

Board



Date: 19 July 2016

Item: TfL Annual Report and Statement of Accounts for the Year Ended 31 March 2016

This paper will be considered in public

1 Summary

- 1.1 The purpose of this report is to present TfL's Annual Report and Accounts for the year ended 31 March 2016, to request the Board's approval of the Statement of Accounts included in the Annual Report and seek the Board's approval for the publication of TfL's 2015/16 Annual Report.
- 1.2 On 14 June 2016, the Audit and Assurance Committee considered the Annual Report and the Statement of Accounts for the year ended 31 March 2016 and endorsed the recommendations in this paper.

2 Recommendations

- 2.1 **The Board is asked to:**
 - (a) **approve the 2015/16 Annual Report, subject to any comments it 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 Chief Finance Officer will make any adjustments arising from the work prior to the auditors signing their opinion. Should any changes be required to the Statement of Accounts which, in the opinion of the Chief Finance Officer, are material, he will seek the approval of the Board to these changes; and**
 - (d) **approve the extension, for the year ended 31 March 2016 and all subsequent years and in respect of all subsidiary companies of Transport Trading Limited, of the approval given by the Finance and Policy Committee (acting under delegated authority from the Board) on 5 June 2014 in relation to the giving of parent company guarantees in respect of the liabilities of any of its subsidiary companies as provided for in section 479A of the Companies Act 2006 (which approval may be withdrawn by the Board).**

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 of the Board, or otherwise by a resolution of the members of TfL, meeting as a whole.
- 3.3 The 2015/16 Annual Report will include TfL's Statement of Accounts for the year ended 31 March 2016. 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.
- 4.2 The Regulations require that the responsible financial officer, namely the Chief Finance Officer, sign the Statement of Accounts 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 Statement of Accounts was certified by the Chief Finance Officer on Friday 3 June and published on TfL's website together with the Annual Governance Statement on Monday 6 June. Appropriate notices were placed in the London Evening Standard and on TfL's website. The period for exercise of public rights consequently commenced on 7 June and will conclude on 18 July 2016. Should any questions or objections be raised, these will be reported to the Board at this meeting and to the Audit and Assurance Committee at its next meeting.

5 Views of the Audit and Assurance Committee

- 5.1 On 14 June 2016, the Audit and Assurance Committee noted both the draft Annual Report and the draft Statement of Accounts.
- 5.2 The Committee suggested a number of minor adjustments to the Annual Report, the Statement of Accounts and the Annual Governance Statement and these have all been addressed.

6 Subsidiary Companies Audit Exemption

- 6.1 For the year ended 31 March 2014, the Group took advantage of recent changes under section 479A of the Companies Act 2006 that enable certain UK subsidiary companies to claim exemption from audit of their accounts.
- 6.2 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 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.
- 6.3 For the year ended 31 March 2016, the majority of TTL's subsidiaries will again claim exemption from audit.

7 Information

- 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 2015/16

List of Background Papers:

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

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Annual Report and Statement of Accounts

2015/16

MAYOR OF LONDON



**TRANSPORT
FOR LONDON**
EVERY JOURNEY MATTERS



About Transport for London (TfL)

We are the integrated transport authority for London. Our purpose is to keep London moving, working and growing, and to make life in our city better. We reinvest all of our income to run and improve London's transport services.

Our operational responsibilities include London Underground, London Buses, Docklands Light Railway (DLR), London Overground, TfL Rail, London Trams, London River Services, London Dial-a-Ride, Victoria Coach Station, Santander Cycles and the Emirates Air Line.

On the roads, we regulate taxis and the private hire trade, run the Congestion Charging scheme, manage the city's 580km red route network, operate all of the Capital's 6,300 traffic signals and work to ensure a safe environment for all road users.

We are delivering one of the world's largest programmes of transport capital investment, which is building the Elizabeth line, modernising Tube services and stations, transforming the road network and making it safer, especially for more vulnerable road users, such as pedestrians and cyclists.

We are a pioneer in integrated ticketing and providing information to help people move around London. Oyster is the world's most popular smartcard, and the rise in contactless payment is making travel ever more convenient. Real-time travel information is provided directly by us and through third party organisations, which use the data we make openly and freely available to power apps and other services.

Improving and expanding transport in London is central to driving economic growth, jobs and housing across the country.

Reporting on our business

Our financial year runs from 1 April to 31 March.

This document summarises our achievements over the past financial year, plus some longer-term projects that are under way.

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Message from the Commissioner

As I was appointed Commissioner last autumn, this is my first Annual Report. These documents are by their nature backward looking. I also want to talk about the present and look to the future.

Our purpose is to keep London moving, working and growing and to make life in our city better. London never stands still. It is growing at an unprecedented rate, with record numbers of customers and users relying on our public transport and road networks. At the same time, technology is changing the way in which we live, travel and work. Transport is core to making our city's growth productive, delivering the new jobs, housing and access required by those we serve.

Core service safety and reliability is at the heart of successful public transport services and we are serving more people than at any previous time. The record numbers of customers during the 2012 London Olympic and Paralympic Games are now an every day occurrence and we remain focused on delivering for them day in, day out.

Steady and sustained investment is modernising transport. The visit earlier this year of Her Majesty The Queen to announce that Crossrail will be named the Elizabeth line in her honour was an important milestone towards the opening of a brand new railway that will transform journeys around our city and make fundamental improvements to accessibility.

We have seen great progress too across our other investment programmes, bringing new parts of the suburban rail network into our integrated transport service, maintaining and modernising our roads and adding new capacity on the London Underground. And our Night Tube service on Friday and Saturday nights will come into operation progressively over the course of the year.

We have created world-class cycling infrastructure and, as a result, cycling has never been more popular. A record-breaking 645,000 cycling journeys are made each day, and I look forward to even more Londoners taking to two wheels to take advantage of our new facilities.

Our relentless focus on reducing, and ultimately eradicating, death and serious injury on the roads has continued. Last year we saw a 10 per cent reduction in the most serious cycling accidents and an 11 per cent reduction in the most serious road traffic accidents involving children. Overall, the number of people killed or seriously injured is at the lowest level since records began.

Transport is not an end in itself. It plays a vital role in unlocking areas of growth to provide the new jobs and housing that our city needs. We are making 300 acres of land available for homes for Londoners with an initial target of 10,000 new homes over the next few years.



Message from the Commissioner

Continued

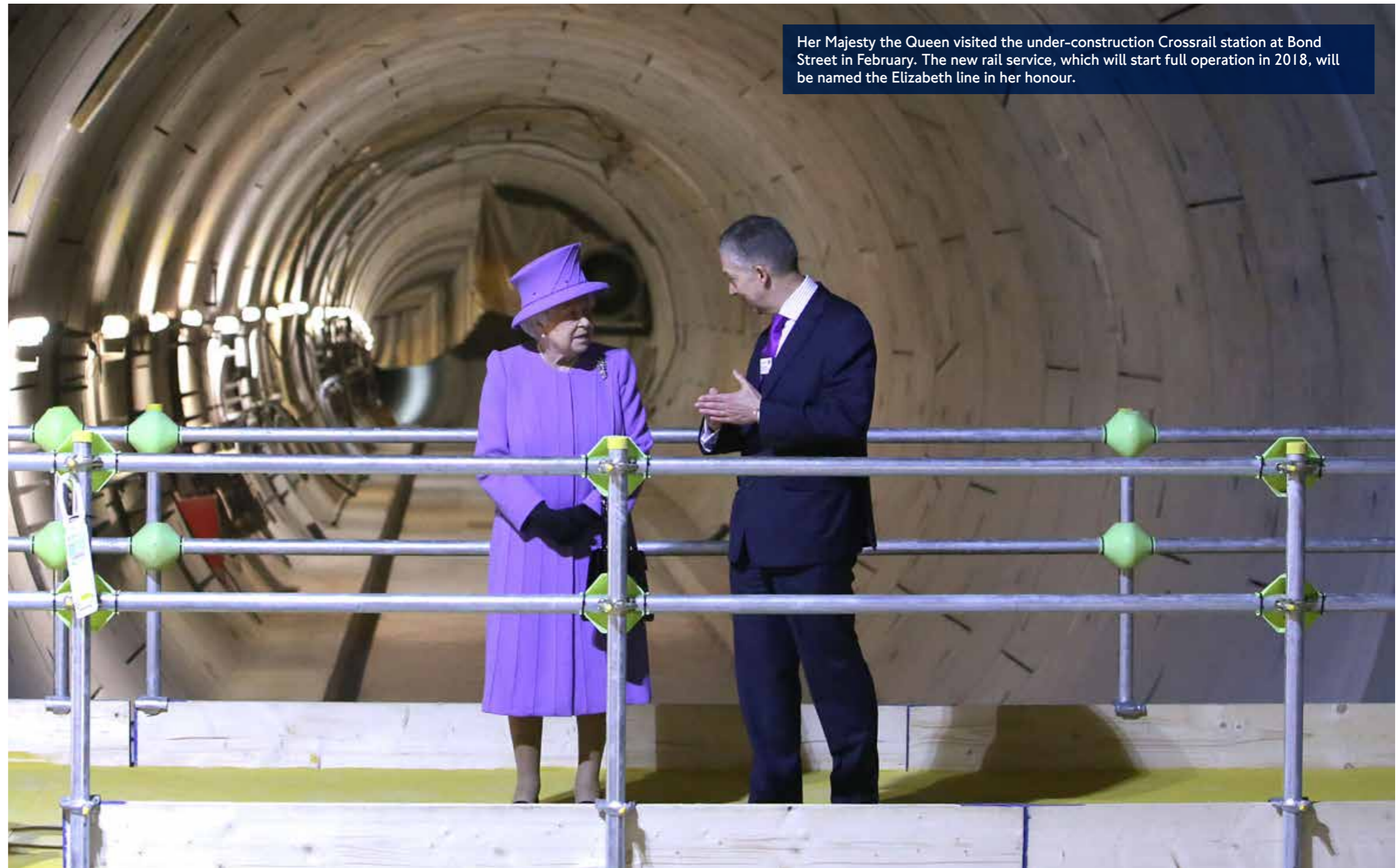
The pace of change in technology offers big opportunities. Examples include the remarkable success of payments made using contactless bank cards – accounting for around one-third of all 'pay as you go' journeys – and our approaches to open data and use of big data to improve information provision and service planning. We will make even more data available to app developers and other partners, particularly to help relieve congestion on the road network and develop more tools giving predictive information to help people plan journeys.

While technology is important, it is people – our customers, users and teams at TfL and our partners – who are at the centre of transport services. We remain committed to having our customer service teams out in the public areas of London Underground stations where they can help passengers most directly alongside a helpful and understanding voice from our contact centre teams.

It is an exciting time for London. We have a new Mayor with a remarkable personal mandate from Londoners. He has set out an ambitious programme for change and improvement, including making transport more affordable. I am totally committed to delivering it.



Mike Brown MVO
Commissioner



Her Majesty the Queen visited the under-construction Crossrail station at Bond Street in February. The new rail service, which will start full operation in 2018, will be named the Elizabeth line in her honour.

Year at a glance

April 2015

Overhaul of the Elephant and Castle northern roundabout begins, returning it to two-way traffic and making it safer for cyclists and pedestrians



May 2015

Our search begins for a new advertising partner, that will generate £1.1bn in revenue. Later awarded to Exterion Media in March



June 2015

Rail services between Liverpool Street and Shenfield become part of TfL Rail in preparation for the opening of the Elizabeth line



July 2015

Contactless and Oyster accepted on Southeastern's highspeed service between St. Pancras International and Stratford International



August 2015

Signal modernisation work begins on the Circle, District, Metropolitan and Hammersmith & City lines to increase capacity and reliability



September 2015

New interactive collision map shows when and where people have been injured on the Capital's roads to raise safety awareness and reduce casualties



October 2015

We announce our plan to release more than 300 acres of land to help create more than 10,000 new homes across London over the next decade



November 2015

Tube WiFi reaches another 100 stations, bringing the total to 250, plus Victoria Coach Station



December 2015

Thirteen new tunnels and bridges are proposed in plans to transform cross-river travel in the Capital



January 2016

Proposals launched with the Department for Transport for the transfer of inner London suburban rail services to TfL



February 2016

Announcement that Crossrail is to be known as the Elizabeth line, in honour of Her Majesty The Queen



March 2016

World's first electric double-deck bus is unveiled, to run on route 98 between Holborn and Willesden



Delivering for London

London's success depends on its transport system. Each year, as well as delivering increasingly reliable services more efficiently, we're also building new transport infrastructure and planning further improvements to secure the Capital's future as a world-leading city.

Improving service reliability demands constant maintenance of assets to keep them in good order.

In 2015/16:

38km
of footway
was repaved



75km
of carrigeway was resurfaced.



28km of Tube track was renewed

422
bus shelters
were renewed

670
lamp posts
were replaced

11,486
energy efficient LED
street lights were installed

40 sets of points and crossings were renewed on the Tube network

3 escalators were replaced **14** more were refurbished

17 highway pumping stations were refurbished to improve road drainage

Operational performance

Buses	2015/16	2014/15	2013/14	2012/13	2011/12
Passenger journeys (millions)*	2,314	2,385	2,382 2,405	2,311 2,335	2,320 2,344
Kilometres operated (millions)	492	489	491	490	490
Percentage of schedule operated (per cent)	97.2	97.1	97.7	97.6	97.6
Excess wait time (high frequency routes) (minutes)	1.2	1.1	1.0	1.0	1.0
Customer satisfaction (score)	86	85	83	82	80

*The method for calculating child journeys changed in 2014/15. The figures on the top row show corrected figures between 2011/12 and 2014/15. The figures on the bottom row show uncorrected figures as published previously

TfL's road network	2015/16	2014/15	2013/14	2012/13	2011/12
Journey time reliability (am)	87.8	88.3	89.0	89.2	88.9
Traffic flow*	95.2	95.9	94.6	92.9	91.9
Customer satisfaction (score)	74	74	75	76	75
Resolution time for serious and severe disruption (unplanned) per event (hours)	1.9	2.0	2.0	2.1	2.0
Hours of serious and severe disruption (planned) (hours)	1,404	931	195	291	404

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

London Underground (LU)	2015/16	2014/15	2013/14	2012/13	2011/12
Passenger journeys (millions)	1,349	1,305	1,265	1,229	1,171
Kilometres operated (millions)	82.5	80.3	76.2	76.0	72.4
Percentage of schedule operated (per cent)*	97.0	97.6	97.5	97.6	97.0
Excess journey time (weighted) (minutes)*	4.6	4.6	5.2	5.3	5.8
Customer satisfaction (score)	85	84	83	83	80
Lost customer hours (millions)*	26.4	22.7	24.2	22.9	28.5

*Includes industrial action

Docklands Light Railway (DLR)	2015/16	2014/15	2013/14	2012/13	2011/12
Passenger journeys (millions)	117.0	110.2	101.6	100.0	86.2
Kilometres operated (millions)	6.0	5.8	5.8	5.7	4.9
Scheduled departures operated (per cent)*	98.5	99.3	99.2	98.5	97.6
Customer satisfaction (score)*	89	89	87	87	83

*Includes industrial action

Operational performance

Continued

London Trams	2015/16	2014/15	2013/14	2012/13	2011/12
Passenger journeys (millions)	27.0	30.9	31.2	30.1	28.5
Kilometres operated (millions)	3.0	3.0	3.0	2.9	2.7
Planned kilometres delivered (per cent)	99.0	97.9	98.8	98.2	99.0
Customer satisfaction (score)	90	89	89	89	86

London Overground	2015/16	2014/15	2013/14	2012/13	2011/12
Passenger journeys (millions)	184.4	139.8	135.7	124.6	102.6
Kilometres operated (millions)	10.5	7.8	7.9	7.5	6.9
On-time performance (per cent)	94.4	95.2	96.1	96.6	96.6
Customer satisfaction (score)	84	83	82	82	82

Emirates Air Line	2015/16	2014/15	2013/14	2012/13
Availability (per cent)	94.4	96.3	95.0	94.2
Customer satisfaction (score)	93	93	93	93
Passenger numbers (millions)	1.5	1.5	1.5	2.0

River Services	2015/16	2014/15	2013/14	2012/13	2011/12
Customer satisfaction (score)	90	90	89	87	87
LRS Passenger Services (including Woolwich Ferry)* (thousands)	10,301	10,023	8,412	–	–

*LRS: From 2013/14 new passenger counting software was introduced which means the data for years before then is not comparable.

London Dial-a-Ride	2015/16	2014/15	2013/14	2012/13	2011/12
Customer satisfaction (score)	92	92	92	92	91
Trip requests scheduled (per cent)	90	90	91	91	90

Cycle Hire	2015/16	2014/15	2013/14	2012/13	2011/12
Customer satisfaction (score)	83	82	75	70	63
Cycle hires per period (thousands)	9,886	10,084	8,233	9,312	7,579

Keeping London moving, working and growing

Demand for our services is increasing all the time with London's success and growth.

Our income is reinvested in running and improving transport for our customers and users, and to maintain London's position as a world-leading city and engine of the UK economy. Our plans are organised under five strategic pillars – Customers, Delivery, People, Value and Technology and data.

Customers: the heart of our business

Putting customers and users at the centre of everything we do

Delivery: our plans and our promises

Delivering safe, reliable, clean, sustainable and accessible transport

People: dedicated to customer service

Valuing our people

Value: delivering more with less

Providing value for money for fare and tax payers

Technology and data: a new pan-TfL strategy and approach

Exploiting technology to produce better and faster results



Customers: the heart of our business

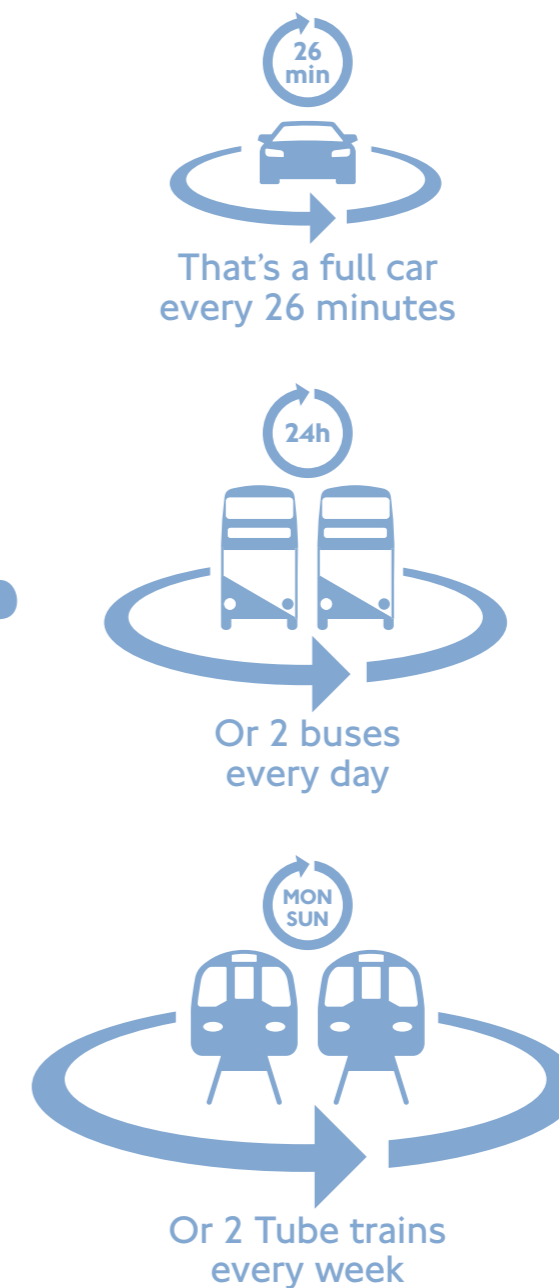
Putting customers and users at the centre of everything we do

We plan both for today and tomorrow. London is bigger than it has ever been with a population of 8.6 million. This is expected to grow to nearly 10 million by 2030. This growth is equivalent to two full Tube trains a week arriving in London.

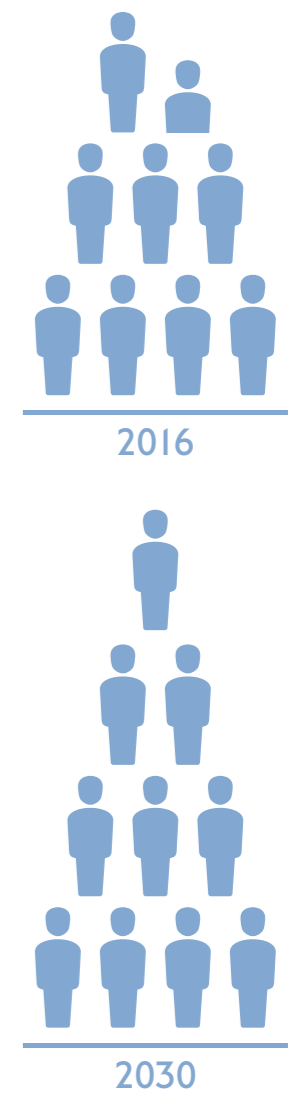
Every journey matters – the daily commute, a hospital appointment, a visit to friends or a shopping trip. This is why we are committed to making continuous improvements to transport and London's environment.

We listen carefully to comments and complaints about our services and take action to address them. This includes improved customer service at stations, bus garages and our customer contact centre, greater safety and security, better real-time information covering public transport and the roads, improved accessibility and more convenient ticketing.

We aim to operate openly and transparently. We place an enormous amount of information into the public domain about our services and decisions, allowing our performance to be scrutinised by the people we serve.



Today the population is 8,600,000 and by 2030 will be around 10,000,000



Every journey really does matter

How do we – and our colleagues across the transport industry – improve customer service for the millions of people who rely on our network every day?

That's the question we were determined to answer when we started planning our first customer conference.

More than 170 delegates from 60 organisations came to the event in November, including many suppliers and contractors, passenger representatives and research groups. Together, we talked through what frustrates customers and came up with around 100 ideas to make travelling on our network easier.

People want better journeys, and up-to-date and accurate information at their fingertips. They also want helpful bus drivers, easy access to refunds for service disruptions, and to know when and where there is traffic congestion or roadworks.



Turning pain into gain

By finding ways to solve customers' frustrations, we turn their pain into gain, winning and retaining their trust.

Commitments were made at the event to tackle specific concerns and action to improve has been taken. This includes:

- Our team in LU's control centre are now providing customers with clearer, jargon-free information
- New training for bus drivers, starting in May, will help keep passengers better informed about their journeys

Ninety-four per cent of attendees found the event useful, so we are planning for it to become an annual event to help provide even more improvements for our customers and users.

'How can we expect our customers to support the case for billions of pounds of investment if we cannot offer them an affordable service today and the promise of a better service tomorrow? It is an issue of trust, of respect and of care.'

Mike Brown MVO, Commissioner of Transport

Our customers want four things:

- To know who we are and what we stand for
- An excellent service every day
- Value for money
- Progress and innovation

Working with others

On the day we brought together groups including London TravelWatch, Transport Focus, Transport for All and the Association of Train Operating Companies.

A service for the future

Our latest improvements on the Tube are offering better journeys for customers.

Our teams have moved from behind ticket office counters into the ticket halls and other public areas of stations where they can be easily available to help customers choose the right tickets, plan journeys and get to their destinations.

London Underground has also been transforming customer service with the largest training programme in its history.

A total of 5,000 people have taken part in sessions to understand the diverse needs of all our customers, including disabled and older people, as well as non-English speakers.

Our teams get the opportunity to work through a range of practical situations – for example, what to do in the event of the station's lift service becoming unavailable. They can then apply what they've learnt and use it to provide better help.

Customer feedback

Similar training will start for bus drivers and garage-based employees from May 2016.

Both Tube and bus programmes have been shaped by customer feedback and groups that represent them. This has identified 'gain points' – the things we can clearly improve. Some issues impact everyone but disabled passengers can be affected to a greater degree. This is particularly significant given that one

Extra support

Customers can now get additional help at one of our eight new Visitor Centres. Located at Euston, Gatwick, Heathrow, King's Cross St. Pancras, Liverpool Street, Paddington, Piccadilly and Victoria, they offer travel guidance and advice, including how to obtain the best value-for-money products. Visitors are also able to find out what they can do in London and book tickets for a range of attractions.

in eight Londoners has a disability. Common annoyances include inaudible announcements.

We've also introduced better technology to make sure we can always provide a high-level of service. Each member of our station teams now has a tablet or device that enables them to support our customers. So, when someone needs to check the last train time from Walthamstow, or the price of 7-Day Travelcard, or even get directions to Madame Tussauds, they can simply ask and our people will have details at their fingertips.

Better ticket machines

A total of 150 new ticket machines have been installed on the Tube network and the rest have been upgraded with new technology and functionality. They are now able to resolve journey and ticket discrepancies on the spot, and offer guidance in 17 languages.



Our Tube station teams use handheld devices to offer better customer service

Changing times

We are committed to making life easier for our customers. For example, Oyster and contactless payments make journeys quicker and more convenient.

Extending WiFi to more stations means that it's even easier to access our free travel information, including live service updates and Journey Planner.

We are providing more personalised information too thanks to ticketing and location data. When there is a severe disruption on the Underground, for example, we identify and automatically refund everyone affected. Most recently, data for the 61 Tube station car parks was made openly available, with 23 of these containing live information on parking space availability.

Finding a way

We are constantly looking for new and innovative ways to give more people the confidence to travel on our network, and make it as accessible as possible. This means investing in step-free stations, improved staff training, more spacious and accessible trains, and pioneering projects such as Wayfindr.

Independent living

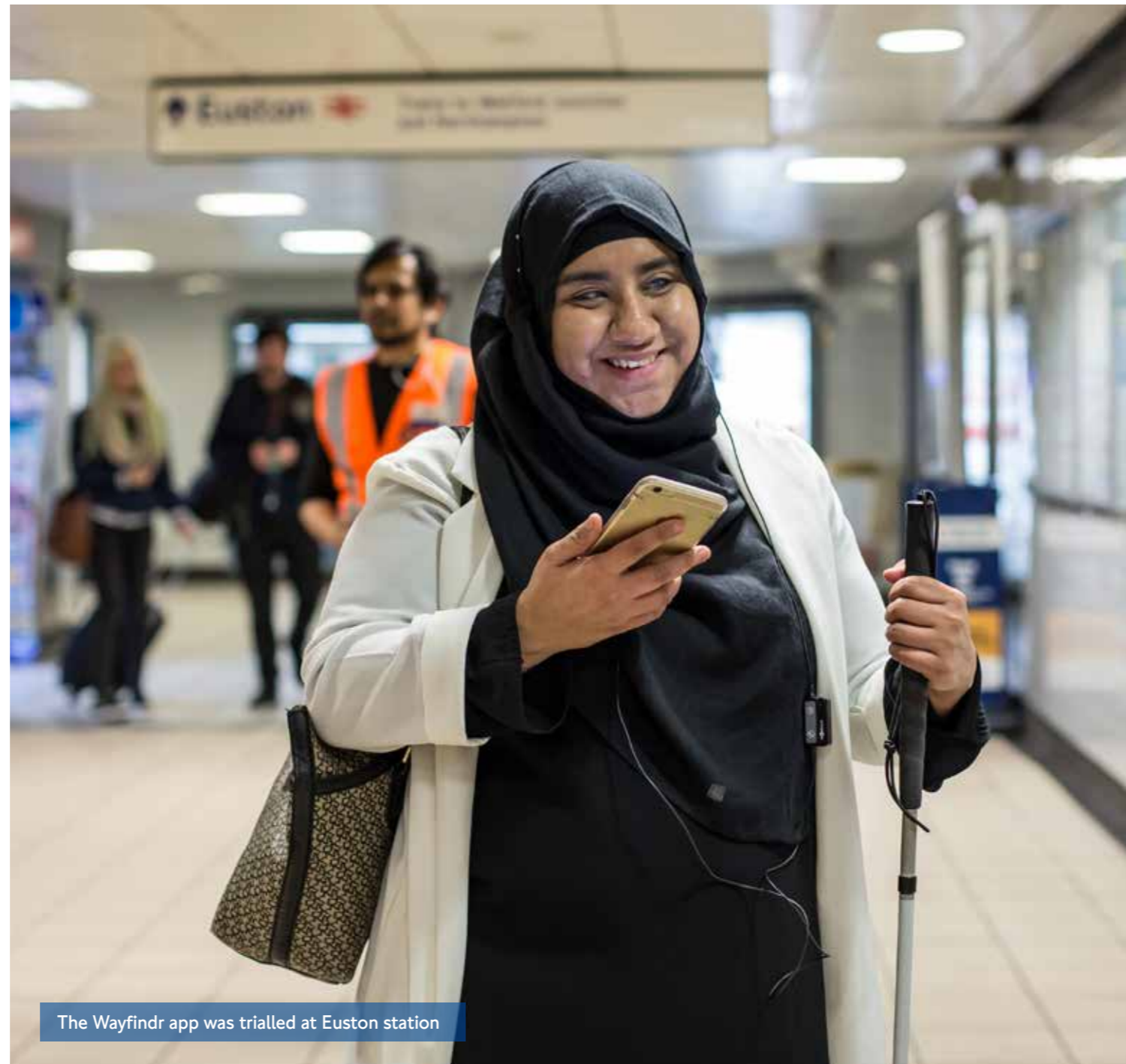
Wayfindr uses smartphone technology to help blind and partially sighted customers navigate around stations independently, both above and below ground.

The joint project, with Wayfinder.org (a non-profit organisation created by the Royal London Society for Blind People and digital product studio ustwo), was first trialled at Pimlico Tube station in early 2015. Low energy Bluetooth beacons installed at the station transmit a signal to the smartphone which the app translates into an audio instruction that guides customers on their journey.

From quiet to busy

In November 2015, a full-scale three-month trial began at Euston, one of the network's busiest Tube stations. This bigger trial – involving controlled tests with visually impaired participants – explored how Wayfindr will be used at a large and complex Underground site. It included a thorough investigation of how the system works and how it could be installed and maintained in the long term.

A further trial involving several other stations to confirm the findings from Euston will be in place before the end of 2016.



The Wayfindr app was trialled at Euston station

Based on this work, Wayfinder.org has been awarded a \$1m three-year grant by Google.org. This grant will help create a system that can be used anywhere in the world.

New incline lift at Greenford Tube

Greenford is the first station in the UK to have an incline lift. Travelling on a gradient alongside the escalator and stairs, it marks a significant advance for disabled access in London, and provides much-needed step-free options at the station.

Incline lifts are spacious, quick, and easier and cheaper to install than conventional lifts as there is no need to excavate a lift shaft. They are also 50 per cent more efficient than a traditional vertical lift as they run on half the power.

Although the new lift is not suitable for every location across the network, we are investigating other potential sites. Similar technology is also being installed as part of the Elizabeth line stations at Farringdon and Liverpool Street.

More than 25 per cent of our Tube stations are now step-free.

Big data, big opportunities

The millions of trips made on our network every day provide us with huge quantities of information about how and where people are travelling. We can use this – known as ‘big data’ – to better plan our services and provide relevant, personalised travel advice.

Along with exploring our own ideas on this topic (you can read more on p82), we’re sharing our data and knowledge with the tech community to help generate new insights from the information and to deliver new products and services for customers. We’re also working with commercial partners and academic institutions to explore their ideas to improve transport.

This means we can develop more and better products to manage disruption, control services, improve information and help people plan their journeys.

Sharing for success

Where possible, we make our data freely available to technological innovators – including developers, broadcast media and sat nav services – to power useful tools such as transport apps and real-time updates.

We have also organised ‘hackathons’ and invited developers and other third parties to come together to analyse our open and previously unreleased data. This has led

to prototypes of a number of apps that improve people’s experience of travelling around London.

Our data feeds now have around 8,200 subscribers – up from 5,000 last year. And, in October, we launched a unified ‘application programme interface’, which means developers can get access to, and use, our data more easily.

Driving through change

Working closely with suppliers can help us develop products quickly using their expertise. An example is the Road Travel Time Display project, which provides real-time journey information for drivers. The data is also made more widely available by London Streets Traffic Control Centre through Twitter.

We also installed variable message signs along the A12, A13 and A40 into central London to provide journey times to specific landmarks or locations. Feedback has been overwhelmingly positive with 78 per cent of those who saw the signs rating them useful and half saying they changed their route as a result.



More than 80 per cent of Londoners use our website (tfl.gov.uk) to plan their journeys

Paying has never been easier

Technology is making paying for travel on our networks quicker and more convenient.

Since the launch of contactless in September 2014, the number of people using this method of payment has continued to rise. Nearly a third of our pay as you go customers now use a contactless bank card, which means they never need to buy a ticket.

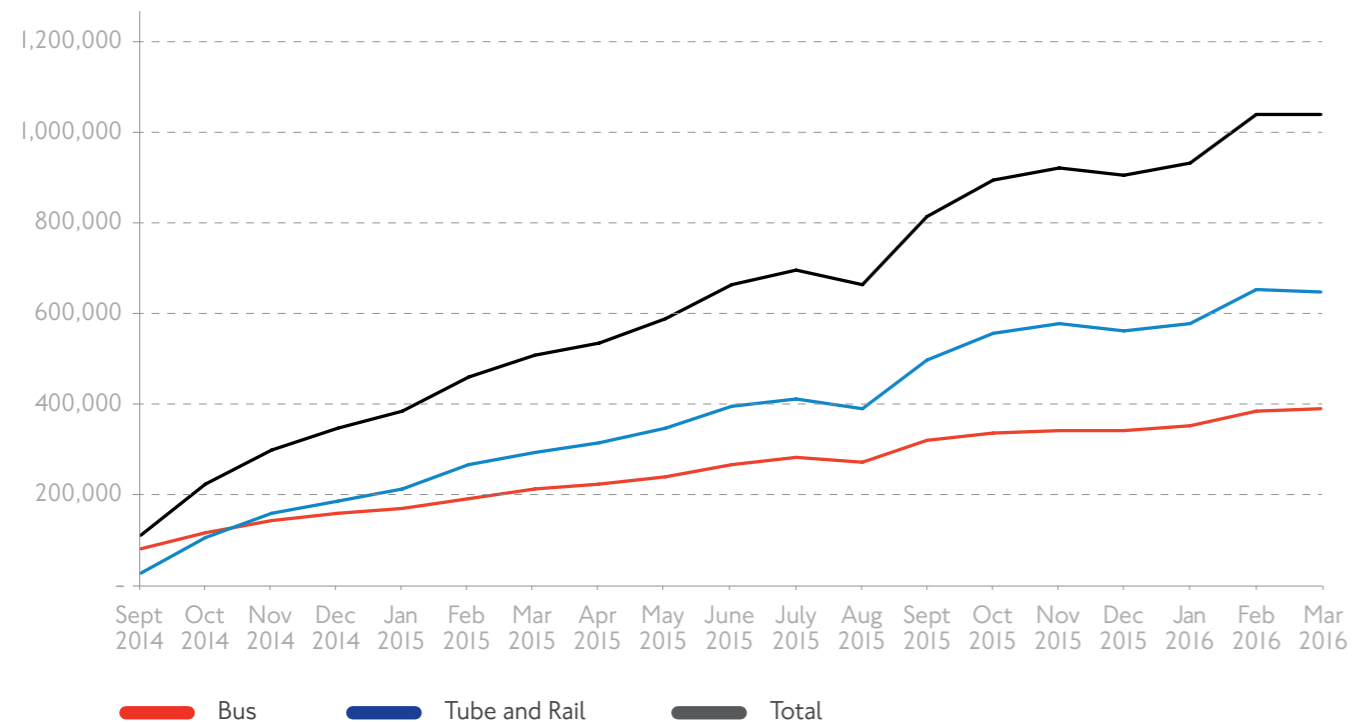
Contactless cards can now also be enabled on mobile phones and on a number of other devices, including watches and wrist bands. By the end of March 2016, around

‘I just leave the house with only the one card and know I’ll be able to do anything I need to that day.’

Harry Tabner, a passenger at South Kensington

7.5 million journeys a week were paid for using contactless.

Daily journeys using contactless in London
(Journey numbers dip during holiday periods)



Nearly a third of pay as you go travel is made using contactless

When Apple Pay launched in the UK in July, we were the first public transport provider to accept it. Customers simply link a debit or credit card to their Apple device then touch

it on a yellow reader to pay for travel on the Tube, trams, DLR, London Overground, TfL Rail, buses and most National Rail services in the Capital.

The people's favourite



All black cabs are wheelchair accessible

London's iconic black cab is an enduring symbol of the city.

Voted the Capital's favourite design icon in November, taxis have been an essential part of city life since 1662. Today they provide a vital and fully accessible service. And, as London grows and gets busier, we're providing ways to make travelling in them easier.

Contactless revolution

Searching for cash to pay will become a thing of the past in October, when all 22,000 licensed taxis will accept card and contactless payments. A consultation in early 2015 with taxi trade organisations, passenger safety groups and card industry representatives saw huge support for the move with 86 per cent of respondents backing plans to accept the system.

In addition, customers will no longer need to pay a surcharge on their fare and will only pay what is shown on the meter.

Access for all

All licensed taxis are 100 per cent wheelchair accessible. They also carry guide and assistance dogs at no extra charge. Many also have coloured sight patches on seats and coloured grab handles, a swivel seat, an intermediate step, as well as an intercom and an induction loop, to work with hearing aids.

'Consumers are increasingly choosing to pay with cards as a convenient and secure alternative to cash. With the number of contactless payments trebling in just a year, many passengers will also welcome the ability simply to touch and pay for their cab journey.'

