). The net fair value of these contracts at 31 March 2021 was a liability of £30.8m (2020 £51.2m). The fair value is recognised in equity at 31 March 2021 and will be transferred to net financing costs within the Comprehensive Income and Expenditure Statement as the hedged payments occur.

The hedge ratio is 1:1. The economic relationship of all hedging relationships has been assessed as effective and the change in value of hedged items since 1 April 2019 has been offset by the change in value of hedging instruments.

It is expected that the hedged interest payments will take place in the period to December 2042. Details on the maturity of these contracts are disclosed later in this note.

Sensitivity analysis on interest rate risk

(a) Fair value sensitivity analysis for fixed interest instruments

All of the Group's non-derivative financial instruments with fixed rates of interest are accounted for at amortised cost. Fluctuations in market interest rates would therefore have no impact on the Balance Sheet or on net income figures in respect of these items.

(b) Fair value sensitivity analysis for derivative instruments

As at 31 March 2021, the Group holds interest rate derivative contracts with a combined notional value of £411.9m (2020 £433.6m) which are designated as cash flow hedges.

An increase/(decrease) of 100 basis points in interest rates would increase/(decrease) the fair value of the derivative instruments by £29.6m/£(24.9)m (2020 £31.9m/£(30.3)m).

(iii) Inflation risk

The Group has a number of exposures to inflation including staff pay awards and passenger income. The Group has not entered into any derivative instrument to manage its exposure to inflation risk. Historically this risk has been partially offset with index linked revenues and index linked costs creating a natural hedge within the Group.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Maintaining sufficient cash reserves and having access to a diverse range of flexible funding sources ensures the Group has sufficient liquidity to meet its liabilities, in both normal and stressed conditions.

Liquidity risk is primarily managed by maintaining a minimum level of cash reserves of at least 60 days' worth of forecast annual operating expenditure, equivalent to approximately £1.2bn.

Notes to the Financial Statements

34. Funding and financial risk management (continued)

The Corporation has access to several external sources of financing, which are sufficient to meet anticipated funding requirements, within the affordable borrowing limit set by the Mayor. Providing market conditions permit access, the Corporation can raise debt on the capital markets through its established £5bn Medium Term Note programme and £2bn Commercial Paper programme. Alternatively, and in addition, TfL has direct access to reliable funding from the Public Works Loan Board and has an arranged, uncommitted, £0.2bn overdraft facility. Funding facilities are not subject to financial covenants. TfL can also secure financing from financial institutions.

Debt maturities are diversified over short-, medium- and long-term horizons that broadly equate to the lives of the assets that were funded by this source. This ensures refinancing risk is minimised. The contractual maturities of the Group and Corporation's borrowing and other financial liabilities are listed later in this note.

In response to the funding pressures faced over the course of 2020/21, TfL secured a number of Extraordinary Funding and Financing Agreements from the Secretary of State, as set out in the Viability Statement section of the Narrative report, which give it secure access to funding in the form of a mixture of Government grant and borrowing from the Public Works Loan Board until 11 December 2021. These agreements contain an acknowledgement from the Secretary of State for Transport that further financial support from the Government is likely to be needed until 1 April 2023, with longer term external funding being required to support TfL's capital investment programme.

Following the announcement of the latest Funding and Financing Agreement, on 15 June 2021, Moody's credit rating agency downgraded TfL's long-term credit rating from A1 to A3, maintaining the negative outlook. The short-term rating has also been downgraded from Prime-1 to Prime-2. TfL is rated A+/Stable by S&P and Fitch rating agencies. The credit rating downgrade by Moody's may result in an increase in financing costs associated with refinancing of maturing debt, however, this impact is not expected to be material. TfL's access to liquidity is also not expected to be materially affected.

Due to the active liquidity management and mitigations outlined, there is no significant risk that TfL will be unable to fund its planned financial commitments.

Around 6,000 operational staff have access to a body-worn camera

Notes to the Financial Statements
34. Funding and financial risk management (continued)

Maturity profile of derivatives
The Group's foreign currency derivatives have the following maturities:

At 31 March	2021 Average exchange rate	2021 Fair value £m	2021 Notional amount £m	2020 Average exchange rate	2020 Fair value £m	2020 Notional amount £m
Foreign currency forward contracts						
Buy Euro						
Less than one year	**0.874**	**(8.3)**	**79.2**	0.898	(0.7)	54.3
Between one and two years	**0.885**	**(3.3)**	**43.3**	0.916	(2.2)	97.6
Between two and five years	**0.916**	**(13.0)**	**173.8**	0.950	(5.4)	154.1
After five years	**0.914**	**(0.1)**	**6.2**	0.970	(1.9)	43.6
Sell Euro						
Less than one year	**0.870**	**3.9**	**(183.2)**	0.853	(23.1)	(614.3)
Total Euro	**0.892**	**(20.8)**	**119.3**	0.883	(33.3)	(264.7)
Buy Canadian Dollars						
Less than one year	**0.560**	**1.2**	**36.1**	0.542	1.8	38.4
Between one and two years	**0.590**	**-**	**0.3**	0.550	0.7	23.6
Between two and five years	**-**	**-**	**-**	0.590	-	0.3
Total Canadian Dollars	**0.561**	**1.2**	**36.4**	0.545	2.5	62.3
Buy Swiss Francs						
Less than one year	**0.868**	**(0.2)**	**2.1**	0.864	-	0.9
Between one and two years	**0.889**	**(0.1)**	**0.2**	0.878	(0.1)	1.0
Between two and five years	**0.905**	**-**	**0.2**	0.899	-	0.4
Total Swiss Francs	**0.880**	**(0.3)**	**2.5**	0.877	(0.1)	2.3

At 31 March	2021 Average exchange rate	2021 Fair value £m	2021 Notional amount £m	2020 Average exchange rate	2020 Fair value £m	2020 Notional amount £m
Foreign currency forward contracts						
Buy Swedish Krona						
Less than one year	**0.086**	**(0.9)**	**2.4**	0.093	(1.0)	7.6
Between one and two years	**0.087**	**(0.4)**	**3.7**	0.093	(1.1)	8.7
Between two and five years	**0.086**	**(0.5)**	**15.0**	0.094	(0.8)	6.2
After five years	**0.086**	**-**	**2.2**	-	-	-
Total Swedish Krona	**0.086**	**(1.8)**	**23.3**	0.093	(2.9)	22.5
Buy Chinese Yuan Renminbi						
Less than one year	**0.103**	**-**	**-**	0.104	0.8	9.8
Between one and two years	**0.110**	**(0.1)**	**6.3**	0.100	0.1	0.8
Between two and five years	**0.107**	**-**	**0.5**	-	-	-
Sell Chinese Yuan Renminbi						
Less than one year	**-**	**-**	**-**	0.104	(0.4)	3.8
Between one and two years	**-**	**-**	**-**	0.100	-	0.4
Total Chinese Yuan Renminbi	**0.106**	**(0.1)**	**6.8**	0.104	0.5	14.8
Grand total	**n/a**	**(21.8)**	**188.3**	n/a	(33.3)	(162.8)

34. Funding and financial risk management (continued)

Maturity profile of derivatives (continued)

The Group's interest rate derivatives have the following maturities:

At 31 March	2021 Average contracted fixed interest rate (%)	2021 Fair value £m	2021 Notional amount £m	2020 Average contracted fixed interest rate (%)	2020 Fair value £m	2020 Notional amount £m
Interest rate hedges						
Less than one year	3.837	(1.2)	75.0	3.548	(0.2)	25.0
Between one and two years	4.284	(6.4)	100.0	3.837	(3.6)	75.0
Between two and five years	4.489	(2.3)	25.0	4.325	(13.1)	125.0
After five years	2.285	(20.9)	211.9	2.306	(34.3)	208.6
Total	3.187	(30.8)	411.9	3.224	(51.2)	433.6

TfL was conferred the legal powers to enter into derivatives for the purpose of risk mitigation via qualifying subsidiaries. The Corporation does not itself have the legal powers to enter into derivative transactions. TfL has entered into these contracts for the purpose of risk management and intends to hold these contracts to maturity as hedges against the underlying transactions.

The following tables detail the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

	Less than one year £m	Between one and two years £m	Between two and five years £m	More than five years £m	Total £m
Group – at 31 March 2021					
Derivatives settled gross					
Foreign exchange forward contracts:					
Amounts receivable	453.3	76.7	206.5	8.4	744.9
Amounts payable	(457.8)	(81.1)	(226.5)	(8.9)	(774.3)
Derivatives settled net					
Interest rate swaps	(11.8)	(9.2)	(13.3)	(3.5)	(37.8)
	(16.3)	(13.6)	(33.3)	(4.0)	(67.2)
Group – at 31 March 2020					
Derivatives settled gross					
Foreign exchange forward contracts:					
Amounts receivable	721.8	128.7	154.8	41.7	1,047.0
Amounts payable	(744.4)	(131.3)	(161.0)	(43.6)	(1,080.3)
Derivatives settled net					
Interest rate swaps	(11.4)	(10.6)	(16.4)	(15.8)	(54.2)
	(34.0)	(13.2)	(22.6)	(17.7)	(87.5)

The total asset or liability due to the Group as recognised on the Balance Sheet is the fair value of the derivatives, as this represents the cost to terminate. As such it differs from the total net contractual payments shown in the table above. At 31 March 2021, the fair value of the interest rate derivatives was a net liability of £30.8m (2020 £51.2m). The fair value of forward exchange derivatives was a net liability of £21.8m (2020 £33.3m).

34. Funding and financial risk management (continued)

Contractual maturity of financial liabilities
The following table details the Group and the Corporation's remaining contractual maturity for their non derivative financial liabilities. The table has been drawn up on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group or Corporation can be required to pay and, therefore differs from the carrying value and the fair value. The table includes both interest and principal cash flows.