Richard Koch, Head of Policy,
the UK Cards Association

Top ranking

More than a third of the 70 million taxi journeys in London each year start at a taxi rank. To support both customers and drivers we're increasing the number of ranks by 20 per cent by 2020 with £600,000 funding. By the end of March 2016, there were around 600 ranks in place across the Capital.

Clear view ahead

We make a great deal of information available for public scrutiny but are committed to being even more transparent.

In October we published a transparency strategy that sets out a range of new measures. This includes suggestions made during a public consultation designed to see how best we can provide the information people want.

Plans include:

- Changing how information is presented on our website so it's easier to find and interpret
- Publishing all replies to Freedom of Information requests online
- Identifying gaps in the information we share on the number of customers using each service – and presenting the data in the same standard format
- Issuing a publications schedule so stakeholders know when to expect information and data
- Publishing an update on transparency twice a year to show the progress we are making
- Making webcasts of Board meetings available on our YouTube channel for longer than six months

Our view is that all our data should be publicly available unless there is a compelling reason for it not to be, such as excessive costs.

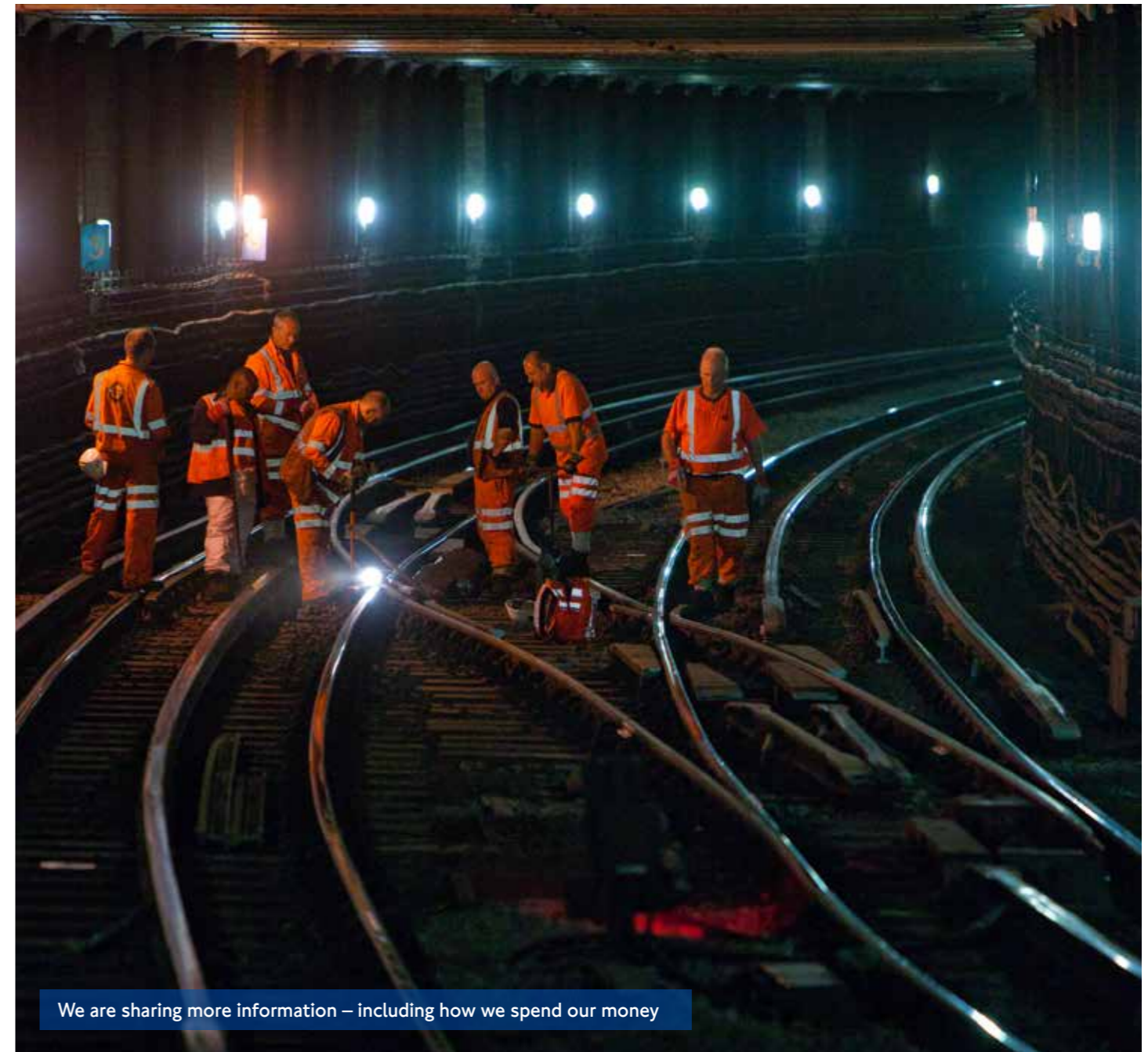
We've created a dedicated web page – tfl.gov.uk/transparency – that holds a huge amount of information and explains the scale of our responsibilities.

As well as how we manage our finances, we publish contracts, information on the reliability of our services, road safety, customer satisfaction and the latest journey trends. It all helps people understand exactly how we run the Capital's transport system.

We provide customer service and travel updates to more than 3.4 million followers on Twitter and in 2015/16 sent 273 million tailored emails across 1,216 campaigns. We are also on Facebook and have a presence on eight other platforms including Google+ and LinkedIn.

'We want our customers and users to be able to scrutinise how we operate and how our income is spent for the benefit of London.'

Mike Brown MVO,
Commissioner of Transport



Delivery: our plans and our promises

Safe, reliable, clean, sustainable and accessible transport

We are committed to driving further and continuous improvements in reliability and safety across our network.

We are also delivering a multi-billion pound investment programme to increase capacity and connectivity on the public transport and road networks.

With London's population increasing faster than previously thought, we must make the most of our existing assets and expand the network to provide greater capacity. We can do this by developing and harnessing new technologies and learning from the work of others.



The Elizabeth line receives royal approval

Crossrail, the new east-west rail link and Europe's largest infrastructure project, will be known as the Elizabeth line.

The announcement was made in February when Her Majesty Queen Elizabeth II visited the under-construction station at Bond Street where she received a commemorative roundel. She was greeted by a host of people involved in the project, including apprentices, engineers and train drivers.

The news followed the unveiling of designs for the trains that will enter service from May 2017 – before the project is fully complete in 2019.

Measuring over 200 metres, each train is more than 50 per cent longer than the largest Tube train, and will have space for 1,500 customers in nine, walk-through carriages.

Sustainable construction

98 per cent

of excavated material is reused

95 per cent

of contracts are awarded to companies within the UK – 61 per cent are outside London

38 per cent

energy savings through use of LED lighting

55,000 jobs supported

Progress update

Construction is more than 70 per cent complete and remains on time and within its budget of £14.8bn.

A total of 42km of new tunnels have been built under London and our focus is now on the track, signalling and fitting out of stations.

Tracks are being installed and up to 180 metres of concrete is being laid every night shift, with more than 6km already done.

Network Rail works on the surface route are more than 60 per cent complete. During the Christmas period, major improvements included track and signalling works, plus station upgrades across London, Berkshire and Essex. This involved laying 1.5km of new track, installing 26km of overhead wires and building two new footbridges.

Around 12,000 people are currently working on the project. And the target of 400 apprenticeships over the lifetime of the project has been surpassed – with the total now more than 540.

Serving London and the South East

Adding 10 per cent to central London's rail capacity, the Elizabeth line will help us serve the city's rapidly growing population.

The trains will also regenerate electricity back into the power supply when braking to use up to 30 per cent less energy. They will also offer faster journey times than the old trains they will replace between Liverpool Street and Shenfield.



Her Majesty Queen Elizabeth II with TfL Commissioner Mike Brown MVO meeting apprentices working on the construction site at Bond Street

Real-time updates

On-board customer information systems will provide real-time travel updates so people can plan their journeys on the move. Free WiFi will be available on trains and at platforms, and passengers will have access to 4G.

A fare deal

In May 2015, vital commuter rail services out of Liverpool Street joined the TfL network and will eventually make up part of the Elizabeth line. Already, passengers have welcomed new fares, 80 per cent of which are lower, with the remainder unchanged.

More trains for more passengers

The Victoria line carries 200 million passengers a year through some of the Capital's busiest stations – Euston, King's Cross St. Pancras, Oxford Circus and Victoria. And that figure is only going to rise.

To meet increased demand, we are constantly making improvements. Last summer we undertook a major piece of work to boost capacity on the Victoria line that will pave the way to record-breaking peak-time frequencies. By the summer of 2017 we will run 36 trains per hour for the entire length of the Victoria line – from Brixton to Walthamstow Central. That's one every 100 seconds in peak time, making it the highest frequency line on the network and one of the most intensive services in the world.

Work in progress

The new spring 2015 timetable had already boosted the line's capacity to 34 trains an hour in the peak between Brixton and Seven Sisters, but at the northern end of the line between Seven Sisters and Walthamstow Central, service was limited to 24 trains an hour, owing to the layout of the points at Walthamstow Crossover.

To bring the whole line up to the same level 1,000 tons of concrete and track bed had to be removed. This meant massive excavation that couldn't be done at night or weekends. So, unavoidably, the stations beyond Seven Sisters (Tottenham Hale, Blackhorse Road and Walthamstow Central) had to be closed for three weeks during August.

Spreading the word

Keeping passengers in the know while work was in progress:

135,000+

leaflets were distributed with alternative travel information

60,000+

subscribed customers received emails with work updates

150+

Travel Ambassadors helped people at affected stations

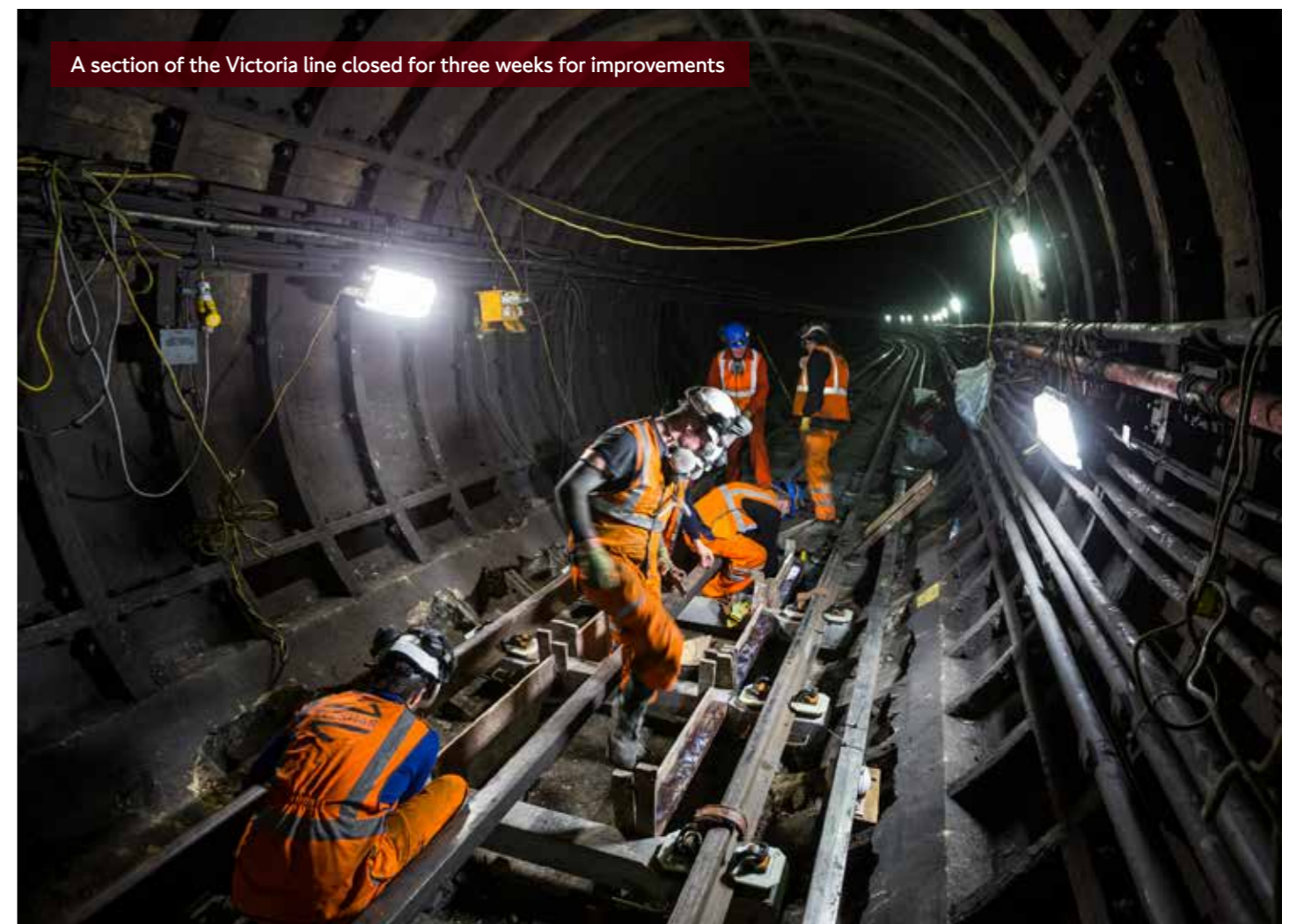
Customers in mind

With three stations out of commission, we made sure the hundreds of thousands of customers affected faced minimum disruption with maximum support. Replacement buses ran from Walthamstow Central to Seven Sisters, Stratford and Stratford International. There was also a temporary bus service between Chingford Mount and Seven Sisters, calling at Tottenham Hale and Blackhorse Road, and London Overground services between Walthamstow and Liverpool Street.

Teams of Travel Ambassadors helped out on the ground, plus a poster, leaflet and social media campaign made sure everyone – from commuters to overseas visitors – was clear on alternative routes.

Worth the wait

The work, which finished on budget and two days ahead of schedule, will provide customers who live northeast of Seven Sisters with 40 per cent more train capacity at peak times when the new timetable is introduced later this year.



The road to a better private hire trade

Technology, including smartphones and apps, is transforming the service London's private hire trade is offering customers. To keep up with the times, we've unveiled plans to modernise the industry while improving customer service and safety.

Following a review of the Capital's private hire regulations, which included three public consultations that attracted more than 20,000 responses, a number of proposals were drawn up. Following approval by the TfL Board in March, work is now under way to make these changes happen.

Measures include:

- A formal English language requirement for drivers
- Guaranteed fare estimates for customers before they begin their trip
- Providing customers with driver and vehicle details – including a photo of the driver – before they start a journey where possible
- Ensuring customers can speak to someone if there is a problem during their journey
- More robust insurance requirements
- More stringent rules about record keeping and providing real-time driver and vehicle information to TfL, for more effective enforcement

Congestion Charge

There has been a surge in the number of private hire drivers in the Capital – more than 100,000 now, compared with 59,000 in 2009/10.

This huge increase has led to growing traffic congestion and illegal parking, so we're investigating the feasibility of removing the Congestion Charging exemption for private hire vehicles.

We're also proposing to implement a fairer approach to licence fees with smaller operators paying less.

In addition to these proposed measures, we are already improving service and safety standards in the trade with the introduction of:

- An enhanced topographical test for new private hire drivers, requiring them to demonstrate enhanced map reading abilities and English language comprehension
- A new complaints system, allowing customers to contact us if they have received poor service from a private hire company or driver
- Mandatory disability equality training and other improved training for drivers



‘Londoners have given a very clear indication of how they would like us to shape the regulation of the industry to deliver improved safety and customer service. We had an overwhelming response to the consultation and all of the proposals we are taking forward received majority support.’

Garrett Emmerson, Chief Operating Officer for Surface Transport

A force for change

Anyone who lives, works or travels in London knows it only takes one illegally-parked van to turn free-flowing traffic into a frustrating hold-up.

In autumn 2015, our team of Road and Transport Enforcement Officers (RTEOs) was created.

New powers

It's the first time we have had our own officers with the power to stop and direct traffic. A total of 40 hit the streets in November to improve road safety and reliability, tackle congestion and target illegal and inconsiderate behaviour that impacts road users – from poor parking to obstructive deliveries at peak times.

Tackling routes

The RTEOs have played a vital role in Operation Zetol, our new initiative to target traffic hotspots at nine priority locations.

Areas that experience severe congestion were identified by working closely with bus operators and analysing bus journey times.

The initial areas were: Bank in the City of London, Walthamstow and Dalston to the east, Kensington and Worcester Park to the west, Harlesden in the northwest, and three in south London's Peckham, Lewisham and Tooting. More locations will be identified using information from both bus drivers and other road users, and RTEOs will be deployed across the Capital.

Working alongside Revenue Protection Inspectors and officers from the TfL-funded Metropolitan Police Roads and Transport Policing Command, initial feedback shows our new RTEOs are making a real difference.

As well as catching offenders and issuing Penalty Charge Notices, officers are also working with companies along vital routes to minimise disruption during peak hours, clear obstructions and find better time slots for deliveries that suit both commuters and businesses.

Operation Zetol in numbers:

40
RTEO officers at the autumn 2015 launch, rising to 80 by the end of May 2016

110
bus routes already benefiting from work to address issues on 10 targeted highways

8,000
on-street hours the new officers had clocked up by January 2016

300,000
car and taxi passengers using the routes every day



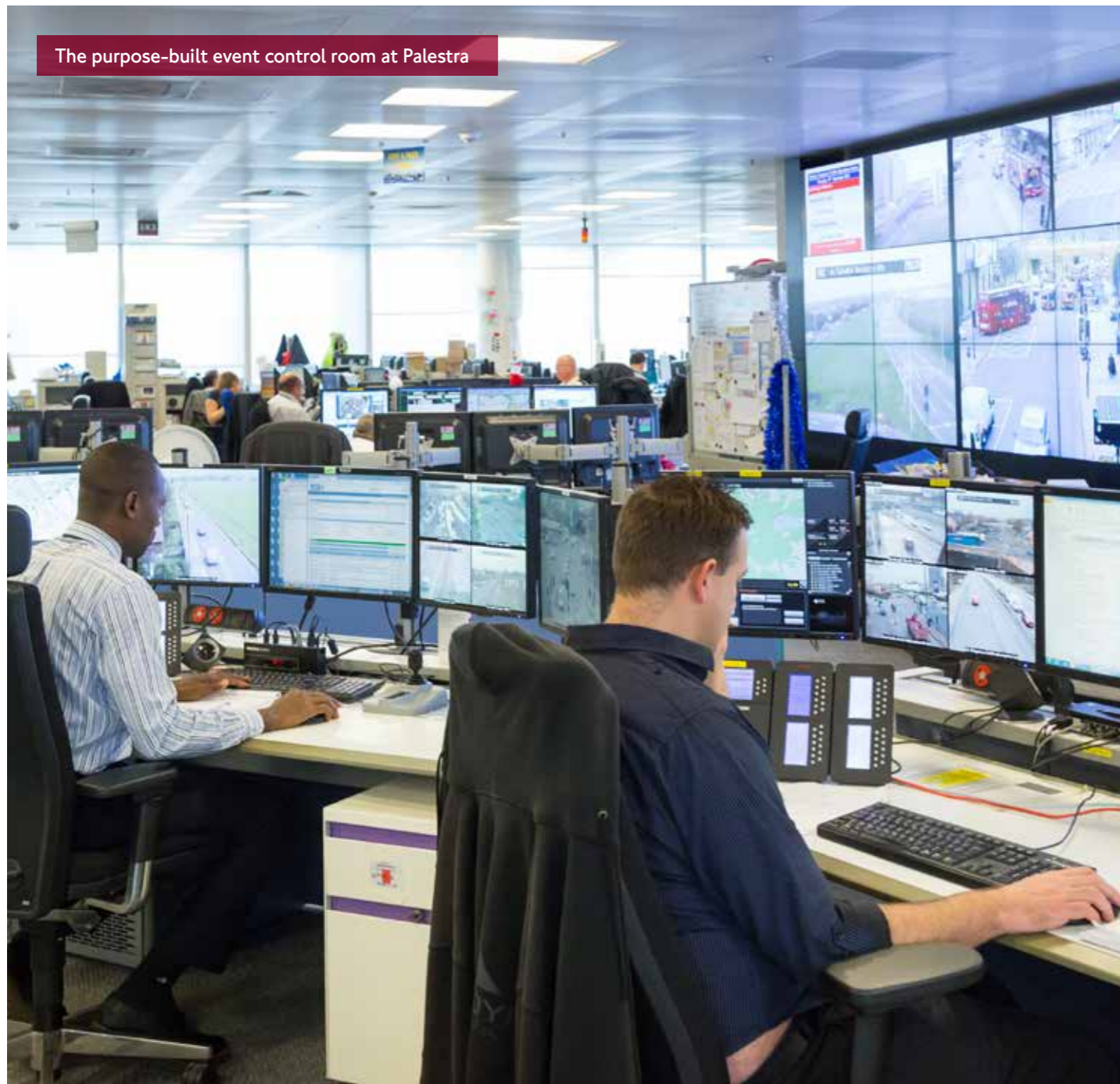
Road and Transport Enforcement Officers help to keep traffic moving

Latest updates

The introduction of RTEOs is part of bigger and continuing investment to keep the Capital's roads moving and ensure people are

better informed. With the @TfLTrafficNews Twitter feed now followed by more than 600,000 Londoners, sharing up-to-the minute news is more immediate than ever.

Controlling the action



Hundreds of thousands of rugby fans came to the Capital last year for the Rugby World Cup 2015.

With record ticket sales and a worldwide television audience of billions, London was at the centre of the six-week tournament. Many overseas visitors based themselves here, with three of the city's venues hosting 17 matches.

Keeping fans moving

Providing safe and reliable transport for residents and visitors, as well as moving 460,000 fans to and from matches and four temporary fanzones, took two years to plan.

At the centre of it all was our Palestra office in Southwark, which contains the city's only purpose-built event control room. Built for the 2012 Games, it offers event organisers access to our CCTV cameras, state-of-the-art technology and links to our people on the ground who can react quickly to any network disruptions or incidents. It also has desks for the London emergency services.

It's used for regular events such as Notting Hill Carnival, RideLondon and the Virgin Money London Marathon.

A glance inside

The facility contains state-of-the-art technology including:

- Access to all TfL's CCTV cameras
- Desks for the London emergency services with access to their systems
- Use of the bespoke, event-specific 'Dashboard' electronic logging system – available on each desk via computer or laptop

'TfL's facilities at Palestra are second to none. They were integral to our national transport plan for the tournament and a key factor in the successful delivery of that plan.'

Tom Legg, Head of Transport Rugby World Cup 2015

Milestones in modernisation

Our Road Modernisation Plan (RMP) consists of hundreds of projects that are transforming junctions, bridges, tunnels and public spaces to make roads more reliable, safer and greener.

Progress update

Improvements so far include a strengthened 1960s Hammersmith flyover, upgraded Fore Street Tunnel, refurbished Grade II listed Chiswick Bridge, segregated cycle facilities and a major junction redevelopment around Oval Triangle.

The RMP has also made significant progress during 2015 for the cyclists who make up a quarter of rush-hour traffic in Central London.

Cycle Superhighway CS5 – from Oval to Pimlico – opened in November. This was the first in a series of new segregated Superhighways that will be built by summer 2016.

A partnership between ourselves, local businesses and Westminster City Council has enabled the transformation of a pedestrian subway under Marylebone Road into 'The Wonderpass'. Maintenance of the drainage and electrical system, and new surfacing, ensures the subway will remain in a state of good repair for many years. It is now also a vibrant cultural walkway featuring displays about local features, sponsored by local businesses, including Madame Tussauds, the Wallace Collection and Regent's Park Open Air Theatre.



‘Streets define the character and quality of a city and are key to the health and wellbeing of its citizens. We must keep this in the forefront of our minds as we face a period of major change in the way we use our roads.’

Peter Murray, Chairman, NLA

Streets Ahead

The importance of the RMP was highlighted in a series of events and exhibition titled 'Streets Ahead: The future of London's roads', in January and February.

Curated by New London Architecture and supported by us, the initiative provided an opportunity to discuss how to address the challenges of the future and respond to new technologies. Suggestions included driverless cars, drones replacing delivery services and highways converted into parks.

A 21st century Tube

We have taken delivery of 191 new Tube trains to replace 170 old ones. And there aren't only more of them – they are longer too.

The latest models – most of which were running by the end of 2015 – are on the Metropolitan, District, Circle and Hammersmith & City lines. By the end of 2016, all old District line trains will have been replaced with new ones.

Spot the difference

It's impossible not to notice the difference between old and new. The updated versions can carry more passengers, are more comfortable and have air conditioning. They are also more accessible with:

- Wider doors that offer easier and quicker boarding, with level access to platforms
- Walk-through carriages so people can easily move to less crowded areas
- Dedicated spaces for wheelchair users
- Improved audio and visual information including on-board station announcements

Revamping the Tube network

Our programme to improve London Underground is the biggest in 60 years. Each Tube line is being overhauled – we're also planning new trains for the Bakerloo, Central, Piccadilly and Waterloo & City lines.

In the top 10

The new Tube trains have already been voted one of the top 10 transport designs in London.

This was the result of a poll of 10,000 Londoners in November 2015. People picked from 100 transport designs chosen by industry experts and London Transport Museum.

For the drivers, CCTV means they can see into every car. Track-to-train video links give them a good view of the outside before setting off, making journeys safer.

Behind the scenes

Introducing the new fleet has been a huge exercise. More than 1,100 drivers undertook the 10-day training programme, including working in cab simulators as well as on the new models.

Tracks had to be upgraded and those at depots needed to be extended to cater for the longer trains, as did platforms. In all, more than five years' work took place before passengers saw any of the trains.

The new fleet is more reliable and maintenance is quicker and easier. A new braking system means energy savings as well.



New Tube trains mean better journeys

'The Tube upgrade programme is essential if London is to manage future growth while remaining a premier world city. More passengers are now benefiting from new trains, modernised signalling and revitalised stations. It's vital we now see the job through.'

Baroness Jo Valentine, Chief Executive, London First

Boosting the Northern line

The Northern line is busier than ever. By 2023/24, passenger numbers are predicted to rise by more than 20 per cent, so it's vital we ensure the line can manage demand.

A major upgrade to signalling in early 2015 created 20 per cent more capacity in Zone 1, which means trains can carry an extra 11,000 people an hour during the peak. The number of trains running on the line has also risen from 20 to an average of 24 an hour, and journeys are around 10 per cent faster.

More trains, and faster

We are looking to increase capacity further, with up to 30 trains an hour in central London – that's a service every two minutes.

To meet this ambitious target, we must now look at the best way to make infrastructure improvements at stations across the line, such as more depot and maintenance facilities, new track layouts and power upgrades.

Station work

Tufnell Park reopened in March this year after a nine-month closure while both lifts were replaced to provide a more reliable service. Other Northern line stations are also earmarked for upgrades:

- Preparation is under way at Bank to boost capacity by 45 per cent during peak times, so the station can cater for the predicted growth in passenger numbers. The project, to be completed in 2021/22,

will also provide a new station entrance on Cannon Street and step-free access to the Northern line platforms

- Over the past decade, the number of people using Camden Town has risen by 60 per cent. Unless greater capacity is introduced by 2031, demand will exceed what the station can handle. Our proposals, which will be open to public consultation during 2016, include a second entrance, three new escalators and step-free access from the street to trains. The existing station entrance would remain in use, with no changes to nearby buildings. Subject to funding and planning permission, work could start in 2019 and be completed by 2023/24

‘We welcome the proposed upgrade to Camden Town station. Let's make it easier, safer and more efficient for people to visit, to boost the local economy and enjoy what the area has to offer.’

Simon Pitkeathley, CEO,
Camden Town Unlimited



Design for life



The new entrance to Tottenham Court Road Tube station

The roundel and its distinctive Johnston typeface, the Tube map, Routemaster buses, moquette fabric, our new walk-through trains – just a few examples that highlight the important role design has played in our 150-year history.

Great design makes our customers' journeys easier and more pleasant. This includes a stunning 15-metre glass entrance to Tottenham Court Road Tube station (left), which opened in December, as part of our commitment to making it fit for the 21st century.

We also unveiled new uniforms for our employees, designed by Wayne Hemingway MBE, which come in a variety of mix and match options to reflect the diverse needs of our workforce.

With more than 31 million journeys made across our network every day, modern design has to work harder than ever to give our customers a better experience. No aspect is overlooked – from our station architecture

‘It is vital that the new uniform does justice to one of the best transport systems in the world in a city that is widely considered to be the most exciting in the world.’

Wayne Hemingway MBE

and clear signs to easier ways to pay and automatic refunds for delays.

Good design, better journeys

This commitment to intelligent design, outstanding quality and consistent branding across all the work we do has been vital to providing customers with welcoming, comfortable and straightforward journeys.

Design past, present and future

Transported by Design is a celebration of our rich heritage. Running from July 2015 to early 2017, this programme of events, exhibitions and competitions will showcase the pioneering design that has united our city.

People: dedicated to customer service

Valuing our people

We invest in our people and lead them to be the best they can be every day.

Our aim is to recruit, reward and develop the right people with the right behaviours and skills.

Whether they are our teams or contractors employed through our UK-wide supply chain, dedicated people are vital to ensure our organisation provides excellent customer service and helps London prepare for the future.

We work with thousands of suppliers across the UK, supporting around 60,000 jobs outside London¹. Each dot on this map represents a company we paid in 2015/16.



¹ Source: Regneris

Championing diversity in the industry

Dana Skelley, one of Britain's most senior women engineers, was awarded an OBE in the Queen's New Year's Honours list for services to transport in London.

As Director of Asset Management for Surface Transport, Dana is responsible for the effective and efficient investment of more than £300m a year to maintain £15bn of infrastructure assets, including the Capital's arterial roads, traffic signals, bridges, tunnels, footpaths, bus stations and bus stops. She has also overseen the successful delivery of many major schemes as part of our Road Modernisation Plan.

Business-minded

Dana studied civil engineering and her passion for bridges and architecture led her to the field of transport. She credits her MBA for helping her understand the importance of getting the best out of people, understanding our customers and the role that finance and economics play in running a successful business.

During her 15 years at TfL, Dana has championed women in the industry and has helped hundreds of female graduates and apprentices to take their first steps in an engineering career.

She said: 'Women are increasingly playing an important role in major projects across London, and with more companies now offering young people apprentice and graduate opportunities, together we can help ensure the Capital continues to grow and prosper.'



TfL's Dana Skelley was awarded an OBE in December for services to transport

New record

In September, a record 168 new graduate trainees joined our workforce and one-in-three were women. We also took on 156 apprentices – another record for us – including 25 women.

When asked what she's most proud of, Dana answered: 'Seeing our graduates, apprentices and our people flourish; trailblazing collaboration in our industry.'

[Read about our 100 Years of Women in Transport celebrations on p64.](#)

Stuart Ross BAME Internship

Our press office intern scheme is aimed at black, Asian and minority ethnic (BAME) students and graduates.

Working on the big stories and events affecting London's transport network means that we have one of the busiest press offices in the UK. Interns get involved in writing press releases, helping journalists and working on campaigns to support our customers.

Since the scheme launched in 2007, 18 people have benefited from the opportunities it has provided.

The scheme is now named the Stuart Ross Internship in memory of our former Director of News, who passed away in January.

Stuart, who was instrumental in the success of the scheme, was committed to championing the career development of aspiring press officers and the internship for young people from BAME backgrounds.

Julianna Sseruwagi-Nisbett joined TfL as an intern in 2013 and is now one of our Senior Press Officers: 'I honestly don't think I would be in PR without that opportunity. Since starting on the scheme, I haven't looked back.'

Transforming lives



‘TfL was my first proper opportunity in civilian life, I had never imagined working in an office environment and am surprised how much I enjoy it. I work with a great team who are more like a family to me than just work mates. TfL gave me an opportunity – that’s all I needed.’

John Wilson, Compliance Officer (former Reservist Lance Corporal)

John Wilson’s story is a powerful illustration of how the Armed Forces Covenant – which we signed in February to confirm our commitment to supporting ex-Service members – is transforming lives.

It was during his second tour of Afghanistan in 2012 that the Reservist Lance Corporal for the London Regiment stepped on an improvised explosive device. ‘We were crossing a bridge – I was seventh,’ said John. ‘At least two of the lads must have stepped on the IED and it didn’t detonate; it was well-covered.’

John lost both legs and after being medically discharged from the Army in 2014, was ‘struggling for work because employers just looked at me and thought I wasn’t up for the job’. But that came to an end when John heard about our commitment to help former Armed Forces members and, in January 2016, he started a new career at TfL as a Compliance Officer.

New opportunities

Our relationship with ex-Service members, which dates back to the First World War, was strengthened with the Armed Forces Covenant. In the four years before it was signed, we had already offered 28 six-month work placements. Twenty-seven of these people have since found full-time civilian employment within the Capital’s transport sector.

But the Covenant goes further than that with a commitment by TfL to support former members of the Armed Forces to secure full-time work paying at least the London Living Wage. We are aware of how the skills

they developed in the Armed Forces can benefit an employer. These include being a team player, problem-solving, the ability to work under pressure, adaptability and leadership. Many individuals also leave the military with highly technical skills in areas such as engineering and project management.

We also have access to the Armed Forces resettlement service, known as the Career Transition Partnership – this enables us to speak directly to leaving Ministry of Defence employees and to become an employer of choice for this large group of skilled individuals.

Our support ranges from helping people apply for a role within TfL to offering continued assistance and guidance during their employment. This includes ensuring appropriate help is readily available for those who are wounded, sick or injured.

The signing of the Covenant recognises the value that military personnel, reservists, veterans and their families bring to our organisation and to London as a whole.

Free travel for war veterans

Since November 2008, war veterans have been able to travel free on the Tube, DLR, London Overground, TfL Rail, buses and trams with a Veterans Oyster photocard. In 2012, free travel was introduced for Armed Forces personnel travelling in uniform.

Investment in London boosts the UK

Our contract with Bombardier for 45 London Overground trains will support hundreds of jobs in Derby and the surrounding area, as well as apprenticeships.

And the jobs boost won't end when the trains are delivered from 2018. The contract, which was signed in July 2015, also covers continued maintenance and technical support.

This is just one example of how businesses – and people – across the country benefit from our investment. Investment to improve London's transport continues to support the UK economy.

Improving services

Most of these new trains will run on the Liverpool Street to Enfield Town, Cheshunt (via Seven Sisters) and Chingford routes that became part of TfL in May 2015. The trains will be used to replace diesel trains on the Gospel Oak to Barking line from 2018. They will also help enhance frequencies on other parts of the network.

Customers will see a huge improvement in comfort, reliability and the overall quality of the services. They'll experience walk-through carriages, air conditioning and greater accessibility.

The 24 stations serving the West Anglia routes that are now part of TfL, are being cleaned and improved to bring them up to standard. Trains have already been smartened inside and out.

There are other benefits for us and our customers too; compared with existing stock, the new trains are more efficient, need less maintenance and are more reliable.



London Overground trains are being built at Bombardier's factory in Derby

Growing for the future



Apprentice Daniel Stapleton

‘I’m getting a deeper knowledge of how the city works’

Daniel Stapleton, London Underground operational apprentice

We have a wealth of talented people who are fulfilling their potential and bringing in vital skills through our apprentice programme.

Apprenticeships give people the opportunity to work and earn a living as they study towards professional qualifications. At the same time they can gain valuable skills while contributing to the daily operation of our business. We announced in March the creation of another 350 new apprenticeship roles.

Wider choice

Over the years, our engineering apprentices have helped deliver some of our most vital projects. But 2016 has seen the programme expand even further, with 19 different apprenticeship schemes on offer covering everything from project management to IT and web development.

This evolution reflects the increasingly diverse nature of our organisation.

Qualified in success

The scheme now also allows for even higher professional qualifications as we are among the first British employers to roll out degree-level training. Quantity surveying apprentices completing their Level 3 apprenticeship – equivalent to two A-Levels – can now progress to a new Level 6 apprenticeship standard.

The wide range of schemes on offer are helping to ensure we are ready to meet future challenges.

Apprenticeship schemes 2016

Scheme	Numbers
LU engineering (three years)	58
LU track engineering (18 months)	13
Track renewal	6
Power engineering	4
LU operational	10
Quantity surveying	5
Project managers	10
Project planners	10
Highways technician	7
Traffic infrastructure	6
Information management	4
Commercial procurement	8
Human Resources	6
London Transport Museum	8
Design	1
Software development	4
Dial-a-Ride vehicle maintenance	2

Celebrating a century of women in transport

When, on the count of three, 864 people jumped in the air and high-fived each other at Horse Guards Parade, it was a moment that would enter the record books.

The event, held to recognise Women in Engineering Day last June, earned TfL and the transport industry, a place in the Guinness Book of Records.

And it was fitting that they carved their own place in the history books as this

landmark achievement was also part of the industry's 100 Years of Women in Transport (YOWIT) celebrations.

Beginning in November 2014, the aim of the campaign was to motivate and inspire current and future generations of women through a series of events. It highlighted the crucial role women have in the transport industry and in our organisation – plus the significant contribution they can make in the future.

Highlights of the YOWIT campaign included:

- A series of insight sessions, which saw inspirational women share their experiences and offer valuable advice. Among the speakers were Olympic gold medallist and a cross-bencher in the House of Lords, Baroness Grey-Thompson, who focused on her experience as an athlete; and Suzi Donoghue, Commanding Officer in the Royal Logistic Corps, who shared her thoughts on leadership and progression in a 'man's world'
- Industry debates, networking workshops, panel discussions and speed mentoring evenings which have given people from transport the opportunity to meet and talk to senior figures from across the industry
- Bring your daughter to work day, with more than 70 people taking part
- The Great Schools Debate final, which took place at the House of Commons in December, gave us a fantastic opportunity to encourage young people to consider a career in transport
- Coffee roulette, where people from across our organisation met for a quick chat after being randomly paired by the YOWIT team. This helped build strong working relationships, broke down barriers and gave many people a greater insight into other roles
- The first 50/50 work experience programme with the Royal Greenwich University Technical College, which involved hosting an equal number of male and female students



A world record was set at Horse Guards Parade to celebrate Women in Engineering Day

The programme has now established a network of more than 12,500 individuals and 330 YOWIT 'Champions' from in excess of 270 transport organisations, with people giving their time to visit schools, provide work experience placements and present at careers fairs and other events.

The YOWIT programme received international recognition in October when representatives were invited to Mexico by the Inter American Development Bank and the World Bank to

share about the campaign's success. It also won 'Diverse Marketing Campaign of the Year' at this year's Excellence in Diversity Awards.

It's been a century since 100,000 women answered the rallying call and began work on London's transport system during the First World War. It's hoped the YOWIT campaign will continue this legacy, playing a central role in shaping the future of our industry over the next 100 years.

Value: delivering more with less

Providing value for money for fare and tax payers

One of our top priorities is to reduce our costs and generate more income. Every penny of our revenue, whether from fares or our commercial activity, is reinvested in running and improving services on the transport network.

The outcome of the Spending Review means that while the capital grant was protected, our revenue grant will be progressively withdrawn. From 2019 we will cover all day-to-day running costs from our own income. This means that London will be the only major world city transport network not to require an operational subsidy from central Government.



34%

is spent on improving services through one of the largest capital investment programmes in Europe

New homes, new jobs, new revenue

When the Metropolitan Railway Company extended its services from Pinner to Rickmansworth back in the 1880s, it had the future firmly in its sights.

As the tracklayers moved along the house-builders moved in, transforming the countryside beyond northwest London into a semi-detached suburbia to satisfy the needs of the Capital's growing population. Metro-land, as the railway company's publicity department later coined it, was born.

Now, the needs of London's rapidly growing population are taking centre-stage once more in a series of property development projects we are planning. And Northwood, midway along the line between Pinner and Rickmansworth, is at the forefront.

There, on the site of the old station goods yard, we propose – subject to planning permission – to build 128 homes, around 300 car-parking spaces, a public piazza, and retail premises covering 1,240 square metres. That will enable us to fund a bus and train interchange, plus a new station with step-free access.

Northwood is one of 75 proposed developments. It is part of an ambitious regeneration programme on our land that could see more than 10,000 new homes built across the Capital over the next decade.

'We're determined to use our assets to help create more homes and jobs for Londoners. As the custodians of some of the best assets in the Capital, it is right that we explore every opportunity to maximise the use of our land.'

Graeme Craig, TfL Director of Commercial Development

Metro-land revisited

**Smoothly from Harrow, passing Preston Road,
They saw the last green field and misty sky,
At Neasden watched a workmen's train unload,
And, with the morning villas sliding by,
They felt so sure on their electric trip
That Youth and Progress were in partnership.**

From a poem by Poet Laureate Sir John Betjeman, paying homage to Metro-land

It offers an ideal example of how we intend to make the most of our assets – reinvesting the income to improve transport (in Northwood's case, with a new station). At the same time we are contributing to the Capital's need for more homes as the population grows.

We own 5,500 acres of land alongside Tube, bus, DLR and London Overground stations, Thames-side piers and disused operational land.

From this we have identified hundreds more sites with development potential. They

range from compact, local projects such as at Northwood to major developments such as Earls Court, where proposals could see four new 'urban villages' created.

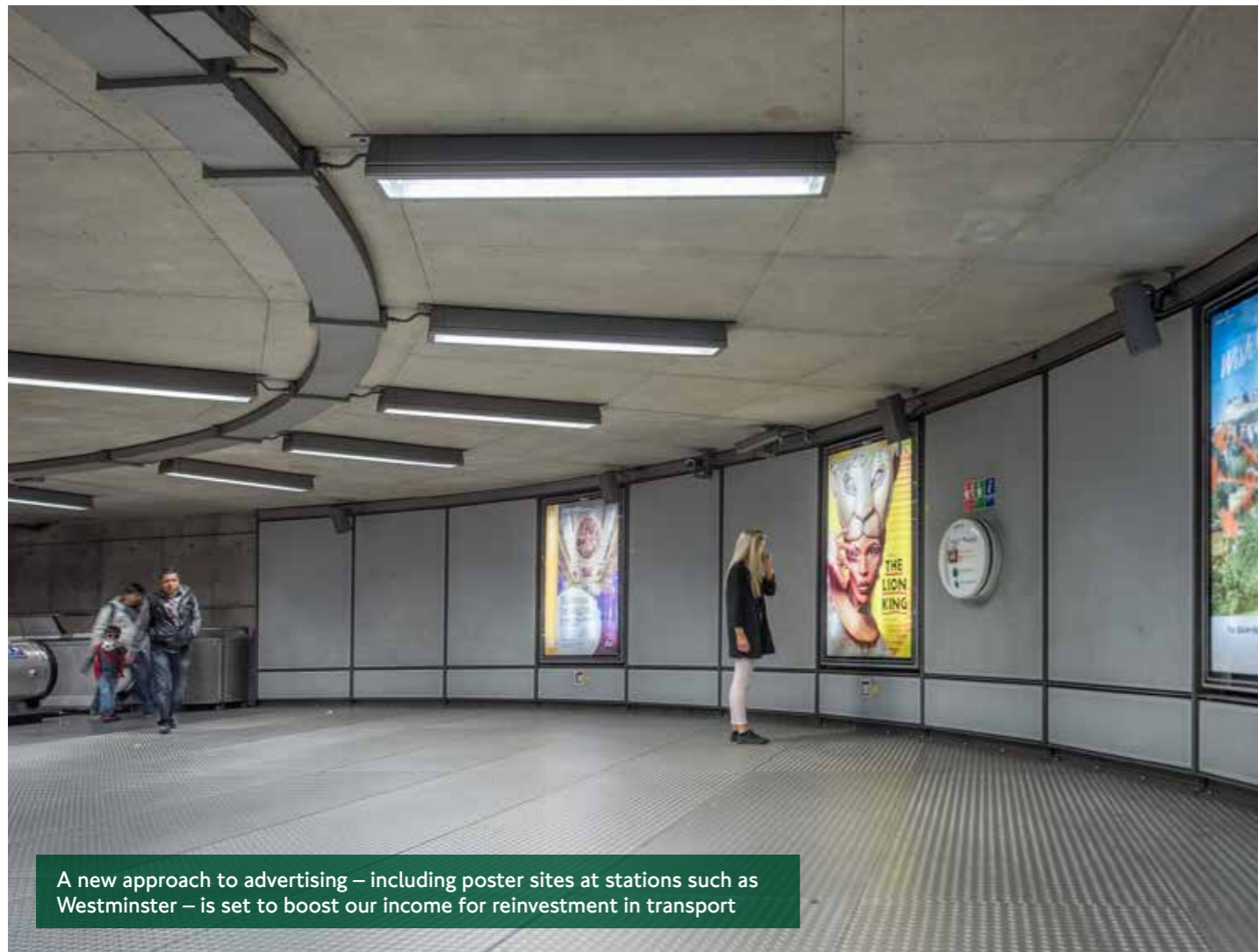
In February we appointed a framework of 13 leading property developers to work with us to bring the first 50 projects to fruition.

Our target? To raise £1.1bn from property development over the next decade and plough it back into the transport network.



More than 10,000 new homes are expected to be built on our land over the next decade

A new era for advertising



A new approach to advertising – including poster sites at stations such as Westminster – is set to boost our income for reinvestment in transport

‘Together with TfL, we have a bold vision for the London Rail and Underground estate that will transform the look and feel of advertising in the Capital.’

Shaun Gregory, CEO, Exterion Media

Our poster sites and street billboards are seen around 1.5 billion times every year. And as the Capital’s population grows, that number is only going to rise.

For us, and our partners, the advertising potential is enormous.

New approach

In March we announced a ground-breaking new deal with Exterion Media that will see advertising space sold on trains and at 400 stations across our network.

The scale makes it the world’s largest outdoor advertising contract and estimates suggest it will contribute £1.1bn, which will be ploughed back into improving and maintaining transport for future generations. It’s part of plans to generate £3.4bn in commercial revenue by 2023.

Previously, we had outsourced the management of this space in return for a guaranteed minimum income. But with the recent creation of our Commercial Media team, we were able to take a different approach.

This will be the first time a single contract will span the Tube, London Overground, trams, the DLR, Victoria Coach Station and, once it’s operational, the Elizabeth line.

It will see the introduction of responsive digital screens able to carry different ads according to the time of day. This will mean advertisers can target their campaigns even more effectively.

Upwardly mobile

With the bank’s familiar branding emblazoned on almost 12,000 hire bikes and around 800 docking stations, our partnership with Santander has shown how the public and private sector can create value for each other by combining skills, investment and resources to achieve a common goal – in this case making the Capital’s cycle hire scheme more popular than it’s ever been.

In the first 12 months of a seven-year contract, the partnership has seen Santander Cycles grow in size and popularity. Recent enhancements include an improved app and the introduction of Blaze Laserlights to boost safety. We have stepped up promotion of the scheme through social media, and it has also featured in the bank’s TV ads.

For us, Santander’s backing will be worth £43.75m over the life of the contract, with a £1m a year ‘activation fund’ to promote the scheme and attract new customers through incentives. This amounts to a 25 per cent increase in real terms over the previous contract.

Espresso to go?

If you've passed through Vauxhall bus station recently you may have seen a cheerful chap peering through the roof of a London taxi parked on the forecourt, with the aroma of freshly roasted coffee beans gently wafting through the rush-hour air.

The Black Cab Coffee Company is in town. And if not right now in Vauxhall (they have wheels, we have plans), then try them in Shadwell or Parsons Green, or perhaps at one of the other 30 street vending sites we've opened for start-up businesses around the Capital.

Perfect pitch

Street vending – using pitches in prime locations to provide an ever-changing retail attraction for customers – is part of our plans to make the most of our assets while helping young businesses test their ideas.

Working with street vending management specialists, we're offering sites on a week-by-week basis. Vauxhall was our first location this year, and the Black Cab Coffee entrepreneurs with their converted taxi were our first occupants.

Street vending is a natural progression from our pop-up shops, which have proved hugely popular over the past year with customers and start-up businesses alike.

Across our estate we have 1,000 retail units. Many of these are premises in stations that give fledgling businesses a chance to get started, or even household names such as Microsoft and Jamie Oliver an opportunity to try out a new concept.

One of the best examples can be found at Old Street station, where we began pioneering the idea a couple of years ago. There we turned a network of dreary subways into a lively, colourful and welcoming retail experience for the 23 million customers who use the station every year.

Since then Old Street has given life to 200 start-ups – several have since established permanent shops.

A series of quarterly pop-up events also started at the station in January. First up was the Health and Wellbeing Festival, with six businesses promoting everything from nutritious food and drink to keep-fit classes.

All of which is good of course for our customers, for London's intrepid entrepreneurs, and by no means least for our transport network, which gains from the income.

Changes at Canary Wharf

Canary Wharf station used to boast a single retail kiosk. However, our new approach has seen us develop seven retail units there, with another seven to follow – bringing in around £1.5m a year.

This is revenue that will be reinvested to improve our services.



The Black Cab Coffee Company in Vauxhall bus station is just one small start-up benefiting from our support

Braking down costs

Of all the processes, systems and ideas we've adopted to save money, one of the most intriguing is to be found in our Tube trains.

London Underground has been using a system called regenerative braking for a number of years. This recycles the energy released when a train brakes and uses it to supplement the power to the next one along – if it's travelling close enough behind.

Engineers have been hard at work thinking of innovative ways to store the energy so it doesn't get wasted when services are running less frequently.

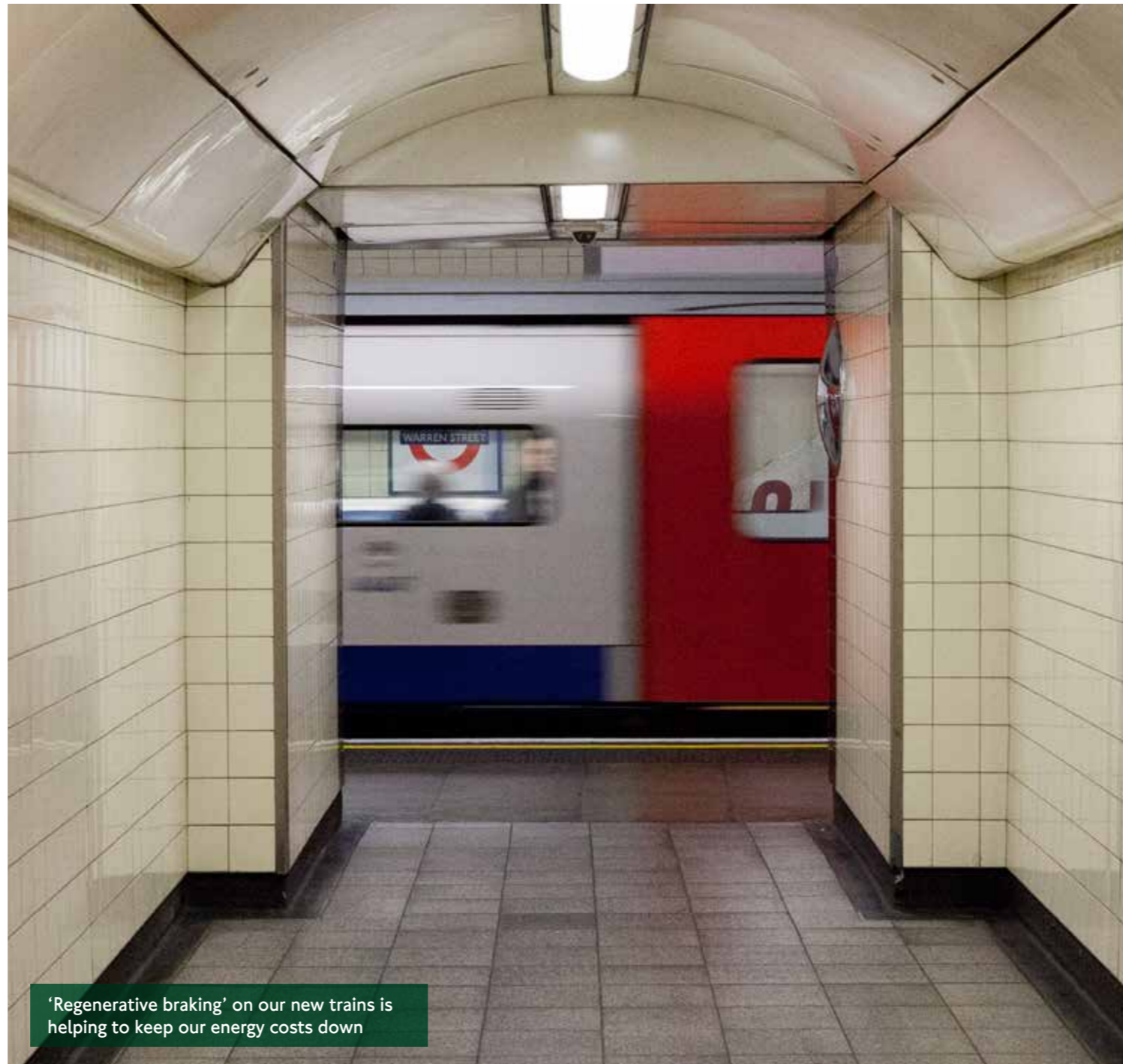
The solution

This year on the Victoria line have been trialling our latest solution: an 'inverting substation'.

This takes up to 99 per cent of the regenerated energy and stores it if it's not immediately needed. Then it 'inverts' it to a higher voltage and adds it to power from our other electricity supplies for use elsewhere on the network.

After just one week of operation, the new technology recovered enough power to run a station the size of Holborn for more than two days. The trial, which is still in progress, suggests we could save one megawatt of electricity every day. That would represent a saving of up to £6m a year if inverting substations were used across the Underground network.

All energy savings are welcome but at a time when we're running more frequent services,



'Regenerative braking' on our new trains is helping to keep our energy costs down

inevitably demanding more power, such savings are doubly valuable.

Traction power – the electricity to run our Tube trains – accounts for 80 per cent of all LU's energy consumption, and it costs £80m a year.

Regenerative braking – now also used on the Northern, Central and Jubilee lines as well as on the new sub-surface trains – is just one of a number of measures being adopted to keep our energy costs down.

Powered up

More than 100 years after it was built to provide energy for London's trams, one of the world's oldest operational power stations is being transformed for 21st century use.

Three new gas engines are to be installed at Greenwich Power Station, producing cheaper low-carbon electricity for the Tube network.

They provide around 13 per cent of London Underground's needs, making the Tube more self-reliant and limiting the risk of rising energy prices.

And, if a heat network is built, waste heat generated by the station could potentially be channelled to local homes and schools to provide heat and hot water, reducing residents' utility bills.

Continuing efficient operational activities

Our savings and efficiencies programme was one of the largest and most complex programmes in the UK. We committed to deliver £16bn of cashable efficiencies, net of any implementation costs, from 2009/10 to 2020/21.

Over the past seven years it has helped us to realise a 15 per cent per annum sustained reduction on total cost which has then been reinvested into our network.

By the end of the 2015/16 financial year we had made savings of £7bn, with a further £6bn secured for the future.

This year we've saved £83m, including how we carry out track and signals maintenance work.

As agreed with our Finance and Policy Committee, we have set a new and challenging target to reflect the financial challenges following the 2015 Spending Review announcement.



Technology and data: a new pan-TfL strategy and approach

Exploiting technology to provide better and faster results

Technology and data underpin everything we do.

With London's population rising rapidly, harnessing technology is vital to ensure we can transform our networks to meet demand. Our aim is to exploit technology and data to produce better and faster results by:

- Providing new products and services for our customers and users
- Improving operational safety and reliability
- Increasing capacity on our networks
- Equipping our people with the tools to make improvements
- Reducing costs and generating income

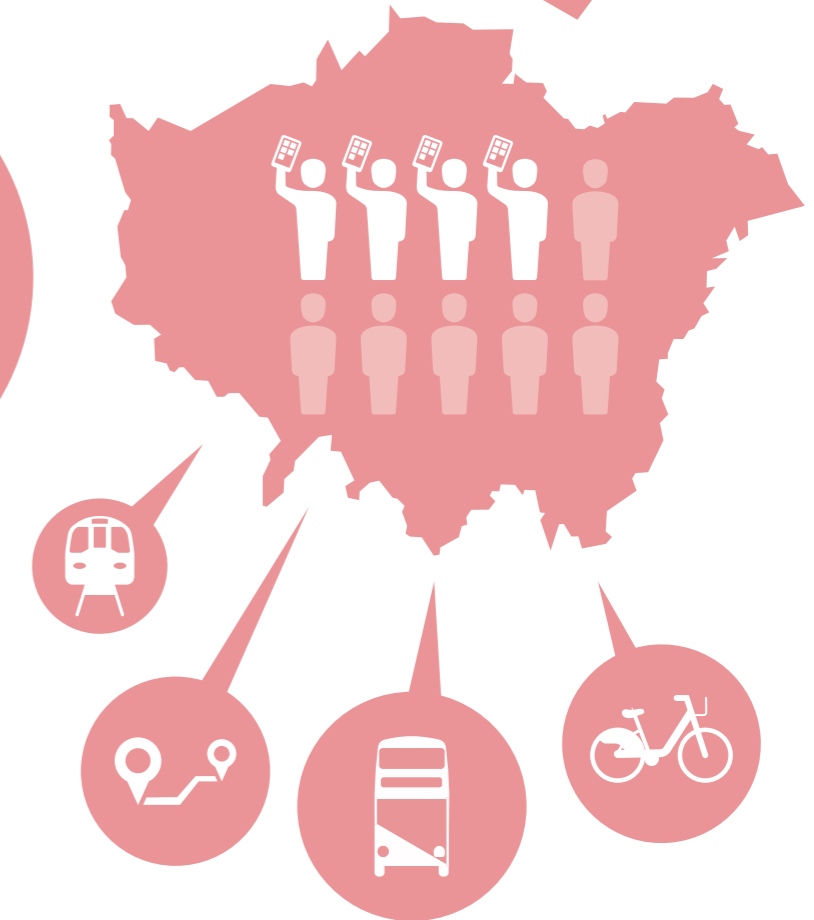
Around 8,200 developers
have used our data...



...that are used
by 40% of Londoners



...to produce almost
500 apps for
mobile devices



Talking tech

Using technology and data makes our organisation tick.

We are not only a massive customer service business – we are a huge software and data company too.

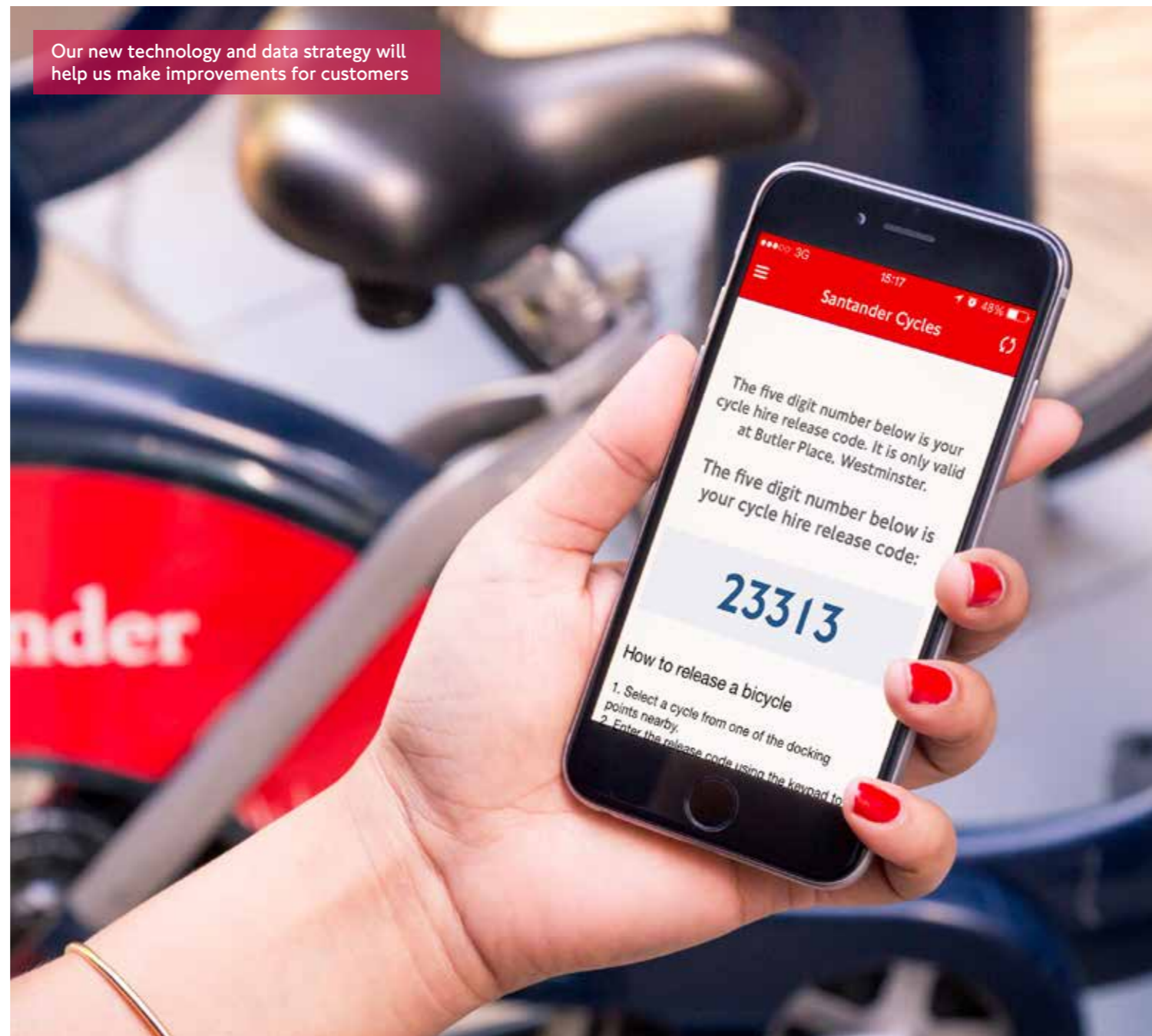
By using data effectively we are maximising capacity on our public transport and road networks, and improving journeys – doing things better, faster and cheaper.

Our first TfL-wide technology and data strategy was introduced in March.

The strategy has four priorities:

- **Commercial outlook** – we are working with our suppliers to get the most value out of our technology contracts. We have developed clear guidelines around when to develop our own solutions, and when to buy them externally. We are also renewing our focus on exploring opportunities to generate revenue
- **Simplified business processes** – we are committing to simplifying our processes to make it easier to get things done.

Our new technology and data strategy will help us make improvements for customers



- **Highly capable people** – we need the right people to make the most of opportunities presented by technology and data. We will develop our workforce to ensure we have suitable skills and expertise across the entire organisation
- **Innovative and productive partnerships** – we are building new partnerships with data and technology organisations to promote innovation and make the most of cutting-edge ideas and products in the market. Making our data freely and openly available to third parties helps develop products and analysis that benefit the wider digital economy

Tackling congestion

Technology and data help us to continue to keep the city moving and make journeys better for our customers.

To explore an idea we use 'proof of concept' (PoC) to look at opportunities to use technology to gather data to improve the 'real time' and digital information we provide.

Congestion on the Tube is one challenge that we are investigating using this approach. We have developed a PoC to investigate Victoria line train and platform crowding, and journey time. The approach uses data from Oyster, contactless bank cards, figures on the number of people on trains, and survey data about journeys on the Tube network:

1. Train crowding – using the carriage weight at each station and combining this with data for numbers of people on other sections of the line to predict how busy the next four trains will be when arriving at each station

2. Platform crowding – based on the size of the platform, and other data, this displays how busy a platform is likely to be in real time

3. Journey times – using Oyster and contactless bank card data to calculate historic journey times across the network to predict the probable journey time for travel at any time of day, and to identify the impact of disruptions

Research suggests that real-time and predictive crowding information – especially when we can eventually provide it for a customer's entire journey – would help customers plan their journeys more effectively and help us reduce crowding at the very busiest times and places.



Victoria line passengers board at Green Park

A Smart-er way of working

Leading-edge technology is revolutionising customer service on the London Overground, with interactive ‘Smartwatches’ being issued to frontline station teams.

In September, all 35 London Overground Customer Service Ambassadors (CSAs) were issued with Pebble Time Smartwatches. The devices connect to the CSA’s iPhones via Bluetooth and display service update and disruption notifications from London Overground Rail Operations Limited’s (LOROL’s) Orinoco realtime information app as well as email and SMS on the screen. This clever piece of kit vibrates on the wrist meaning CSAs can be alerted by the control centre, no matter how loud their surroundings.

Next development

LOROL believes it is the first train operator in the world – and one of the first customer service businesses – to use this wearable technology. The company is investigating how it might develop a watch app to take the Smartwatches to the next level, by providing ‘at a glance’ line status and departure information tailored to the employee’s location.

This summer, more watches will be rolled out to locations along the former Greater Anglia rail route between Liverpool Street and Enfield Town, Cheshunt and Chingford – which is now managed by London Overground. Twenty-five of the Smartwatches will be given to frontline teams and managers at Liverpool Street, Seven Sisters and Hackney Downs stations.



Smartwatches for station teams on the London Overground is transforming customer service

‘Keeping passengers informed is central to delivering high levels of customer service on the Overground and we’re proud to be the first UK train operator to invest in this technology.’

David Wornham, Customer Service Director, LOROL

More room on board

Along with Smartwatches offering fast, accurate travel information, customers are also benefiting from a 25 per cent boost to capacity on vital London Overground routes. A £175m project has lengthened trains from four carriages to five.

The new carriages – on the East London, West London, North London and Euston to Watford routes – provide room for an extra 170 passengers per train, meaning a more comfortable journey for hundreds of thousands of customers.

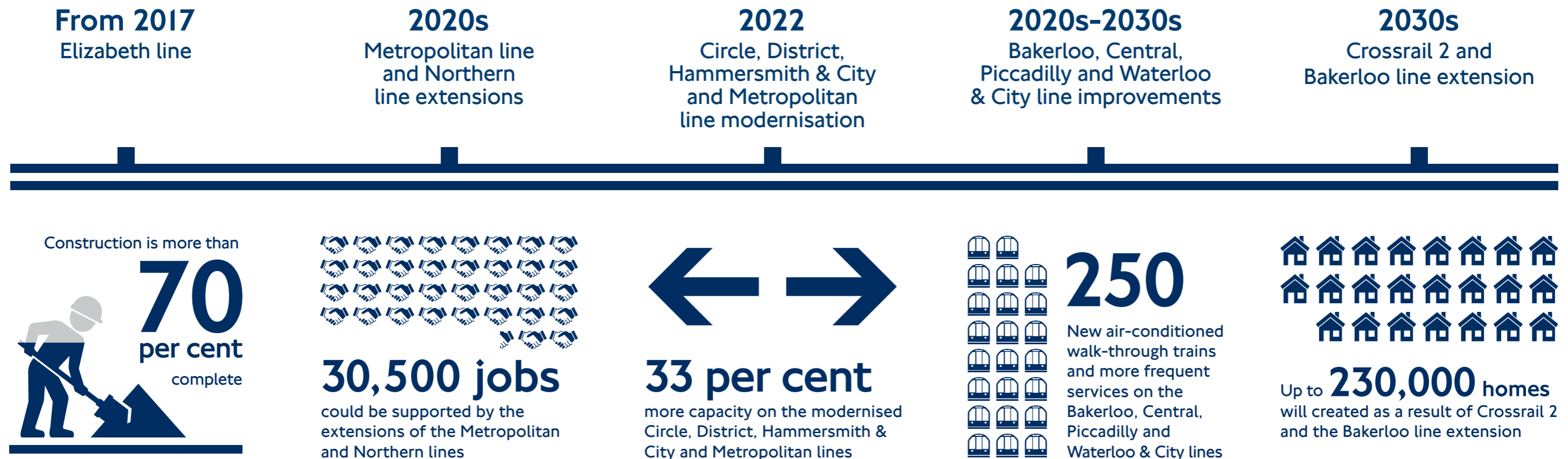
Planning for the future

The previous pages highlighted work that took place during 2015/16 to keep London moving, working and growing. In this section the spotlight falls on longer-term projects that are under way now to transform the city's future.

London's rapid population growth means more demand on transport networks and a greater need to push the boundaries to meet future challenges.

We are committed to accelerating the growth, and increased capacity, of our network.

From the advent of the world's first underground line to today, we have developed a rich history of innovation. We are working to ensure travelling in London becomes easier, quicker and more reliable for everyone. This includes improvements across the Tube network, with each line being overhauled.



Making connections: London's river crossings

The Capital's bridges and tunnels already provide crucial connections. Now attention has turned to a number of new options for spanning the Thames. They would also boost travel options across the city, supporting thousands of new jobs and homes, and driving economic growth.

At the end of 2015, we produced 'Connecting the Capital', a plan outlining more than a dozen sites where the river could accommodate new crossings – including both tunnels and bridges.

More options

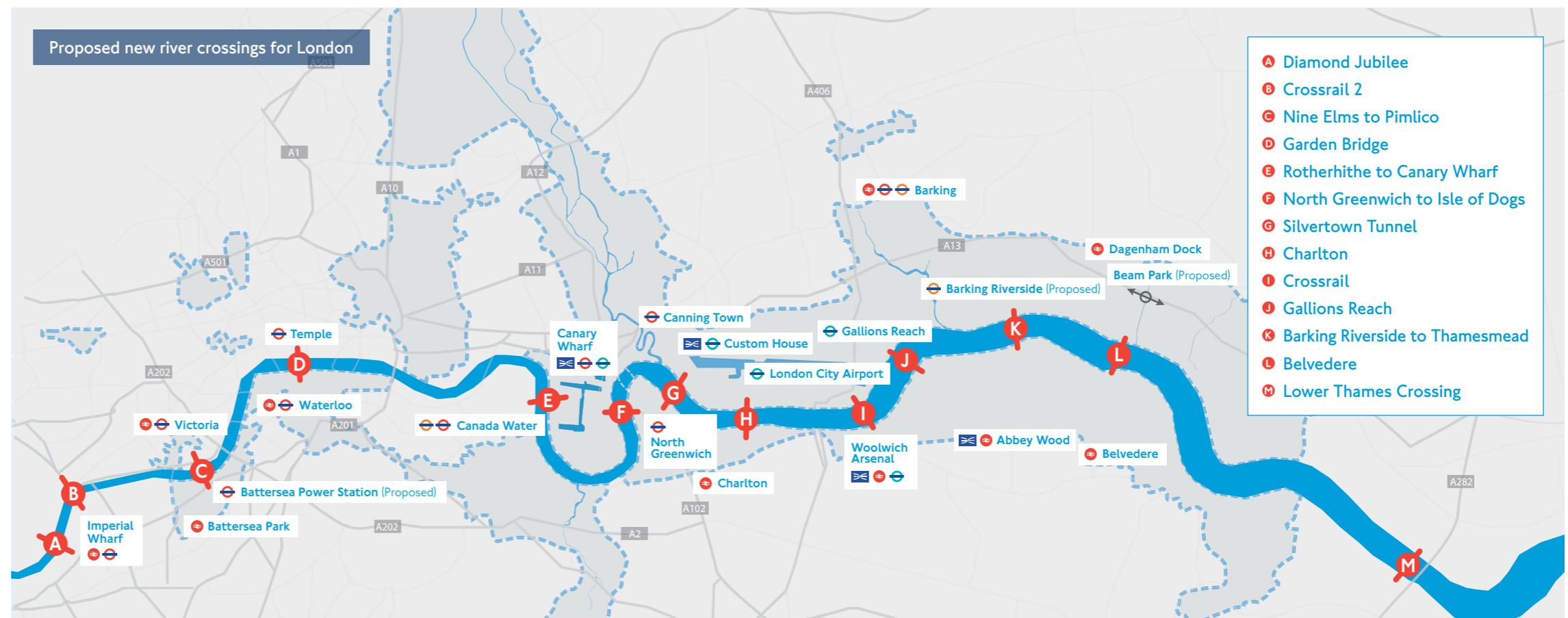
The plans would boost the total crossings between Imperial Wharf and Dartford by more than a third, with the number for pedestrians and cyclists increasing by nearly 50 per cent.

Most of the new crossings would be in east London, where we anticipate more than a third of the city's projected population growth will happen. Existing cross-river connections here are poor, with just three road crossings in the 23km between Tower Bridge and the M25, and only one bus route that spans the Thames.

Better connections

We held a consultation between December 2015 and February 2016 on two proposals that would improve connections between east and southeast London. One at Gallions Reach, to join Thamesmead and Beckton, and the other at Belvedere to link with Rainham.

Almost 90 per cent of people who responded support one of the two locations, while around 77 per cent (3,500) back both. If



approval is granted and funding is secured, both could be open by 2025.

We also held a consultation on proposals for the Silvertown Tunnel, which has the potential to address the congestion and reliability issues at the Blackwall Tunnel and transform cross-river bus services in east London. A six-month public examination of the scheme is expected to begin later this year as part of the planning process.

There is significant activity too on a number of other cross-river links. For example the Elizabeth line, which will provide a direct link between Abbey Wood and Canary Wharf, is due to open in 2017. The Garden Bridge – a proposed footbridge between Temple and South Bank – will encourage more walking and is planned to open in 2018. Recently, a design team was appointed for a new pedestrian and cyclist bridge to link Battersea with Pimlico. We are also investigating options for a new pedestrian and cycle crossing connecting Rotherhithe with Canary Wharf.

‘We are eager to see new crossings to connect the businesses and communities north and south of the river to unlock potential growth.’

Colin Stanbridge, Chief Executive, London Chamber of Commerce and Industry

Moving forward on Crossrail 2

The huge number of commuters at Waterloo station on a weekday morning is just one measure of London's success – and of its future transport challenges.

With demand for transport soaring, Crossrail 2 is a major part of TfL's and Network Rail's plans to ease the pressure on the transport network.

When it starts operating in 2017, the Elizabeth line, coupled with improvements to the Tube and National Rail, will make a big difference. But, unless action is taken, by the early 2030s the network risks seizing up – and damaging London's prosperity.

Crossrail 2 will link rail lines in Surrey and Hertfordshire with a tunnel stretching from Wimbledon in the south to Tottenham Hale and New Southgate in the north. It should be running by the early 2030s and will transform connectivity across the whole of the South East. Vitaly, it will ease the burden on the Northern, Piccadilly and Victoria lines plus the rail lines coming in from the southwest and northeast of London.

The National Infrastructure Commission, which reviewed the case for additional large scale transport infrastructure in the Capital and its region, said the scheme should be taken forward as a priority. The Commission's report makes clear that the railway is the only infrastructure project capable of meeting the demands of London's future growth.