	Less than one year £m	Between one and two years £m	Between two and five years £m	More than five years £m	Total £m
Group – as at 31 March 2021					
Trade and other creditors	**1,779.7**	**15.9**	**-**	**-**	**1,795.6**
Borrowings – principal	**1,173.4**	**694.1**	**1,170.3**	**9,957.7**	**12,995.5**
Borrowings – interest	**336.3**	**404.1**	**1,136.7**	**5,610.2**	**7,487.3**
Right-of-use lease liabilities	**361.8**	**334.4**	**596.6**	**1,875.8**	**3,168.6**
PFI liabilities	**14.7**	**15.0**	**55.3**	**49.7**	**134.7**
Other financing liabilities	**10.4**	**10.4**	**47.7**	**93.6**	**162.1**
	3,676.3	**1,473.9**	**3,006.6**	**17,587.0**	**25,743.8**
Group – as at 31 March 2020					
Trade and other creditors	1,695.1	12.6	-	-	1,707.7
Borrowings – principal	938.5	360.2	964.6	9,456.2	11,719.5
Borrowings – interest	401.7	390.7	1,103.5	5,675.9	7,571.8
Right-of-use lease liabilities	352.0	322.2	583.4	1,880.9	3,138.5
PFI liabilities	19.4	14.8	52.2	67.8	154.2
Other financing liabilities	6.9	12.7	38.2	101.9	159.7
	3,413.6	1,113.2	2,741.9	17,182.7	24,451.4
Corporation – as at 31 March 2021					
Trade and other creditors	**876.8**	**-**	**-**	**-**	**876.8**
Borrowings – principal	**1,173.4**	**694.1**	**1,170.3**	**9,957.7**	**12,995.5**
Borrowings – interest	**336.3**	**404.1**	**1,136.7**	**5,610.2**	**7,487.3**
Right-of-use lease liabilities	**37.6**	**35.8**	**101.2**	**340.4**	**515.0**
PFI lease liabilities	**14.4**	**15.0**	**55.2**	**49.7**	**134.3**
	2,438.5	**1,149.0**	**2,463.4**	**15,958.0**	**22,008.9**
Corporation – as at 31 March 2020					
Trade and other creditors	710.4	-	-	-	710.4
Borrowings – principal	938.5	360.2	964.6	9,456.2	11,719.5
Borrowings – interest	401.7	390.7	1,103.5	5,675.9	7,571.8
Right-of-use lease liabilities	37.3	37.2	104.5	373.5	552.5
PFI lease liabilities	14.2	14.4	52.1	67.8	148.5
	2,102.1	802.5	2,224.7	15,573.4	20,702.7

34. Funding and financial risk management (continued)

Fair values

In accordance with IFRS 13, the fair values of the financial assets and liabilities are calculated as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following methods and assumptions were used to estimate the fair values:

- Cash and cash equivalents – approximates to the carrying amount
- Short-term investments – approximates to the carrying amount because of the short maturity of these instruments
- Long-term investments – by reference to bid prices at the close of business on the balance sheet date, within Level 1 of the fair value hierarchy as defined within IFRS 13
- Trade and other debtors – approximates to the carrying amount
- Derivative financial instruments – in the absence of quoted market prices, derivatives are valued by using quoted forward prices for the underlying commodity/currency and discounted using quoted interest rates (both as at the close of business on the balance sheet date). Hence, derivatives are within Level 2 of the fair value hierarchy as defined within IFRS 13:
  - Forward exchange contracts – based on market data and exchange rates at the balance sheet date
  - Interest rate swaps and forward starting interest rate swaps – based on the net present value of discounted cash flows
- Trade and other creditors – approximates to the carrying amount
- Long-term borrowings – determined by calculating the discounted value of the future cash flows (redemption and interest) using appropriate discount rates, based on observable market data, in effect at the balance sheet date at Level 2 of the fair value hierarchy. Fair value approximates to the carrying amount in the case of short-term commercial paper
- Right-of-use lease liabilities – approximates to the carrying amount
- PFI liabilities – approximates to the carrying amount
- Other financing liabilities – approximates to the carrying amount

The fair values of the Group's financial assets and liabilities together with the carrying amounts recorded in the Balance Sheet are illustrated below:

At 31 March	2021 Carrying value £m	2021 Fair value £m	2020 Carrying value £m	2020 Fair value £m
Cash and cash equivalents	1,710.2	1,710.2	1,566.8	1,566.8
Short-term investments	19.0	19.0	642.4	642.4
Trade and other debtors	404.1	404.1	444.1	444.1
Finance lease receivables	44.0	44.0	52.7	52.7
Derivative financial instruments	6.7	6.7	4.9	4.9
Total financial assets	2,184.0	2,184.0	2,710.9	2,710.9
Trade and other creditors	(1,795.6)	(1,795.6)	(1,707.7)	(1,707.7)
Borrowings	(12,967.8)	(19,742.4)	(11,689.0)	(15,669.7)
Right-of-use lease liabilities	(2,509.1)	(2,509.1)	(2,417.0)	(2,417.0)
PFI liabilities	(111.6)	(111.6)	(125.5)	(125.5)
Other financing liabilities	(134.3)	(134.3)	(136.0)	(136.0)
Derivative financial instruments	(59.3)	(59.3)	(89.4)	(89.4)
Total financial liabilities	(17,577.7)	(24,352.3)	(16,164.6)	(20,145.3)
Net financial liabilities	(15,393.7)	(22,168.3)	(13,453.7)	(17,434.4)

34. Funding and financial risk management (continued)

The fair values of financial assets and liabilities of the Corporation determined in accordance with IFRS 13, together with the carrying amounts recorded in the Balance Sheet are:

At 31 March	2021 Carrying value £m	2021 Fair value £m	2020 Carrying value £m	2020 Fair value £m
Cash and cash equivalents	1,628.4	1,628.4	1,410.7	1,410.7
Short-term investments	-	-	623.5	623.5
Trade and other debtors	12,667.6	12,667.6	11,677.2	11,677.2
Total financial assets	14,296.0	14,296.0	13,711.4	13,711.4
Trade and other creditors	(876.8)	(876.8)	(710.4)	(710.4)
Borrowings	(12,972.2)	(19,742.4)	(11,694.0)	(15,669.7)
Right-of-use lease liabilities	(413.5)	(413.5)	(439.3)	(439.3)
PFI liabilities	(111.2)	(111.2)	(120.2)	(120.2)
Total financial liabilities	(14,373.7)	(21,143.9)	(12,963.9)	(16,939.6)
Net financial (liabilities)/assets	(77.7)	(6,847.9)	747.5	(3,228.2)

35. Pensions

The majority of the Group's staff were members of the Public Sector Section of the TfL Pension Fund. The majority of the Group's remaining staff were members of London Pension Fund Authority Pension Fund, the Principal Civil Service Pension Scheme, the Crossrail Shared Cost Section of the Railways Pension Scheme (Crossrail Section) or the Tube Lines defined contribution scheme.

a) Amount included in net cost of services

For the year ended 31 March	Note	Group 2021 £m	Group 2020 £m	Corporation 2021 £m	Corporation 2020 £m
TfL Pension Fund		443.7	581.3	176.9	371.9
Local Government Pension Fund		1.3	2.3	1.3	2.3
Crossrail Section of the Railways Pension Scheme		3.0	3.5	-	-
Unfunded schemes provision		3.7	6.5	2.6	5.2
Total for schemes accounted for as defined benefit		451.7	593.6	180.8	379.4
Principal Civil Service Pension Scheme		0.6	0.6	0.6	0.6
Other schemes		6.7	3.8	1.1	1.8
Less: pension costs capitalised		(3.0)	(3.5)	-	-
Amounts included in net cost of services		456.0	594.5	182.5	381.8
Less: scheme expenses		(13.6)	(13.4)	(13.3)	(13.2)
Amount included in staff costs	3	442.4	581.1	169.2	368.6

35. Pensions (continued)

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b) Defined benefit schemes
This section deals with those pension funds to which the Group contributes that are accounted for under IAS 19 as defined benefit schemes.

Public Sector Section of the TfL Pension Fund (TfL Pension Fund)

The TfL Pension Fund is a final salary scheme established under trust. The Fund's Trustee is the TfL Trustee Company Limited, a wholly owned subsidiary of TfL. Under the rules of the Fund, its 18 Trustee Directors are nominated in equal numbers by TfL and on behalf of the Fund's membership.

Every three years, the TfL Pension Fund actuary makes valuations and recommends the level of contributions to be made by the participating employers to ensure the long-term solvency of the Fund. The latest available valuation of the Fund was carried out as at 31 March 2018 by the Actuary, a partner of consulting actuaries Willis Towers Watson, using the projected unit method. A revised Schedule of Contributions was agreed between the Trustee and the employers following the formal funding valuation of the Public Sector Section.

Under the valuation report, the deficit of the Fund was £603m as at 31 March 2018. Assets totalled £10,321m and the defined benefit obligation totalled £10,924m. Employer's contributions for the period from 1 April 2019 until 31 March 2020 represented future service contributions at the rate of 26.9 per cent. From 1 April 2020 until 31 March 2026, employer contributions have risen to 33.3 per cent, comprising the future service contributions of 26.9 per cent, plus additional deficit recovery repayments at 6.4 per cent of pensionable pay. Additional contingent payments may be made if the funding position deteriorates. The recovery plan states that the expectation is that the funding shortfall will be eliminated by March 2026.

The underlying assets and defined benefit obligation of the TfL Pension Fund cover a number of Group entities and cannot be readily split between each undertaking. No contractual agreement is in place to allocate the total net obligation between the member entities. Thus, in accordance with IAS 19, the Corporation, as the Scheme sponsor, has recognised the total net defined benefit obligation in its own individual accounts.

A separate valuation of the TfL Pension Fund has been prepared, by actuaries at the XPS Pensions Group, for accounting purposes on an IAS 19 basis as at 31 March 2021. The assumptions used by the actuaries are the best estimates chosen from a range of possible actuarial assumptions, while the present value of the schemes' defined benefit obligation is derived from cash flow projections. Due to the timescale covered, neither the assumptions nor the cash flow projections may necessarily be borne out in practice.

The defined benefit obligation for the TfL Pension Fund has been calculated using the mortality assumptions adopted for the latest available funding valuation as at 31 March 2018. Standard mortality tables were used, adjusted to reflect the recent mortality experience of the Fund's pensioners at that date. An allowance was made for future mortality improvements based on the CMI 2020 projections with a long-term improvement rate of 1.25 per cent per annum. No weighting has been given to 2020 mortality experience.

The discounted scheme liabilities have an average duration of 18 years.

London Pension Fund Authority Pension Fund (Local Government Pension Fund)

The London Pension Fund Authority Pension Fund is a funded multi-employer defined benefit scheme, administered by the London Pension Fund Authority. The Corporation is able to identify its share of the assets and defined benefit obligation of the scheme and this scheme has therefore been accounted for as a defined benefit scheme under IAS 19. Employer's contributions were payable at the rate of 15.6 per cent for 2020/21 (2019/20 15.9 per cent) of pensionable pay, plus a lump sum deficit reduction payment of £0.8m (2019/20 £1.2m). The Corporation's share of the underlying assets and defined benefit obligation resulted in an IAS 19 deficit as at 31 March 2021 of £60.4m (2020 £40.7m).