So the Chancellor's recent announcement of £80m in development funding, matched



by us, is very good news. The Government has also committed to give Crossrail 2 parliamentary time by 2019 for a hybrid bill to seek the necessary powers.

Crossrail 2 is more than just a rail line – it promises transformation on a major scale.

It will enable the development of 200,000 homes, especially in the Upper Lea Valley. It will also generate 200,000 new jobs in London.

By improving rail journeys from the Solent to the Wash, Crossrail 2 creates a major opportunity for the wider South East, with

‘The strategic case for Crossrail 2 is well founded... It should be viewed as an investment of national significance.’

Lord Adonis, Chair, National Infrastructure Commission

towns and cities from Southampton to Cambridge set to benefit from train paths opened up by the scheme. It promises huge benefits for the rest of the country too – adding up to £102bn to the economy and supporting a further 60,000 supply chain jobs across the UK.

Such predictions are backed up by the work of Crossrail 2's independent Growth Commission, which is liaising with local authorities and other stakeholders to make sure opportunities created by the scheme are fully exploited. The Commission's early conclusions are that the prospects look very exciting.

More than half the cost of the scheme could be met from contributions raised in London – and 89 per cent of the city's business leaders support it and are willing to help pay for it.

Crossrail 2 is a vital part of London's future transport plans. Now it's time, as the Chancellor has said, to get it 'off the page and into construction'.

Branching out on the Bakerloo line



Extending the Bakerloo line would benefit thousands of people in southeast London

‘Lewisham is growing fast and we desperately need investment in our transport infrastructure to boost capacity. So I welcome this commitment to bring the Tube to Lewisham and we will work with TfL to make sure it happens as quickly as possible.’

Councillor Alan Smith, Lewisham Council’s Cabinet Member for Regeneration and Deputy Mayor

Work has started on building a case to extend the Bakerloo line into southeast London.

If the Government gives the project the green light, we expect to begin construction in 2024.

Londoners have their say

We started a public consultation in 2014, which received 15,000 responses. Ninety-six per cent supported the idea of an extension, putting forward more than 200 suggestions for destinations.

In 2015, we assessed possible routes. This meant taking into account how each option could improve connectivity and housing, the engineering feasibility (for example, tunnelling, which is complex and expensive, must be kept to a minimum), how swiftly the project can be completed, and the likelihood that it could be paid for.

Chosen route

Our assessment showed that a route from Elephant and Castle to Lewisham, via Old Kent Road would offer significant development opportunities, including up to 30,000 new homes. This could, in turn, help with the costs of building the extension, by securing contributions from new residential and commercial developments along the line.

Ending the route at Lewisham means we can build the extension quickly and cost effectively, hopefully completing the project by 2030. And this doesn’t rule out extending the line even further in the future.

Extending transport benefits in southeast London

The extension will bring thousands of people closer to the Bakerloo line. But we want to make sure other areas, for instance Catford and Ladywell, feel the benefits that come with improved transport infrastructure.

We are already liaising with Network Rail and the Department for Transport to improve the rail network, including extra capacity and more frequent trains. With Network Rail and the London Borough of Southwark we are also looking at the possibility of a new Thameslink station at Camberwell. This would cut travel time to central London by 20 minutes, provide connections to the Tube and the Elizabeth line when built, and improve journeys across the Capital.

Signalling a new era for rail services

Vastly improved train travel is on the cards for passengers in London and the South East following new proposals for more of the Capital's rail services to be transferred to TfL.

A rail prospectus, published in January by TfL and the Department for Transport (DfT), proposes transferring rail services that operate mostly or wholly within Greater London to us when the current franchises are due for renewal. The DfT would remain responsible for outer suburban services.

Success story

The move – which could include services from London Bridge, Cannon Street, Charing Cross, Moorgate, Victoria and Waterloo – would allow us to replicate the successful improvements delivered for customers on the London Overground across the Capital's entire rail network.

A new TfL/DfT partnership will oversee the development and delivery of these proposals, involving local authorities and industry stakeholders in the way services are planned. This will make sure decisions affecting transport infrastructure support economic growth and are influenced by those who know the region best.

The partnership will investigate how we can work together to increase capacity, improve services and drive London's thriving economy, to achieve:

- Increased reliability and frequency

- Better interchanges
- The potential for more than 80 per cent of stations under our control to have a train every 15 minutes
- New rail lines to connect poorly served areas and support new homes and jobs
- Improved accessibility and staffing
- Better customer service and travel information, plus more integrated fares

We sought views from MPs, local authorities, local enterprise partnerships and rail users on the proposals between 21 January and 18 March. These views are being considered before the next steps on a new era of train travel for millions are announced.

Rail success story

Passengers welcomed a range of benefits when the West Anglia suburban rail routes from Liverpool Street to northeast London became part of the TfL network in May last year. They included lower fares, repairs to stations, staff on hand when services are running, improved safety and security standards, better customer information and a 'turn up and go' service for mobility impaired people.

'We are committed to making journeys better across London and the South East, and this new partnership represents a huge opportunity to transform travel by putting passengers where they should be – at the heart of the rail network.'

Patrick McLoughlin, Transport Secretary



The growth of the Northern and Metropolitan lines

Construction began in November on the first major Tube extension since the Jubilee line was opened in 1999 – the eagerly awaited Northern line link from Kennington to Battersea via Nine Elms.

With the date for completion expected in 2020, the £1bn extension will create thousands of jobs, regenerate the area around the planned new stations and cut journey times to the West End and the City to just under 15 minutes.

Starting at the existing Tube station in Kennington, the line will run to a new station at the centre of the Battersea Power Station site and another station will be built at Nine Elms. This will serve new developments such as the US Embassy and the revamped New Covent Garden Market, as well as the local community.

Tunnel vision

Two 3.2km tunnels will be built and work will begin in early 2017. A specially-designed conveyor belt will transport the spoil to the banks of the River Thames where it will be loaded on to barges and taken to Goshems Farm in East Tilbury, Essex. It will be used to help turn the poor quality soil into high-quality arable farmland.

Around one million tonnes of earth will be excavated from the south London sites during construction. At its peak, up to 26 barges a week will leave the Battersea site, each carrying around 1,000 tonnes of earth to Essex along the river.



Transporting the excavated material in this way saves more than 60,000 lorry journeys on the Capital's busy roads, so reduces traffic congestion and helps to keep cyclists and pedestrians safe. It will also reduce the site's carbon footprint by cutting 2,000 tonnes of carbon dioxide.

Supported by private sector funding, the scheme will see the Vauxhall, Nine Elms and Battersea areas regenerated, supporting up to 24,000 new jobs and 18,000 homes.

Funding kick-starts Metropolitan line extension

With the funding package complete, London Underground announced in November that plans are now in place to start construction work on the extension of the Metropolitan line this year, with the aim of completing the new link in 2020.

The extension will create two new Tube stations – Cassiobridge and Watford Vicarage Road – contributing towards a £2bn boost to the local economy and the creation of around 2,500 permanent jobs. It will support regeneration in and around Watford by making journeys to and from central London easier. It will also provide new links to Watford General Hospital and the new Health Campus, Croxley Business Park and Cardiff Road Industrial Estate.

The new line, which will connect to the West Coast Mainline at Watford Junction, will be served by new walk-through air-conditioned trains every 10 minutes to and from central London during peak hours.

Funding for the extension has been agreed between the DfT, Hertfordshire County Council and us. The existing Watford Metropolitan station will close to the public following the opening of the new stations, but will be retained as sidings for the extended railway.

Progress against the Mayor's Transport Strategy (MTS)

The current MTS sets out the goals and aspirations for the transport network to 2031. These aim to support population growth and economic development by increasing capacity and improving comfort, safety and security. They also help London meet its climate change, environmental and sustainability targets.

The strategy identifies six goals:

Support economic development and population growth

Enhance the quality of life for all Londoners

Improve the safety and security of all Londoners

Improve transport opportunities for all Londoners

Reduce transport's contribution to climate change and improve its resilience

Support delivery of the London 2012 Olympic and Paralympic Games and its legacy

Legacy developments are highlighted throughout this section of the report.

The following pages set out the progress we have made this year in meeting these goals. Overall progress on the MTS is reported every year in our Travel in London report.



Support economic development and population growth

Regeneration

A £300m Growth Fund was established in 2012 and supports 15 critical transport infrastructure projects to bring forward development in growth areas. This includes support for the delivery of the extension to the Gospel Oak to Barking line into Barking Riverside; a new ticket hall for the Northern line station at Elephant & Castle and the Fiveways junction project in Croydon. All the projects are essential to unlocking growth and will help support the delivery of 55,000 new homes and thousands of new jobs.

Better stations

A new entrance opened at Tottenham Court Road Tube station in December. It provides easier access to the Northern and Central lines. It is also adjacent to the Centre Point building in what will become a new public plaza this year, which will offer better cycling facilities and improvements to bus services.

A new second entrance at Shepherd's Bush London Overground station is making journeys easier and more convenient. The £1.35m upgrade was completed in April and includes two new ticket machines, improved customer information screens and a new pedestrian footbridge to allow people to cross from one platform to the other without using the main entrance.

Tube network set for major capacity boost

We awarded a contract to global transportation systems provider Thales last August to modernise the signalling and train control systems on four Underground lines. This will bring faster, more frequent and more reliable journeys to the millions

of passengers who use the Circle, District, Metropolitan and Hammersmith & City lines. These improvements will boost capacity by an average of a third on the four lines.

Arriva to run London Overground

In March we announced a new operator for all London Overground routes as part of a £1.5bn contract spanning more than seven years.

Arriva Rail London Limited will take over from LOROL in November and will work with us on further improvements for customers. These will include modernised stations, more frequent services and extended operating hours on some parts of the network. New trains will also be introduced in 2018, transforming journeys on routes out of Liverpool Street and on the Gospel Oak to Barking line.

Our improvement of London Overground has already seen passenger numbers rise by 400 per cent since 2007, with the network becoming one of the most reliable in the UK.

More frequent trams

Another tram platform was built at Wimbledon in November. This boosted the service on the busy Wimbledon to Croydon route by almost 50 per cent when new trams entered service in April 2016.

Boosting growth at Old Oak Common

Improved transport links to support the transformation of Old Oak Common moved a step closer in December when we secured €4m (more than £3.2m) from the European Commission (EC). We will match the EC's funding, which will be used to develop plans

for two new London Overground stations at Old Oak Common Lane and Hythe Road.

The Old Oak and Park Royal project form one of the largest regeneration schemes in the Capital for decades and will support 65,000 new jobs and 25,500 new homes. These new stations will connect Old Oak Common to two London Overground routes. They will also enable HS2 and the Elizabeth line to link with the suburban rail network, easing potential pressure on Euston.

Wandsworth revamp set for 2018

We announced in March that work to transform Wandsworth town centre will start in 2018 after a public consultation showed majority support for the plans. The aim is to create a safer, well connected area and boost local regeneration.

The gyratory system will be removed to reduce through-traffic and improve pedestrian crossings. Bus services and stops will be reorganised to better serve customers, and bus priority will be enhanced on Wandsworth High



A new entrance opened at Tottenham Court Road Tube station



New platform at Wimbledon boosts tram services

Support economic development and population growth

Continued

Street. Planned measures for cyclists include moving Cycle Superhighway 8 to quieter roads and extending it through the high street.

Reducing delays

SCOOT (Split Cycle Offset Optimisation Technique) technology allows us to vary traffic signals according to the number of vehicles. This is proven to cut delays by an average of 12 per cent at each junction. It was rolled out to 400 more sites in September and now operates at more than half the traffic signals in London.

By September 2018 it will be extended to a further 1,500 locations, meaning 75 per cent of the Capital's traffic signals will be under SCOOT control.

Help for taxi and private hire applicants

A new online application system was launched in June that will simplify the process used by taxi and private hire drivers to apply for a licence. More than 30 per cent of all applications are now received through this new channel. We also opened a new counter service at the beginning of June as a direct result of requests from the taxi and private hire trades. It's primarily for drivers or operators who need help applying or who have questions related to being a licensee.

From September 2015, TfL employees were seconded to the Metropolitan Police Service (MPS) to work with them on processing DBS (Disclosure and Barring Service). This has helped the MPS significantly reduce their backlog of outstanding checks for taxi and private hire drivers, which had resulted in a number of them being unable to renew

their licences. We have also begun to issue temporary measures, authorising drivers who meet strict requirements to continue to work while their DBS disclosure is outstanding.

Twitter alert

Our 24 Twitter feeds provide a mix of customer service, travel advice and other updates. Followers to our feeds are growing on average by around five per cent a month. @TfLTrafficNews has more than 600,000 followers and is one of the most popular transport feeds in the world. Every month on @TfLTrafficNews alone we have around 12,500 interactions (contacts and retweets). Across all our feeds we get around 130,000 interactions a month.

Battersea gets a new pier

A new pier opened at Plantation Wharf in Battersea in November, providing a much-needed extra stopping point on River Bus route RB6 between Putney and Blackfriars. At the same time, two new 150-passenger high-specification catamarans, which have extra space for bikes, were also introduced on the route.

Stations re-zoned in east London

Stratford and a number of its adjacent stations – Stratford High Street, Stratford International DLR, West Ham, Canning Town, Star Lane and Abbey Road – have moved from Zone 3 to the Zones 2/3 boundary. This benefits more than 100,000 people a week and ensures

customers travelling to Stratford from central London never require a ticket valid for Zone 3.

Cycle hire heads east

Santander Cycles expanded to the Queen Elizabeth Olympic Park in January. Eight new docking stations and 310 docking points are now installed at the Park, including at the London Aquatics Centre, Lee Valley VeloPark, the ArcelorMittal Orbit and East Village, the former 2012 Athlete's Village.

This follows the launch in May 2015 of a new app that makes the cycle hire scheme even easier to use. It works on both Android and iOS smartphones and is free to download for both members and casual users. Cyclists can hire a bike without having to use the docking station terminal, as the app sends a 'release' code straight to their phone. It also shows them the nearest docking station and how many bikes are available.

The app was updated and improved in October – meaning people can scroll across the docking station map to plot routes and find docking stations. The app has now been used to hire more than 300,000 bikes.

In December, following a successful trial, we announced that all 11,500 Santander Cycles will be fitted with Blaze Laserlights from early 2016. The light projects the symbol of a bicycle shape onto the ground six metres in front of the cycle. Independent tests show that this makes cyclists significantly more visible, especially to vehicles turning left and those entering a road at an intersection.



Olympic gold medallist Jessica Ennis-Hill at a new docking station

Enhance the quality of life for all Londoners

Walk between Tube stops

In November we published a new map that shows the time it takes to walk between Tube stations in Zones 1 and 2. It's designed to highlight how close many central London stations are to each other, to help encourage more of us to walk part of our daily journeys.

We also extended the Legible London wayfinding system, with at least 50 more signs being installed by April this year. This brings the total to more than 1,500 across the city, including at all Tube and mainline rail stations. Legible London mapping also appears at bus stops and cycle hire docking stations.

Tackling congestion on the roads

In December we unveiled another innovative way of using our data by attaching digital advertising boards to the roofs of taxis. These display real-time traffic information in a bid to cut traffic congestion.

The six-month trial, involving 200 cabs, showed where there were delays, helping drivers avoid the most congested routes. New digital signs are also being used on main roads to tell drivers about current traffic conditions.

In addition, a £200m investment is helping hundreds of thousands of bus passengers travel through busy parts of London more quickly, with 77 bus priority schemes in place across the Capital. They include changes to road layouts and junctions, and enabling small alterations to routes so that buses can avoid traffic hotspots.

Teamwork keeps disruption down

Our lane rental scheme ensures all roadworks are coordinated. Throughout 2015 we and other service providers shared trenches to avoid roads being repeatedly dug up by different organisations.

We made sure that wherever possible, when roadworks took place utility companies and major developers were prepared to lay cables for telephone or broadband services, repair or renew water pipes, or set up electrical connections.

Between April 2015 and March 2016, we assessed more than 80,000 permit applications for around 34,000 works across the TfL Road Network. This was coordinated alongside around 400,000 works on borough roads, plus other activities including crane operations, events and demonstrations. As a



No new diesel taxis in London from 2018



Our walking map launched in November



£12.8m transformation for Archway

Enhance the quality of life for all Londoners

Continued

result of early engagement and collaborative working with utility companies and other organisations, we saved more than 6,000 days of disruption.

Work begins in Archway

A £12.8m transformation, which began in February 2016, will make Archway a safer, more pleasant and more accessible town centre. Residents and road users will benefit from a new public space and better road layout, making the area more attractive for future investment.

Improving air quality

Along with the Mayor, in October we set out how the taxi and private hire trades will play their part in improving London's air quality when the world's first Ultra Low Emission Zone (ULEZ) is introduced in the Capital in 2020.

From 2018, all black cabs licensed for the first time must be zero emission capable. This means there will be no new diesel taxis in London. New private hire vehicles must follow suit from 2020. Also, all vehicles granted a private hire licence for the first time after 1 January 2023 will be zero emission capable, regardless of age. This follows a second consultation with the taxi and private hire trades, stakeholders and the public on proposed licensing changes ahead of the ULEZ.

Funding of £65m has been secured to help drivers. There is a target to get 9,000 zero emission capable taxis on our streets by 2020. We also announced a voluntary decommissioning scheme where drivers of vehicles more than 10 years old can claim up to £5,000 to decommission their old vehicles.

A new industry-led programme to reduce the emissions of London's freight and fleet operators was launched in January 2016. Bringing together operators, vehicle manufacturers, fuel providers and the public sector, the five-year LoCITY programme is set to work with the industry to increase the availability and purchase of low emission vans and lorries.

This activity builds on the Ultra Low Emission Vehicle (ULEV) Delivery Plan which we unveiled in July 2015 at a summit attended by representatives from across the industry – including vehicle manufacturers – and Government. It set out how we, along with our partners, can make London the 'ULEV Capital of Europe'.

The bus fleet is now emitting 20 per cent less oxides of nitrogen (NOx) than in 2012 following completion of a programme to retrofit older vehicles with exhaust systems and retire others early and replace them with new ultra clean vehicles fitted with the Euro VI engine. This change has resulted in 1,000 fewer tonnes of NOx from the fleet.

Improve the safety and security of all Londoners

Safer buses

Our Bus Safety Programme was launched in February to help reduce the number of people killed or seriously injured on the Capital's roads. A range of new technologies is being considered, including Intelligent Speed Assistance (ISA) that restricts excessive speed and has collision-avoidance systems. The programme also includes:

- A new training module for all bus drivers
- Provision of a UK-first incident support service for those affected by fatal or serious injuries
- Publication of additional data on collisions, how they are investigated and the generic outcomes and learnings from fatal and serious bus collisions

On course for safer drivers

By the end of February, more than 21,000 of the UK's licensed HGV drivers had been on our Safe Urban Driving course to learn how to share the road safely with others. Created by us in 2011 and now available nationwide, it is the first accredited course in the UK to include on-road cycle training for HGV drivers. This gives a vulnerable road user's perspective of the road and is helping to change attitudes towards cyclists and pedestrians. We are expecting to train another 3,000 drivers in 2016.

An improved Chiswick Bridge

After a major refurbishment was completed in July, the Grade II listed Chiswick Bridge in west London now features new, safer cycling lanes and pavements. Work on the 82-year-old structure, which crosses the River Thames, included restoring its heritage features to their former glory, as well as extensive concrete repairs and strengthening.



Restoration of Chiswick Bridge is complete

Stonemasons conserved much of the original stonework in its original position. Where elements of the parapets had deteriorated beyond repair, replacements were sourced from the same quarry that supplied the original Portland stone back in the 1930s.

New junction protects cyclists

Britain's first junction designed to stop cyclists being hit by left-turning traffic was unveiled in east London in August. At the intersection on the upgraded Cycle Superhighway 2 at Whitechapel Road and Cambridge Heath Road, cyclists and motor traffic move in two separate phases, with left-turning traffic held



During September's Cycle Secure Week, 3,205 bicycles were registered for free by BikeRegister and our policing teams

Improve the safety and security of all Londoners

Continued

back to allow cyclists to move without risk, and cyclists held when vehicles are turning left. There is also a new 'two-stage right turn' to let cyclists turn safely, while early release traffic lights for traffic going straight ahead give cyclists a head start.

Safer cycling

A segregated cycle route running from Elephant and Castle to Blackfriars Road, via St George's Road, opened in October. This 800km stretch is the first section of the North-South Cycle Superhighway which, when completed in spring 2016, will run as far as Farringdon and will eventually be extended to King's Cross.

Segregated cycle lanes are also being installed on Victoria Embankment as part of the East-West Cycle Superhighway, with the westbound section between Temple Place East and Derby opening in spring 2016.

Vauxhall improvements a step closer

Proposals to replace Vauxhall gyratory and make the road safer for cyclists and pedestrians received support during a public consultation, with further steps to be announced later in the year.

More than half of respondents backed the plans, which would see the one-way system returned to two-way traffic. New and upgraded cycle lanes would be segregated and signalised cycle crossings would be installed. The scheme would also improve cycle links to and through the area.

STARS schools that promote road safety

We hosted our annual STARS (Sustainable Travel: Active, Responsible, Safe) event at City Hall in November 2015 to celebrate the achievements of 1,500 London schools in promoting active and safer travel. Almost half of schools in the Capital are now accredited to the STARS programme, working with TfL and their borough to encourage safer travel and more cycling, scooting and walking. Since 2007, STARS accredited schools have collectively reduced car use as part of the school journey by eight per cent – that's equivalent to 42 million fewer kilometres driven.

Children's Traffic Club London

In February 2016 we invited all pre-school children in the Capital to join a free road safety education programme. In addition to teaching valuable road safety skills – such as looking both ways when crossing the road – the club also promotes sustainable transport such as walking, scooting and cycling.

This is part of our Children's Traffic Club London scheme – since September 2015, around 103,000 school pupils from 33 London boroughs have registered. Eighty-seven per cent of parents and carers confirmed that their child is now more aware of road safety and potential dangers on the transport network.

Operation Clearway

Over the past year we have altered our approach to dealing with unauthorised obstructions on our streets caused by items such as advertising boards and unlicensed tables and chairs. We are enhancing our

education, engagement and enforcement activity to highlight how these obstacles interfere with pedestrians, particularly older, visually impaired and disabled people. Our new approach has improved compliance.

Tackling motorcycle and scooter fatalities

In 2015, the number of motorcycle and scooter fatalities in London rose to 36, from 27 the year before. In response to this, the MPS Roads and Enforcement Policing Command, which we part fund, stepped up enforcement activity at junctions where motorcycle collisions are most likely to occur.

Cracking down on rogue HGVs

Building on the success of the TfL-funded Metropolitan Police Commercial Vehicle Unit and the Industrial HGV Task Force, we and the City of London Police (CoLP) launched a new Commercial Vehicle Unit in April 2015. Its aim is to crack down on dangerous and non-compliant commercial vehicles in the City. HGVs are involved in a disproportionate number of collisions, particularly those involving vulnerable road users. We are committed to reducing these incidents through enforcement and education activity.



New partnerships improve HGV safety

Improve the safety and security of all Londoners

Continued

Commercial vehicle enforcement was strengthened in October with the launch of the London Freight Enforcement Partnership which brings together resources and expertise from TfL, MPS, CoLP and the Driver and Vehicle Standards Agency (DVSA) to deal with the most dangerous and non-compliant commercial vehicles on London's roads. The partnership consists of more than 90 DVSA personnel, police officers and a team of analysts, sharing intelligence and carrying out joint enforcement operations. It also helps the agencies work with the commercial vehicle industry to put serially non-compliant companies in the city out of business. Between April and February, officers:

- Stopped and checked 10,267 vehicles
- Issued 2,289 prohibitions to the most dangerous drivers and vehicles, and 3,409 Fixed Penalty Notices/Traffic Offence Reports
- Seized 176 of the most dangerous vehicles

Safer lorries for London

The Safer Lorry Scheme was launched in September to improve cyclist and pedestrian safety. Every vehicle in the Capital weighing more than 3.5 tonnes (with a few exemptions) is now required to be fitted with:

- Side guards to protect cyclists from being dragged under the wheels in the event of a collision

- Class V and VI mirrors to give the driver a better view of cyclists and pedestrians around their vehicle

Many operators started complying ahead of the ban; according to checks conducted by TfL and the MPS, around 97 per cent of operators are already compliant with the scheme.

In the first six months of the scheme, 7,540 vehicles were stopped and checked, with 307 offences detected. The number of vehicles stopped and found to be in breach of the scheme fell from 10.1 per cent in September to two per cent in February.

Operation Safeway

Road and cycle safety enforcement and engagement has continued as part of Operation Safeway. Hundreds of officers from the MPS Roads and Transport Policing Command are deployed at junctions for at least two days a month, during weekday morning and evening rush hours. They take action against behaviour that creates risk and danger, and promote road safety.

Operation Neon gets results

We continue our work to combat touting, unlawful plying for hire and other illegal activity and have substantially increased visible enforcement to deter illegal minicab activity at hotspots in central London.

Launched in May, Operation Neon is a high-visibility, multi-agency operation involving our enforcement and compliance officers, the TfL-funded Metropolitan Police Roads and Transport Policing Command and local authority parking attendants. In the first 93 days after it began:

- 7,531 private hire drivers were moved on to keep roads clear for taxis and booked vehicles
- 395 drivers were reported for not having a badge and photo ID, and were stopped from working for the remainder of the evening
- 4,435 were reported for not wearing their badge
- 64 were reported for plying for hire offences
- 960 were reported for parking on taxi ranks
- 1,964 parking tickets were issued

Project Guardian and Report It to Stop It

We have been working closely with our police partners on Project Guardian to tackle unwanted sexual behaviour on the Capital's transport network. The work involved increasing confidence in reporting, reducing the risk of becoming a victim and targeting

offenders. To encourage passengers to report any incidents, we launched our successful communications campaign 'Report it to stop it'. It uses a short film, primarily aimed at women aged between 16 and 34, which follows a woman's journey on the Tube in which she experiences escalating incidents of unwanted sexual behaviour. It includes a clear call to action – 'report it to stop it' by texting 61016. In the 12 months since the launch of the website, the short film had been viewed more than 4.5 million times. From the start of the campaign in April 2015 until December 2015, there was a 36 per cent increase in the number of sexual offences on London's public transport that were reported to the police. This led to a 40 per cent increase in arrests.

New support line

We introduced a helpline service in March that ensures support is available to anyone who is involved in a life-changing incident on the transport network, including witnesses and close family members. The Sarah Hope Line offers access to a range of practical and emotional help, including helping with travel, accommodation and other needs following an incident, and referral to a number of support services including counselling. Sarah Hope was involved in a life-changing incident in 2007 and her story is the inspiration behind this service.

Improve transport opportunities for all Londoners



Manual boarding ramps are now used at more than 50 Tube stations



More than 85 per cent of London's bus stops are accessible

Cycling grants for community groups

As part of our Cycling Grants London (CGL) scheme we offer funding to support community groups to get more people cycling, more safely, more often. In October 2015 we awarded grants of up to £10,000 to 31 community groups and not-for-profit organisations. They will be used to promote pedal power through initiatives such as cycle training, bike maintenance and guided rides.

Some of the winning projects include:

- Wheels for Wellbeing, Lambeth – to provide led rides for disabled adults
- Beethoven Bikers, Westminster/Lambeth – to offer cycle training, bike mechanic sessions and a bicycle hire service to local residents on low incomes

- Limehouse Women's Cycling Project – to train women from the Bengali community to help increase their confidence to cycle
- Born to Ride, Lewisham – to teach bike maintenance to young adults on donated bikes. Participants refurbish bikes and take part in led rides on quiet routes

More than 5,000 new cyclists across the Capital benefited from CGL in 2015/16.

Better access to buses

Since July, all bus stops on borough roads in the City of London, London Borough of Hammersmith and Fulham and the Royal Borough of Kingston are now accessible. This means they include a kerb high enough for a wheelchair ramp to fully deploy and for the step into the bus to be at a reasonable height for older and disabled people to board. They also have a protected 'clearway' so only buses can use the stop, and are free from any street furniture or clutter that block access to the doors.

More than 88 per cent of bus stops across the Capital are now accessible and we are on track to reach 95 per cent by the end of 2016.

More ramps at Tube stations

First trialled on our Tube network for London 2012, we now use manual boarding ramps at more than 50 Tube stations to provide either step free access from street to train or step-free interchanges. We continue to identify further suitable locations and have developed our own step-down ramps for stations where the train is lower than the platform.

Free travel for children on National Rail

Since 2 January 2016, all National Rail services in the Capital are free for Zip photocard holders aged under 11. Previously,

Improve transport opportunities for all Londoners

Continued

under-11s travelled for free on our buses and trams, and on the Tube, DLR, London Overground and TfL Rail when accompanied by a fare-paying adult. However, until now, there had been no similar concession on National Rail services. This is now possible as we have committed to provide £500,000 a year to the Train Operating Companies, which covers the cost.

Extending Oyster

In March, contactless and Oyster were extended to Southeastern and Thameslink services to and from Swanley, north Kent. This resulted in cheaper fares and more convenient journeys for thousands of rail passengers.

Buggy Summit success

We hosted our first Buggy Summit in February, with the aim of making travelling easier for everyone. Designed to highlight the challenges faced by both buggy and wheelchair users, it brought together buggy manufacturers, retailers, parent groups and others. The event also promoted the use of smaller, lighter, foldable buggies, which are

better suited for travelling around the city and could help to reduce conflict that can sometimes occur around the priority spaces for wheelchair users on buses and trains.

More cycle parking

Work started in March to build new cycling spaces at Hounslow West and North Greenwich stations, which will create 190 and 350 spaces respectively.

Due to be open by April, the hubs will provide safe parking for all types of bikes as well as giving cyclists access to maintenance tools. The spaces will be covered by CCTV and lighting.

This latest development forms part of a wider programme that includes a new 'superhub' at Waterloo, which is set to open in 2018. The facility will provide 5,000 spaces, giving more commuters the chance to switch from trains to bikes on their way to work.

Reduce transport's contribution to climate change and improve its resilience

World's first electric double-deck bus

The new vehicle is to run on route 98 between Willesden and Holborn from April. We already have one fully electric single-deck bus route – the 312 between Norwood Junction and Croydon. We will convert two more this autumn, also single-deck – the 507 and 521, from Waterloo to Victoria and London Bridge stations respectively. Seventy-four electric buses will operate in the Capital by the end of the year.

Street lights

We continue to introduce energy efficient lighting to help reduce the cost of illuminating the TfL Road Network, while also lowering CO₂ emissions across the Capital.

This is one of the largest 'invest to save' strategic road lighting projects ever undertaken in the UK. It will mean improved reliability and lower operating costs and, in turn, better and safer roads. The programme will reduce energy consumption by more than 40 per cent by the end of 2016, compared with the current levels.

All lighting at tram stops, crossings and the main tram depot in Therapia Lane, near Croydon, has now been converted from traditional sodium bulbs to LEDs. These are more energy efficient, offer better visibility for drivers and provide a narrower beam of light so are less intrusive to nearby residents.



World's first electric double-deck bus

Statement of Accounts

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Vauxhall bus station is the second busiest in London

Narrative Report and Financial Review

Highlights

The year ended 31 March 2016 was another year of solid performance from the Transport for London ('TfL') Group. On the London Underground a record breaking number of journeys, up 3.4 per cent on 2014/15, was complemented by strong demand for London Overground and Docklands Light Railway services. Work continued on major projects to maintain, improve and extend services across London including Crossrail, Tube infrastructure and signalling upgrades, congestion relief projects and the Roads Modernisation Plan. A number of projects were completed in the year and a number of milestones achieved. These included:

- New passenger tunnels at Victoria Station joining the new north ticket hall and the enlarged south ticket hall.
- Tottenham Court Road re-opened with a new step-free access lift shaft, a new passageway that will link to the new larger ticket hall and refitted platforms and refurbished escalators.
- At Tufnell Park station the two old lifts were replaced with new, more energy efficient models.
- A new crossover was installed on the Metropolitan line at King's Cross St. Pancras to support plans to reach 32 trains per hour on the line.
- The project to strengthen the Hammersmith flyover was completed.
- The Cycle Superhighways programme and new Quietway cycle routes progressed significantly and were nearing completion by year end.
- The Crossrail project neared 75 per cent complete.

Financial performance

The record passenger numbers on the London Underground were fuelled by population and economic growth. Passenger journeys on the DLR and London Overground were also higher than 2014/15 reflecting a combination of increased demand and the impact of the takeover of West Anglia services in May 2015. Bus passenger journeys, however, fell slightly from 2,385 million in 2014/15 to 2,314 million, as increasing demand was offset by the continuing impact of reduced bus reliability resulting from increasing road traffic and the congestion caused by the construction of major highway and urban improvement schemes.

Fares increased by an average 1.0 per cent in January 2016, in line with the annual increase in the Retail Price Index (RPI). This rise contributed to an increase in gross fares income to £4,587 million from £4,310 million in 2014/15, an increase of 6.4 per cent.

Reliability remained consistently high for most of TfL's services. On the Tube, the number of Lost Customer Hours (the measure for the amount of delays to travelling customers) continued to improve after adjusting for the effects of industrial action. DLR's performance also improved on the prior year. Journey times on the road network and for buses were nevertheless adversely impacted by increased traffic levels and the impact of road improvement schemes.

Gross expenditure increased by 5.4 per cent from £7,055 million to £7,436 million, reflecting continued increases in levels of activity.

The level of capital works undertaken in 2015/16 remained high reflecting the continued investment in Crossrail and Tube infrastructure which is necessary to enhance capacity over the network. Capital expenditure during the year totalled £4,088 million (2014/15 £3,588 million).

Funding sources

TfL's activities are funded from six main sources:

- Income from fares and the Congestion Charging scheme;
- Central government funding, which has been agreed to 2020/21 following the 2015 Spending Review;
- A proportion of London's business rates;
- Prudential borrowing (the amount and profile of which also forms part of TfL's settlement with central government);
- Commercial development in TfL's estate, including advertising and property rental and development; and
- Third-party funding for specific projects

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

Revenue

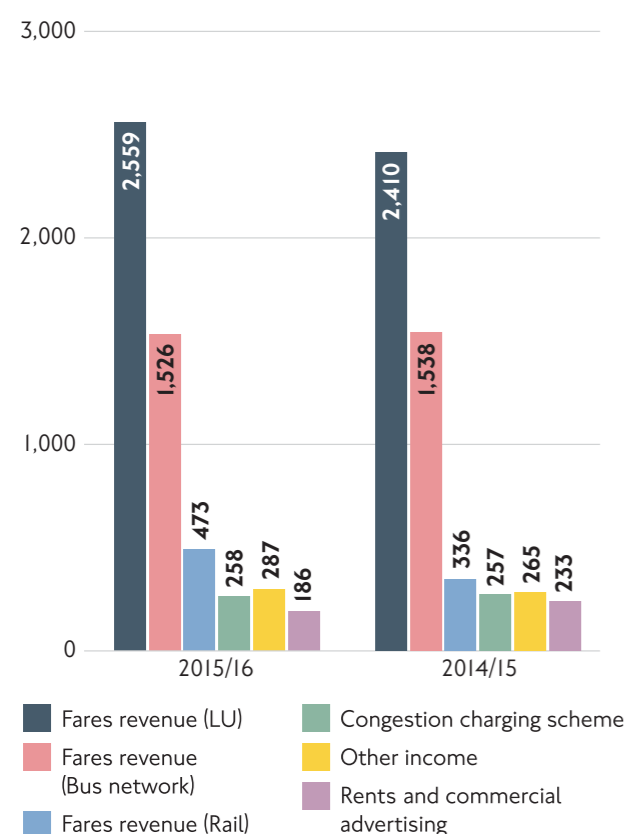
Total revenue increased by 5.0 per cent from £5,039 million in 2014/15 to £5,289 million in 2015/16.

TfL's primary source of revenue comes from fares on the London Underground ('LU'), Rail and Bus networks. This represents 86.2 per cent of all revenue generated. The January 2016 fares rise, in line with the annual increase in RPI in the benchmark month of July 2015, was held at 1.0 per cent in response to the continued pressures on the cost of living for Londoners. Fares decisions are taken annually by the Mayor.

Fares revenue in LU was £2,559 million, 6.2 per cent up on 2014/15. This reflected a year-on-year increase in passenger journeys of 3.4 per cent combined with fare increases.

Narrative Report and Financial Review

Revenue breakdown by type (£m)



Within Surface Transport, the decrease in bus passenger journeys contributed to a reduction in the bus network income to £1,526 million, 0.8 per cent below the previous year's total of £1,538 million.

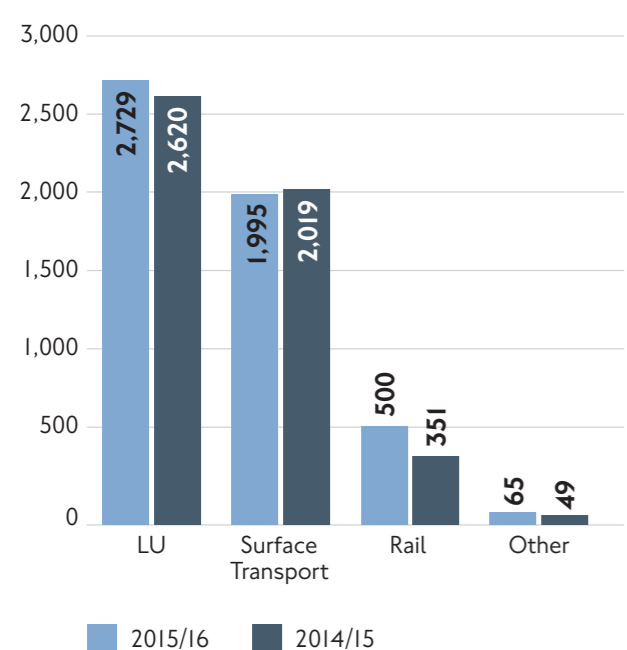
Within Rail's revenue figures, total fares revenue on the DLR increased 8.2 per cent from £146 million in 2014/15 to £158 million in 2015/16, reflecting higher passenger numbers across the whole network. Annual ridership of 117.0 million passengers was up 6.8 million (6.2 per cent) from the previous year. The Emirates Air Line carried 1.5 million passengers, unchanged from 2014/15. Fares revenue also remained constant at approximately £6 million.

London Overground's fares revenue of £286 million for the year was up significantly on 2014/15 (£159 million), reflecting the adoption of routes from Liverpool Street to north east London from May 2015, combined with a continued increase in demand across all routes.

Congestion Charging revenue rose 0.4 per cent from £257 million in 2014/15 to £258 million in 2015/16. This increase was driven mainly by an increase in the volume of drivers incurring Penalty Charge Notices.

Other income increased 8.3 per cent from £265 million in 2014/15 to £287 million in 2015/16. Other income comprises a broad range of revenue streams including taxi licensing, cycle hire, ticket and photocard commission and similar fees, Road Network compliance and other third party contributions. The overall increase was driven by a strong performance from ticket and photocard commission and other similar fees.

Total revenue by business unit (£m)



Government grants and other funding

The main sources of grant income are the Investment Grant and the General Grant from the Department for Transport ('DfT'). The Investment Grant supports delivery of the Investment Programme, whilst the General Grant is classified as resource grant under Section 101 of the GLA Act 1999 and may be used to support TfL's operating activities including capital expenditure. Other key funding streams include a share of Business Rate Retention received from the Greater London Authority ('GLA'), which is also

classified as resource grant and specific capital grants from the DfT and the GLA for the Crossrail project. Total general and capital grants receivable, excluding specific Crossrail funding, amounted to £2,702 million (2014/15 £2,948 million).

Prudential borrowing

The table below summarises movements in the value of borrowings during the year. In addition to these sources of financing, other sources include the PFIs (notes 23 and 24 to the accounts).

Movement in borrowing £m

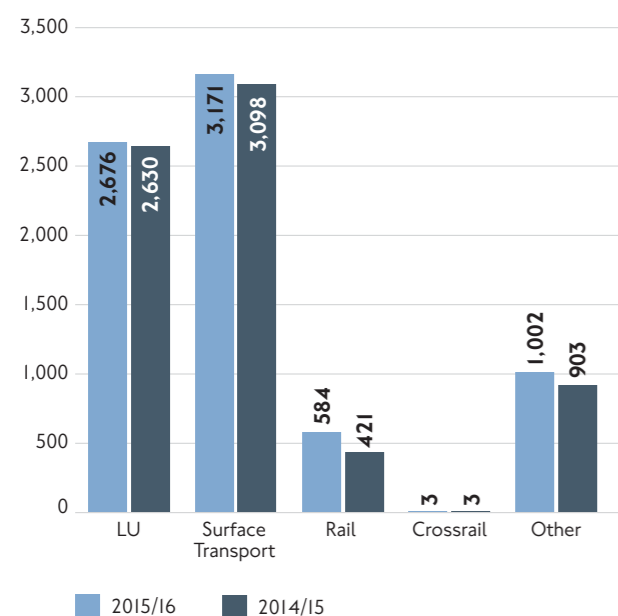
Opening borrowing at 1 April 2015 per the accounts	8,514
European Investment Bank (EIB) loan due 2025 – London Overground Capacity Improvement Project (LOCIP)	85
£400m 2.125% Green Bond due 2025	400
£120m 2.474% Private Placement Bond due 2030	120
Rolling short-term commercial paper debt	20
Scheduled repayments on EIB loans	(25)
Fair value movements, issue premia/discounts and fee adjustments	(1)
Closing borrowing at 31 March 2016 per the accounts	9,113

The Authorised borrowing limit for the Corporation set by the Mayor for 2015/16 was £10,376.5 million.

At 31 March 2016, TfL had three undrawn committed facilities with the EIB and Export Development Canada. The funds under these facilities will be drawn in multiple tranches over three years, starting in 2016/17.

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Uses of funding Operational expenditure £m



Total operating expenditure increased by 5.4 per cent from £7,055 million to £7,436 million.

During the 2015/16 financial year £83 million of sustainable savings were secured through initiatives including challenging and changing our approach to track and signals maintenance and on-going improvements when staff and suppliers access the railway to undertake work. These savings have been reinvested into our network to improve our customer experience. The savings were part of an Efficiencies Programme committed to delivering £16 billion of saving from 2009/10 to 2020/21.

Following the 2015 Spending Review, a pan-TfL Business & Finance Review was commissioned to identify new efficient and effective ways of working with the view of unlocking additional savings. This branch and root Review has superseded the old Efficiencies Programme.

Operating expenditure on the Underground rose by 1.7 per cent, from £2,630 million to £2,676 million, reflecting an increase in the number of services provided. In Surface Transport, operating expenditure was £3,171 million, an increase of 2.4 per cent on 2014/15. This expenditure includes bus contract payments which are partly used to fund capital investment in vehicles and plant and premises made by bus operators as these assets are owned by the operators, estimated to total c. £0.3 billion. The increase over 2014/15 primarily reflects an increase in the payment made to bus contractors during the year.

In Rail, operating expenditure increased by a total of £163 million, or 38.7 per cent reflecting the additional costs of running Overground services from Liverpool Street station to north east London. These routes were taken over by London Rail from May 2015.

Crossrail operating expenditure continues to be minimal as the majority of its costs represent the costs of construction of the Crossrail tunnels and related assets and have therefore been capitalised on the Balance Sheet.

Other expenditure represents primarily centralised management overheads and the costs of specialist and shared services. Costs increased by £99 million from 2014/15 reflecting increased depreciation costs

combined with higher pension costs borne by the Corporation. The Corporation, in its role as Sponsor for the TfL Pension Fund, recognises the IAS 19 pension obligations relating to this Group scheme in full. The total pension service costs of the scheme, less cash contributions contributed by subsidiaries are therefore recognised within central overheads.

TfL continued to support Borough schemes that improve the quality, safety, accessibility and sustainability of the local travelling environment. The overall Borough funding package for 2015/16 included £124 million provided directly to the Boroughs through the Local Implementation Plan programme, together with £13 million spent on the renewal of life-expired traffic signals. Additional financial assistance included: payments related to TfL's major investment in cycling on Borough roads, such as the new network of Quietways cycle routes and so-called 'mini-Hollands'; bus priority and bus stop accessibility schemes and Taxicard.

Net interest and finance charges

Total financing and investment expenditure for the year was £419 million, a decrease of £32 million from the previous year.

Within this overall total, interest payable on direct borrowings increased 3.1 per cent from £357 million to £368 million, reflecting a net increase in borrowings during the year of £600 million. The average cost of borrowings fell slightly from the prior year. As at 31 March 2015, TfL had a nominal £8.548 billion of debt, of which approximately £0.8 billion was short-term borrowing under the Commercial Paper Programme. The weighted average interest rate was 3.81 per cent and the borrowings had a weighted average remaining life to maturity of 21.5 years. As at 31 March 2016, the nominal value of debt outstanding had increased to £9.148 billion, of which

£0.8 billion was short-term Commercial Paper. The weighted average interest rate was 3.70 per cent and the borrowings had a weighted average life to maturity of 19.9 years.

The increase in interest payable on direct borrowings was offset by an increase in the amount of interest capitalised into the cost of qualifying property, plant and equipment. Interest capitalised rose from £74 million in 2014/15 to £106 million in 2015/16. Interest payable on finance leases, including contingent rentals in respect of Private Finance Initiatives ('PFIs') also fell from £52 million in 2014/15 to £47 million in 2015/16 as the remaining capital balance of lease liabilities continued to be paid down.

The Group's net interest expense in respect of its defined benefit pension scheme obligations reduced from £102 million in 2014/15 to £92 million in 2015/16.

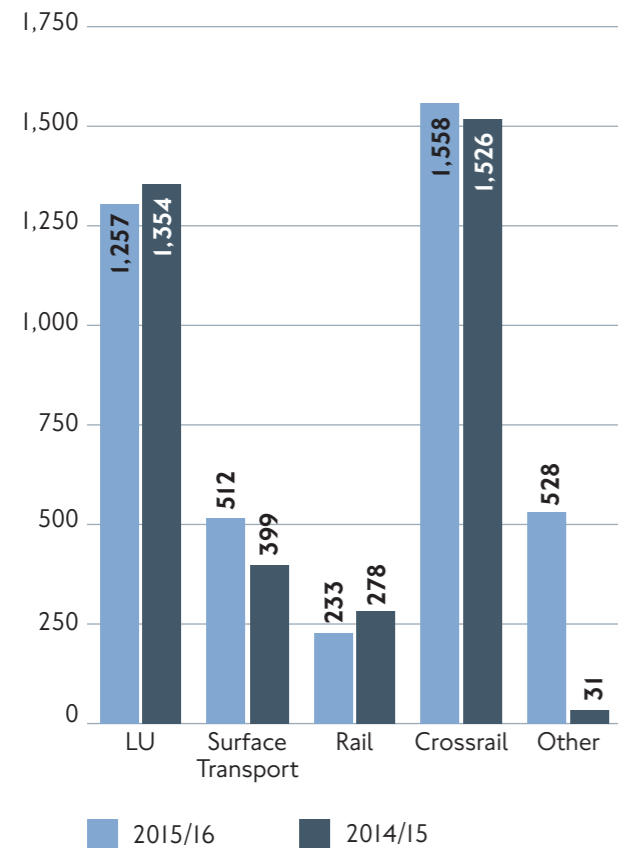
Financing and investment income totalled £82 million, a reduction of £147 million from the previous year. This was due primarily to a lower gain recognised on the revaluation of investment properties. In 2014/15 a gain of £200 million was recognised, reflecting the revaluation of the Group's development site at Earl's Court. During 2015/16, the Group's investment in these properties was transferred into an associated undertaking, Earls Court Partnership Limited. The gain recognised in 2015/16 on the remaining investment property portfolio was £50 million. The net gain realised on the disposal of investment properties, however, increased from £1 million in 2014/15 to £5 million in 2015/16.

Higher average yields achieved on investments during 2015/16 were offset by falling investment balances to result in a return on investments for the year of £26 million, slightly below the 2014/15 figure of £28 million.

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Capital expenditure

Capital expenditure by business area (£m)



Total capital expenditure for the year was £4,088 million (2014/15 £3,588 million).

London Underground's major projects continued to make good progress.

Station modernisation is a part of London Underground's strategic programme to relieve congestion throughout the city. At Victoria, the connection of the tunnels joining the new north ticket hall and the enlarged south ticket hall was completed. The south ticket hall floor slab has been fully cast and work started on the construction of the lift that connects the existing Network Rail concourse to the enlarged London Underground ticket hall. The

civils and structural works for the north ticket hall have been completed and the testing and commissioning of the station systems is progressing well.

The Central line platforms at Tottenham Court Road re-opened following an 11 month closure, during which time a new step-free access lift shaft; a new passageway that will link to the new larger ticket hall; refitted platforms; and refurbished escalators were constructed. The closure also included restoration of the celebrated Eduardo Paolozzi mosaics.

At Tufnell Park station two lifts were replaced with new, more energy efficient models, contributing towards TfL's commitment to reduce the carbon footprint of Tube stations. Advantage was taken of the station closure to refurbish the ticket hall with an extra ticket gate, an automatic wide aisle gate and an improved customer information area. The station was re-opened to customers ahead of schedule.

During the year a major Automatic Train Control (ATC) signal supply contract was awarded and the fit-out of ATC equipment on trains has begun. This drives forward our work to increase capacity and improve customer journey time with a more frequent and reliable service. As part of this work, we aim to deliver a 36 trains per hour peak service across the Victoria line during 2016. We have also now replaced the deep level crossover at Walthamstow and installed new, more reliable point machines.

A new crossover was installed on the Metropolitan line at King's Cross St. Pancras during the Christmas period. This required major signals remodelling and the changes will support the Four Lines Modernisation (4LM) Automatic Train Control (ATC) project achieving 32 trains per hour.

Work has begun on extending the Northern line to Battersea which will include building two new stations at Nine Elms and Battersea.

In November 2015, TfL committed to extend the Metropolitan Line from Croxley to Watford Junction via Watford High Street for Hertfordshire County Council. It will link to the current London Overground services at Watford High Street, before terminating at Watford Junction for an interchange with the West Coast Mainline services. Two new stations will be created at Cassiobridge and Watford Vicarage Road. The aim is to complete the link by late 2020.

Capital expenditure of £233 million was incurred by London Rail in 2015/16. Work to lengthen trains from four carriages to five which began in November 2014, has now been completed on time and on budget. The new carriages, which increase passenger capacity on the East London, West London, North London and Euston to Watford routes by 25 per cent, will help meet the increasing demand for the highly popular rail service and provide room for an extra 170 passengers per train.

Overground stations have been brought up to modern standards, with CCTV, better security, a turn up and go service for disabled Londoners and staff present at every station at all times.

Improvements were also completed on a new interchange between Hackney Downs and Hackney Central stations. The 200m-long covered walkway includes lifts, monitored CCTV and bright lighting – making journeys quicker, safer and more accessible. It will mean passengers at Hackney Central can easily access trains to North London or to Liverpool Street via Hackney Downs, and those at Hackney Downs can easily access trains to Stratford or

Highbury & Islington via Hackney Central.

DLR has embarked on a programme to reconfigure the seating on its trains. The works will improve how standing space in the vehicles is used by creating a more open environment which encourages customers to move away from the crowded vestibules. The existing transverse seats are being rotated to provide longitudinal seating, whilst maintaining the overall number of seats. Some draught screens are also to be removed to open up more areas of the train for standing.

In Surface Transport, £512 million was spent on capital works. Most of the expenditure has been on the annual programme of asset replacement and renewal, ensuring London's highways, traffic and bus infrastructure is maintained in a good state of repair. During the year a number of large-scale renewal schemes have progressed including work at Power Road bridge and Ardleigh Green bridge, works completed at Chiswick bridge and on the Fore Street tunnel, plus the project to strengthen the Hammersmith flyover.

In addition, Surface Transport invests to enhance and develop London's transport infrastructure. TfL's cycling programme remains a priority with more significant investment this year. Major progress has been made implementing the network of Cycle Superhighways, including the new segregated East-West and North-South routes. Implementation of the Central London Grid and Quietways programme has also started. Schemes aimed primarily at improving safety at junctions for cyclists are being implemented at Oval and Stockwell and work at the Elephant and Castle roundabout provides enhanced pedestrian and cycle facilities along with high quality urban realm in the area.

Major activity to enhance traffic signals

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technology and associated communications infrastructure also continued apace, including a project to digitise the capital's Safety Cameras. Furthermore, the New Routemaster bus continues to be introduced on a route by route basis.

During the year, £1,558 million was spent on the Crossrail project. This takes total expenditure on the project to date to some £9 billion including the acquisition of land and property. By the end of the year, the Crossrail project was nearing 75 per cent completion. The eight Tunnel Boring Machines finished their journeys under central London in May 2015. With the tunnels delivered, construction on Crossrail's central section moved on to the fitting out of tunnels, shafts and portals and the continuing build of new stations. In February 2016, Her Majesty Queen Elizabeth II visited the Crossrail station at Bond Street when it was announced the new railway will be known as the Elizabeth line in her honour when services through central London open in December 2018. The announcement followed TfL unveiling designs for the new trains, which will enter service from May 2017 before the project is fully completed in 2019.

Other capital expenditure in 2015/16 includes the Group's investment in its associated undertaking, Earls Court Partnership Limited. During the year cash and property to a value of £447 million have been invested in the equity of this vehicle, established, in conjunction with Capital & Counties Properties PLC, to enable the development of the Earls Court site in line with the Earls Court masterplan. The masterplan will deliver 7,500 new homes and an estimated 10,000 new jobs. It will also see the development of a new primary school, a new leisure centre and new health facilities as well as community

and cultural spaces. Thirty-seven acres of green open space will be provided, including a new five acre park and there will be significant improvements to the transport infrastructure at Earl's Court, West Kensington and West Brompton Underground stations.

Cash and investments

Total cash, cash equivalents and investments with maturities greater than three months held by the Group at 31 March 2016 amounted to £3,314 million. The average yield from TfL's cash investments for 2015/16 was 0.56 per cent, up from 2014/15 (0.54 per cent). The low investment yields reflect the conservative nature of TfL's investment strategy and continued low interest rates. Earmarked reserves for TfL's future Investment Programme at 31 March 2016 amount to £1,275 million, with an additional £1,794 million being set aside for Crossrail.

Treasury risk management

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

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

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

Senior management continually monitor the Group's overall exposure to currency, inflation and interest rates as they affect its operating and commercial activities (passenger levels, fare revenue and costs) and its financial activities (financial costs and investment returns on cash balances). TfL's borrowing strategy for 2015/16 remained largely unchanged from 2014/15, with TfL's objective remaining the management of its borrowings in a manner that combines flexibility, security of access to funds, diversity of funding sources and value for money. TfL's investment strategy remained largely unchanged in 2015/16.

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

Counterparty credit

The Group's exposure to credit-related losses, i.e. non-performance by counterparties on financial instruments, is mitigated by setting a minimum required credit rating and applying financial limits based on credit ratings. For 2015/16, TfL continued to follow a conservative investment strategy, investing in: the UK Government and its executive agency, the UK Debt Management Office ('DMO'); UK Government guaranteed investments; selected financial institutions with high (investment grade) credit ratings; selected supranational or sub-sovereign agencies; selected Money Market Funds; highly rated corporates; and other highly rated sovereign governments. In addition to Sterling investments, these included investments in Euros and US Dollars which were swapped back into Sterling as a matter of course. The amounts that can be invested with the UK Government and its DMO were not limited, while amounts

invested with other institutions were based on their credit rating. The minimum rating was A-/A3. Credit ratings are obtained from the three main ratings agencies and are kept under constant review.

Funding and liquidity

To ensure continuity of affordable funding, debt maturities are spread over a range of dates that broadly equate to the lives of assets purchased with the proceeds of debt. The maturity profile of debt outstanding at 31 March 2016 is set out in Note 30 to the accounts. Diverse sources of funding available include: Capital Markets, bank loans and direct access to the UK Debt Management Office via the Public Works Loan Board. These diverse sources significantly mitigate funding and liquidity risk.

Interest rates

The Board has approved parameters of a minimum of 50 per cent fixed-rate on existing debt and forecast debt. The proportion of fixed-rate debt borrowings (including Commercial Paper swapped to fixed through the use of interest rate derivatives) at the year end was 99.4 per cent; the remaining 0.6 per cent constituted unhedged Commercial Paper debt which, although it has fixed rates of interest, in practice behaves more like floating rate debt if used on a revolving basis.

Pensions

As at 31 March 2016, the majority of TfL's employees were members of the TfL Pension Fund. Over the past year, there was an increase in the actuarial value of future liabilities recorded by the Group in respect of this scheme of £263 million, reflecting a change in financial assumptions. This was compounded by a reduction in the fair value

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of the assets recorded, which fell by £59 million, reflecting a negative return on assets for the year. As a consequence, the deficit of pension scheme assets to future liabilities recognised in respect of the TfL Pension Fund increased by a total of £322 million.

The total deficit recognised in respect of all funded and unfunded pension arrangements at 31 March amounted to £3,208 million (2015 £2,895 million).

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

Prospects and outlook

In March 2016, TfL published a Budget to 2016/17 and an updated Business Plan for the next five years to 2020/21. The investment set out in the Business Plan is designed to support London's projected population growth from 8.6 million today to over 10 million people by 2030 and the accompanying growth in employment.

Many schemes are in progress to ensure that our services can meet the demands of a growing population, including:

- The Elizabeth Line, which is expected to deliver a 10 per cent increase in rail-based network capacity in London from 2018/19. In 2015/16, Crossrail construction approached 75 per cent completion and MTR Corporation began operating services under the 'TfL Rail' brand

between Shenfield and Liverpool Street. Good progress has been made on the construction of the new Crossrail Depot and Stabling facilities at Old Oak Common; and the production of the new Rolling Stock (Class 345) is on track to deliver the first train into service in May 2017.

- Crossrail 2, a new railway serving London and South East England, which the recently formed National Infrastructure Commission recommended (and the Government accepted) should be taken forward as a priority. Crossrail 2 would run underground through the west end and link into the existing national rail networks at Wimbledon and Tottenham Hale, unlocking thousands of new homes and jobs, and helping to tackle the capacity crunch at Clapham Junction and Waterloo.
- In 2015 the ambitious target of reducing tube delays by 30 per cent was achieved. A huge transformation of London Underground continues, including the development of the Northern and Metropolitan line extensions; modernisation of the Metropolitan, District, Hammersmith & City and Circle line signalling system; and more new trains designed to make journeys faster and more reliable on these sub-surface lines.
- The Northern line extension will connect Kennington to Battersea Power Station, with a new intermediate station at Nine Elms. The extension will be designed and developed with latent capacity and will be able to accommodate at least 30 trains an hour in the peak.
- Major upgrades to improve stations, including Tottenham Court Road, Bond Street, Bank and Victoria.

- The Four Lines modernisation upgrade is one of the most important investments currently being made on the Underground. The Metropolitan, District, Hammersmith & City and Circle lines make up 40 per cent of the Underground network and to improve reliability and ensure a world-class service on these lines, a programmed replacement of fleet, signalling and supporting systems is underway.
- Capacity increases on the London Overground providing a 25 per cent increase to the West London line, North London line, East London line and Euston to Watford line have been completed. In 2016/17, Network Rail will complete the preparation work needed for TfL to introduce electric four-car trains on the Gospel Oak to Barking line, providing new trains to realise further capacity increases.
- Contactless payment has risen steadily and now accounts for 26 per cent of all pay as you go Tube and rail journeys, and 23 per cent of bus trips.
- A £4 billion investment programme, over 10 years from 2013/14, of renewal and modernisation to transform London's road network and making junctions safer. Work in 2016/17 will include major enhancements at Elephant and Castle, Wandsworth town centre, Croydon Fiveways, Euston Road, Old Street and Vauxhall Cross. We will also replace four road-over-rail bridges – Highbury Corner Bridge, Upper Holloway Bridge and structures at Ardleigh Green and Power Road.

- Maintaining London's bus services at record levels of customer satisfaction, reflecting TfL's focus on continued improvement in customer service, information, passenger comfort and driver performance. TfL will continue to review the bus network and introduce congestion mitigation measures, such as bus priority and active travel management.
- Cycling will continue to be a major method of transport in the city, with a combination of Cycle Superhighways and Quietways to complement the other cycling programmes.
- Working with the Government and City Hall to fund and deliver measures in its National Air Quality Action Plan, for instance the Ultra Low Emission Zone and reducing emissions from buses and taxis.
- The Silvertown Tunnel is one of 13 new river crossings that are planned to be delivered by 2050, and work will continue to realise this vision.
- The new advertising contract awarded to Exterior Media goes live from October 2016. This contract is based on TfL bearing revenue risk without a minimum guaranteed revenue and funding capital investment in its estate. TfL expects to earn greater revenues through bearing more exposure to the performance of the out of home advertising market and GDP than it would have under a contract with a minimum guaranteed revenue.
- The development and sale of property is expected to generate £327 million net of investment over the next five years.

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Key Risks

TfL is subject to a number of risks which could impact the delivery of our strategic priorities and the potential financial and non-financial impacts. They include:

- Exposure to various economic risks, such as disruption to financial markets affecting our ability to borrow and/or lower than forecast GDP growth;
- London Property market risk, planning risk, the challenges associated with releasing sites from operational use and the risk of a need to compromise the value of sites in favour of other priorities;
- Knowledge retention from key staff, as well as continuing negotiations with trade unions that could affect the levels of service provision;
- A disruption to service quality as large-scale asset renewal and replacement programmes, frequent line or major station closures, and changes to operational procedures and resource requirements after upgrades are completed;
- Domestic or international terrorism and other security threats that may cause casualties, disrupt service, damage assets and create fear among the travelling public;
- An information or cyber security incident or the failure of critical IT systems (applications, networks and infrastructure) impacting business operations and support services;
- Key elements of investment programmes not being delivered on time and to budget or delivering expected benefits; and

- Targets set by external stakeholders not being met, including targets for improved air quality.

Where appropriate, TfL adopts risk-specific mitigation strategies to limit exposure. TfL maintains a general fund to ensure liquidity and protect the organisation from short-term effects that may arise from specific risks.

Strategic risk management is currently being reviewed and the Strategic Risk Register and reporting documentation is being refreshed. This will mean more useful and simplified strategic risk information can be provided to support decision making.

We continue to work with the Audit and Assurance Committee to enhance the way strategic risks are managed and to provide regular updates at these meetings. In addition, we are investing in training and systems so our employees can manage risk more effectively and efficiently.

Accounting statements

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

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

- The Corporation, which is made up of London Streets, Taxi and Private Hire, and the corporate centre which, for legal and accounting purposes, constitutes TfL.
- The TfL Group, which is made up of the Corporation and its subsidiaries and associated undertakings as set out in notes 14 and 15.

Under the GLA Act 1999, the Corporation is treated as a Local Authority for accounting purposes and the Statement of Accounts, which includes the individual financial statements of the Corporation, has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code), which is based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements.

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

The financial statements for the TfL Group, which consolidate the accounts of the Corporation, its subsidiaries, and the Group's share of the results and net asset of its associated undertakings on the basis set out in the statement of accounting policies (paragraph c), are here presented alongside the financial statements of the Corporation.

The Statement of Accounts comprises:

- The Group and Corporation Comprehensive Income and Expenditure Statements, Balance Sheets, Cash Flow Statements and Movement in Reserves Statements
- The Statement of Accounting Policies
- 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

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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 fares income and grant. 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.

Appointment of New Auditor

In December 2014, the Audit Commission notified TfL that they would be appointing Ernst & Young LLP as TfL's auditor for two years commencing with the audit of the 2015/16 financial statements, with the potential for this appointment to be extended by up to a further three years. Ernst & Young LLP have been duly appointed and this is therefore the first year of their audit.

Statement of Responsibilities for the Accounts

The Corporation is required to:

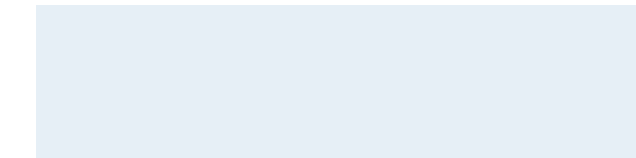
- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers (the Chief Finance Officer) has responsibility for the administration of those affairs;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its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

The 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 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; and
- 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.



Ian Nunn
Chief Finance Officer
[] July 2016

Independent Auditor's Report to Transport for London

Opinion on the financial statements

We have audited the financial statements of Transport for London ('the Corporation') and the Transport for London Group ('the Group') for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the Corporation and Group Movement in Reserves Statements, the Corporation and Group Comprehensive Income and Expenditure Statements, the Corporation and Group Balance Sheets, the Corporation and Group Cash Flow Statements, and the related notes 1 to 41.

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 2015/16.

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 the Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Transport for London for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of Responsibilities for the Accounts set out on page 137, the 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 2015/16, and for being satisfied that they give a true

and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Corporation and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Statement of Accounts 2015/16 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Group and Corporation as at 31 March 2016 and of the Group's and Corporation's 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 2015/16.

Opinion on other matters

In our opinion, the information given in the Annual Report and Statement of Accounts 2015/16 for the financial year for which the financial statements are prepared is consistent with the financial statements.

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 Transport for London;
- 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.

Conclusion on the Corporation's arrangements for securing economy, efficiency and effectiveness in the use of resources

Corporation's responsibilities

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

Auditor's responsibilities

We are required under Section 20 of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Corporation has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Corporation has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Corporation's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion, published by the Comptroller and Auditor General (C&AG) in November 2015, as to whether the Corporation had proper

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arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Corporation put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Corporation had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, the Corporation put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2016.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Group's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or 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.

Karl Havers
for and on behalf of Ernst & Young LLP,
Appointed Auditor
London
[] July 2016

Group Comprehensive Income and Expenditure Statement

Year ended 31 March	Note	2016 £m	2015 £m
Highways and Transport Services			
Gross income	1	5,288.6	5,039.2
Gross expenditure	3	(7,436.2)	(7,054.9)
Net cost of services	2	(2,147.6)	(2,015.7)
Other net operating expenditure	6	(46.2)	(19.5)
Financing and investment income	7	81.6	229.3
Financing and investment expenditure	8	(418.7)	(450.7)
Grant income	9	3,510.9	4,560.1
Group share of profit after tax of associated undertakings	15	25.9	-
Surplus on the provision of services before tax	2	1,005.9	2,303.5
Taxation income	10	2.2	-
Surplus on the provision of services after tax		1,008.1	2,303.5
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 *	12	108.0	99.2
Net remeasurement losses on defined benefit pension schemes *	31	(162.1)	(293.7)
		(54.1)	(194.5)
Items that may be subsequently reclassified to profit or loss			
Movement in the fair value of derivative financial instruments *	33	17.4	(33.4)
Movement in the fair value of available for sale financial investments *	33	(0.1)	0.1
Derivative fair value loss recycled to income and expenditure *	33	7.5	7.2
		24.8	(26.1)
		(29.3)	(220.6)
Total comprehensive income and expenditure		978.8	2,082.9

* There is no tax effect of these items on other comprehensive income and expenditure in the years ended 31 March 2016 or 2015 (note 10).

Group Balance Sheet

	Note	31 March 2016 £m	31 March 2015 £m
Long-term assets			
Intangible assets	11	122.8	123.8
Property, plant and equipment	12	34,402.6	31,862.2
Investment property	13	517.7	437.8
Equity accounted investment in associated undertakings	15	473.0	-
Long-term investments	19	-	10.1
Derivative financial instruments	25	7.1	-
Long-term debtors	17	691.8	868.3
		36,215.0	33,302.2
Current assets			
Inventories	16	70.6	53.9
Short-term debtors	17	1,262.4	608.6
Assets held for sale	18	-	375.7
Short-term derivative financial instruments	25	5.1	22.6
Short-term investments	19	3,162.3	4,548.4
Cash and cash equivalents	20	152.1	119.4
		4,652.5	5,728.6
Current liabilities			
Short-term creditors	21	(2,187.9)	(2,095.8)
Short-term borrowings	22	(832.1)	(784.3)
Short-term finance lease liabilities	23	(94.3)	(86.6)
Short-term derivative financial instruments	25	(21.3)	(1.3)
Short-term provisions	26	(220.7)	(230.2)
		(3,356.3)	(3,198.2)
Long-term liabilities			
Long-term creditors	21	(79.8)	(105.5)
Long-term borrowings	22	(8,281.0)	(7,730.0)
Long-term finance lease liabilities	23	(564.8)	(659.4)
Long-term derivative financial instruments	25	(94.9)	(101.3)
Long-term provisions	26	(46.4)	(84.4)
Retirement benefit obligation	31	(3,208.2)	(2,894.7)
		(12,275.1)	(11,575.3)
Net assets		25,236.1	24,257.3
Reserves			
Usable reserves		3,233.2	4,660.6
Unusable reserves	33	22,002.9	19,596.7
Total reserves		25,236.1	24,257.3

The notes on pages 149 to 271 form part of these financial statements.

These financial statements were approved by the Board on 19 July 2016 and signed on its behalf by:

Sadiq Khan, Chair of TfL

Group Movement in Reserves Statement

	Note	General fund £m	Earmarked reserves £m	Street works reserve £m	Capital grants unapplied account £m	Usable reserves £m	Unusable reserves £m	Total reserves £m
At 1 April 2014		156.6	1,969.6	2.5	2,547.1	4,675.8	17,498.6	22,174.4
Movement in reserves during 2014/15								
Surplus on the provision of services after tax		1,543.8	-	-	-	1,543.8	759.7	2,303.5
Other comprehensive income and expenditure		-	-	-	-	-	(220.6)	(220.6)
Total comprehensive income and expenditure		1,543.8	-	-	-	1,543.8	539.1	2,082.9
Adjustments between accounting basis and funding basis under regulations	35	(1,785.2)	-	4.3	221.9	(1,559.0)	1,559.0	-
Net (decrease)/increase before transfer to/from earmarked reserves		(241.4)	-	4.3	221.9	(15.2)	2,098.1	2,082.9
Transfer to/from earmarked reserves		234.8	(234.8)	-	-	-	-	-
(Decrease)/increase in 2014/15		(6.6)	(234.8)	4.3	221.9	(15.2)	2,098.1	2,082.9
Balance at 31 March 2015		150.0	1,734.8	6.8	2,769.0	4,660.6	19,596.7	24,257.3
Movement in reserves during 2015/16								
Surplus on the provision of services after tax		911.9	-	-	-	911.9	96.2	1,008.1
Other comprehensive income and expenditure		-	-	-	-	-	(29.3)	(29.3)
Total comprehensive income and expenditure		911.9	-	-	-	911.9	66.9	978.8
Adjustments between accounting basis and funding basis under regulations	35	(1,371.6)	-	7.1	(974.8)	(2,339.3)	2,339.3	-
Net (decrease)/increase before transfer to/from earmarked reserves		(459.7)	-	7.1	(974.8)	(1,427.4)	2,406.2	978.8
Transfer to/from earmarked reserves		459.7	(459.7)	-	-	-	-	-
(Decrease)/increase in 2015/16		-	(459.7)	7.1	(974.8)	(1,427.4)	2,406.2	978.8
Balance at 31 March 2016		150.0	1,275.1	13.9	1,794.2	3,233.2	22,002.9	25,236.1

Earmarked reserves have been established to finance future projects and form part of the overall funding available for the Investment Programme and revenue projects.

Group Statement of Cash Flows

Year ended 31 March	Note	2016 £m	2015 £m
Surplus on the provision of services after tax		1,008.1	2,303.5
Adjustments to surplus after tax for non-cash movements	32 a	(1,044.7)	(2,217.1)
Net cash flows from operating activities		(36.6)	86.4
Investing activities	32 b	(135.0)	(353.1)
Financing activities	32 c	204.3	249.8
Increase/(decrease) in net cash and cash equivalents in the year		32.7	(16.9)
Net cash and cash equivalents at the start of the year		119.4	136.3
Net cash and cash equivalents at the end of the year	20	152.1	119.4

Corporation Comprehensive Income and Expenditure Statement

Year ended 31 March	Note	2016 £m	2015 £m
Highways and Transport Services			
Gross income		378.9	390.1
Gross expenditure	3	(1,154.9)	(1,078.3)
Net cost of services		(776.0)	(688.2)
Other net operating expenditure	6	(25.6)	(2.1)
Financing and investment income	7	347.9	304.4
Financing and investment expenditure	8	(446.5)	(439.8)
Grant income	9	3,468.0	4,512.4
Grant funding of subsidiaries		(1,655.9)	(2,142.9)
Surplus on the provision of services		911.9	1,543.8
Other comprehensive income and expenditure			
Items that will not be subsequently reclassified to profit or loss			
Net remeasurement losses on defined benefit pension schemes	31	(167.2)	(300.9)
		(167.2)	(300.9)
Items that may be subsequently reclassified to profit or loss			
Movement in the fair value of available for sale financial investments	33	(0.1)	0.1
		(0.1)	0.1
		(167.3)	(300.8)
Total comprehensive income and expenditure		744.6	1,243.0

Corporation Balance Sheet

	Note	31 March 2016 £m	31 March 2015 £m
Long-term assets			
Intangible assets	11	62.5	40.6
Property, plant and equipment	12	3,751.1	3,609.6
Investment property	13	13.0	16.2
Investments in subsidiaries	14	7,262.5	5,432.5
Long-term investments	19	-	10.1
Long-term debtors	17	8,692.5	8,105.4
		19,781.6	17,214.4
Current assets			
Inventories	16	2.2	1.6
Short-term debtors	17	735.3	290.3
Short-term investments	19	3,146.3	4,521.9
Cash and cash equivalents	20	19.6	53.7
		3,903.4	4,867.5
Current liabilities			
Short-term creditors	21	(592.5)	(605.4)
Short-term borrowings	22	(832.1)	(784.3)
Short-term finance lease liabilities	23	(11.1)	(10.9)
Short-term provisions	26	(101.9)	(128.0)
		(1,537.6)	(1,528.6)
Long-term liabilities			
Long-term creditors	21	(19.8)	(14.7)
Long-term borrowings	22	(8,288.8)	(7,738.4)
Long-term finance lease liabilities	23	(153.5)	(164.6)
Long-term provisions	26	(37.7)	(78.1)
Retirement benefit obligation	31	(3,208.2)	(2,862.7)
		(11,708.0)	(10,858.5)
Net assets		10,439.4	9,694.8
Reserves			
Usable reserves		3,233.2	4,660.6
Unusable reserves	33	7,206.2	5,034.2
Total reserves		10,439.4	9,694.8

The notes on pages 149 to 271 form part of these financial statements.