The discounted scheme liabilities have an average duration of 21 years.

The last full actuarial valuation available was carried out at 31 March 2019. The report showed a funding surplus of £481m at that date. The annual report and financial statements for the whole scheme can be found on the London Pension Fund Authority's website (www.lpfa.org.uk). A separate valuation as at 31 March 2021 has been prepared for accounting purposes on an IAS 19 basis by Barnett Waddington LLP.

Crossrail Shared Cost Section of the Railways Pension Scheme (Crossrail Section)

Crossrail Limited (CRL) participates in the Crossrail Section of the Railways Pension Scheme which is accounted for in these financial statements as a defined benefit pension scheme under IAS 19.

The latest available full actuarial valuation of the Scheme was carried out at 31 December 2016. The report showed a funding surplus of £5.9m. This was translated into a current employer contribution level of 20.9 per cent. A separate valuation has been prepared for accounting purposes on an IAS 19 basis as at 31 March 2021 by actuaries at the XPS Pensions Group. Assumptions underlying this valuation have been updated from the preliminary results of a full actuarial valuation of the scheme carried out at 31 December 2019. The Group's share of the underlying assets and defined benefit obligation resulted in a deficit, as at 31 March 2021, of £56.8m (2020 £18.3m). The discounted Crossrail Section liabilities have a duration of approximately 24 years.

Notes to the Financial Statements

35. Pensions (continued)

The defined benefit obligation for the Crossrail Section has been calculated using the mortality assumptions adopted for the draft funding valuation as at 31 December 2019. Standard mortality tables were used, adjusted to reflect the recent mortality experience of the Scheme's pensioners at that date. An allowance was made for future mortality improvements based on the CMI 2020 projections with a long-term improvement rate of 1.25 per cent per annum. No weighting has been given to 2020 mortality experience.

Unfunded pension costs

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

In addition, the Corporation also bears the cost of:

- Ex-gratia payments, which are made to certain former employees on retirement in respect of service prior to the establishment of pension funds for those employees
- Supplementary pensions, which are made to certain former employees who retired prior to index linking of pensions
- Pensions of London Regional Transport former board members who did not qualify to join the TfL Pension Fund
- Other unfunded defined benefit pensions accruing to certain employees

XPS Pensions Group, consulting actuaries, were instructed to report on the financial position of the unfunded pension defined benefit obligation as at 31 March 2021 for the purpose of IAS 19 only. The report does not constitute a formal actuarial valuation of the unfunded pension defined benefit obligation. The valuation as at 31 March 2021 was £113.8m (2020 £99.9m) and is fully provided for in these financial statements.

Assumptions for defined benefit sections

The main actuarial assumptions used for the TfL Pension Fund, the Crossrail Shared Cost Section of the Railways Pension Scheme, the Local Government Pension Scheme (together 'the Schemes') and unfunded schemes were:

	IAS 19 valuation at 31 March 2021 %	IAS 19 valuation at 31 March 2020 %
RPI Inflation	**3.15-3.20**	2.35-2.70
CPI Inflation	**2.65-2.85**	1.45-1.90
Rate of increase in salaries	**3.15-3.85**	2.35-2.90
Rate of increase in pensions in payment and deferred pensions	**2.20-3.15**	1.45-2.40
Discount rate	**1.95-2.00**	2.30-2.35

The Group's retirement benefit plans typically expose the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk. Sensitivity analyses for the most significant actuarial assumptions made in relation to these risks are as set out below. The analyses have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate were 0.1 per cent higher/(lower), the defined benefit obligation would decrease by £379.5m/(increase by £393.0m)
- If the expected salary growth were increased/(decreased) by 0.1 per cent, the defined benefit obligation would increase by £105.7m/(decrease by £103.7m)
- If life expectancy were increased/(decreased) by one year, the defined benefit obligation would increase by £647.4m/(decrease by £641.8m)
- If the inflation rate were 0.1 per cent higher/(lower), the defined benefit obligation would increase by £374.2m/(decrease by £309.8m)

The sensitivity analyses presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

35. Pensions (continued)

c) Accounting for defined benefit schemes

The total assets in the schemes were:

At 31 March	Value 2021 £m	Value 2020 £m
Equities and alternatives	**10,142.4**	7,949.0
Bonds	**2,619.0**	2,527.5
Cash and other	**299.6**	163.3
Total fair value of assets	**13,061.0**	10,639.8

The TfL Pension Fund, the Crossrail Shared Cost Section of the Railways Pension Scheme and the Local Government Pension Scheme assets consist of the following categories, by proportion of the total assets held:

At 31 March	2021 %	2020 %
Equities	**78**	75
Bonds	**20**	24
Cash and other assets	**2**	1
	100	100

The unfunded pension schemes have no assets to cover their defined benefit obligation.

Total pension deficit at 31 March

Group	2021 £m	2020 £m
Fair value of scheme assets	**13,061.0**	10,639.8
Actuarial valuation of defined benefit obligation	**(18,664.1)**	(14,740.4)
Deficit recognised as a liability in the Balance Sheet	**(5,603.1)**	(4,100.6)

Group	2021 £m	2020 £m
TfL Pension Fund	**(5,372.1)**	(3,941.7)
Local Government Pension Fund	**(60.4)**	(40.7)
Crossrail Section of the Railways Pension Scheme	**(56.8)**	(18.3)
Unfunded schemes provision	**(113.8)**	(99.9)
Deficit recognised as a liability in the Balance Sheet	**(5,603.1)**	(4,100.6)

Corporation	2021 £m	2020 £m
Fair value of scheme assets	**12,973.9**	10,563.3
Actuarial valuation of defined benefit obligation	**(18,520.2)**	(14,645.6)
Deficit recognised as a liability in the Balance Sheet	**(5,546.3)**	(4,082.3)

Corporation	2021 £m	2020 £m
TfL Pension Fund	**(5,372.1)**	(3,941.7)
Local Government Pension Fund	**(60.4)**	(40.7)
Unfunded schemes provision	**(113.8)**	(99.9)
Deficit recognised as a liability in the Balance Sheet	**(5,546.3)**	(4,082.3)

Notes to the Financial Statements
35. Pensions (continued)

Analysis of amounts included in the Comprehensive Income and Expenditure Statement
Analysis of amounts charged to net cost of services

Year ended 31 March	Group 2021 £m	Group 2020 £m	Corporation 2021 £m	Corporation 2020 £m
Current service cost	434.9	573.6	432.2	570.3
Less contributions paid by subsidiaries	-	-	(267.9)	(210.7)
Past service cost	3.2	6.6	3.2	6.6
Total included in staff costs	438.1	580.2	167.5	366.2
Scheme expenses	13.6	13.4	13.3	13.2
Total amount charged to net cost of services	451.7	593.6	180.8	379.4

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Amounts charged to financing and investment expenditure

Year ended 31 March	Group 2021 £m	Group 2020 £m	Corporation 2021 £m	Corporation 2020 £m
Net interest expense on scheme defined benefit obligation	90.1	122.7	89.7	122.0

Amount recognised in other comprehensive income and expenditure

Year ended 31 March	Group 2021 £m	Group 2020 £m	Corporation 2021 £m	Corporation 2020 £m
Net remeasurement losses/(gains) recognised in the year	1,361.0	(1,687.9)	1,324.5	(1,673.7)

Analysis of scheme defined benefit obligation into amounts arising from schemes that are wholly or partly funded and wholly unfunded

At 31 March	Group 2021 £m	Group 2020 £m	Corporation 2021 £m	Corporation 2020 £m
Wholly unfunded schemes	113.8	99.9	113.8	99.9
Wholly or partly funded schemes	18,550.3	14,640.5	18,406.4	14,545.7
Total scheme defined benefit obligation	18,664.1	14,740.4	18,520.2	14,645.6

Reconciliation of defined benefit obligation

	Group 2021 £m	Group 2020 £m	Corporation 2021 £m	Corporation 2020 £m
Actuarial value of defined benefit obligation at 1 April	14,740.4	16,371.9	14,645.6	16,267.7
Current service cost	434.9	573.6	432.2	570.3
Interest cost	335.2	380.9	333.0	378.4
Employee contributions	55.7	54.2	55.4	53.8
Remeasurement losses/(gains) on scheme liabilities:				
Net remeasurement – financial	3,435.0	(2,082.0)	3,391.3	(2,066.5)
Net remeasurement – experience	85.9	(202.4)	85.5	(202.4)
Net remeasurement – demographic	(22.1)	29.8	(23.7)	29.6
Actual benefit payments	(404.1)	(392.2)	(402.3)	(391.9)
Past service cost	3.2	6.6	3.2	6.6
Actuarial value of defined benefit obligation at 31 March	18,664.1	14,740.4	18,520.2	14,645.6

35. Pensions (continued)

Reconciliation of fair value of the scheme assets

	Group 2021 £m	Group 2020 £m	Corporation 2021 £m	Corporation 2020 £m
Fair value of assets at 1 April	**10,639.8**	11,001.3	**10,563.3**	10,927.0
Expected return on assets net of expenses	**245.1**	258.2	**243.3**	256.4
Scheme expenses	**(13.6)**	(13.4)	**(13.3)**	(13.2)
Return on assets excluding interest income	**2,137.8**	(566.7)	**2,128.6**	(565.6)
Actual employer contributions	**394.8**	293.0	**125.5**	80.7
Contributions paid by subsidiaries	**-**	-	**267.9**	210.7
Employee contributions	**55.7**	54.2	**55.4**	53.8
Actual benefits paid	**(398.6)**	(386.8)	**(396.8)**	(386.5)
Fair value of assets at 31 March	**13,061.0**	10,639.8	**12,973.9**	10,563.3

The expected return on scheme assets is set equal to the discount rate. The actual return on scheme assets in the year was a gain of £2,382.9m (2019/20 a loss of £308.5m).

Total contributions of £380.9m are expected to be made to the schemes in the year ending 31 March 2022.

d) Other pension arrangements

Principal Civil Service Pension Scheme and Alpha – Civil Servants and Others Pension Scheme

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme. From 1 April 2015 most PCSPS members switched to the new Civil Servants and Others Pension Scheme, (also known as Alpha). The Group is unable to identify its share of the underlying assets and defined benefit obligations of these schemes on a consistent and reasonable basis and, as permitted by the multi-employer exemption in IAS 19, the Group treats contributions to the PCSPS and Alpha as if they were contributions to a defined contribution plan. A full actuarial valuation was last carried out at 31 March 2016. Details can be found in the Civil Service Superannuation Resource Accounts (www.civilservicepensionscheme.org.uk/).

During 2020/21 employers' contributions represented an average of 27.3 per cent of pensionable pay (2019/20 27.3 per cent). Employer contributions are reviewed every four years. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Docklands Light Railway Pension Scheme

The Docklands Light Railway Pension Scheme (DLR Scheme) is a defined benefit scheme established under trust in the UK that provides both pensions in retirement and death benefits to members. The Trustees are responsible for the operation and governance of the DLR Scheme, including making decisions regarding funding and investment strategy in conjunction with Docklands Light Railway Limited (DLR), a subsidiary of the TfL Group, as the Principal Employer of the Scheme.

Every three years the Scheme Actuary of the DLR Scheme carries out a valuation to assess the funding position and to determine the future levels of contributions. The most recent valuation was effective 1 April 2018. The schedule of contributions agreed following the 1 April 2018 valuation is dated 28 June 2019.

Keolis Amey Docklands Limited (KAD) was awarded the franchise to operate the DLR from 7 December 2014 and is a Participating Employer in the DLR Scheme. The contributions payable by KAD to the DLR Scheme are set out in the franchise agreement between DLR and KAD dated 17 July 2014. These are to pay 35.7 per cent per annum of Pensionable Salaries into the Scheme, the PPF levy and additional contributions if actual pensionable salary increases exceed RPI + 1.5 per cent per annum.

DLR, as the Principal Employer of the DLR Scheme, is responsible for meeting any further costs towards the cost of accruing benefits and removing the deficit, over and above the contributions payable by KAD, if necessary. Following the completion of the 2018 valuation, it was agreed that DLR would pay 22.6 per cent per annum of Pensionable Salaries towards future benefit accrual from 1 April 2018, plus additional contributions towards the deficit of £0.8m per annum, with the first instalment paid on or before 31 July 2019 and the remaining instalments due on or before each 10 April from 2020 to 2024 inclusive. In addition, it was agreed that DLR would pay additional contributions if actual Pensionable Salary growth exceeds RPI inflation + 0.5 per cent per annum (up to RPI inflation + 1.5 per cent per annum).

Over the year beginning 1 April 2021 the contributions payable to the DLR Scheme are expected to be around £5.2m from KAD and £4.1m from DLR, based on the schedule of contributions currently in force. This makes no allowance for additional contributions that may arise if Pensionable Salary growth exceeds RPI inflation + 0.5 per cent per annum.

A valuation of the DLR Scheme has been prepared for accounting purposes on an IAS 19 basis as at 31 March 2021. This gave a valuation for the net obligation as at 31 March 2021 of £36.6m. The assumptions used by the actuary are best estimates chosen from a range of possible actuarial assumptions, while the present value of the DLR Scheme's defined benefit obligation is based on future cash flow projections. Neither the assumptions nor the cash flow projections may necessarily be borne out in practice.

Notes to the Financial Statements
35. Pensions (continued)

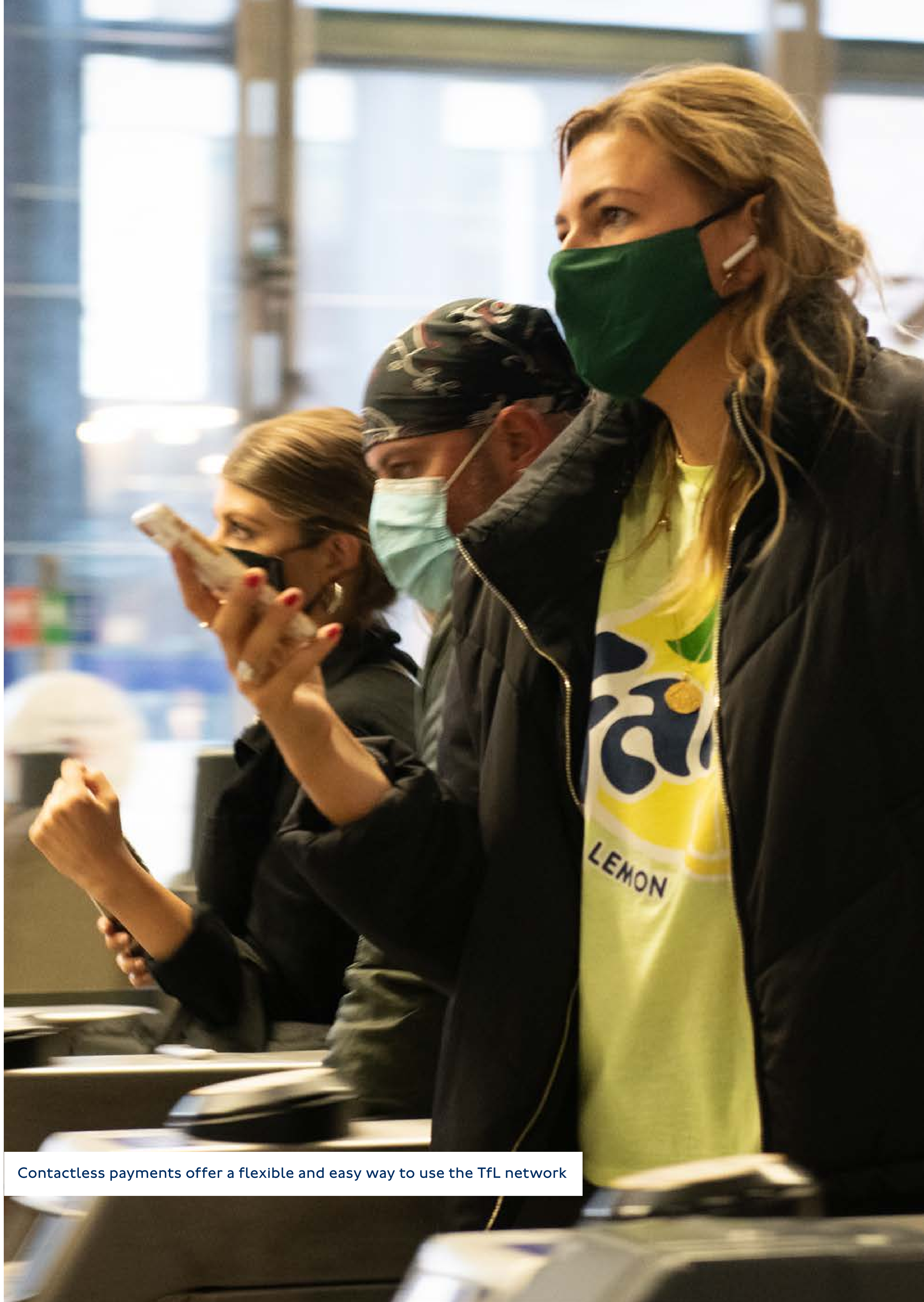
The discounted DLR Scheme liabilities have a duration of approximately 20 years.

The scheme's funding arrangements outlined above mean that DLR is currently unable to identify its share of this obligation on a consistent and reasonable basis. The Group has therefore taken the exemption permitted under IAS 19 for multi-employer schemes and treats contributions to the DLR Scheme as if they were contributions to a defined contribution plan. No defined benefit obligation has been recognised in the Balance Sheet in respect of this scheme.

Contributions totalling £4.3m were paid by DLR in 2020/21, with an additional £5.6m being paid by KAD (2019/20 £2.2m paid by DLR and £5.9m by KAD). These costs are not reflected within staff costs for the TfL Group but are instead reflected elsewhere within the operating expenditure of the Group, as the costs relate to the staff costs of DLR's concessionaire.

Defined contribution schemes

The Group contributes to a number of defined contribution schemes, with total contributions, including contributions to the PCSPS and Alpha schemes as outlined in the paragraphs above, amounting to £7.3m (2019/20 £4.4m).



Contactless payments offer a flexible and easy way to use the TfL network

Notes to the Financial Statements
36. Cash flow notes

a) Adjustments to net deficit/surplus for non-cash movements

	Group 2021 £m	Group 2020 £m	Corporation 2021 £m	Corporation 2020 £m
Depreciation, amortisation and impairment of property, plant and equipment, intangibles and right-of-use assets	**1,350.8**	1,404.1	**183.4**	176.1
Reversal of loss on disposal of property, plant and equipment and intangibles	**63.4**	30.9	**20.4**	0.3
Reversal of net gain on sale of investment properties	**(35.8)**	(31.7)	**(30.9)**	(22.9)
Reversal of movements in the value of investment properties	**83.3**	(59.0)	**2.3**	3.6
Reversal of other financing income	**(13.6)**	(18.0)	**(405.8)**	(390.7)
Reversal of other financing expense	**515.3**	519.9	**532.6**	552.6
Reversal of share of net losses from joint ventures and associated undertakings	**2.8**	52.1	**-**	-
Reversal of defined benefit pension service costs	**451.7**	593.6	**180.8**	379.4
Reversal of tax (credit)/charge	**(10.5)**	106.8	**-**	-
Adjustments to net deficit/surplus for non-cash movements before movements in working capital	**2,407.4**	2,598.7	**482.8**	698.4
(Decrease)/increase in creditors	**(51.1)**	(47.7)	**149.7**	251.7
(Increase)/decrease in debtors	**(2.5)**	217.2	**99.5**	38.0
Decrease in inventories	**7.4**	2.1	**-**	-
(Decrease)/increase in provisions	**(70.2)**	(136.9)	**(42.9)**	11.4
Adjustments to net deficit/surplus for non-cash movements after movements in working capital	**2,291.0**	2,633.4	**689.1**	999.5

	Group 2021 £m	Group 2020 £m	Corporation 2021 £m	Corporation 2020 £m
Net cash payments for employers' contributions to defined benefit pension funds and direct payments to pensioners	**(400.3)**	(298.4)	**(131.0)**	(86.1)
Interest and other investment income received	**14.1**	16.8	**407.7**	389.4
Interest paid	**(412.7)**	(468.7)	**(441.3)**	(514.9)
Tax received/(paid)	**1.6**	(0.1)	**-**	-
Adjustments to net deficit/surplus for non-cash movements	**1,493.7**	1,883.0	**524.5**	787.9
Reversal of capital grants receivable	**(933.5)**	(2,231.6)	**(856.2)**	(2,145.4)
Reversal of capital grants payable to subsidiaries	**-**	-	**69.9**	566.5
Adjustments for items included in the net surplus or deficit that are investing or financing activities	**(933.5)**	(2,231.6)	**(786.3)**	(1,578.9)
Total adjustments to net deficit/surplus	**560.2**	(348.6)	**(261.8)**	(791.0)