These financial statements were approved by the Board on 19 July 2016 and signed on its behalf by:

Sadiq Khan, Chair of TfL

Corporation Movement in Reserves Statement

	Note	General fund £m	Earmarked reserves £m	Street works reserve £m	Capital grants unapplied account £m	Usable reserves £m	Unusable reserves £m	Total reserves £m
At 1 April 2014		156.6	1,969.6	2.5	2,547.1	4,675.8	3,776.0	8,451.8
Movement in reserves during 2014/15								
Surplus on the provision of services		1,543.8	-	-	-	1,543.8	-	1,543.8
Other comprehensive income and expenditure		-	-	-	-	-	(300.8)	(300.8)
Total comprehensive income and expenditure		1,543.8	-	-	-	1,543.8	(300.8)	1,243.0
Adjustments between accounting basis and funding basis under regulations	35	(1,785.2)	-	4.3	221.9	(1,559.0)	1,559.0	-
Net (decrease)/increase before transfer to/from earmarked reserves		(241.4)	-	4.3	221.9	(15.2)	1,258.2	1,243.0
Transfer to/from earmarked reserves		234.8	(234.8)	-	-	-	-	-
(Decrease)/increase in 2014/15		(6.6)	(234.8)	4.3	221.9	(15.2)	1,258.2	1,243.0
Balance at 31 March 2015		150.0	1,734.8	6.8	2,769.0	4,660.6	5,034.2	9,694.8
Movement in reserves during 2015/16								
Surplus on the provision of services		911.9	-	-	-	911.9	-	911.9
Other comprehensive income and expenditure		-	-	-	-	-	(167.3)	(167.3)
Total comprehensive income and expenditure		911.9	-	-	-	911.9	(167.3)	744.6
Adjustments between accounting basis and funding basis under regulations	35	(1,371.6)	-	7.1	(974.8)	(2,339.3)	2,339.3	-
Net (decrease)/increase before transfers to/from earmarked reserves		(459.7)	-	7.1	(974.8)	(1,427.4)	2,172.0	744.6
Transfer to/from earmarked reserves		459.7	(459.7)	-	-	-	-	-
(Decrease)/increase in 2015/16		-	(459.7)	7.1	(974.8)	(1,427.4)	2,172.0	744.6
Balance at 31 March 2016		150.0	1,275.1	13.9	1,794.2	3,233.2	7,206.2	10,439.4

Earmarked reserves have been established to finance future projects and form part of the overall funding available for the Investment Programme and revenue projects.

Corporation Statement of Cash Flows

Year ended 31 March	Note	2016 £m	2015 £m
Surplus on the provision of services		911.9	1,543.8
Adjustments to surplus after tax for non-cash movements	32 a	(1,892.7)	(1,758.1)
Net cash flows from operating activities		(980.8)	(214.3)
Investing activities	32 b	703.1	(59.9)
Financing activities	32 c	243.6	318.6
(Decrease)/increase in net cash and cash equivalents in the year		(34.1)	44.4
Net cash and cash equivalents at the start of the year		53.7	9.3
Net cash and cash equivalents at the end of the year	20	19.6	53.7

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 2015/16 (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 2015/16 is based on International Financial Reporting Standards ('IFRS') adopted by the EU ('Adopted IFRS') and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements. It requires that local authorities prepare their financial statements in accordance with the International Accounting Standards Board ('IASB') 'Framework for the Preparation and Presentation of Financial Statements' as interpreted by the Code.

The areas where the Code differs materially from Adopted IFRS are listed below:

Capital grants and contributions

Capital grants and contributions are recognised immediately in the Comprehensive Income and Expenditure Statement once there is reasonable assurance that all conditions relating to those grants have been

met. Under Adopted IFRS capital grants and contributions are recorded as deferred income and recognised in the Comprehensive Income and Expenditure Statement over the useful life of the asset.

FRS 102 The Financial Reporting

Standard: Heritage assets

The Code has adopted the requirements of FRS 102 in respect of its rules on accounting for Heritage assets. The Group has taken the exemption available under the Code to hold heritage assets at historical cost less any accumulated depreciation or impairment losses and has made additional disclosures on its heritage assets as required by the standard. There is no equivalent standard for accounting for heritage assets under Adopted IFRS.

IAS 36 Impairment of Assets

The Code requires that impairments be accounted for in accordance with IAS 36 Impairment of Assets, except where interpretations or adaptations to fit the public sector are detailed. Consequently these financial statements have been prepared in accordance with the guidance contained in IPSAS 21 Impairment of Non-Cash-Generating Assets and IPSAS 26 Impairment of Cash-Generating Assets. This guidance stipulates that where an asset is not held primarily with the intention of generating a commercial return, that asset's value in use should be regarded as the present value of its remaining service potential, rather than the present value of the future cash flows that are expected to be derived from it.

b) Basis of preparation

The accounts are made up to 31 March. The Corporation is a single service authority and all expenditure is attributable to the provision of highways, roads and transport services.

Accounting Policies (continued)

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The accounts have been prepared under the accruals concept and in accordance with the historical cost accounting convention, modified by the revaluation of certain categories of non-current assets and financial instruments.

Where items are sufficiently significant by virtue of their size or nature, they are disclosed separately in the financial statements in order to aid the reader's understanding of the Corporation's and Group's financial performance.

c) Basis of consolidation

The Code requires local authorities with, in aggregate, material interests in subsidiary and associated companies and joint ventures, to prepare group financial statements.

The Group financial statements presented with the Corporation's financial statements consolidate the individual financial statements of TfL and its subsidiary undertakings. A subsidiary undertaking is an undertaking controlled by the Corporation. Control is achieved when the Corporation: has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns. The Corporation reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control.

The Group incorporates its share of the profits or losses and its share of the net assets of associated undertakings using the equity accounting method. Associate undertakings are those where the Group is

considered to have the power to significantly influence, but not control, the financial and operating policies of the investee.

The acquisition method of accounting has been adopted for acquisitions or disposals into the Group of subsidiary undertakings. Under this method, the identifiable assets and liabilities of an acquired entity are recorded at their fair values at the date of acquisition. Costs of acquisition are expensed in line with IFRS 3 (revised) Business Combinations. The results of subsidiary undertakings acquired or disposed of are included in the Group Comprehensive Income and Expenditure Statement from the date of acquisition until the date of disposal.

d) Going concern

The financial statements have been prepared on a going concern basis as it is considered by the Board that TfL will continue in operational existence for the foreseeable future and meet its liabilities as they fall due for payment. Under the Greater London Authority Act 1999, TfL has a legal requirement to produce a financially balanced Budget each year. As at 31 March 2016, the Group had usable reserves totalling £3,233.2m.

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 IFRS 19 Defined Benefit Plans: Employee Contributions. The amendments to IAS 19 clarify the accounting treatment for contributions

made by employees or third parties to a defined benefit plan. According to the amendments, discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan. When the formal terms of the plan specify contributions from employees or third parties, the accounting depends on whether the contributions are linked to service. If contributions are linked to services they reduce service costs. If they are not linked to services they affect, they impact the remeasurement of the net defined benefit liability.

- Amendments to IFRSs Annual Improvements to IFRSs 2010-2012 Cycle (Mandatory for years beginning on or after 1 July 2014). The amendments are as follows:

- IFRS 2 Share-based Payment. The amendment is to clarify the definition of vesting condition and market condition to ensure consistent classification of conditions attached to a share based payment;
- IFRS 3 Business Combinations. The amendment clarifies that contingent consideration should be measured at fair value at each reporting date, irrespective of whether or not the contingent consideration falls within the scope of IFRS 9 or IAS 39. Changes in fair value (other than measurement period adjustments as defined in IFRS 3) should be recognised in profit and loss;
- IFRS 8 Operating Segments. The amendment requires an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments and clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be

provided if information about the amount of the segment assets are regularly provided to the chief operating decision-maker;

- IFRS 13 Fair Value Measurement. The amendment clarifies that the issuance of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial;
- IAS 16 Property, Plant and Equipment; IAS 38 Intangible Assets. The amendments remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between gross carrying amount and the carrying amount after taking into account accumulated impairment losses; and
- IAS 24 Related Party Disclosures. The amendment clarifies that a management entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. Disclosure of the components of compensation to key management personnel that is paid by the management entity to the management entity's employees or directors is not required.

Accounting Policies (continued)

- Amendments to IFRSs Annual Improvements to IFRSs 2011-2013 Cycle (Mandatory for years beginning on or after 1 July 2014). The amendments are as follows:
 - IFRS 3 Business Combinations. The amendment clarifies that IFRS 3 does not apply to the accounting for the formation of joint arrangement in the financial statements of the joint arrangement itself;
 - IFRS 13 Fair Value Measurement. The amendment clarifies that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32; and
 - IAS 40 Investment Property. The amendment clarifies that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required.

In addition TfL has applied IFRS 13 Fair Value Measurement for the first time in these financial statements. IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

The application of these and any other standards, amendments or interpretations issued by the IASB and applicable for the first time to these financial statements has not had a material impact on the accounts.

f) Accounting standards that have been issued but have not yet been adopted

The following revisions to IFRS are expected to be applicable in future periods, subject to endorsement where relevant. These have been issued by the EU, but have not been applied in these financial statements:

- IFRS 9 Financial Instruments (as revised in 2014). IFRS 9 (as revised in 2014) will supersede IAS 39 Financial Instruments: Recognition and Measurement. The new standard contains the requirements for three areas: a) the classification and measurement of financial assets and financial liabilities; b) impairment methodology; and c) general hedge accounting. With respect to classification and measurement, all recognised financial assets that are currently within the scope of IAS 39 will be subsequently measured at either amortised cost or fair value. The standard also contains requirements for the classification and measurement of financial liabilities and derecognition requirements.

With respect to impairment methodology, the revised model reflects expected credit losses as opposed to the incurred credit losses recognised under IAS 39. And with regards to hedge accounting, IFRS 9 (as revised in 2014) introduces greater flexibility to the types of transactions eligible, specifically broadening the types of instruments that qualify as hedging instruments. The revised standard is mandatory for years beginning on or after 1 January 2018;

- IFRS 14 Regulatory Deferral Accounts (mandatory for years commencing on or after 1 January 2016). This specifies the accounting for regulatory deferral account balances for entities that recognised regulatory deferral account balances under their previous GAAP. This does not apply to the TfL Group;
- IFRS 15 Revenue from Contracts with Customers (mandatory for years beginning on or after 1 January 2017). IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It will supersede IAS 18 Revenue, IAS 11 Construction Contracts, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue-Barter Transactions Involving Advertising Services. The core principle of the new standard is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services;
- Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations (mandatory for years commencing on or after 1 January 2016). These amendments provide guidance on how to account for the acquisition of an interest in a joint operation in which the activities constitute a business;
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation (mandatory for years commencing on or after 1 January 2016). The amendments prohibit entities from using a revenue-based depreciation

method for items of property, plant and equipment; whilst the amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset;

- IAS 1 Disclosure Initiative (mandatory for years on or after 1 January 2016). The amendments clarify the concept of materiality in practice as the wording of some of the requirements in IAS 1 has in some cases been read to prevent the use of judgement;
- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants (mandatory for years commencing on or after 1 January 2016). This does not apply to TfL;
- Amendments to IAS 27 Equity Method in Separate Financial Statements (mandatory for years beginning on or after 1 January 2016). The amendments focus on separate financial statements and allow the use of the equity method to account for investments in subsidiaries, joint ventures and associates in such statements;
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (mandatory for years beginning on or after 1 January 2016);
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception (mandatory for years beginning on or after 1 January 2016). The amendments clarify that the exemption from preparing financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all

Accounting Policies (continued)

its subsidiaries at fair value in accordance with IFRS 10. Consequential amendments have also been made to IAS 28 to clarify that the exemption from applying the equity method is also applicable to an investor in an associate or joint venture if that investor is a subsidiary of an investment entity that measures all its subsidiaries at fair value; and

- IFRS 16 Leases (mandatory for years beginning on or after 1 January 2019). This standard replaces the current guidance in IAS 17 on leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting remaining substantially unchanged.

In addition, CIPFA/LASAAC has stated that the 2016/17 edition of the Code will adopt the measurement requirements of the CIPFA Code of Practice on Transport Infrastructure Assets, as amended in 2013. This Code of Practice will require all Highways infrastructure assets to be categorised as a separate 'Highways Network Asset' to be measured on a Depreciated Replacement Cost (DRC) basis, as opposed to the current depreciated historic cost basis. This will represent a change in accounting policy from 1 April 2016. However, exceptionally, the 2016/17 Code will include an adaptation to IAS 1 for the transition to measuring Highways assets at DRC such that there is no requirement to restate information for the year ended 31 March 2016, or for an opening balance as at 1 April 2016. The change shall therefore be accounted for as an adjustment to opening balances as at 1 April 2016.

The Group does not consider that any other standards, amendments or interpretations issued by the IASB, but not yet applicable, will have a significant impact on the financial statements.

g) Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative Comprehensive Income and Expenditure Statement is re-presented as if the operation had been discontinued from the start of the comparative period.

h) Uses of estimates and judgements

The preparation of financial statements in conformity with the Code requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements are disclosed below. It is not considered likely that any reasonably possible changes in key assumptions in the next 12 months would have a material impact on the carrying amounts of balance sheet items not already held on the balance sheet at fair value.

Post-retirement benefits

The pension costs and defined benefit plan obligations of the Group's defined benefit plans are calculated on the basis of a range

of assumptions, including the discount rate, inflation rate, salary growth and mortality. Differences arising as a result of actual experience differing from the assumptions, or future changes in the assumptions will be reflected in subsequent periods. A small change in assumptions can have a significant impact on the valuation of the liabilities. More details are given in note 31.

Useful economic life of property, plant and equipment

In determining the useful economic life of property, plant and equipment judgement needs to be exercised in estimating the length of time that the assets will be operational.

Determining whether an arrangement contains a lease

In determining whether an arrangement contains a lease, as required by the International Financial Reporting Interpretations Committee's ('IFRIC') IFRIC 4 Determining whether an Arrangement contains a Lease, judgement needs to be exercised in determining whether the arrangement conveys the right to use an asset. Given that this could result in additional finance leases being recognised on the balance sheet this can have a significant effect on the reported financial position of the Group.

Derivative financial instruments

The Group uses derivative financial instruments to manage certain exposures to fluctuations in foreign currency exchange rates and interest rates. In making its assessment and judgements, the Group assesses the effectiveness of the derivatives and changes in their fair values. Note 30 and the Accounting Policy on financial instruments (policy ag) provide detailed information about the key assumptions used in the determination of the fair value of financial instruments, as well as a sensitivity analysis for these assumptions.

Management believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

Classification of investment properties

IAS 40 Investment Property ('IAS 40') requires that properties be classified as investment properties where they are held for the purpose of capital appreciation or to earn rentals. The Group owns a number of commercial properties as part of its infrastructure where part of the property is leased out to third parties. Judgement needs to be exercised in determining whether these properties should be classified as investment properties in accordance with IAS 40. As investment properties are valued at fair value with movements in the fair value being recorded in the Comprehensive Income and Expenditure Statement this could have a significant effect on the financial performance of the Group.

Leases

In assessing whether a lease is an operating lease or a finance lease, judgement needs to be exercised in determining whether or not substantially all the risks and rewards of ownership of the leased asset are held by the Group. Given that finance lease obligations are recognised as liabilities, and operating lease obligations are not, this can have a significant effect on the reported financial position of the Group.

Provisions

Judgement and estimation techniques are employed in the calculation of the best estimate of the amount required to settle obligations, including determining how likely it is that expenditure will be required by the Group. This can be very complex, especially when there is a wide range of possible outcomes. More details are given in note 26.

Accounting Policies (continued)

Investment property

Investment property, which is property held to earn rentals and/or capital appreciation, is stated at its fair value (open market value), as estimated by external, professionally qualified surveyors in accordance with Royal Institution of Chartered Surveyors (RICS) Guidelines. Gains and losses from changes in the fair value of investment property are included in the Comprehensive Income and Expenditure Statement for the period in which they arise.

Office buildings

Office buildings held within property, plant and equipment are held at fair value (open market value), as estimated by external, professionally qualified surveyors in accordance with RICS Guidelines. Movements in the fair value of the property are taken to the revaluation reserve.

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 travel cards is recognised in the Comprehensive Income and Expenditure Statement on a straight line basis over the period of validity of the ticket or travel card. 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 – receipts in advance for travel cards, bus passes and Oyster cards. Oyster pay as you go revenue is recognised on usage and one day travel cards and single tickets are recognised on the day of purchase.

Revenue in respect of free and reduced fare travel for the elderly and disabled

Revenue from the London Borough Councils in respect of free travel for the elderly and disabled is recognised on a straight line basis over the financial year to which the settlement relates.

Congestion charging

The standard daily congestion charge, including those paying through Auto-pay, is recognised as income on the day the eligible vehicle enters the congestion charge area. Prepayments by fleets of vehicles are deferred to the balance sheet and released on a daily basis as the vehicles enter the congestion charge area.

Income from penalty charge notices is recognised, net of a provision for cancellation, as payment becomes due. Each increase in charge results in income being recognised in full at the date the increase is applied.

Road network compliance

Income from penalty charge notices is recognised as they become due. Each increase in charge results in income being recognised in full at the date the increase is applied.

Taxi licensing

Income from taxi and private hire licences is recognised on a straight line basis over the term of the licence.

Commercial advertising

Commercial advertising revenue is recognised on an accruals basis as adverts are displayed in accordance with the detail of the relevant agreements.

Rental income

Rental income is recognised on a straight line basis over the term of the lease.

j) Segmental reporting

In accordance with the Code, the Group's operating segments have been determined by identifying the segments whose operating results are reviewed by the Board, when making decisions regarding the allocation of resources and for the assessment of performance.

The operating segments of the Group and their principal activities are as follows:

- London Underground – Provision of passenger rail services and refurbishment and maintenance of certain parts of the rail network;
- London Rail – Provision of passenger rail services;
- Surface Transport – Provision of bus services and other surface transport, maintenance of London's roads, and cycle hire; and
- Corporate Directorate – Provision of TfL wide services, including property investment, commercial advertising, and the development of corporate strategy and policy.

k) Grants and other funding

The main source of grant funding is Transport Grant, which is divided into an Investment Grant element (a capital grant) and a General Grant element, which is classified as a resource grant under Section 101 of the GLA Act 1999. Other key funding streams include a share of Business Rate Retention received from the Greater London Authority, which is also classified as a resource grant; and specific capital grants from the Department for Transport and the Greater London Authority for the Crossrail project.

In the accounts of the Corporation and Group, all non-specific grants are credited to the Comprehensive Income and Expenditure Statement upon receipt or when there is reasonable assurance that the grant will be received. If a capital grant is received, but has certain conditions as to when it may be applied, it will be held, in the first instance, as capital grants received in advance, within the payables section of the balance sheet. Once any relevant conditions have been met, the capital grant is credited to the Comprehensive Income and Expenditure Statement.

Where expenditure on property, plant and equipment is financed either wholly or partly by capital or non-specific grants or other contributions, the amount of the grant applied is credited to the Capital Adjustment Account through the Movements in Reserves Statement. Amounts not utilised in the year are credited to the Capital Grants Unapplied Account, a usable reserve, for application in future periods.

Amounts of non-specific grants not used in the year are credited to the General Fund balance or to an Earmarked Reserve for specific use in future periods, where appropriate.

l) Overheads

Overheads are recognised in the Comprehensive Income and Expenditure Statement on an accruals basis. The total absorption costing principles of the CIPFA Service Reporting Code of Practice 2015/16 (SERCOP) are not applicable to TfL as it is a single service authority.

m) Financing and investment income and expenses

Financing and investment income comprises interest income on funds invested and premiums received on the early settlement

Accounting Policies (continued)

of borrowings. Interest income is recognised in the Comprehensive Income and Expenditure Statement as it accrues, using the effective interest rate method.

Financing and investment costs comprise the interest expense on borrowings and finance lease liabilities and the net financing cost on defined benefit pension obligations. Also included are premiums paid on the early settlement of borrowings and interest rate derivatives. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in the Comprehensive Income and Expenditure Statement using the effective interest rate method (see also Accounting Policy x) Borrowing costs).

n) VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

o) Taxation

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the Comprehensive Income and Expenditure Statement except to the extent that they relate to a business combination, or to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are disclosed net to the extent that they relate to taxes levied by the same authority and the Group has the right of offset.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

p) Business combinations

On the acquisition of a business, fair values are attributed to the identifiable assets and liabilities and contingent liabilities unless the fair value cannot be measured reliably in which case the value is subsumed into goodwill. Where fair values of acquired contingent liabilities cannot be measured reliably, the assumed contingent liability is not recognised but is disclosed in the same manner as other contingent liabilities.

Goodwill is the difference between the fair value of the consideration payable and the fair value of net assets acquired.

q) Intangible assets

Goodwill

Where the cost of a business combination exceeds the fair values attributable to the net assets acquired, the resulting goodwill is capitalised and tested for impairment at each balance sheet date. Goodwill is allocated to income-generating units for the purpose of impairment testing.

Other intangible assets

Software costs are measured at cost less accumulated depreciation and accumulated impairment losses.

Where components of an asset are significant in value in relation to the total value of the asset as a whole, and they have substantially different economic lives, they are recognised separately.

Amortisation is charged to the Comprehensive Income and Expenditure Statement on a straight line basis over the estimated useful lives of intangible assets, from the date that they are available for use, unless such lives are indefinite.

The useful lives and amortisation methods for software costs are as follows:

Software costs	Straight-line	3-5 years
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r) Property, plant and equipment Recognition and measurement

Infrastructure consists of roads, tunnels, viaducts, bridges, stations, track, signalling, bus stations and stands; properties attached to infrastructure which are not separable from infrastructure; and properties attached to infrastructure that are used to facilitate the service provision but are limited in use by operational constraints. Some of these properties generate revenues which are considered to be incidental to the Group's activities.

Infrastructure, plant and equipment and rolling stock are measured at cost less accumulated depreciation and accumulated impairment losses. Assets under construction are measured at cost less any recognised impairment loss.

Office buildings are valued at fair value by external, professionally qualified surveyors in accordance with RICS Guidelines. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement methodology assumes the valuation is based on the highest and best use of the asset. Office buildings are measured using the income approach, by means of the discounted cash flow method, where the expected cash flows from the properties are discounted (using a marked-derived discount rate) to establish the present value of the net income stream. Properties are therefore categorised as Level 3 in the fair value hierarchy, as the measurement technique uses significant

Accounting Policies (continued)

unobservable inputs to determine the fair value measurements. Valuations are performed on a rolling basis, with approximately 75 per cent of the portfolio by value being valued each year. Between formal valuations fair values are adjusted by the application of annual indexation. Movements in the fair value of the property are taken to the Revaluation Reserve, with the exception of permanent diminutions in value which are recognised in profit or loss.

The cost of certain items of property, plant and equipment was determined by reference to a revalued amount determined under a previous accounting regimen. The Group elected to apply the optional exemption to use this previous valuation as deemed cost at 1 April 2009, the date of transition to IFRS.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, borrowing costs on qualifying assets for which the commencement date for capitalisation is on or after 1 April 2009, and any other costs directly attributable to bringing the assets to a working condition for their intended use. Where there is a legal obligation to remove the asset and/or restore the site on which it is located at the end of its useful economic life, the costs of dismantling and removing the items and restoring the site on which they are located are also included in the cost of the asset.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. When components are replaced, the costs of the overhaul are capitalised as additions and the carrying amounts of the replaced components are written off to profit or loss.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the item, and are recognised net within other gains and losses in the Comprehensive Income and Expenditure Statement.

Depreciation

Depreciation is calculated on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less the expected residual value at the end of its useful economic life.

Depreciation is recognised in the Comprehensive Income and Expenditure Statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

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

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate, the effect of such adjustment being prospectively recognised as a change of estimate.

s) Heritage assets

Property, plant and equipment includes a number of assets classified as heritage assets in accordance with the Code. Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. These provisions apply to the collection of transport-related artefacts held at the London Transport Museum. Due to the diverse nature of the assets held and the lack of comparable market values, the cost of obtaining a valuation of TfL's heritage assets is such that it would not be commensurate with the benefits provided to users of the financial statements. TfL has therefore taken the exemption available under the Code to hold its heritage assets at historical cost less any accumulated depreciation or impairment losses.

t) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the supply of services or for administrative purposes.

Investment property is measured initially at cost, including transaction costs, and subsequently measured at fair value with any change therein recognised in profit or loss. When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting. Investment properties held at fair value are not subject to depreciation.

Investment properties are valued at fair value by external, professionally qualified surveyors in accordance with RICS Guidelines. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement methodology assumes the valuation is based on the highest and best use of the asset. Properties are measured using the income approach, by means of the discounted cash flow method, where the expected cash flows from the properties are discounted (using a marked-derived discount rate) to establish the present value of the net income stream. Properties are therefore categorised as Level 3 in the fair value hierarchy, as the measurement technique uses significant unobservable inputs to determine the fair value measurements.

Properties with a carrying value in excess of £5,000,000 are valued annually. Properties with a value in excess of £250,000 but less than £5,000,000 are revalued every three years. Properties with a value in excess of £100,000 but less than £250,000 are revalued every five years. Between formal valuations fair values are adjusted by the application of annual indexation.

u) Investment in associated undertakings

An associate is an entity over which the Group has significant influence, but not control. The results and assets and liabilities of associates are incorporated in these consolidated accounts using the equity method of accounting from the date on which the investee becomes an associate. Under the equity method, the investment is initially recognised on the balance sheet at cost, and is thereafter adjusted to recognise the Group's share of the profit or loss and other comprehensive income of the associate.

Accounting Policies (continued)

v) Inventories

Inventories consist primarily of fuel, uniforms, and materials required for the operation of services and maintenance of infrastructure. Equipment and materials held for use in a capital programme are accounted for as inventory until they are issued to the project, at which stage they become part of assets under construction.

Inventories are stated at cost less a provision for excess and obsolete inventories. Cost comprises direct materials, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method.

w) Assets held for sale

Long-term assets (and disposal groups comprising a group of assets and potentially some liabilities that an entity intends to dispose of in a single transaction) are classified as held for sale if their carrying amount will be recovered principally through sale rather than continuing use, they are available for immediate sale and sale is highly probable.

On initial classification as held for sale, long-term assets or disposal groups are measured at the lower of their previous carrying amount and fair value less costs to sell. No amortisation or depreciation is charged on long-term assets (including those in disposal groups) classified as held for sale.

x) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets (those necessarily taking a substantial period of time to get ready for their intended use) are added to the cost of those assets, until such time as the assets are ready

for their intended use. The Group has opted to use the date of transition to IFRS (1 April 2009) as the effective date for applying IAS 23 Borrowing Costs ('IAS 23').

All other finance and borrowing costs are recognised in the Comprehensive Income and Expenditure Statement in the period in which they are incurred.

y) Provisions

Provisions are recognised on the balance sheet when a present legal or constructive obligation exists for a future liability in respect of a past event and where the amount of the obligation can be estimated reliably. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

z) Foreign currencies

Transactions in currencies other than sterling are recognised at the rates of exchange prevailing at the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks (see Accounting Policy ag) below for hedging accounting policies).

aa) Leases (the Group as lessee)

Leased assets

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised in the Group's balance sheet.

Lease payments

Payments made under operating leases are recognised in the Comprehensive Income and Expenditure Statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

ab) Leases (the Group as lessor)

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases and initial direct costs are recognised on a straight line basis over the term of the relevant lease.

ac) Private Finance Initiative ('PFI') transactions and similar contracts

The Code requires the Group to account for infrastructure PFI schemes where it controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement. TfL therefore recognises such PFI assets as items of property, plant and equipment together with a liability to pay for them. The fair values of services received under the contract are recorded as operating expenses.

Accounting Policies (continued)

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 IAS 17 Leases.

Where the operator enhances assets already recognised in the balance sheet the fair value of the enhancement in the carrying value of the asset is recognised as an asset.

Liabilities

A PFI liability is recognised at the same time as the assets are recognised. It is measured initially at the same amount as the fair value of the PFI assets and is subsequently measured as a finance lease liability in accordance with IAS 17.

An annual finance cost is calculated by applying the implicit interest rate in the lease to the opening lease liability for the year, and is charged to financing and investment expenditure within the Comprehensive Income and Expenditure Statement.

The element of the unitary payment that is allocated as a finance lease rental is applied to meet the annual finance cost and to repay the lease liability over the contract term.

Life cycle replacement

Components of the asset replaced by the operator during the contract ('lifecycle replacement') are capitalised where they meet the Group's criteria for capital expenditure. They are capitalised at the time they are provided by the operator and are measured initially at their fair value.

PFI arrangements which are accounted for as operating leases are dealt with as detailed in Accounting Policy aa) above.

ad) Impairment of non-financial assets

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired. Other intangible assets, property, plant and equipment and investments in subsidiaries and associated companies are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss.

Impairment occurs when an asset's carrying value exceeds its recoverable amount. An asset's recoverable amount is the higher of its value in use and its fair value less costs to sell.

In accordance with the Code, when an asset is not held primarily for the purpose of generating cash flows but for service provision, value in use is the present value of the asset's remaining service potential, which can be assumed to be at least equal to the cost of replacing that service potential. This is the case for the majority of the Group's assets.

ae) Employee benefits

Defined benefit plans

The majority of the Group's employees are members of the Group's defined benefit plans, which provide benefits based on final pensionable pay. The assets of schemes are held separately from those of the Group.

On retirement, members of the schemes are paid their pensions from a fund which is kept separate from the Group. The Group makes cash contributions to the funds in advance of members' retirement.

Every three years the Group's schemes are subject to a full actuarial funding valuation using the projected unit method. Separate valuations are prepared for accounting purposes on an IAS 19 basis as at the balance sheet date. Pension scheme assets are measured using current market bid values. Pension scheme defined benefit obligations are measured using a projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the defined benefit obligation.

The difference between the value of the pension scheme assets and pension scheme liabilities is a surplus or a deficit. A pension scheme surplus is recognised to the extent that it is recoverable and a pension scheme deficit is recognised in full. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is reflected immediately in the balance sheet with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by

applying the discount rate at the beginning of the period to the net defined benefit obligation or asset. Defined benefit costs are categorised between; (a) Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements), (b) Net interest expense or income, and (c) Remeasurement. The Group presents the first two components in profit or loss within the surplus on the provision of services before tax. Curtailment gains and losses are accounted for as past service costs.

Multi-employer exemption

For certain defined benefit schemes, the Corporation and/or the Group is unable to identify its share of the underlying assets and defined benefit obligations of the scheme on a consistent and reasonable basis. As permitted by the multi-employer exemption in the Code, these schemes are accounted for as defined contribution schemes. Contributions are therefore charged to the Comprehensive Income and Expenditure Statement as incurred.

Group schemes under common control

The Corporation and certain of its subsidiaries are members of a Group defined benefit plan wherein risks are shared between the entities under common control. There is no contractual arrangement in place to apportion the net defined benefit cost across the member entities. Accordingly, in line with the provisions of IAS 19, the total net defined benefit obligation is recognised in the individual financial statements of the sponsoring employer, the Corporation.

Unfunded pension schemes

Ex gratia payments are made to certain employees on retirement in respect of service prior to the establishment of pension funds for those employees. Supplementary payments are made to the pensions of

Accounting Policies (continued)

certain employees who retired prior to the index linking of pensions. The Group also augments the pensions of certain employees who retire early under voluntary severance arrangements. In addition, certain employees also accrue benefits under an unfunded pension arrangement. These unfunded pension liabilities are provided for in the balance sheet.

Defined contribution plans

Some employees are members of defined contribution plans. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the Comprehensive Income and Expenditure Statement in the periods during which services are rendered by employees.

Other employee benefits

Other short and long-term employee benefits, including holiday pay and long service leave, are recognised as an expense over the period in which they accrue.

af) Reserves

Reserves consist of two elements, usable and unusable.

Usable reserves are those that can be applied to fund expenditure. They are made up of the General Fund, Earmarked Reserves, the Capital Grants Unapplied Account and the Street Works Reserve. Amounts in the Street Works Reserve represent the net income/expenditure generated from lane rental revenues. These net revenues may only be employed in funding the reduction of disruption and other adverse effects caused by street works.

Unusable reserves cannot be applied to fund expenditure as they are not cash backed. They include the Capital Adjustment Account, Pension Reserve, the Hedging Reserve, the Available for Sale Reserve, the Financial Instruments Adjustment Account, the Retained Earnings Reserve in subsidiaries and the fixed asset Revaluation Reserve.

ag) Financial instruments

Financial assets within the scope of IAS 39 Financial Instruments: Recognition and Measurement ('IAS 39') are classified as:

- Financial assets at fair value through the Comprehensive Income and Expenditure Statement; or
- loans and receivables; or
- available for sale financial assets.

Financial liabilities within the scope of IAS 39 are classified as either financial liabilities at fair value through the Comprehensive Income and Expenditure Statement or financial liabilities measured at amortised cost.

The Group determines the classification of its financial instruments at initial recognition and re-evaluates this designation when circumstances dictate. When financial instruments are recognised initially, they are measured at fair value, being the transaction price plus any directly attributable transaction costs. The exception to this is for assets and liabilities measured at fair value, where transaction costs are immediately expensed.

The subsequent measurement of financial instruments depends on their classification as follows:

Financial assets at fair value through the Comprehensive Income and Expenditure Statement (held for trading)

Financial assets are classified as held for trading if they are acquired for sale in the short term. Derivatives are also classified as held for trading unless they are designated as hedging instruments. Assets are carried in the balance sheet at fair value with gains or losses recognised in the Comprehensive Income and Expenditure Statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market, do not qualify as trading assets and have not been designated as either 'fair value through the Comprehensive Income and Expenditure Statement' or 'available for sale'. Such assets are carried at amortised cost using the effective interest rate method if the time value of money is significant. Gains and losses are recognised in the Comprehensive Income and Expenditure Statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

The fair value of loans advanced to third parties at nil interest rate or below the prevailing market rate of interest is estimated as the present value of all future cash receipts discounted using the prevailing market rate of interest for a similar instrument. The loan is subsequently amortised up to its repayment amount using the effective rate of interest.

Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as such or are not classified in any of the other categories. After initial recognition,

interest is taken to the Comprehensive Income and Expenditure Statement using the effective interest rate method and the assets are measured at fair value with gains or losses being recognised in the Available for Sale Reserve until the investment is derecognised, or until the investment is deemed to be impaired at which time the cumulative gain or loss previously reported in reserves is included in the Comprehensive Income and Expenditure Statement.

Other investments

Other investments include short and long-term deposits with Government or financial institutions, including Money Market Fund investments and Repurchase Agreements. Short-term investments are classified as loans and receivables. Long-term investments quoted in an active market are classified as available for sale financial assets.

Trade and other receivables

Trade and other receivables are classified as loans and receivables financial assets and are recognised initially at fair value and subsequently at amortised cost. For trade receivables this is after an allowance for estimated impairment. The allowance is based on objective evidence that the Group will not be able to recover all amounts due, through a review of all accounts and prior experience of collecting outstanding balances. Changes in the carrying amount of the allowance are recognised in the Comprehensive Income and Expenditure Statement.

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Accounting Policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an outstanding maturity, at the date of acquisition, of less than or equal to three months. Other investments with an outstanding maturity at the date of acquisition of less than or equal to three months are classified as short-term investments on the basis that they are not readily convertible to cash without penalty.

Cash equivalents are classified as loans and receivables financial instruments.

Financial liabilities at fair value through the Comprehensive Income and Expenditure Statement (held for trading)

Derivative liabilities are classified as held for trading unless they are designated as hedging instruments. They are carried in the balance sheet at fair value with gains or losses recognised in the Comprehensive Income and Expenditure Statement.

Financial liabilities measured at amortised cost

All non-derivative financial liabilities are classified as financial liabilities measured at amortised cost. Non-derivative financial liabilities are initially recognised at the settlement date at the fair value of the consideration received, less directly attributable issue costs. After initial recognition, non-derivative financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the Comprehensive Income and Expenditure Statement when the liabilities are derecognised or impaired, as well as through the amortisation process.

Trade and other creditors

Trade and other creditors are recognised initially at fair value and subsequently at amortised cost using the effective interest rate method.

Interest bearing loans and borrowings

All loans and borrowings are classified as financial liabilities measured at amortised cost.

Obligations under finance leases and PFI arrangements

All obligations under finance leases and PFI arrangements are classified as financial liabilities measured at amortised cost.

Derivative financial instruments

The Group uses derivative financial instruments to manage certain exposures to fluctuations in foreign currency exchange rates and interest rates. The Group does not hold or issue derivative instruments for speculative purposes. The use of derivatives is governed by the Group's policies, approved by the Board. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of the foreign currency risk of firm commitments (cash flow hedges).

The fair value of hedging derivatives is classified as a long-term asset or a long-term liability if the remaining maturity of the hedge relationship is more than 12 months and as a short-term asset or a short-term liability if the remaining maturity of the hedge relationship is less than 12 months. Derivatives not designated into an effective hedge relationship are classified as a short-term asset or a short-term liability.

Hedge accounting

In order to qualify for hedge accounting, at inception of the transaction the Group formally designates and documents the hedging relationship, which includes the Group's risk management objective and strategy for undertaking the hedge, identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness. In addition, an instrument is only designated as a hedge when it is expected to be highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk as designated and documented and where effectiveness is capable of reliable measurement.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Derivatives qualify for hedge accounting if changes in the fair value or cash flows of the hedging instrument attributable to the hedged

risk are expected to be highly effective in offsetting the changes in the fair value or cash flows of the hedged item on a prospective basis and on a retrospective basis where actual results are within a range of 80 per cent to 125 per cent. Where derivatives or portions of hedges do not qualify for hedge accounting, they are recorded at fair value through the Comprehensive Income and Expenditure Statement and any change in value is immediately recognised in the Comprehensive Income and Expenditure Statement.