Notes to the Financial Statements

36. Cash flow notes (continued)

b) Investing activities

Year ended 31 March	Group 2021 £m	Group 2020 £m	Corporation 2021 £m	Corporation 2020 £m
Capital grants received	**997.3**	2,216.9	**912.0**	2,160.2
Capital grants paid to subsidiaries	**-**	-	**(69.9)**	(566.5)
Purchase of property, plant and equipment and investment property	**(2,084.6)**	(2,602.2)	**(262.3)**	(181.0)
Purchase of intangible assets	**(39.7)**	(21.0)	**(31.4)**	(16.8)
Proceeds from the sale of property, plant and equipment and intangible assets	**0.3**	106.2	**-**	-
Net sales/(purchases) of other investments	**596.6**	(400.3)	**623.5**	(420.5)
Issue of loans to subsidiaries	**-**	-	**(1,458.1)**	(654.9)
Repayments of loans to subsidiaries	**-**	-	**312.4**	-
Finance leases granted in year	**(9.6)**	(17.9)	**-**	-
Finance leases repaid in year	**18.3**	17.5	**-**	-
Proceeds from sale of investment property	**58.4**	56.6	**50.4**	59.6
Investment in equity of associates and joint ventures	**(9.2)**	(20.4)	**-**	-
Investment in share capital of subsidiaries	**-**	-	**(660.0)**	(1,240.0)
Net cash flows from investing activities	**(472.2)**	(664.6)	**(583.4)**	(859.9)

c) Financing activities

Year ended 31 March	Group 2021 £m	Group 2020 £m	Corporation 2021 £m	Corporation 2020 £m
Cash payments for reduction of the outstanding liabilities relating to lease and PFI arrangements	**(309.3)**	(302.6)	**(35.0)**	(35.7)
Cash payments for reduction of other financing liabilities	**(1.7)**	-	**-**	-
Net proceeds from new borrowing	**1,541.0**	640.9	**1,541.0**	640.9
Repayments of borrowings	**(263.6)**	(96.0)	**(262.9)**	(96.0)
Cash received on settlement of derivatives	**-**	0.7	**-**	-
Net cash flows from financing activities	**966.4**	243.0	**1,243.1**	509.2

37. Unusable reserves

At 31 March	2021 £m	2020 £m
Group		
Capital Adjustment Account	**28,165.1**	27,913.6
Pension Reserve	**(5,546.3)**	(4,082.3)
Accumulated Absences Reserve	**(16.2)**	(14.3)
Retained Earnings Reserve in Subsidiaries	**1,737.3**	2,011.9
Revaluation Reserve	**339.5**	333.6
Hedging Reserve	**(105.0)**	(119.4)
Cost of Hedging Reserve	**(3.9)**	(4.4)
Financial Instruments Adjustment Account	**(135.8)**	(147.5)
Merger reserve	**466.1**	466.1
	24,900.8	26,357.3

At 31 March	2021 £m	2020 £m
Corporation		
Capital Adjustment Account	**16,023.5**	15,356.1
Pension Reserve	**(5,546.3)**	(4,082.3)
Accumulated Absences Reserve	**(16.2)**	(14.3)
Revaluation Reserve	**29.9**	27.7
Financial Instruments Adjustment Account	**(135.8)**	(147.5)
	10,355.1	11,139.7

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by TfL as finance for the costs of acquisition, construction and enhancement. The account also contains accumulated gains and losses on investment properties.

In the table below, the line item for the adjustment between the Group financial statements and the Corporation financial statements arises due to an alignment of the accounting policies between the Group and its subsidiaries. Under the Code, capital grants are recognised in the Comprehensive Income and Expenditure Statement and are then transferred to the Capital Adjustment Account (CAA) when utilised. No amortisation of grants or disposal of grants is recognised in the Comprehensive Income and Expenditure Statement. TfL's subsidiary companies account under full EU-adopted IFRS (rather than the Code) and are required to recognise deferred capital grants on the balance sheet and recognise grant amortisation in arriving at their retained earnings. An accounting policy alignment is performed on consolidation to recognise the grant receipts in the Comprehensive Income and Expenditure Statement (from where they are then transferred to the CAA). Equally, the amortisation and grant disposals are removed from the Comprehensive Income and Expenditure Statement and are shown in the CAA so that the total CAA adjustment is equal to the deferred capital grant carried in the subsidiaries' books.

Notes to the Financial Statements
37. Unusable reserves (continued)

Capital Adjustment Account (continued)

	Note	Group 2021 £m	Group 2020 £m	Corporation 2021 £m	Corporation 2020 £m
Balance at 1 April		**27,913.6**	26,481.8	**15,356.1**	13,857.9
Charges for depreciation and impairment of non-current assets		**(183.4)**	(176.1)	**(183.4)**	(176.1)
Gain on disposal of investment properties		**30.9**	22.9	**30.9**	22.9
Transfer from Revaluation Reserve of historical revaluation gains on office properties transferred to investment properties		**-**	3.2	**-**	3.2
Release of Revaluation Reserve relating to historical revaluation gains recognised in respect of properties disposed during the year		**0.2**	-	**0.2**	-
Release of Revaluation Reserve relating to the difference between fair value depreciation and historical cost depreciation, and to historical revaluation gains recognised in respect of properties disposed during the year		**0.4**	-	**0.4**	-
Movements in the market value of investment properties recognised in the deficit/surplus on the provision of services after tax		**(2.3)**	(3.6)	**(2.3)**	(3.6)
Movements in the market value of investment properties recognised directly in other comprehensive income		**-**	16.8	**-**	16.8
Capital grants and contributions	10	**933.5**	2,231.6	**786.3**	1,578.9
Transfer from Street Works Reserve		**-**	0.3	**-**	0.3
Transfer of capital grant funding from Retained Earnings Reserve in Subsidiaries		**-**	1.0	**-**	-
Minimum Revenue provision		**55.7**	56.1	**55.7**	56.1
Loss on disposal of property, plant and equipment		**(20.4)**	(0.3)	**(20.4)**	(0.3)
Adjustments between Group and Corporation financial statements		**(563.1)**	(720.1)	**-**	-
Balance at 31 March		**28,165.1**	27,913.6	**16,023.5**	15,356.1

Pension Reserve

The Pension Reserve represents pension and other post-retirement defined benefit obligations shown on the Balance Sheet, excluding those reflected on the balance sheets of the subsidiary companies.

The Pension Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Group and Corporation account for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the defined benefit obligations recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Group and Corporation make employer's contributions to pension funds or eventually pay any pensions for which they are directly responsible. The debit balance on the pension reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources that have been set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	Group 2021 £m	Group 2020 £m	Corporation 2021 £m	Corporation 2020 £m
Balance at 1 April	**(4,082.3)**	(5,340.7)	**(4,082.3)**	(5,340.7)
Net remeasurement gains/(losses) on pension assets and defined benefit obligations	**(1,324.5)**	1,673.7	**(1,324.5)**	1,673.7
Reversal of charges relating to retirement benefits	**(538.4)**	(712.1)	**(270.5)**	(501.4)
Employer's pension contributions, contributions from subsidiaries and direct payments to pensioners payable in the year	**398.9**	296.8	**131.0**	86.1
Balance at 31 March	**(5,546.3)**	(4,082.3)	**(5,546.3)**	(4,082.3)

Notes to the Financial Statements
37. Unusable reserves (continued)

Accumulated Absences Reserve
The Accumulated Absences Reserve absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the reserve.

	Group 2021 £m	Group 2020 £m	Corporation 2021 £m	Corporation 2020 £m
Balance at 1 April	**(14.3)**	(10.2)	**(14.3)**	(10.2)
Settlement or cancellation of accrual made at the end of the preceding year	**14.3**	10.2	**14.3**	10.2
Amounts accrued at the end of the current year	**(16.2)**	(14.3)	**(16.2)**	(14.3)
Balance at 31 March	**(16.2)**	(14.3)	**(16.2)**	(14.3)

Retained Earnings Reserve in Subsidiaries
The Retained Earnings Reserve in Subsidiaries represents the retained earnings in the Group's subsidiary companies. These are disclosed as unusable reserves as unless and until they are paid up in dividends to the Corporation, they are not available to fund the expenditure of the Corporation.

	Group 2021 £m	Group 2020 £m
Balance at 1 April	**2,011.9**	1,550.0
Deficit on the provision of services after tax in subsidiaries	**(730.8)**	(376.6)
Surplus on valuation of newly created investment properties (net of tax)	**71.9**	722.7
Transfer of current year capital grants and contributions to the Capital Adjustment Account	**(147.2)**	(652.7)
Transfer of capital grants brought forward to the Capital Adjustment Account	**-**	(1.0)
Transfer of adjustments between Group and Corporation financial statements to the Capital Adjustment Account	**563.1**	720.1
Adjustment to reserves for the implementation of IFRS 16	**-**	(2.5)
Remeasurement (losses)/gains on defined benefit pension plan assets and liabilities	**(36.5)**	14.2
Release of Revaluation Reserve relating to historical revaluation gains recognised in respect of properties disposed during the year	**2.3**	-
Release of Revaluation Reserve relating to the difference between fair value depreciation and historical cost depreciation	**2.6**	37.7
Balance at 31 March	**1,737.3**	2,011.9

Notes to the Financial Statements

37. Unusable reserves (continued)

Revaluation Reserve

The Revaluation Reserve contains the accumulated gains made arising from increases in the value of property, plant and equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation
- Disposed of and the gains are transferred to retained earnings

	Note	**Group 2021 £m**	Group 2020 £m	**Corporation 2021 £m**	Corporation 2020 £m
Balance at 1 April		**333.6**	345.1	**27.7**	19.8
Revaluation of assets	13	**11.4**	29.4	**2.8**	11.1
Transfer to Capital Adjustment Account of historical revaluation gains on office properties transferred to investment properties during the year		**-**	(3.2)	**-**	(3.2)
Release of Revaluation Reserve relating to historical revaluation gains recognised in respect of properties disposed during the year		**(2.5)**	-	**(0.2)**	-
Release of Revaluation Reserve relating to the difference between fair value depreciation and historical cost depreciation, and to historical revaluation gains recognised in respect of properties disposed during the year		**(3.0)**	(37.7)	**(0.4)**	-
Balance at 31 March		**339.5**	333.6	**29.9**	27.7

Hedging Reserve

The Hedging Reserve holds the gain or loss on a hedging instrument that is determined to be an effective hedge. The ineffective portion, if any, is recognised immediately through the Comprehensive Income and Expenditure Statement. The gain or loss deferred in reserves is recognised in the Comprehensive Income and Expenditure Statement in the period(s) during which the hedged forecast transaction affects profit or loss.

	Group 2021 £m	Group 2020 £m
Balance at 1 April	**(119.4)**	(105.5)
Net change in fair value of cash flow interest rate hedges	**20.3**	(9.6)
Net change in fair value of cash flow foreign exchange hedges	**(15.2)**	(13.3)
Reclassification of interest rate fair value losses to profit and loss	**9.3**	9.0
Balance at 31 March	**(105.0)**	(119.4)

The Corporation does not have a Hedging Reserve as it has not entered into any derivative transactions, nor does it have legal powers to do so.

37. Unusable reserves (continued)

Cost of Hedging Reserve

The Cost of Hedging Reserve holds the gain or loss on a hedging instrument arising from changes in the fair value of the time value of an option when the intrinsic value of the option has been designated in an effective hedging relationship. The gain or loss deferred in reserves is recognised in the Comprehensive Income and Expenditure Statement in the period(s) during which the hedged forecast transaction affects profit or loss. The ineffective portion, if any, is recognised immediately through the Comprehensive Income and Expenditure Statement.

	Group 2021 £m	Group 2020 £m
Balance at 1 April	(4.4)	(0.7)
Net change in fair value of cash flow foreign exchange hedges	-	(3.9)
Reclassification of cashflow foreign exchange hedge losses to the Balance Sheet	0.5	0.2
Balance at 31 March	(3.9)	(4.4)

The Corporation does not have a Cost of Hedging Reserve as it has not entered into any derivative transactions, nor does it have legal powers to do so.

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account provides a balancing mechanism between the different rates at which gains and losses (such as premium on the early repayment of debt) are recognised under the Code and are required by statute to be met from the General Fund.

	Group 2021 £m	Group 2020 £m	Corporation 2021 £m	Corporation 2020 £m
Balance at 1 April	(147.5)	(159.3)	(147.5)	(159.3)
Release of premium	11.7	11.8	11.7	11.8
Balance at 31 March	(135.8)	(147.5)	(135.8)	(147.5)

Merger Reserve

The Merger Reserve of £466.1m arose as a result of the transfer of the net assets of London Regional Transport, including the share capital of London Underground Limited (LUL), to TfL in 2003. It represents the share capital of LUL and was taken as a credit to the merger reserve. The Group has taken advantage of the exemption in IFRS 1 not to restate business combinations occurring prior to the transition date of 1 April 2009.

	Group 2021 £m	Group 2020 £m	Corporation 2021 £m	Corporation 2020 £m
Balance at 1 April and 31 March	466.1	466.1	-	-

Notes to the Financial Statements

38. Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement recognised by the Corporation in the year in accordance with proper accounting practice in order to determine the resources that are specified by statutory provisions as being available to the Corporation to meet future capital and revenue expenditure. The General Fund reserve represents monies available to finance the day to day activities of TfL.

Corporation

Year ended 31 March 2021	Note	General fund £m	Capital adjustment account £m	Pension reserve £m	Street works reserve £m	Financial instruments adjustment account £m	Accumulated absences reserve £m
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement							
Charges for depreciation, amortisation and impairment of non-current assets	3	183.4	(183.4)	-	-	-	-
Net gain on disposal of investment properties	8	(30.9)	30.9	-	-	-	-
Movements in the market value of investment properties	8	2.3	(2.3)	-	-	-	-
Capital grants and contributions	10	(786.3)	786.3	-	-	-	-
Loss on disposal of non-current assets	7	20.4	(20.4)	-	-	-	-
Reversal of items relating to retirement benefits		270.5	-	(270.5)	-	-	-
Transfers to/from Street Works Reserve		(1.3)	-	-	1.3	-	-
Difference between the remuneration charged on an accruals basis and the remuneration chargeable in accordance with statutory requirements		1.9	-	-	-	-	(1.9)
Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement which are required to be charged in accordance with statutory requirements							
Employer's pension contributions and direct payments to pensioners payable in the year		(131.0)	-	131.0	-	-	-
Minimum Revenue provision	40	(55.7)	55.7	-	-	-	-
Amortisation of premium on financing		(11.7)	-	-	-	11.7	-
		(538.4)	666.8	(139.5)	1.3	11.7	(1.9)

38. Adjustments between accounting basis and funding basis under regulations (continued)

Corporation

Year ended 31 March 2020	Note	General fund £m	Capital adjustment account £m	Pension reserve £m	Street works reserve £m	Financial instruments adjustment account £m	Accumulated absences reserve £m
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement							
Charges for depreciation, amortisation and impairment of non-current assets	3	176.1	(176.1)	-	-	-	-
Net gain on disposal of investment properties	8	(22.9)	22.9	-	-	-	-
Movements in the market value of investment properties	8	3.6	(3.6)	-	-	-	-
Capital grants and contributions	10	(1,578.9)	1,578.9	-	-	-	-
Loss on disposal of non-current assets	7	0.3	(0.3)	-	-	-	-
Reversal of items relating to retirement benefits		501.4	-	(501.4)	-	-	-
Transfers to/from Street Works Reserve		(3.3)	0.3	-	3.0	-	-
Difference between the remuneration charged on an accruals basis and the remuneration chargeable in accordance with statutory requirements		4.1	-	-	-	-	(4.1)
Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement which are required to be charged in accordance with statutory requirements							
Employer's pension contributions and direct payments to pensioners payable in the year		(86.1)	-	86.1	-	-	-
Minimum Revenue provision	40	(56.1)	56.1	-	-	-	-
Amortisation of premium on financing		(11.8)	-	-	-	11.8	-
		(1,073.6)	1,478.2	(415.3)	3.0	11.8	(4.1)

Notes to the Financial Statements

39. Sources of finance

Capital expenditure analysed by source of finance:

Year ended 31 March	Note	Corporation 2021 £m	Corporation 2020 £m
Capital expenditure			
Intangible asset additions	12	**31.4**	16.8
Property, plant and equipment additions	13	**251.0**	226.4
Investment property	15	**17.7**	2.7
Investments in year	16	**660.0**	1,240.0
Loans made to subsidiaries in year for capital purposes		**1,458.1**	654.9
Capital grants allocated to subsidiaries in year	10	**69.9**	566.5
Total capital expenditure		**2,488.1**	2,707.3
Sources of finance			
Business Rates Retention used to fund capital	10	**689.6**	967.8
Community infrastructure levy and other third party contributions	10	**120.6**	188.6
Crossrail specific grant	10	**46.0**	989.0
Prudential borrowing		**1,277.4**	544.9
Repayment of loans to subsidiaries		**312.4**	-
Capital receipts		**48.8**	29.0
Transfer from street works reserve		**-**	0.3
Working capital		**(6.7)**	(12.3)
Total sources of finance		**2,488.1**	2,707.3

Capital Financing Requirement
The Capital Financing Requirement is the amount of cumulative capital expenditure to be financed by means other than grant or asset sales proceeds. As at 31 March 2021 this stood at £16,865.0m (2020 £16,319.7m) for the Group and at £13,402.1m (2020 £12,447.9m) for the Corporation.

40. Minimum revenue provision

The Local Government and Housing Act 1989 requires a Minimum Revenue Provision (MRP) to be set aside for the redemption of external debt. As a statutory corporation regulated as if it were a local authority, TfL is required to comply with the Local Authorities Capital Finance Regulations. New regulations were approved by the Secretary of State in February 2008. TfL is required to approve an Annual MRP Statement determining the amount of MRP which it considers to be prudent.

The Ministry of Housing, Communities and Local Government issued guidance setting out four possible methods which are deemed automatically prudent, but also states that 'approaches differing from those exemplified should not be ruled out… the broad aim of prudent provision is to ensure that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.'

While statutory guidance suggests four potential methods for calculating MRP it also allows for other methods and approaches to be used. Since 2016/17 TfL has applied the principles inherent in the statutory guidance on MRP, to make an annual provision in TfL (the Corporation), that aims to build up a reserve on the Balance Sheet over the average useful economic life of the assets funded by borrowings in the Corporation, such that, at the end of that useful economic life, that reserve may be employed to either repay borrowings or to finance replacement capex for those assets that have reached the end of their lives. An MRP is effectively already made for borrowings passed down to the subsidiaries through TfL's existing processes for funding those entities. The MRP provision for 2020/21, shown as a transfer from the General Fund to the Capital Adjustment Account in the Group and Corporation Movement in Reserves Statements, was a total of £55.7m (2019/20 £56.1m).

Notes to the Financial Statements
41. Financial assistance

TfL may give financial assistance to any body or person in respect of expenditure incurred or to be incurred by that body or person in doing anything which, in the opinion of TfL, is conducive to the provision of safe, integrated, efficient and economic transport facilities or services to, from or within Greater London, and also to London Transport Museum Limited.

Financial assistance given under section 159 of the GLA Act 1999 is outlined below:

Year ended 31 March	Corporation 2021 £m	Corporation 2020 £m
Financial assistance to subsidiaries		
Transport Trading Limited	**55.0**	56.6
London Underground Limited	**2,780.2**	906.4
London Bus Services Limited	**1,511.7**	420.5
London River Services Limited	**7.2**	5.0
Victoria Coach Station	**5.3**	0.5
London Buses Limited	**2.8**	8.2
London Transport Museum Limited	**4.4**	3.1
Docklands Light Railway Limited	**71.8**	42.9
Rail for London Limited	**241.1**	200.3
Crossrail Limited	**722.6**	19.6
Tramtrack Croydon Limited	**37.6**	39.1
Rail for London (Infrastructure) Limited	**52.6**	29.1
	5,492.3	1,731.3

Year ended 31 March	Note	Corporation 2021 £m	Corporation 2020 £m
Financial assistance to London Boroughs and other third parties			
Local Implementation Plan		**43.0**	98.1
Crossrail Complementary Measures		**-**	4.3
Taxicard		**5.3**	8.5
London Streetspace		**39.0**	-
Cycling		**6.3**	35.0
Bus priority		**5.5**	10.0
Livable neighbourhoods		**4.7**	5.1
Other		**4.7**	3.2
	3	**108.5**	164.2

42. Related parties

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TfL is required by the Code and IAS 24 Related Party Disclosures (IAS 24) to disclose material transactions with related parties. Related parties are entities or individuals who have the potential to control, indirectly control or significantly influence TfL or to be controlled, indirectly controlled or significantly influenced by TfL.