Cash flow hedges

Derivative instruments are classified as cash flow hedges when they hedge the Group's exposure to variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction. Derivative instruments qualifying for treatment as cash flow hedges are principally interest rate swaps and foreign currency forward exchange contracts.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is deferred in reserves. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts deferred in reserves are recycled in profit or loss in the periods when the hedged items (the hedged asset or liability) are recognised in the Comprehensive Income and Expenditure Statement. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in reserves are transferred from reserves and included in the initial measurement of the cost of the related asset or liability.

Accounting Policies (continued)

Hedge accounting is discontinued when the Group revokes the hedging instrument relationship, or the hedging instrument expires, is sold, terminated, exercised or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in reserves at that time remains in reserves and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in reserves is recognised immediately in profit or loss.

Fair value measurement of financial instruments

The fair value of quoted investments is determined by reference to bid prices at the close of business on the balance sheet date, within Level 1 of the fair value hierarchy as defined within IFRS 7.

Where there is no active market, fair value is determined using valuation techniques. These include using recent arm's length transactions; reference to the current market value of another instrument which is substantially the same; and discounted cash flow analysis and pricing models.

In the absence of quoted market prices, derivatives are valued by using quoted forward prices for the underlying commodity/currency and discounted using quoted interest rates (both as at the close of business on the balance sheet date). Hence, derivatives are within Level 2 of the fair value hierarchy as defined within IFRS 7.

Impairment of financial assets

Financial assets are assessed at each balance sheet date to determine whether there is any objective evidence that they are impaired. Individually significant financial assets are tested for impairment on an individual basis. All impairment losses are recognised in the Comprehensive Income and Expenditure Statement.

Embedded derivatives

Derivatives that are embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts, and the host contracts are not carried at fair value. Embedded derivatives are carried on the balance sheet at fair value from inception of the host contract. Unrealised changes in fair value are recognised as gains/losses within the Comprehensive Income and Expenditure Statement during the period in which they arise.

I. Gross income

a) Gross income: Group

Year ended 31 March	2016 £m	% of total	2015 £m	% of total
Fares	4,258.4	80.5	3,989.1	79.2
Revenue in respect of free travel for the elderly and disabled	328.3	6.2	321.0	6.4
Congestion Charging	258.4	4.9	257.4	5.1
Charges to London Boroughs	13.2	0.2	15.6	0.3
Charges to transport operators	10.8	0.2	10.7	0.2
Road Network compliance income	35.2	0.7	38.7	0.8
Commercial advertising receipts	114.9	2.2	169.5	3.4
Rents receivable	71.5	1.4	63.3	1.3
Contributions from third parties to operating costs	12.6	0.2	16.3	0.3
Taxi and Private Hire licensing	25.4	0.5	21.9	0.4
Ticket and photocard commission income	37.8	0.7	17.9	0.4
ATM and car parking income	15.9	0.3	12.3	0.2
Museum income	8.6	0.2	8.4	0.2
Training and specialist services	9.0	0.2	12.0	0.2
Cycle hire scheme	16.2	0.3	15.6	0.3
Other	72.4	1.3	69.5	1.3
	5,288.6	100.0	5,039.2	100.0

b) Congestion charging

	Group and Corporation 2016 £m	Group and Corporation 2015 £m
Income	258.4	257.4
Toll facilities and traffic management	(84.4)	(80.7)
	174.0	176.7
Administration, support services and depreciation	(5.7)	(4.2)
Net income from Congestion Charging	168.3	172.5

The net revenues from the Congestion Charge are spent on improving transport in line with the Mayor's Transport Strategy.

1. Gross income (continued)

c) Street works

	Group and Corporation 2016 £m	Group and Corporation 2015 £m
Income	12.0	6.3
Allowable operating costs of managing the lane rental scheme	(1.8)	-
Application of Street Works Reserve to projects reducing the adverse effects caused by street works	(1.3)	(1.6)
Net income recognised within net cost of services	8.9	4.7
Allowable capital costs of managing the lane rental scheme	(1.8)	(0.4)
Net income for the year transferred to the Street Works Reserve	7.1	4.3

Under the London lane rental scheme, introduced in 2012, TfL receives payments where utilities carry out certain street works in circumstances significantly affecting traffic. The legislation (SI 2012/425) requires TfL to apply the net proceeds of these payments to reducing the adverse effects caused by street works. The net income shown above has been transferred to the Street Works Reserve.

2. Segmental analysis

Decisions taken by the Board about resource allocation are made using internal management reports which show total expenditure. These management reports are presented on a segmental basis as shown below.

Year ended 31 March 2016

	London Underground £m	London Rail £m	Surface Transport £m	Corporate Items £m	Total £m
Income	2,740.7	499.7	1,952.3	95.9	5,288.6
Expenditure	(2,555.5)	(538.2)	(2,987.0)	(216.5)	(6,297.2)
Net operating income/(expenditure)	185.2	(38.5)	(1,034.7)	(120.6)	(1,008.6)

Year ended 31 March 2015

	London Underground £m	London Rail £m	Surface Transport £m	Corporate Items £m	Total £m
Income	2,634.6	351.1	1,974.6	78.9	5,039.2
Expenditure	(2,563.1)	(383.7)	(2,919.5)	(233.4)	(6,099.7)
Net operating income/(expenditure)	71.5	(32.6)	(944.9)	(154.5)	(1,060.5)

2. Segmental analysis (continued)

The segmental analysis is prepared using internal management reporting accounting methodologies. In some cases, these methodologies are different from the accounting policies used in the financial statements. The main differences between the methodologies are explained below and reconciliations between the two are included on the following pages:

- Certain items which do not fit into any of the reporting segments are known internally as 'Group items'. Group items are reported separately to management and are not included in the segmental analysis.
- Depreciation, amortisation and impairment charges are not included in the segmental analysis.
- The cost of retirement benefits in the management reports is based on cash flows rather than the current service costs of benefits accrued in the year.
- The capital elements (i.e. capital repayment and financing costs) relating to PFI contracts are included in the management reports in net operating expenditure but they are not included in net cost of services in the Comprehensive Income and Expenditure Statement.

Reconciliation of net operating expenditure per the segmental analysis to net cost of services for the year ended 31 March 2016

	£m	£m
Net operating expenditure per the segmental analysis		(1,008.6)
Amounts included in the Comprehensive Income and Expenditure Statement not reported to management in the segmental analysis		
Depreciation (note 3)	(1,057.3)	
Amortisation (note 3)	(62.0)	
Pension service costs (note 31)	(381.0)	
		(1,500.3)
Amounts included in the segmental analysis not included in the Comprehensive Income and Expenditure Statement		
Capital and interest payments under the PFI schemes	71.3	
Pension payments charged to operating costs	290.0	
		361.3
Net cost of services		(2,147.6)

2. Segmental analysis (continued)

Reconciliation of net operating expenditure per the segmental analysis to net cost of services for the year ended 31 March 2015

	£m	£m
Net operating expenditure per the segmental analysis		(1,060.5)
Net expenditure of services not included in the segmental analysis		
Amounts included in the Comprehensive Income and Expenditure Statement not reported to management in the segmental analysis		
Depreciation (note 3)	(999.3)	
Amortisation (note 3)	(40.6)	
Pension service costs (note 31)	(320.4)	
		(1,360.3)
Amounts included in the segmental analysis not included in the Comprehensive Income and Expenditure Statement		
Capital and interest payments under the PFI schemes	112.4	
Pension payments charged to operating costs	292.7	
		405.1
Net cost of services		(2,015.7)

2. Segmental analysis (continued)

Reconciliation of segmental analysis to subjective analysis for the year ended 31 March 2016

	Net revenue cost per the segmental analysis £m	Amounts included in the Comprehensive Income and Expenditure Statement not reported to management in the segmental analysis £m	Amounts included in the segmental analysis not included in the Comprehensive Income and Expenditure Statement £m	Total £m
Income	5,288.6	-	-	5,288.6
Staff costs	(1,861.7)	(370.3)	290.0	(1,942.0)
Other service expenses	(4,435.5)	(10.7)	71.3	(4,374.9)
Depreciation, amortisation and impairment	-	(1,119.3)	-	(1,119.3)
Total cost	(6,297.2)	(1,500.3)	361.3	(7,436.2)
Net cost of services	(1,008.6)	(1,500.3)	361.3	(2,147.6)
Other net operating expenditure				(46.2)
Financing and investment income				81.6
Financing and investment expenditure				(418.7)
Grant income				3,510.9
Group share of profit after tax of associated undertakings				25.9
Surplus on the provision of services before taxation				1,005.9

2. Segmental analysis (continued)

Reconciliation of segmental analysis to subjective analysis for the year ended 31 March 2015

	Net revenue cost per the segmental analysis £m	Amounts included in the Comprehensive Income and Expenditure Statement not reported to management in the segmental analysis £m	Amounts included in the segmental analysis not included in the Comprehensive Income and Expenditure Statement £m	Total £m
Income	5,039.2	-	-	5,039.2
Staff costs ⁺	(1,786.2)	(310.1)	292.7	(1,803.6)
Other service expenses ⁺	(4,313.5)	(10.3)	112.4	(4,211.4)
Depreciation, amortisation and impairment	-	(1,039.9)	-	(1,039.9)
Total cost	(6,099.7)	(1,360.3)	405.1	(7,054.9)
Net cost of services	(1,060.5)	(1,360.3)	405.1	(2,015.7)
Other net operating expenditure				(19.5)
Financing and investment income				229.3
Financing and investment expenditure				(450.7)
Grant income				4,560.1
Surplus on the provision of services before taxation				2,303.5

⁺ Staff costs for 2014/15 have been restated to exclude the costs of British Transport Police Authority staff and officers working on the London Underground. Costs of these individuals are now included as non-staff costs within other service expenses in the table above.

The segmental reporting analysis only deals with Group information, and no disclosures are included for the Corporation. This is because the Corporation's results are not reported to the Board on a segmental basis.

No balance sheet information is reported internally by segment, and there is accordingly no requirement under the Code to disclose segmental balance sheet information in the Statement of Accounts.

3. Gross expenditure

Gross expenditure recognised in the Comprehensive Income and Expenditure Statement comprises:

Note	Group 2016 £m	Group 2015 £m	Corporation 2016 £m	Corporation 2015 £m
Staff costs ⁺ :				
Wages and salaries *	1,423.8	1,351.6	291.1	254.6
Social security costs	135.8	127.9	27.9	24.7
Pension costs	31	324.1	153.8	83.2
	1,942.0	1,803.6	472.8	362.5
Other service expenditure **	4,374.9	4,211.4	468.1	526.9
Depreciation	12	999.3	186.2	173.0
Amortisation of software intangibles	11	40.6	27.8	15.9
	7,436.2	7,054.9	1,154.9	1,078.3

* Wages and salaries include amounts provided for the cost of voluntary severance.

** Included in the Corporation's other service expenditure is £177.0m (2014/15 £173.1m) relating to financial assistance to London Boroughs and other third parties (see note 38 for detailed analysis). Other service expenditure also includes payments made under operating leases for the year of £98.7m for the Group (2014/15 £65.7m) and of £24.8m (2014/15 £18.2m) for the Corporation.

The average number of persons employed in the year was:

	Group 2016 Number	Group 2015 ⁺ Number	Corporation 2016 Number	Corporation 2015 Number
Permanent staff (including fixed term contracts)	27,501	26,090	5,501	4,751
Agency staff	2,882	2,480	859	544
	30,383	28,570	6,360	5,295

⁺ Group staff costs and average staff numbers for 2014/15 have been restated to exclude the costs of British Transport Police Authority staff and officers working on the London Underground. Costs of these individuals have been reclassified as non-staff costs within other service expenditure.

4. External audit fees

External audit fees are made up as follows:

	Group 2016 £m	Group 2015 £m	Corporation 2016 £m	Corporation 2015 £m
Auditor's remuneration:				
for statutory audit services	0.9	1.2	0.2	0.2
for non-statutory audit services	-	0.1	-	-
for non-audit services *	-	0.3	-	0.1
	0.9	1.6	0.2	0.3

* The Audit and Assurance Committee reviews and notes the nature and extent of non-audit services provided by TfL's external auditor to ensure that independence is maintained.

5. Remuneration

a) Employees' remuneration

The Code requires the disclosure of remuneration for the Corporation's employees whose total remuneration in the year was £50,000 or more, grouped in rising bands of £5,000. The impact of the transfer of employees into and out of the Corporation from subsidiaries can cause distortion for year on year comparison purposes. Consequently, an additional voluntary disclosure for the Group is provided that shows the combined employee bands for TfL and its subsidiaries.

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 has increased from 272 in 2014/15 to 297 in 2015/16. The corresponding figures for those receiving total remuneration of more than £100,000 are 41 for 2014/15 and 56 for 2015/16.

Excluding Crossrail the number of staff receiving total remuneration over £100,000 is 402 (2014/15 413).

The disclosure in note 5a includes all senior employees also included in note 5b.

5. Remuneration (continued)

a) Employees' remuneration

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

£	Group 2016 Number	Group 2015 Number	Corporation 2016 Number	Corporation 2015 Number
50,000 – 54,999	4,260	4,503	478	417
55,000 – 59,999	2,231	2,172	405	358
60,000 – 64,999	1,647	1,510	319	257
65,000 – 69,999	1,164	1,110	248	208
70,000 – 74,999	812	762	231	165
75,000 – 79,999	613	543	148	108
80,000 – 84,999	404	338	86	74
85,000 – 89,999	239	231	63	55
90,000 – 94,999	178	179	37	37
95,000 – 99,999	140	121	37	32
100,000 – 104,999	85	106	28	31
105,000 – 109,999	69	72	19	20
110,000 – 114,999	59	45	23	16
115,000 – 119,999	49	36	10	9
120,000 – 124,999	31	23	6	7
125,000 – 129,999	25	27	7	12
130,000 – 134,999	18	13	5	4
135,000 – 139,999	10	14	2	3
140,000 – 144,999	15	11	4	5
145,000 – 149,999	7	12	1	1
150,000 – 154,999	5	12	4	4
155,000 – 159,999	10	8	4	5
160,000 – 164,999	7	8	4	4
165,000 – 169,999	7	6	2	1
170,000 – 174,999	2	5	-	-
175,000 – 179,999	4	6	1	3
180,000 – 184,999	4	6	1	3
185,000 – 189,999	1	2	1	1
190,000 – 194,999	1	2	-	-
195,000 – 199,999	3	3	2	1
200,000 – 204,999	7	3	2	1
205,000 – 209,999	3	3	3	2
210,000 – 214,999	4	2	3	1
215,000 – 219,999	2	2	-	2

5. Remuneration (continued)

£	Group 2016 Number	Group 2015 Number	Corporation 2016 Number	Corporation 2015 Number
220,000 – 224,999	3	5	3	-
225,000 – 229,999	5	1	1	-
230,000 – 234,999	1	3	1	2
235,000 – 239,999	-	2	-	1
240,000 – 244,999	1	-	1	-
245,000 – 249,999	1	1	-	-
250,000 – 254,999	4	1	1	-
255,000 – 259,999	2	1	-	-
260,000 – 264,999	1	1	-	-
265,000 – 269,999	-	1	-	1
270,000 – 274,999	-	1	-	-
275,000 – 279,999	1	-	-	-
280,000 – 284,999	1	-	-	-
290,000 – 294,999	-	2	-	1
300,000 – 304,999	3	-	1	-
320,000 – 324,999	2	1	2	1
335,000 – 339,999	1	1	1	-
345,000 – 349,999	1	-	1	-
350,000 – 354,999	-	1	-	1
360,000 – 364,999	-	1	-	1
390,000 – 394,999	1	1	-	1
420,000 – 424,999	-	1	-	-
435,000 – 439,999	1	-	1	-
475,000 – 479,999	-	1	-	1
775,000 – 779,999	1	-	-	-
870,000 – 874,999	-	1	-	-
Total	12,146	11,923	2,197	1,857

b) Remuneration for senior employees

The Accounts and Audit Regulations 2015 require disclosure of individual remuneration details for senior employees. Senior employees are those 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 below.

Employer's pension contributions include the contribution in respect of future benefit accrual. Separately, member contributions are payable by employees at the rate of five per cent of pensionable salary.

Salary, fees and allowances are disclosed on an earned basis to ensure that reported salary is based on annual salary rather than being distorted by the variable timing of payroll payments. Performance related pay, however, is reported on a cash paid basis as performance payments may not be determined for many months after the end of the relevant year.

5. Remuneration (continued)

b) Remuneration for senior employees

	Notes	Salary (including fees and allowances) 2015/16 £	Performance related pay for 2014/15 paid in year 2015/16** £
Current employees excluding Crossrail			
Mike Brown, Commissioner	a	* 356,409	79,957
Nick Brown, Managing Director, Rail and Underground	b	* 314,880	9,069
Howard Carter, General Counsel	c	* 257,814	63,486
Leon Daniels, Managing Director, Surface Transport	d	273,760	73,886
Richard De Cani, Managing Director, Planning		* 191,416	32,375
Michèle Dix, Managing Director, Crossrail 2	e	173,086	35,904
Vernon Everitt, Managing Director, Customers, Communication and Technology	f	233,657	65,500
Ian Nunn, Chief Finance Officer	g	137,693	-
Miles Ashley, Programme Director Construction, Rail and Underground		153,535	21,000
Sarah Atkins, Commercial Director, Rail & Underground	h	* 187,362	25,600
Derek Baillie, Project Manager, Property Development	i	22,518	-
Justin Brand, Commercial Asset Management Director	j	107,787	-
Alan Bristow, Director of Road Space Management		* 163,833	24,975
Andrea Clarke, Director of Legal	k	148,832	29,000
Graeme Craig, Director of Commercial Development		175,000	25,000
Garrett Emmerson, Chief Operating Officer, Surface Transport	l	* 193,686	33,298
Stephen Field, Director of Pensions and Reward	m	* 189,988	30,970
Michael Flynn, New Tube for London Programme Director		178,426	23,200
Steve Griffiths, Chief Operating Officer, London Underground	n	247,747	-
Lester Hampson, Property Development Director	o	66,335	-
Stuart Harvey, Programme Director of Systems, Rail and Underground		210,092	52,000
Nigel Holness, Operations Director - Jubilee, Northern & Piccadilly Lines		* 182,534	36,434
Simon Kilonback, Director of Group Treasury		179,185	25,000
Nicholas Leach, IM Chief Operating Officer	p	62,916	-
Chris Macleod, Director of Marketing		* 173,547	31,014
George McNulty, Programme Director - Infrastructure, Rail and Underground	q	* 153,008	20,000
Andrew Pollins, Director of Finance, Rail & Underground		* 183,645	22,820
Gareth Powell, Chief Operating Officer, London Rail		* 200,606	33,300
Andrew Quincey, Director of Commercial		* 176,156	25,000
Patricia Riley, Human Resources Director	r	* 207,826	32,375
Michael Strzelecki, Director of Business Transformation		160,000	20,000

5. Remuneration (continued)

Compensation for loss of employment 2015/16 £	Benefits in kind 2015/16 £	Total remuneration excluding pension contributions 2015/16 £	Employer's contribution to pension 2015/16^ £	Salary (including fees and allowances) 2014/15 £	Performance related pay for 2013/14 paid in year 2014/15*** £	Total remuneration excluding pension contributions 2014/15**** £
-	1,781	438,147	9,676	* 309,658	79,668	391,106
-	-	323,949	-	* 86,814	-	86,814
-	1,781	323,081	9,676	* 261,976	59,899	323,655
-	1,781	349,427	14,352	277,768	72,030	351,578
-	1,389	225,180	27,689	* 155,278	26,000	182,735
-	1,770	210,760	22,315	206,740	52,102	260,622
-	1,781	300,938	19,028	229,020	64,813	295,613
-	812	138,505	-	-	-	-
-	1,389	175,924	27,883	143,768	28,000	173,153
-	1,389	214,351	-	* 185,297	28,888	215,570
-	-	22,518	-	-	-	-
-	457	108,244	21,132	-	-	-
-	1,389	190,197	-	* 136,897	22,000	160,282
-	1,389	179,221	27,606	137,808	26,100	165,293
-	1,389	201,389	29,682	150,000	22,500	173,885
-	626	227,610	9,676	* 198,725	32,000	231,349
-	1,389	222,347	9,676	* 185,436	27,565	214,386
-	1,389	203,015	30,468	163,157	12,614	177,156
-	1,278	249,025	27,646	-	-	-
-	532	66,867	11,408	-	-	-
-	1,389	263,481	-	168,493	52,000	221,878
-	1,389	220,357	29,606	* 162,672	41,100	205,157
-	1,389	205,574	29,682	150,987	25,000	177,372
-	578	63,494	12,247	-	-	-
-	-	204,561	30,468	* 168,189	30,000	198,189
-	1,389	174,397	36,121	* 120,236	24,047	149,624
-	1,389	207,854	30,468	* 177,229	27,380	205,994
-	1,389	235,295	30,473	* 185,569	30,625	217,579
-	1,389	202,545	30,468	* 176,421	22,500	200,306
-	626	240,827	12,014	* 200,256	31,500	232,380
-	1,389	181,389	-	160,000	21,000	182,385

5. Remuneration (continued)

b) Remuneration for senior employees (continued)

	Notes	Salary (including fees and allowances) 2015/16 £	Performance related pay for 2014/15 paid in year 2015/16** £
Current employees excluding Crossrail (continued)			
Paul Thomas, Head of Engineering, New Tube for London	s	171,324	32,000
Steve Townsend, Chief Information Officer		175,598	20,000
Shashi Verma, Chief Technology Officer and Director of Customer Experience		* 192,872	36,000
David Waboso, Director of Capital Programmes, London Underground	t	* 258,582	-
Stephen White, Operations Director, Sub-Surface Lines	u	210,082	46,465
Crossrail current office holders/employees			
Terry Morgan, Non-Executive Chairman	v	250,000	-
Andrew Wolstenholme, Chief Executive		521,150	252,950
Chris Binns, Chief Engineer	w	121,542	-
Martin Buck, Transition and Strategy Director		153,090	149,753
Mathew Duncan, Finance Director	x	107,718	-
Mark Fell, Legal Services Director and Company Secretary		162,553	40,735
Robert Flanagan, Finance Operations Director	y	159,081	22,097
Paul Grammer, Commercial Director	z	211,575	12,531
Steve Hails, Health & Safety Director		196,785	31,251
Ian Lindsay, Land & Property Director		177,453	31,657
Richard Palczynski, Head of Controls	aa	126,936	-
Duncan Pickard, Stations Delivery Director	ab	170,195	8,920
Chris Sexton, Technical Director		210,052	36,238
Howard Smith, Director of Operations, Crossrail	ac	* 185,644	94,500
Valerie Todd, Talent & Resources Director	ad	221,625	52,809
Andrew Turner, IT Director	ae	161,022	7,336
Mark Warren, Head of Performance	af	164,279	9,017
Matthew White, Surface Director		147,140	20,784
Simon Wright, Programme Director	ag	289,101	99,680

5. Remuneration (continued)

Compensation for loss of employment 2015/16 £	Benefits in kind 2015/16 £	Total remuneration excluding pension contributions 2015/16 £	Employer's contribution to pension 2015/16^ £	Salary (including fees and allowances) 2014/15 £	Performance related pay for 2013/14 paid in year 2014/15*** £	Total remuneration excluding pension contributions 2014/15**** £
-	1,389	204,713	32,606	172,037	20,228	193,650
-	1,389	196,987	38,149	163,726	22,500	187,611
-	626	229,498	39,398	* 187,655	35,000	223,279
-	1,389	259,971	76,040	* 258,604	76,950	336,939
-	1,389	257,936	-	205,978	20,000	227,359
-	1,400	251,400	-	250,000	-	251,385
-	1,400	775,500	30,923	514,621	358,848	874,854
-	1,063	122,605	12,137	-	-	-
-	631	303,474	30,923	170,329	101,130	272,083
-	676	108,394	10,772	-	-	-
-	1,400	204,688	33,126	160,225	62,189	223,799
-	1,400	182,578	30,923	157,988	23,676	183,049
-	1,400	225,506	21,158	70,000	-	70,460
-	1,400	229,436	30,923	195,320	29,298	226,003
-	1,400	210,510	30,923	175,216	34,485	211,086
-	504	127,440	12,423	-	-	-
-	-	179,115	16,926	54,491	-	54,491
-	1,400	247,690	30,923	202,952	33,554	237,891
-	1,389	281,533	9,676	* 190,774	30,625	222,784
-	1,781	276,215	30,468	* 219,607	42,490	263,877
-	1,400	169,758	1,192	88,984	-	89,783
-	1,400	174,696	16,120	54,353	-	54,813
-	1,400	169,324	28,601	138,561	24,452	163,719
-	1,400	390,181	28,630	204,874	-	205,867

5. Remuneration (continued)

b) Remuneration for senior employees (continued)

	Notes	Salary (including fees and allowances) 2015/16 £	Performance related pay for 2014/15 paid in year 2015/16** £
Former employees			
Peter Hendy, Commissioner	ah	105,313	151,922
Steve Allen, Managing Director, Finance	ai	* 151,962	70,740
David Allen, Finance Director, Crossrail	aj	193,542	106,614
Carl Devlin, Capacity Optimisation Programme Director	ak	191,783	60,950
John Gaudette, Delivery Manager, Tubelines	al	12,211	-
Martin Rowark, Director of Commercial, Line Upgrades	am	29,146	22,468

* 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. The allowance is paid at the rate of the supplementary scheme pension scheme contribution foregone, discounted by the employer rate of National Insurance in order to ensure no additional employer cost is incurred. It also includes an allowance available to employees on fixed term contracts who choose to join a defined contribution scheme rather than the TfL Pension Fund

** refers to 2014/15 Performance Related Pay awards

*** refers to 2013/14 Performance Related Pay awards

**** total remuneration for 2014/15 also includes benefits in kind as reported in last year's Statement of Accounts

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

a changed role in year, formerly Managing Director, Rail and Underground. Salary sacrificed for pension of £5,154 (2014/15 £nil)

b entered service 15 December 2014. Changed role in year, formerly Interim Chief Operating Officer, Rail and Underground

c salary sacrificed for childcare vouchers of £352 (2014/15 £1,144) and pension of £5,155 (2014/15 £nil)

d salary sacrificed for pension of £4,008 (2014/15 £nil)

e salary sacrificed for pension of £9,167 (2014/15 £nil). Worked full-time for most of 2014/15, reverting to part-time four days per week on 1 April 2015

f salary sacrificed for pension of £2,863 (2014/15 £nil)

g entered service 1 September 2015. Salary sacrificed for pension of £4,438 (2014/15 £nil)

h salary sacrificed for pension of £2,863 (2014/15 £nil)

i entered service 11 January 2016, paid for providing services three days per week

j entered service 13 July 2015

k paid for providing services four and a half days per week

l salary sacrificed for pension of £5,154 (2014/15 £nil)

m salary sacrificed for pension of £5,154 (2014/15 £nil)

n entered service 5 May 2015

o entered service 16 November 2015

5. Remuneration (continued)

Compensation for loss of employment 2015/16 £	Benefits in kind 2015/16 £	Total remuneration excluding pension contributions 2015/16 £	Employer's contribution to pension 2015/16^ £	Salary (including fees and allowances) 2014/15 £	Performance related pay for 2013/14 paid in year 2014/15*** £	Total remuneration excluding pension contributions 2014/15**** £
-	495	257,730	-	331,362	145,301	478,443
-	680	223,382	9,676	* 288,574	74,520	363,863
-	979	301,135	21,884	264,231	156,897	422,513
-	849	253,582	10,594	265,000	26,500	292,885
-	-	12,211	825	88,623	-	88,623
-	179	51,793	4,332	123,730	-	124,735

p entered service 1 November 2015

q salary sacrificed for Cycle to Work scheme of £794 (2014/15 £nil)

r salary sacrificed for pension of £4,581 (2014/15 £nil)

s salary sacrificed for Cycle to Work scheme of £1,000 (2014/15 £nil). Performance related pay of £2,138 sacrificed to pension fund (2014/15 £nil)

t performance related pay of £33,406 sacrificed to pension fund (2014/15 £nil)

u entered service 7 April 2014

v paid for providing services three days per week

w entered service 29 June 2015

x entered service 8 October 2015

y salary sacrificed for childcare vouchers of £1,320 (2014/15 £1,320)

z entered service 1 December 2014

aa entered service 15 June 2015

ab entered service 8 December 2014

ac salary sacrificed for pension of £5,154 (2014/15 £nil)

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

ae entered service 3 September 2014 and paid for providing services four days per week

af entered service 1 December 2014

ag entered service 14 July 2014

ah left service 15 July 2015. Salary sacrificed for pension of £5,154 (2014/15 £17,082)

ai left service 30 September 2015. Salary sacrificed for pension of £1,288 (2014/15 £nil)

aj left service 11 December 2015

ak left service 13 November 2015

al left service 10 April 2015, entered service 9 December 2014

am left service 22 May 2015, entered service 14 July 2014

5. Remuneration (continued)

c) Termination payments

The Code requires the separate disclosure of the number and cost of compulsory and voluntary severance termination packages agreed during the year.

The majority of those who leave the TfL Group due to redundancy do so under TfL's voluntary severance terms, by choosing to accept the voluntary severance terms which are set out in a compromise agreement signed by both the employer and the employee on the termination of their employment. These employees are classified as leaving due to 'voluntary severance'. A small number of employees who leave due to redundancy do not wish to sign a compromise agreement and accept the voluntary terms. They are classified as having left due to 'compulsory redundancy'.

Termination payments disclosed in the tables below 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 2016 Number	Group 2016 £m	Corporation 2016 Number	Corporation 2016 £m
Non-compulsory exit packages				
0 – 20,000	30	0.3	4	-
20,001- 40,000	53	1.6	12	0.4
40,001- 60,000	53	2.7	2	0.1
60,001- 80,000	35	2.4	1	0.1
80,001- 100,000	18	1.6	1	0.1
100,001-150,000	14	1.6	1	0.1
150,001-200,000	1	0.2	-	-
200,001-250,000	4	0.9	2	0.5
250,001- 300,000	2	0.5	1	0.3
300,001- 350,000	-	-	-	-
400,001- 450,000	1	0.4	1	0.4
Total non-compulsory exit packages	211	12.2	25	2.0
Compulsory exit packages				
0 – 20,000	3	-	-	-
20,001 - 40,000	-	-	-	-
40,001 - 60,000	1	0.1	1	0.1
Total	215	12.3	26	2.1

5. Remuneration (continued)

£	Group 2015 Number	Group 2015 £m	Corporation 2015 Number	Corporation 2015 £m
Non-compulsory exit packages				
0 – 20,000	22	0.3	8	0.1
20,001- 40,000	35	1.0	12	0.3
40,001- 60,000	39	1.9	14	0.7
60,001- 80,000	24	1.7	9	0.6
80,001- 100,000	22	2.0	6	0.5
100,001-150,000	29	3.5	9	1.1
150,001-200,000	9	1.6	4	0.7
200,001-250,000	6	1.3	1	0.2
250,001- 300,000	2	0.5	-	-
300,001- 350,000	1	0.3	-	-
400,001- 450,000	-	-	-	-
Total non-compulsory exit packages	189	14.1	63	4.2
Compulsory exit packages				
0 – 20,000	-	-	-	-
20,001 - 40,000	1	-	-	-
40,001 - 60,000	-	-	-	-
Total	190	14.1	63	4.2

6. Other operating expenditure

	Group 2016 £m	Group 2015 £m	Corporation 2016 £m	Corporation 2015 £m
Net loss on disposal of property, plant and equipment and intangible assets	(46.1)	(19.5)	(25.5)	(2.1)
Net loss on disposal of intangibles	(0.1)	-	(0.1)	-
Total other operating expenditure	(46.2)	(19.5)	(25.6)	(2.1)

7. Financing and investment income

Note	Group 2016 £m	Group 2015 £m	Corporation 2016 £m	Corporation 2015 £m
Interest income on bank deposits and other investments	19.3	26.2	18.9	25.9
Realised exchange gain on foreign currency investments	6.3	1.8	6.3	1.8
Interest income on loans to subsidiaries	-	-	304.1	273.7
Change in fair value of investment properties	50.0	200.2	0.1	2.1
Net gain on disposal of investment properties	5.4	0.8	0.1	0.9
Dividends receivable from subsidiaries	-	-	18.0	-
Other investment income	0.6	0.3	0.4	-
	81.6	229.3	347.9	304.4

8. Financing and investment expenditure

Note	Group 2016 £m	Group 2015 £m	Corporation 2016 £m	Corporation 2015 £m
Interest payable on loans and derivatives	368.3	356.5	338.2	325.6
Interest payable on loans to subsidiaries	-	-	-	0.1
Interest payable on finance lease liabilities	46.5	51.7	7.8	8.1
Contingent rentals on PFI contracts	16.6	12.3	8.2	4.1
Net interest on defined benefit obligation	91.9	102.4	91.3	101.0
Other financing and investment expenditure	1.6	1.5	1.0	0.9
	524.9	524.4	446.5	439.8
Less: amounts capitalised into qualifying assets	(106.2)	(73.7)	-	-
	418.7	450.7	446.5	439.8

9. Grant income

	Group 2016 £m	Group 2015 £m	Corporation 2016 £m	Corporation 2015 £m
Non ring-fenced resource grant from the DfT used to fund operations	40.9	104.4	40.9	104.4
Non ring-fenced Business Rates Retention from the GLA used to fund operations	772.5	828.5	772.5	828.5
Other revenue grant received	28.9	132.0	28.9	132.0
Council tax precept	6.0	6.0	6.0	6.0
Total grants allocated to revenue	848.3	1,070.9	848.3	1,070.9
Non ring-fenced resource grant from the DfT used to fund capital	715.4	1,728.2	715.4	1,728.2
Investment grant from the DfT used to fund capital	925.0	-	925.0	-
Ring-fenced grant used to fund capital expenditure relating to Crossrail	800.0	1,582.2	800.0	1,582.2
Business Rate Supplement levied to fund capital expenditure relating to Crossrail	9.0	30.0	9.0	30.0
Community Infrastructure Levy used to fund capital expenditure	123.3	-	123.3	-
Other capital grants and contributions received	89.9	148.8	47.0	101.1
Total grants allocated to capital	2,662.6	3,489.2	2,619.7	3,441.5
Total grants	3,510.9	4,560.1	3,468.0	4,512.4
Allocation of capital grants				
	Group 2016 £m	Group 2015 £m	Corporation 2016 £m	Corporation 2015 £m
Capital grant funding of subsidiaries	-	-	848.5	1,356.9
Applied capital grants (note 33)	3,637.4	3,267.3	2,746.0	1,862.7
Transfer (from)/to unapplied capital grants (note 35)	(974.8)	221.9	(974.8)	221.9
Total capital grants	2,662.6	3,489.2	2,619.7	3,441.5

10. Taxation

TfL Corporation is exempt from Corporation Tax but its subsidiaries are assessable individually to taxation in accordance with current tax legislation. All companies, with the exception of Crossrail Limited, are able to claim group relief.

a) Corporation Tax

The Group tax income for the year, based on the rate of Corporation Tax of 20 per cent (2014/15 21 per cent) comprised:

	Group 2016 £m	Group 2015 £m
UK Corporation Tax - adjustments in respect of prior years	(2.2)	-
Total tax income for the year	(2.2)	-

Reconciliation of tax income

	Group 2016 £m	Group 2015 £m
Surplus on the provision of services before tax	1,005.9	2,303.5
Surplus on the provision of services before tax multiplied by standard rate of Corporation Tax in the UK of 20% (2014/15 21%)	201.2	483.7
Effects of:		
Non-deductible expenses/(non-taxable income)	(38.9)	(163.4)
Permanent difference in TfL Corporation	(180.7)	(324.2)
Amount charged to current tax for which no deferred tax was recognised	23.3	(13.6)
Tax losses carried forward for which no deferred tax was recognised	4.0	18.1
Utilisation of tax losses carried forward for which no deferred tax was recognised	(9.2)	-
Overseas earnings	0.3	(0.6)
Adjustments in respect of prior years	(2.2)	-
Total tax income for the year	(2.2)	-

10. Taxation (continued)

b) Unrecognised deferred tax assets

The Group has a potential net deferred tax asset of £1,500.2m (2015 £1,593.5m) in respect of the following items:

	Group 2016 £m	Group 2015 £m
Deductible temporary differences	541.6	527.6
Tax losses	958.6	1,065.9
Unrecognised deferred tax asset	1,500.2	1,593.5

No net deferred tax asset has been recognised as it is not considered probable that there will be future taxable profits available against which the unused tax losses and unused tax credits can be utilised. The tax losses and the deductible temporary differences do not expire under current tax legislation.