TfL is a statutory corporation established by section 154 of the GLA Act 1999. It is a functional body of the Greater London Authority and is controlled by the Mayor of London. TfL is classified as a government entity in accordance with IAS 24, as it is controlled by the GLA, through the Mayor. The GLA and its other functional bodies are considered to be related parties of TfL and its subsidiaries, as they are all under the control of the Mayor. Other related parties include TfL's Board Members, members of the TfL Executive Committee (including Managing Directors, the Commissioner, the Chief Finance Officer and General Counsel), the Mayor of London and the TfL Pension Fund. In addition, central Government has the potential to influence TfL by providing the statutory framework within which TfL operates and through the provision of funding in the form of grants and borrowing facilities.

Disclosure of related party transactions allows readers to assess the extent to which the Corporation might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with it.

GLA and functional bodies

Details of amounts received from the Business Rates Retention, and the Council Tax precept paid to TfL by the GLA are shown in note 10.

During 2020/21 TfL had the following other transactions with the GLA and functional bodies:

	Total income during the year £m	Total expenditure during the year £m	Outstanding balance at 31 March 2021 £m
GLA	12.4	(3.9)	1.9
Mayor's Office for Policing and Crime (MOPAC)	0.4	(100.2)	(7.6)
London Legacy Development Corporation (LLDC)	1.1	(0.1)	0.2

Board Members and Officers

Board Members, the Mayor of London, and key management (including the Commissioner and the TfL Executive Committee), are required to complete a declaration regarding any related party transactions. During the year, none of the Corporation Board, key management personnel or parties related to them have undertaken any transactions with the Corporation or its subsidiaries (2019/20 none). Details of the remuneration of the Commissioner and all employees earning a base salary of £150,000 or more are disclosed in the Remuneration Report (see note 5).

TfL Pension Fund

The Accounts of the TfL Pension Fund are prepared separately and are subject to a separate audit opinion. Contributions payable to the TfL Pension Fund by TfL as employer are disclosed in note 35.

Central Government

During 2020/21 the DfT contributed grant funding to TfL totalling £2,457m under two Extraordinary Funding and Financing Agreements dated 14 May 2020 and 31 October 2020. The funding agreements also permitted TfL to borrow a total of £600m for the year from the PWLB to fund its capital investment activities.

In addition to the funding set out in these agreements, in December 2018, the Mayor of London and the Government agreed a financial package to cover Crossrail overruns. The GLA was to borrow up to £1.3bn from the DfT. The GLA will repay this loan from the existing Business Rate Supplement (BRS) and Mayoral Community Infrastructure Levy (MCIL). The GLA would also provide a £100m cash contribution, taking its initial total contribution to £1.4bn to be provided as a grant to TfL for the Crossrail project. A loan facility from the DfT was also directly granted from the DfT to TfL of up to £750m.

In August 2020, Crossrail Ltd announced that the opening of the Elizabeth line through central London was expected to be delayed until the first half of 2022 and that additional funding beyond the agreed funding envelope would be required. Under a further financing package agreed with the DfT in December 2020, the shortfall is to be covered by the GLA borrowing up to a further £825m from the DfT which will again be given by GLA to TfL as a grant. Again, the GLA will repay this loan from BRS and MCIL revenues.

In the year to 31 March 2021, the GLA paid grants totalling £46m to TfL in relation to the Crossrail project (2020 £989m) under the funding agreements outlined above. And as at 31 March 2021 £676m of the Crossrail loan facility from the DfT had been drawn down (2020 £nil).

42. Related parties (continued)

Other public bodies
TfL provides financial assistance to London Boroughs to support Borough schemes that improve the local travelling environment. Financial assistance provided is disclosed in note 41.

TfL receives income from the London Boroughs for the provision of free travel for older and disabled customers, and students. This income is set out in note 1.

TfL has borrowings outstanding from the PWLB and pays interest to PWLB in respect of those borrowings.

TfL makes payments to the British Transport Police for the provision of policing services on the Underground and London Overground, TfL Rail and other overground services.

TfL makes payments to the Metropolitan Police Service for policing services provided by the Safer Transport Command.

Transactions between the Corporation and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

43. Trust Funds

The Corporation acts as the sole trustee for the TfL Healthcare Trust, a trust established for the purpose of providing certain benefits relating to medical treatment for eligible employees of the Group and their family members. The Trust is administered by AXA PPP Healthcare Administration Services Limited, an independent third party. Under the terms of the Trust deed the funds held by the Trust do not represent the assets of the Corporation or its subsidiaries. Hence the Trust has not been consolidated into these financial statements.

	Income £m	Expenditure £m	Assets £m
At 31 March 2021			
TfL Healthcare Trust	**2.5**	**(2.7)**	**4.0**
At 31 March 2020			
TfL Healthcare Trust	4.6	(4.1)	4.2

Notes to the Financial Statements
44. Events after the Balance Sheet date

The impact of the coronavirus pandemic on the Group's operations is discussed in the Narrative Report and Financial Review.

Since 31 March 2021, TfL has continued to experience revenue shortfalls as a result of the pandemic, and the TfL Group remains reliant on extraordinary funding support from the DfT for the continued provision of services. Our funding agreements with the DfT, the latest of which was agreed on 1 June 2021, contain an acknowledgement from the Secretary of State for Transport that further financial support from the Government is likely to be needed until 1 April 2023, with longer term external funding being required to support TfL's capital investment programme.

Management have considered the impact of the pandemic and the status of ongoing discussions with Government regarding TfL's longer term funding requirements on the values at which income, assets and liabilities have been recorded in these accounts. We do not consider that there has been any post-Balance Sheet event that would require a further adjustment being made to the carrying values at 31 March 2021 as reported in these financial statements. As at the date of signing of the accounts, TfL continues to provide a full level of service.

Throughout 2021/22 we will continue to work closely with the DfT and the Mayor of London to determine what further sources of funding will be made available to progress our capital investment programme. We will make decisions regarding the future of assets under construction at the Balance Sheet date as and when Government priorities in relation to future Transport investment, and the quantum of likely future funds, become clearer. We consider any possible future impairments of the carrying value of existing assets or assets under construction to be non-adjusting post Balance Sheet events for the purposes of these Financial Statements.

Cycleways help Londoners to be more confident when cycling in the city

Key elements of TfL's Governance Framework

The CIPFA/Solace Delivering Good Governance in Local Government Framework (the Framework) requires local authorities, which includes TfL, to publish an Annual Governance Statement, and to be responsible for ensuring that:

- its business is conducted in accordance with all relevant laws and regulations;
- public money is safeguarded and properly accounted for; and
- resources are used economically, efficiently and effectively to achieve agreed priorities which benefit local people.

As a functional body of the Greater London Authority (GLA), TfL is a signatory to the GLA Group Framework Agreement. The Agreement is an overarching commitment in relation to the culture and individual behaviours of the GLA Group and contains specific corporate governance commitments. TfL has in place protocols and processes that address all the requirements of the Agreement.

TfL has approved and adopted a Code of Governance (the Code), which is consistent with the Framework and is published online at tfl.gov.uk. The statement explains how TfL complies with the Code and meets the requirements of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

TfL's governance framework has been in place since the year ended 31 March 2001 and remains in place at the date of approval of the 2020/21 Statement of Accounts. The key elements of the Governance Framework are set out below:

Key Elements of TfL's Governance Framework

Chair, Board, Committees & Panels	The Mayor appoints the Board and is the Chair. The Board provides leadership and determines and agrees TfL's strategic direction and oversees the performance of the executive team to deliver the Mayor's Transport Strategy. The Budget, Business Plan and Capital Strategy set out how the Mayor's Transport Strategy will be delivered and are supported by TfL's Group and individual business area Scorecards. The Board's effectiveness is reviewed annually.
Decision Making	Standing Orders set out TfL's decision-making process and are regularly reviewed. The roles of Members and the executive are clearly defined. The Board, its five Committees and two Panels meet in public and all decisions taken are published. The approval of Financial, Programme & Project, Procurement and Land Authority by the Commissioner and Chief Finance Officer is also reported to Committees.
Audit and Assurance Committee	The Committee reviews the effectiveness of the system of internal controls, including the integrated assurance framework and considers fraud and risk management issues. It also reviews the Annual Accounts prior to submission to the Board and TfL's compliance with the UK Corporate Governance Code (where applicable). The Risk and Assurance directorate and External Auditors support the work of the Committee.
Risk Management	TfL has an Enterprise Risk Management System that sets out TfL's strategic risks, supported by local risk registers throughout TfL, which are monitored by the appropriate senior manager. The Audit and Assurance Committee oversees the implementation of the risk management system with individual Committees and Panels reviewing each strategic risk within their remit at least annually. The Executive Committee also regularly reviews all the Strategic Risks.
Scrutiny and review	The Board, Committees and Panels each receive regular quarterly reports on TfL's performance. These reports cover: performance against the Scorecard; Financial performance; Customer and Operational Performance; Safety, Health and Environment; and Human Resources. The Audit and Assurance Committee reviews TfL's overall audit and assurance arrangements.
The Commissioner and the Executive Committee	The Commissioner and Executive Committee are responsible for the delivery of day to day operations. The statutory Chief Finance Officer (TfL's s127 GLA Act officer) is responsible for safeguarding TfL's financial position. The postholder reports directly to TfL's Chief Finance Officer and, while not on the Executive Committee, plays an active part in TfL strategic decision-making through involvement in all key decisions with a significant financial implication and has management responsibility to produce the Business Plan and statutory accounts. The General Counsel, along with the Commissioner, is responsible for ensuring legality and promoting good corporate governance and high standards of public conduct. The Director of Risk and Assurance annually comments on the effectiveness of the Code.

Applying the Framework Principles

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law: TfL's Code of Conduct for members and staff reinforces a public service ethos and high standards of behaviour. It is supported by more detailed guidance, including a Modern Slavery Statement and TfL's Whistleblowing Procedures and guidance on conflicts of interest. The General Counsel and Commissioner have specific responsibilities to ensure that TfL's decisions meet legal requirements. Declarations of interests for Members and the most senior staff are published on tfl.gov.uk and declared at meetings.

Principle B: Ensuring openness and comprehensive stakeholder engagement: TfL has a transparency strategy and publishes a substantial amount of information. It engages with stakeholders and partners through consultation and its work with London Councils and individual boroughs. It cooperates with appropriate organisations to ensure there is independent scrutiny of its financial and operational reporting processes. Board, Committee and Panel meetings are held in public (and have been live streamed due to travel and social distancing restrictions introduced to restrict the spread of the coronavirus pandemic over the last year). TfL has an active social media presence including Facebook, Twitter and YouTube.

Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits. TfL meets this objective through its delivery of the Mayor's Transport Strategy, supported by its Business Plan and the annual Scorecard process. The impact of the coronavirus pandemic on TfL's finances and not securing a long-term sustainable funding deal meant the scorecards for 2020/21 were split into our immediate response and then working toward recovery and the Business Plan has been more short-term. The Business Plan and Scorecard measures flow through to team and individual staff objectives. The quarterly reports to the Board, Committees and Panels, as well as papers seeking authority for projects, provide commentary on how they support the objective of delivering the Mayor's Transport Strategy.

Principle D: Determining the intervention necessary to achieve intended outcomes. The Quarterly Performance Report and other key quarterly reports submitted to Committees and Panels track TfL's activities in terms of key performance indicators and delivery of the Mayor's Transport Strategy. These also highlight remedial actions taken where slippage occurs. During the year, governance of the Crossrail project transferred to TfL. TfL established an operational Elizabeth Line Delivery Group and a special purpose Elizabeth Line Committee to provide appropriate oversight and governance of the project.

Principle E: Developing TfL's capacity, including the capability of its leadership and individuals within it: TfL undertakes a wide range of HR activities to develop the capacity of its people. Regular reports are submitted to the Safety, Sustainability and Human Resources Panel and the Remuneration Committee on this and key initiatives including the leadership programme, succession planning and TfL's graduate and apprenticeship programmes. Addressing a previous recommendation from a Board Effectiveness Review, the Safety Sustainability and Human Resources Pane has specific meetings in its forward plan that have dedicated time to consider Human Resource issues. The Commissioner is leading a review of TfL's vision and values with significant staff engagement and a new performance management system is being implemented. Members are developed through induction, briefings and site visits.

Principle F: Managing risks and performance through strong internal control and financial management. TfL's enterprise risk management system sets out TfL's main strategic risks and mitigations, with more detailed risk registers held throughout TfL and reflected in individual staff objectives. TfL reviewed all Level 0 Enterprise and Level 1 Strategic Risks as a result of the changes brought on by the coronavirus pandemic and each of these has been reviewed by the Executive Committee and the relevant Board Committee or Panel throughout the year, with the exception of Financial Sustainability (ER7), as this risk has been subject of ongoing discussions and negotiations throughout the year. The Audit and Assurance Committee maintains overall responsibility for scrutinising TfL's approach to risk and receives reports to each meeting. The Finance Committee scrutinises TfL's financial performance and reports on this to the Board. In response to the impact of the coronavirus pandemic on TfL's finances, several rigorous cost control and scrutiny measures were introduced during the year, including a Financial Commitment Oversight Group. TfL has also continued to embed the TfL Safety, Health and Environment management system and has continuous improvement plans in place to enhance the system and strengthen the maturity of compliance.

Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability. TfL follows the Government Communication Service guidance on providing clear and accurate information. It has a published transparency strategy and has developed its website and the format of its reports to improve transparency and accessibility. Minutes of meetings, key decisions taken outside of meetings, the registers of Members and the most senior staff's interests and acceptance of gifts and hospitality, along with details of contracts awarded over £5,000 are published on tfl.gov.uk.

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Review of Effectiveness

TfL conducts, at least annually, a review of the effectiveness of its governance framework including the system of internal control, which is reported to the Audit and Assurance Committee. There is also an annual Board Effectiveness Review.

TfL continually reviews the effectiveness of its governance arrangements, including all aspects of TfL's operations including its relationships with its group entities. The Risk and Assurance Annual Report includes the opinion of the Head of Internal Audit on the overall framework of TfL's governance, risk management and internal control in the year. The opinion for the year ending 31 March 2021 concluded that the overall framework of TfL's governance, risk management and internal control is generally adequate for TfL's business needs and operated in an effective manner. There were no matters raised for the attention of the Board.

The coronavirus pandemic has had a significant impact on TfL's operational activities and its finances. TfL has submitted a financial sustainability plan to Government as part of the process for securing a long-term funding settlement.

Conclusion

TfL is satisfied that appropriate governance arrangements are in place. It recognises that there is always more that can be done and remains committed to maintaining and where possible improving these arrangements. The key ways of doing this are:

- keeping its governance arrangements under continuous review, including through the annual Board Effectiveness Review;
- addressing issues identified by Internal Audit as requiring improvement;
- reviewing and enhancing performance reporting to focus on key risks and areas for improvement; and
- listening to feedback from key stakeholders.

SIGNATURE

Sadiq Khan
Chair of TfL

SIGNATURE

Andy Byford
Commissioner

TfL Board members

Sadiq Khan
Chair

Heidi Alexander
Deputy Chair

Cllr Julian Bell

Kay Carberry CBE

Professor Greg Clark CBE

Bronwen Handyside

Ron Kalifa OBE

Dr Alice Maynard CBE

Anne McMeel

Dr Mee Ling Ng OBE

Dr Nelson Ogunshakin OBE

Mark Philips

Dr Nina Skorupska CBE FEI

Dr Lynn Sloman MBE

Ben Story

Membership of TfL committees and panels

Audit and Assurance Committee

Anne McMeel
Chair

Dr Lynn Sloman MBE
Vice Chair

Cllr Julian Bell

Kay Carberry CBE

Dr Mee Ling Ng OBE

Dr Nelson Ogunshakin OBE

Elizabeth line Committee[1]

Heidi Alexander
Chair

Anne McMeel
Vice Chair

Prof Greg Clark CBE

Dr Nelson Ogunshakin OBE

Mark Phillips

1 Established 1 October 2020

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Finance Committee

Ron Kalifa OBE
Chair

Ben Story
Vice Chair

Heidi Alexander

Prof Greg Clark CBE

Anne McMeel

Dr Nina Skorupska CBE FEI

Programmes and Investment Committee

Prof Greg Clark CBE
Chair

Dr Nelson Ogunshakin OBE
Vice Chair

Heidi Alexander

Ron Kalifa OBE

Dr Alice Maynard CBE

Mark Philips

Dr Nina Skorupska CBE FEI

Dr Lynn Sloman MBE

Ben Story

Remuneration Committee

Ben Story
Chair

Kay Carberry CBE
Vice Chair

Heidi Alexander

Ron Kalifa OBE

Customer Service and Operational Performance Panel

Dr Mee Ling Ng OBE
Chair

Dr Alice Maynard CBE
Vice Chair

Bronwen Handyside

Anne McMeel

Dr Lynn Sloman MBE

Safety, Sustainability and HR Panel

Kay Carberry CBE
Chair

Dr Nina Skorupska CBE FEI
Vice Chair

Cllr Julian Bell

Bronwen Handyside

Dr Mee Ling Ng OBE

Mark Phillips

TfL members attendance 2020/21

Member	Board (6)	Audit and Assurance Committee (4)	Elizabeth line Committee (3)	Customer Service and Operational Performance Panel* (4)	Finance Committee (6)	Programmes and Investment Committee (4)	Remuneration Committee (3)	Safety, Sustainability and Human Resources Panel* (4)
Sadiq Khan	6							
Heidi Alexander	6		3		3	5	3	
Cllr Julian Bell	6	1						2
Kay Carberry CBE	6						3	4
Greg Clark CBE	6		3		6	5		
Bronwen Handyside	5			3				3
Ron Kalifa OBE	6				0	2	1	
Dr Alice Maynard CBE	3			4		0		
Anne McMeel	6	4	3	4	5			
Dr Mee Ling Ng OBE	6	4		4				4
Dr Nelson Ogunshakin OBE	6	3	3			4		
Mark Phillips	6		3			4		3
Dr Nina Skorupska CBE FEI	6				5	4		4
Dr Lynn Sloman MBE	6	4		4		5		
Ben Story	6				6	3	3	

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* Includes a joint meeting held with Members of the Safety, Sustainability and Human Resources Panel and Customer Service and Operational Performance Panel

About TfL

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

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

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

We manage the city's red route strategic roads and, through collaboration with the London boroughs, we are helping to shape the character of all London's streets. These are the places where Londoners travel, work, shop and socialise. Making them places for people to walk, cycle and spend time will reduce car dependency, improve air quality, revitalise town centres, boost businesses and connect communities. As part of this, the Ultra Low Emission Zone scheme and more environmentally friendly bus fleets are helping to tackle London's toxic air.

During the coronavirus pandemic we have taken a huge range of measures to ensure the safety of the public. This includes enhanced cleaning using hospital-grade cleaning substances that kill viruses and bacteria on contact, alongside regular cleaning of touch points, such as poles and doors, and introducing more than 1,000 hand sanitiser points across the public transport network.

Working with London's boroughs we have also introduced Streetspace for London, a temporary infrastructure programme providing wider pavements and cycle lanes so people can walk and cycle safely and maintain social distancing.

At the same time, we are constructing many of London's most significant infrastructure projects, using transport to unlock much needed economic growth. We are working with partners on major projects like the extension of the Northern line to Battersea, Barking Riverside and the Bank station upgrade.

Working with Government, we are in the final phases of completing the Elizabeth line which, when open, will add 10 per cent to central London's rail capacity. Supporting the delivery of high-density, mixed-use developments that are planned around active and sustainable travel will ensure that London's growth is good growth. We also use our own land to provide thousands of new affordable homes and our own supply chain creates tens of thousands of jobs and apprenticeships across the country.

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

We are constantly working to improve the city for everyone. This means using data and technology to make services intuitive and easy to use and doing all we can to make streets and transport services accessible to all. We reinvest every penny of our income to continually improve transport networks for the people who use them every day. None of this would be possible without the support of boroughs, communities and other partners who we work with to improve our services.

By working together, we can create a better city as London recovers from the pandemic and moves forward.

July 2021

tfl.gov.uk

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