The net deferred tax asset excludes any amounts connected to the pension deficit.

c) Movement in recognised deferred tax assets and liabilities during the year

Deferred tax assets have been recognised to the extent of the deferred tax liabilities as at the balance sheet date. Their movements during the year were in respect of the following items:

	Balance at 1 April 2015 £m	Movement in period £m	Balance at 31 March 2016 £m
For the year ended 31 March 2016			
Deferred tax assets			
Property, plant and equipment	116.3	(73.7)	42.6
Derivative financial instruments	35.9	(0.6)	35.3
Total	152.2	(74.3)	77.9
Deferred tax liabilities			
Investment properties	(77.0)	(0.9)	(77.9)
Assets held for sale	(75.1)	75.1	-
Other	(0.1)	0.1	-
Total	(152.2)	74.3	(77.9)
Net deferred tax asset/(liability)	-	-	-

10. Taxation (continued)

c) Movement in recognised deferred tax assets and liabilities during the year (continued)

	Balance at 1 April 2014 £m	Movement in period £m	Balance at 31 March 2015 £m
For the year ended 31 March 2015			
Deferred tax assets			
Property, plant and equipment	82.7	33.6	116.3
Derivative financial instruments	34.9	1.0	35.9
Total	117.6	34.6	152.2
Deferred tax liabilities			
Investment properties	(113.8)	36.8	(77.0)
Assets held for sale	-	(75.1)	(75.1)
Other	(3.8)	3.7	(0.1)
Total	(117.6)	(34.6)	(152.2)
Net deferred tax asset/(liability)	-	-	-

The key movements in the period were due to the following:

- The value of deferred tax assets and liabilities has fallen generally, due to the reduction in the tax rate used for calculation.
- The deferred tax liability arising on investment properties, including those classified as assets held for sale, has decreased due to the disposal of property at Earl's Court.
- The property, plant and equipment deferred tax asset has changed in the period due to assets acquired in the year, movements in the market value of assets held and capital allowances claimed.
- Included in the deferred tax balances for property, plant and equipment and investment properties is the deferred tax on revaluations of £108.0m recognised in Other Comprehensive Income.
- The deferred tax asset arising in respect of derivative financial instruments has fallen due to movement in the fair value of derivatives.

The Corporation Tax rate was reduced from 23 per cent to 21 per cent on 1 April 2014, and from 21 per cent to 20 per cent on 1 April 2015. On 18 November 2015, further legislation was enacted setting the Corporation Tax rate at 19 per cent for the years starting 1 April 2017, 2018 and 2019 and at 18 per cent for the year starting 1 April 2020. In March 2016, the Government issued a proposal to further reduce the main rate of Corporation Tax to 17 per cent. This reduction, however, has not yet been enacted. As the Group's deferred tax balances are not expected to be settled until after April 2020 deferred tax balances at 31 March 2016 have therefore been calculated at the enacted rate of 18 per cent.

No deferred tax asset has been recognised on the Corporation's pension deficit of £3,208.2m as the principal employer is not a taxpaying entity. Future tax deductions for some contributions will be made in the taxable entities, however no deferred tax assets are being recognised in these entities.

11. Intangible assets

a) Group intangible assets

	Note	Software costs £m	Intangible assets under construction £m	Goodwill £m	Total £m
Cost					
At 1 April 2014		274.6	38.1	349.2	661.9
Additions		28.0	6.9	-	34.9
Net transfers from property, plant and equipment	12	1.4	5.5	-	6.9
Transfers between asset classes		30.1	(30.1)	-	-
Disposals		(3.5)	-	-	(3.5)
At 31 March 2015		330.6	20.4	349.2	700.2
Additions		49.8	2.8	-	52.6
Net transfers from property, plant and equipment	12	8.5	-	-	8.5
Transfers between asset classes		19.9	(19.9)	-	-
Disposals		(18.5)	-	-	(18.5)
At 31 March 2016		390.3	3.3	349.2	742.8
Amortisation and impairment					
At 1 April 2014		190.1	-	349.2	539.3
Amortisation charge for the year	3	40.6	-	-	40.6
Disposals		(3.5)	-	-	(3.5)
At 31 March 2015		227.2	-	349.2	576.4
Amortisation charge for the year	3	62.0	-	-	62.0
Disposals		(18.4)	-	-	(18.4)
At 31 March 2016		270.8	-	349.2	620.0
Net book value at 31 March 2016		119.5	3.3	-	122.8
Net book value at 31 March 2015		103.4	20.4	-	123.8

Intangible assets under construction comprise software assets under development by the Group.

11. Intangible assets (continued)

b) Corporation intangible assets

	Note	Software costs £m	Intangible assets under construction £m	Total £m
Cost				
At 1 April 2014		167.8	0.2	168.0
Additions		20.7	0.1	20.8
Transfers between asset classes		0.2	(0.2)	-
Disposals		(3.3)	-	(3.3)
At 31 March 2015		185.4	0.1	185.5
Additions		43.5	0.4	43.9
Net transfers from property, plant and equipment	12	5.9	-	5.9
Transfers between asset classes		0.1	(0.1)	-
Disposals		(18.5)	-	(18.5)
At 31 March 2016		216.4	0.4	216.8
Amortisation and impairment				
At 1 April 2014		132.3	-	132.3
Amortisation charge for the year	3	15.9	-	15.9
Disposals		(3.3)	-	(3.3)
At 31 March 2015		144.9	-	144.9
Amortisation charge for the year	3	27.8	-	27.8
Disposals		(18.4)	-	(18.4)
At 31 March 2016		154.3	-	154.3
Net book value at 31 March 2016		62.1	0.4	62.5
Net book value at 31 March 2015		40.5	0.1	40.6

Intangible assets under construction comprise software assets under development by the Corporation.

12. Property, plant and equipment

a) Group property, plant and equipment at 31 March 2016 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 2015		29,688.0	4,865.7	1,580.9	10,508.1	46,642.7
Additions		262.7	0.8	141.1	3,178.7	3,583.3
Transfers to intangible assets	11	-	-	(6.1)	(2.4)	(8.5)
Disposals		(718.4)	(238.0)	(40.4)	-	(996.8)
Transfers to investment properties	13	(2.3)	-	(3.4)	(30.2)	(35.9)
Transfers between asset classes		938.1	582.1	70.0	(1,590.2)	-
Revaluation		95.8	-	-	-	95.8
At 31 March 2016		30,263.9	5,210.6	1,742.1	12,064.0	49,280.6
Depreciation						
At 1 April 2015		11,711.0	2,060.6	1,008.9	-	14,780.5
Depreciation charge for the year	3	829.3	127.8	100.2	-	1,057.3
Disposals		(682.1)	(225.1)	(40.4)	-	(947.6)
Revaluation		(12.2)	-	-	-	(12.2)
At 31 March 2016		11,846.0	1,963.3	1,068.7	-	14,878.0
Net book value at 31 March 2016		18,417.9	3,247.3	673.4	12,064.0	34,402.6
Net book value at 31 March 2015		17,977.0	2,805.1	572.0	10,508.1	31,862.2

12. Property, plant and equipment (continued)

b) Group property, plant and equipment at 31 March 2015 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 2014		28,650.4	4,525.2	1,436.2	8,783.9	43,395.7
Additions		168.4	-	106.0	3,251.3	3,525.7
Net transfers to intangible assets	11	-	-	-	(6.9)	(6.9)
Disposals		(307.4)	(36.6)	(22.7)	-	(366.7)
Transfers between asset classes		1,081.7	377.1	61.4	(1,520.2)	-
Revaluation		94.9	-	-	-	94.9
At 31 March 2015		29,688.0	4,865.7	1,580.9	10,508.1	46,642.7
Depreciation						
At 1 April 2014		11,225.2	1,980.4	920.7	-	14,126.3
Depreciation charge for the year	3	780.9	116.8	101.6	-	999.3
Disposals		(281.6)	(36.6)	(22.6)	-	(340.8)
Transfers between asset classes		(9.2)	-	9.2	-	-
Revaluation		(4.3)	-	-	-	(4.3)
At 31 March 2015		11,711.0	2,060.6	1,008.9	-	14,780.5

The Group holds its office buildings at fair value. All other items of property, plant and equipment are held at cost.

Borrowing costs are included in the costs of qualifying assets to the extent that the asset is funded by borrowings. As a result, the total borrowing costs capitalised during the year were £106.2m (2015 £73.7m). The cumulative borrowing costs capitalised are £303.3m (2015 £197.1m).

At 31 March 2016, the Group had capital commitments which are contracted for but not provided for in the financial statements amounting to £4,060.4m (2015 £3,707.7m).

12. Property, plant and equipment (continued)

c) Group PFI assets and other leased assets

The net book value above includes the following amounts in respect of PFI assets and other leased assets:

	Infrastructure and office buildings £m	Rolling stock £m	Plant and equipment £m	Total £m
Gross cost				
PFI assets	965.3	45.3	16.7	1,027.3
Other leased assets	-	407.7	-	407.7
	965.3	453.0	16.7	1,435.0
Depreciation				
PFI assets	372.2	36.9	16.7	425.8
Other leased assets	-	145.1	-	145.1
	372.2	182.0	16.7	570.9
Net book value at 31 March 2016	593.1	271.0	-	864.1
Net book value at 31 March 2015	624.0	285.6	-	909.6

d) Depreciation charge

The total depreciation charge for the Group for the year comprised:

	2016 £m	2015 £m
Depreciation of owned assets	1,011.8	948.0
Depreciation of assets held under PFI	33.2	39.9
Depreciation of assets held under other leases	12.3	11.4
Total depreciation	1,057.3	999.3

12. Property, plant and equipment (continued)

e) Group office buildings

The fair value of office buildings at 31 March 2016 has been arrived at on the basis of a valuation carried out at that date by Cushman & Wakefield, a property valuation company not connected with the Group, and by chartered surveyors working for TfL. Values are calculated under level 3 of the fair value hierarchy using a discounted cash flow approach and are based on current rental income plus anticipated uplifts at the next rent review, lease expiry or break option, taking into consideration lease incentives. Uplifts and the discount rate are derived from rates implied by recent market transactions on similar properties. In estimating fair value, the highest and best use of the properties is their current use. There were no transfers of properties in or out of level 3 of the fair value hierarchy during the year (2014/15 none).

Properties are valued in accordance with the RICS Valuation – Professional Standards UK January 2014 (revised April 2015) published by the Royal Institution of Chartered Surveyors.

Valuations are performed on a rolling basis, with approximately 75 per cent of the portfolio by value being valued each year. The value of these buildings at 31 March 2016 was £342.8m (2015 £247.9m) and the depreciated historic cost value was £33.6m (2015 £35.0m). A related revaluation gain for the year of £108.0m (2014/15 £99.2m) 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 the London Transport Museum. The collection consists of over 400,000 items and is housed at the Museum's sites in Covent Garden and Acton.

These assets are primarily former operational assets of the TfL Group whose legal title is retained by the Corporation. Due to the diverse nature of the assets held and the lack of comparable market values, the cost of obtaining a valuation of TfL's heritage assets is such that it would not be commensurate with the benefits provided to users of the financial statements. The assets therefore remain recorded in the accounts at historical cost less accumulated depreciation. The collections have been externally valued for insurance purposes only. Management do not consider these insurance valuations to be necessarily indicative of open market fair value and hence have not incorporated the insurance values into the financial statements. As at 31 March 2016, the latest available insurance value for the collection was £25.5m (2015 £25.5m). The net book value of these assets at 31 March 2016 was £nil (2015 £nil).

12. Property, plant and equipment (continued)

g) Corporation property, plant and equipment at 31 March 2016 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 2015		5,092.4	194.2	1,082.6	6,369.2
Additions		202.8	22.8	137.0	362.6
Net transfers to intangible assets	11	-	(5.9)	-	(5.9)
Transfers to investment properties	13	-	(3.5)	-	(3.5)
Transfers between asset classes		166.3	22.9	(189.2)	-
Disposals		(643.7)	(23.0)	-	(666.7)
At 31 March 2016		4,817.8	207.5	1,030.4	6,055.7
Depreciation					
At 1 April 2015		2,617.4	142.2	-	2,759.6
Depreciation charge for the year	3	159.5	26.7	-	186.2
Disposals		(618.2)	(23.0)	-	(641.2)
At 31 March 2016		2,158.7	145.9	-	2,304.6
Net book value at 31 March 2016		2,659.1	61.6	1,030.4	3,751.1
Net book value at 31 March 2015		2,475.0	52.0	1,082.6	3,609.6

12. Property, plant and equipment (continued)

h) Corporation property, plant and equipment at 31 March 2015 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 2014		4,972.7	181.3	927.1	6,081.1
Additions		85.7	6.7	207.1	299.5
Transfers between asset classes		45.4	6.2	(51.6)	-
Disposals		(11.4)	-	-	(11.4)
At 31 March 2015		5,092.4	194.2	1,082.6	6,369.2
Depreciation					
At 1 April 2014		2,478.1	117.8	-	2,595.9
Depreciation charge for the year	3	148.6	24.4	-	173.0
Disposals		(9.3)	-	-	(9.3)
At 31 March 2015		2,617.4	142.2	-	2,759.6

The Corporation holds all its property, plant and equipment at depreciated cost.

Direct borrowing costs are included in the cost of qualifying assets to the extent that the asset is funded by borrowings. Total borrowing costs capitalised during the year were £nil (2015 £nil). The cumulative borrowing costs capitalised are also £nil (2015 £nil).

At 31 March 2016, the Corporation had capital commitments which are contracted for but not provided for in the financial statements amounting to £121.2m (2015 £204.1m).

12. Property, plant and equipment (continued)

i) Corporation PFI assets, and other leased assets

The net book value above includes the amounts in the table below in respect of PFI assets. In addition, within intangible assets, the Corporation holds a further leased software asset with a gross cost, at 31 March 2016, of £4.9m (2015 £4.9m) and a depreciated net book value of £1.9m (2015 £2.9m).

	Infrastructure and office buildings £m	Plant and equipment £m	Total £m
Gross cost			
PFI assets	209.1	16.7	225.8
Depreciation			
PFI assets	83.0	16.7	99.7
Net book value at 31 March 2016	126.1	-	126.1
Net book value at 31 March 2015	128.7	-	128.7

j) Depreciation charge

The total depreciation charge for the Corporation for the year comprised:

	2016 £m	2015 £m
Depreciation of owned assets	183.6	164.7
Depreciation of assets held under PFI	2.6	8.3
Total depreciation	186.2	173.0

k) Corporation office buildings

The Corporation did not have any office buildings.

13. Investment property

	Note	Group £m	Corporation £m
Valuation			
At 1 April 2014		592.5	16.4
Additions		27.3	-
Transfers to assets held for sale		(375.7)	-
Disposals		(6.5)	(2.3)
Fair value adjustments	7	200.2	2.1
At 31 March 2015		437.8	16.2
Additions		5.1	-
Transfers from property, plant and equipment	12	35.9	3.5
Disposals		(11.1)	(6.8)
Fair value adjustments	7	50.0	0.1
At 31 March 2016		517.7	13.0

The fair value of the Group's investment properties at 31 March 2016 has been arrived at on the basis of valuations at that date by Cushman & Wakefield, a property valuation company not connected with the Group, and by chartered surveyors working for TfL. Values are calculated under level 3 of the fair value hierarchy using a discounted cash flow approach and are based on current rental income plus anticipated uplifts at the next rent review, lease expiry or break option, taking into consideration lease incentives. Uplifts and the discount rate are derived from rates implied by recent market transactions on similar properties. In estimating fair value, the highest and best use of the properties is their current use. There were no transfers of properties in or out of level 3 of the fair value hierarchy during the year (2014/15 none).

Properties are valued in accordance with the RICS Valuation – Professional Standards UK January 2014 (revised April 2015) published by the Royal Institution of Chartered Surveyors. Properties with a carrying value in excess of £5,000,000 are valued annually. Properties with a value in excess of £250,000 but less than £5,000,000 are revalued every three years. Properties with a value in excess of £100,000 but less than £250,000 are revalued every five years. Between formal valuations fair values are adjusted by the application of annual indexation.

4. Investments in subsidiaries

	Corporation 2016 £m	Corporation 2015 £m
At 1 April	5,432.5	3,932.5
Investments in year	1,830.0	1,500.0
At 31 March	7,262.5	5,432.5

During the year, the Corporation increased its investment in the ordinary share capital of Transport Trading Limited (TTL) by £1,830.0m (2015 £1,500.0m). TTL subsequently increased its investment in the ordinary share capital of Crossrail Limited by the same amount.

The Group's subsidiaries are:

Subsidiaries	Principal activity
City Airport Rail Enterprises Limited	Construction and maintenance of DLR lines
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
London Dial-a-Ride Limited	Dormant company
London River Services Limited	Pier operator
London Transport Insurance (Guernsey) Limited	Insurance
London Transport Museum (Trading) Limited	Trading company
London Transport Museum Limited	Charitable company
London Underground Limited	Passenger transport by underground train
LUL Nominee BCV Limited	Maintenance of underground lines
LUL Nominee SSL Limited	Maintenance of underground lines
Rail for London Limited	Passenger transport by rail
TfL Trustee Company Limited	Pension Fund Trustee
Tramtrack Croydon Limited	Passenger transport by tram
Transport for London Finance Limited	Manages financial risk of the Group
Transport Trading Limited	Holding company
TTL Earls Court Properties Limited	Holding company
TTL Properties Limited	Holding 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	Construction and maintenance of DLR lines

The Group holds 100 per cent of the share capital of all subsidiaries. All companies with the exception of London Transport Insurance (Guernsey) Limited are registered in England and Wales; and their financial statements are lodged at Companies House and also at the Charity Commission for the London Transport Museum Limited. London Transport Insurance (Guernsey) Limited is registered in Guernsey.

15. Investment in associated undertakings

The Group holds a 37 per cent holding in the ownership and voting rights of Earls Court Partnership Limited (ECP), a property development company, incorporated in England and Wales. Through its voting rights and representation on the Board of Directors of ECP, the Group has significant influence but not control over the relevant activities of ECP. The Group's investment is therefore accounted for using the equity method in these consolidated accounts.

In early 2015, ECP commenced trading and, on 2 April 2015, the Group granted a 999 year lease over land at Earl's Court into ECP. Simultaneously, the Group also contributed funds totalling £44.4m to ECP. In consideration ECP issued share capital to a value of £44.4m to the Group, and non-interest bearing equity loans totalling £375.6m. 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.

Between 2 April 2015 and 31 March 2016 the Group has invested a further £27.1m in equity loans of ECP. The Group's percentage holding, however, remains unchanged at 37 per cent.

The financial year end of Earls Court Partnership Limited is 31 December. For the purposes of applying the equity method of accounting, the financial statements of Earls Court Partnership Limited for the year ended 31 December 2015 have been used, and appropriate adjustments made for the effects of significant transactions between that date and 31 March 2016.

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% level

	Group 2016 £m	Group 2015 £m
Short-term assets	27.8	-
Long-term assets	1,285.7	-
Short-term liabilities	(6.1)	-
Long-term liabilities	(29.1)	-

Reconciliation of net assets to amounts included in the consolidated Group accounts

	Group 2016 £m	Group 2015 £m
Net assets at 100%	1,278.3	-
Percentage held by the TfL Group	37%	37%
Carrying amount of the Group's equity interest in Earls Court Partnership Limited	473.0	-

Group share of comprehensive income and expenditure of Earls Court Partnership Limited

	Group 2016 £m	Group 2015 £m
Group share of profit or loss from continuing operations	25.9	-
Group share of other comprehensive income	-	-
Total Group share of comprehensive income and expenditure for the year	25.9	-

16. Inventories

	Group 2016 £m	Group 2015 £m
Raw materials and consumables	69.4	53.1
Goods held for resale	1.2	0.8
	70.6	53.9

	Corporation 2016 £m	Corporation 2015 £m
Raw materials and consumables	2.2	1.6

There is no material difference between the balance sheet value of inventories and their net realisable value.

The movement on inventories was as follows:

	Group £m	Corporation £m
Balance at 1 April 2014	47.7	5.1
Purchases in the year	78.3	5.6
Recognised as an expense in the year:		
Consumed in the year	(73.7)	(9.6)
Goods sold in the year	(1.2)	-
Net write-backs in the year	2.8	0.5
Balance at 31 March 2015	53.9	1.6
Purchases in the year	90.3	1.1
Recognised as an expense in the year:		
Consumed in the year	(73.1)	(0.6)
Goods sold in the year	(1.1)	-
Net write-backs in the year	0.6	0.1
Balance at 31 March 2016	70.6	2.2

17. Debtors

	Group 2016 £m	Group 2015 £m
Short-term		
Trade debtors	162.8	130.0
Capital debtors	41.9	13.2
Other debtors	690.4	87.3
Other tax and social security	97.1	94.0
Grant debtors	69.5	88.9
Amounts due relating to sale of non-current assets	7.4	9.9
Interest debtors	2.4	3.9
Accrued income	21.8	15.1
Prepayments for goods and services	169.1	166.3
	1,262.4	608.6
Long-term		
Other debtors	661.0	821.5
Prepayments for goods and services	30.8	46.8
	691.8	868.3

Short and long-term other debtors include funds totalling £1,285.4m (2015 £832.0m) advanced to Network Rail Infrastructure Limited to provide interim financing for the construction of assets related to the Crossrail project. £453.4m was advanced at periodic intervals during 2015/16 (£381.9m in 2014/15). The receivable is non-interest bearing and has been discounted to its fair value of £1,277.5m (2015 £821.3m) using a discount rate of 0.633 per cent (2015 1.125 per cent). It is repayable in six equal instalments with the final instalment falling due on 30 September 2017.

17. Debtors (continued)

	Corporation 2016 £m	Corporation 2015 £m
Short-term		
Trade debtors	22.1	18.8
Amounts due from subsidiary companies	542.6	105.5
Capital debtors	4.2	6.7
Other debtors	3.7	1.7
Other tax and social security	11.3	16.1
Grant debtors	65.2	84.3
Interest debtors	2.4	3.9
Accrued income	5.5	2.5
Prepayments for goods and services	78.3	50.8
	735.3	290.3
Long-term		
Loans made to subsidiary companies	8,688.8	8,098.8
Other debtors	0.3	0.2
Prepayments for goods and services	3.4	6.4
	8,692.5	8,105.4

Long-term loans made to subsidiary companies accrue market rates of interest reflecting rates achieved on debt issued to third parties by the Corporation. The average rate of interest accruing on loans outstanding at 31 March 2016 was 4.0 per cent (2015 4.2 per cent).

18. Assets held for sale

	Note	Group £m
Balance at 1 April 2014		-
Assets newly classified as held for sale:		
Investment properties		375.7
Balance at 31 March 2015		375.7
Disposals:		
Investment properties		(375.7)
Balance at 31 March 2016		-

On 2 April 2015, the Group granted a 999 year lease over land at Earl's Court into its associated undertaking, ECP, in return for share capital and non-interest bearing equity loans issued by ECP. ECP is a limited company, registered in England and Wales, established to develop the Earls Court Village site in West London. The TfL Group holds a 37 per cent interest in the issued share capital of ECP, with 63 per cent held by a subsidiary of the Capco group.

19. Other investments

	Group 2016 £m	Group 2015 £m
Short-term		
Investments held at amortised cost	3,162.3	4,548.4
Long-term		
Available for sale financial assets	-	10.1
Corporation		
	2016 £m	2015 £m
Short-term		
Investments held at amortised cost	3,146.3	4,521.9
Long-term		
Available for sale financial assets	-	10.1

Short-term investments relate to investments in UK Treasury bills, other Sovereign bills, deposits with UK clearing banks, and also to Money Market Fund and repurchase agreement investments with a maturity of greater than three but less than twelve months. Long-term investments comprise long-term deposits and similar investments tradeable on an active market with a maturity of greater than twelve months.

20. Cash and cash equivalents

	Group 2016 £m	Group 2015 £m
Cash at bank	129.1	100.1
Cash in hand and in transit	23.0	19.3
	152.1	119.4
Corporation		
	2016 £m	2015 £m
Cash at bank	19.6	53.7

21. Creditors

	Group 2016 £m	Group 2015 £m
Short-term		
Trade creditors	190.8	135.9
Accrued interest	96.7	85.1
Capital works	641.4	707.1
Retentions on capital contracts	8.0	1.7
Capital grants received in advance	66.2	32.5
Wages and salaries	126.5	117.3
Other taxation and social security creditors	57.6	28.7
Receipts in advance for travelcards, bus passes and Oyster cards	411.4	394.9
Other deferred income	53.5	46.0
Accruals and other payables	535.8	546.6
	2,187.9	2,095.8
Long-term		
Trade creditors	8.4	8.8
Capital grants received in advance	3.4	3.8
Retentions on capital contracts	35.1	49.3
Other deferred income	24.9	20.5
Accruals and other payables	8.0	23.1
	79.8	105.5

21. Creditors (continued)

	Corporation 2016 £m	Corporation 2015 £m
Short-term		
Trade creditors	65.6	45.1
Accrued interest	92.2	80.6
Capital works	91.4	89.3
Retentions on capital contracts	0.2	0.7
Capital grants received in advance	54.7	32.5
Amounts due to subsidiary companies	100.2	146.0
Wages and salaries	17.1	27.0
Other taxation and social security creditors	4.5	2.2
Other deferred income	11.5	11.4
Accruals and other payables	155.1	170.6
	592.5	605.4
Long-term		
Capital grants received in advance	3.4	3.8
Other deferred income	16.4	10.9
	19.8	14.7

22. Borrowings and overdrafts

	Group 2016 £m	Group 2015 £m
Short-term		
Borrowings	832.1	784.3
Long-term		
Borrowings	8,281.0	7,730.0
	Corporation 2016 £m	Corporation 2015 £m
Short-term		
Borrowings	832.1	784.3
Long-term		
Borrowings	8,288.8	7,738.4

Further information about the maturity and interest rate profiles of the Group and Corporation's borrowings is provided in note 30 (Funding and financial risk management).

In May 2015, TfL signed a £500 million 20 year corporate loan facility with EDC, Canada's Export Credit Agency, to finance part of the costs associated with the Crossrail rolling stock and depot contract with Bombardier. This facility may be drawn down in multiple tranches. As at 31 March 2016, TfL had fixed the interest rates and repayment dates for two tranches, for a total of £300 million. The tranches are set to be drawn down in 2016/17 and 2017/18.

A further £500 million of costs will be financed through an EIB Crossrail Rolling Stock and Depot Facility, which was signed in December 2013. This facility will split into two tranches to be drawn in 2017/18.

In June 2015, TfL also entered into a new £1 billion framework facility with the EIB. The facility, called Urban Mobility for London (UML), represents a landmark transaction because of its large size and the broad range of TfL projects it will support, including the Victoria and Bank station upgrades, cycling infrastructure and track replacements. During the year TfL fixed the interest rates and repayment dates for a number of tranches totalling £900 million to be drawn between 2016/17 and 2018/19.

These borrowings are expected to form part of TfL's incremental borrowing agreed with Government and have not been recognised as a liability in these financial statements in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

23. Finance lease liabilities

a) Group finance lease liabilities

The Group holds a proportion of its property, plant and equipment under finance lease arrangements as outlined in note 12.

Finance lease liabilities on the balance sheet are calculated as the present value of minimum lease payments outstanding.

	Minimum lease payments £m	Interest £m	Principal (present value of minimum lease payments) £m
At 31 March 2016			
Not later than one year	135.6	(41.3)	94.3
Later than one year but not later than two years	112.2	(35.4)	76.8
Later than two years but not later than five years	290.2	(78.6)	211.6
Later than five years	373.4	(97.0)	276.4
	911.4	(252.3)	659.1
At 31 March 2015			
Not later than one year	133.5	(46.9)	86.6
Later than one year but not later than two years	135.7	(41.4)	94.3
Later than two years but not later than five years	309.4	(92.5)	216.9
Later than five years	467.3	(119.1)	348.2
	1,045.9	(299.9)	746.0
		2016 £m	2015 £m
Principal outstanding			
Short-term		94.3	86.6
Long-term		564.8	659.4
		659.1	746.0

23. Finance lease liabilities (continued)

b) Corporation finance lease liabilities

The Corporation holds a proportion of its property, plant and equipment under finance lease arrangements as outlined in note 12.

Finance lease liabilities on the balance sheet are calculated as the present value of minimum lease payments outstanding.

	Minimum lease payments £m	Interest £m	Principal (present value of minimum lease payments) £m
At 31 March 2016			
Not later than one year	18.4	(7.3)	11.1
Later than one year but not later than two years	18.2	(6.8)	11.4
Later than two years but not later than five years	48.0	(17.1)	30.9
Later than five years	134.4	(23.2)	111.2
	219.0	(54.4)	164.6
At 31 March 2015			
Not later than one year	18.7	(7.8)	10.9
Later than one year but not later than two years	18.4	(7.3)	11.1
Later than two years but not later than five years	52.0	(18.7)	33.3
Later than five years	148.6	(28.4)	120.2
	237.7	(62.2)	175.5
		2016 £m	2015 £m
Principal outstanding			
Short-term		11.1	10.9
Long-term		153.5	164.6
		164.6	175.5

24. Private finance initiative contracts

Private Finance Initiative contracts

The Group is party to the following Private Finance Initiative (PFI) arrangements where the Group controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement. These arrangements are treated as service concession arrangements and, as stipulated by the Code, are accounted for in accordance with IFRIC 12 Service Concession Arrangements.

The Group therefore recognises PFI assets as items of plant, property and equipment together with a liability to pay for them (see note 12 for details of PFI assets). The fair values of services received under the contract are recorded as operating expenses.

The unitary charge is apportioned between the repayment of the liability, financing costs and charges for services. The service is recognised as an expense in net operating costs and the finance costs are charged to financial expenses in the Comprehensive Income and Expenditure Statement.

Contract	Contract dates	Description
TfL		
A13 Thames Gateway contract	2000 to 2030	Design and construction of improvements to the A13 infrastructure (including communication and traffic signals systems) and ongoing maintenance and operation of the A13 between Butcher Row and Wennington. The contract requires TfL to make an annual unitary payment, charged monthly and calculated according to the service provided by the concession company and the payment mechanisms defined in the contract.

24. Private finance initiative contracts (continued)

Contract	Contract dates	Description
London Underground Limited (LU)		
Connect	1999 to 2019 with a voluntary break option on provision of 12 months' written notice	Design, installation, management and maintenance of an integrated digital radio system. The contract requires LU to make an annual unitary payment which is adjusted for indexation and performance as specified in the contract.
British Transport Police (London Underground)	1999 to 2021 with a voluntary break option on provision of 12 months' written notice	Provision and ongoing management and maintenance of operational infrastructure to support efficient policing of the Jubilee Line Extension and the delivery of the long-term policing strategy for LU. The contract requires LU to make a base annual unitary payment which is adjusted for indexation and performance as specified in the contract.
Docklands Light Railway Limited (DLR)		
Greenwich	1996 to 2021	Design, construction and ongoing maintenance of the Greenwich extension to the Docklands Light Railway. The contract requires DLR to make payments, which are charged monthly and adjusted for any penalties relating to adverse performance against output measures describing all relevant aspects of the contract.

24. Private finance initiative contracts (continued)

PFI finance lease liabilities

The following PFI finance lease liabilities are included within total finance lease liabilities in note 23.

	Group 2016 £m	Group 2015 £m	Corporation 2016 £m	Corporation 2015 £m
At 1 April	430.8	490.7	172.6	179.4
Payments	(90.5)	(86.5)	(17.4)	(14.6)
Interest	23.2	26.6	7.5	7.8
At 31 March	363.5	430.8	162.7	172.6

Group

Amounts payable under the PFI arrangements cover payments for repayment of capital, payments of interest and payment of service charges. The total amount payable breaks down as follows:

	Payments of interest £m	Repayment of capital £m	Payments for service charges £m	Total amount payable under non-cancellable PFI arrangements £m
At 31 March 2016				
Less than 1 year	19.3	71.0	87.6	177.9
Between 2 to 5 years	41.4	180.9	266.1	488.4
Between 6 to 10 years	19.2	65.8	157.2	242.2
Between 11 to 15 years	3.9	45.8	110.3	160.0
	83.8	363.5	621.2	1,068.5

At 31 March 2015

Less than 1 year	23.2	67.3	75.2	165.7
Between 2 to 5 years	49.7	185.1	167.7	402.5
Between 6 to 10 years	27.5	116.5	257.4	401.4
Between 11 to 15 years	6.6	61.1	148.5	216.2
Between 16 to 20 years	-	0.8	1.8	2.6
	107.0	430.8	650.6	1,188.4

24. Private finance initiative contracts (continued)

Corporation

Amounts payable under the PFI arrangements cover payments for repayment of capital, payments of interest and payment of service charges. The total amount payable breaks down as follows:

	Payments of interest £m	Repayment of capital £m	Payments for service charges £m	Total amount payable under non-cancellable PFI arrangements £m
At 31 March 2016				
Less than 1 year	7.1	10.1	17.9	35.1
Between 2 to 5 years	23.7	41.4	83.9	149.0
Between 6 to 10 years	19.2	65.4	152.6	237.2
Between 11 to 15 years	3.9	45.8	110.3	160.0
	53.9	162.7	364.7	581.3

At 31 March 2015

Less than 1 year	7.5	9.9	16.4	33.8
Between 2 to 5 years	25.6	42.4	79.1	147.1
Between 6 to 10 years	21.8	59.0	143.7	224.5
Between 11 to 15 years	6.6	60.5	140.1	207.2
Between 16 to 20 years	-	0.8	1.8	2.6
	61.5	172.6	381.1	615.2

25. Derivative financial instruments

Group cash flow hedges

	Fair value 2016 £m	Notional amount 2016 £m	Fair value 2015 £m	Notional amount 2015 £m
Long-term assets				
Foreign currency forward contracts	7.1	129.6	-	-
Short-term assets				
Foreign currency forward contracts	5.1	137.2	22.6	484.0
Short-term liabilities				
Foreign currency forward contracts	21.3	769.1	1.3	113.4
Long-term liabilities				
Interest rate swaps	94.9	830.7	101.3	830.9

The Corporation has not entered into any derivative financial instrument contracts.

26. Provisions

a) Group provisions

	At 1 April 2015 £m	Payments in the year £m	Charge for the year £m	Releases in the year £m	At 31 March 2016 £m
Compensation and contractual	72.2	(24.1)	43.9	(11.8)	80.2
Capital investment activities	188.5	(81.9)	49.5	(35.5)	120.6
Environmental harm	1.4	-	-	-	1.4
Severance and other	52.5	(9.2)	24.1	(2.5)	64.9
	314.6	(115.2)	117.5	(49.8)	267.1
Due					
Short-term				220.7	230.2
Long-term				46.4	84.4
At 31 March				267.1	314.6

26. Provisions (continued)

b) Corporation provisions

	At 1 April 2015 £m	Payments in the year £m	Charge for the year £m	Releases in the year £m	At 31 March 2016 £m
Compensation and contractual	15.2	(7.5)	15.5	(5.8)	17.4
Capital investment activities	188.5	(81.9)	49.5	(35.5)	120.6
Other	2.4	(0.2)	1.4	(2.0)	1.6
	206.1	(89.6)	66.4	(43.3)	139.6
Due					
Short-term				101.9	128.0
Long-term				37.7	78.1
At 31 March				139.6	206.1

c) Nature of provisions

Compensation and contractual

The Group has provisions for expected compensation and contractual claims that arise in respect of disputes arising in the ordinary course of business. The provisions recorded are based on management's best estimate at the balance sheet date of the likely loss to be incurred through settlement. Reflecting the inherent uncertainty with many legal proceedings and claim settlements, the timing and amount of the outflows could differ from the amount provided. Based on current estimates management expects that these amounts, which are based on known facts and take account of past experience for similar items, will be settled within the next one to five years. Where material the provision held is discounted to its present value.

Capital investment activities

Capital investment activities include compulsory purchases, claims in respect of structural damage or diminution in value of properties affected by transport schemes, and other related third party claims. Estimates are made with reference to relevant market trends. Compulsory Purchase Order provision amounts have been based on the professional estimates of lawyers and surveyors of the land acquisition, development value, disturbance, statutory interest and professional fees for both sides of the negotiation on a case by case basis. Due to the nature of these liabilities and the need to negotiate settlement amounts there is considerable uncertainty regarding when Compulsory Purchase Order cases will be settled and payments made. At present management expects these provisions to be settled within the next five years.

Environmental harm

Environmental harm relates to potential costs associated with damage to the environment as a result of actions taken in the past. Management expects this provision to be settled within the next year.

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.

27. Contingencies

There are a number of uncertainties surrounding projects, including claims in the course of negotiations, which may affect the Group's financial performance. Where claims are possible but not probable, or unquantifiable, such claims are treated as contingent liabilities. Contingent liabilities are not recognised in the financial statements, but are monitored to ensure that, where a possible obligation has become probable or a transfer of economic benefits has become probable, a provision is made.

The impact of these contingent liabilities on the Group's financial performance, liquidity or financial position is not considered to be material.

28. Guarantees

Section 160 of the Greater London Authority Act 1999 (the 'GLA Act') sets out the conditions under which TfL may give certain guarantees, indemnities or similar arrangements. Under section 161 of the GLA Act, TfL is obliged to disclose in its annual report details of all guarantees etc. so given.

TfL and its subsidiaries have entered into joint and several guarantees in favour of HSBC Bank plc as security for any bank indebtedness outstanding from time to time. TfL has also separately guaranteed any liabilities owing to HSBC Bank plc by its subsidiary, Crossrail Limited.

TfL has given guarantees in respect of some of its subsidiary companies' contracts. The amount that could be payable by TfL under the guarantees (as described below) varies depending on a number of factors, including, inter alia, responsibility for the costs arising from an early termination of the underlying contract, which are not known before the event. For information only, the approximate maximum amounts of debt that were envisaged to be drawn by the counterparty at the signing of the agreements are disclosed below. For the avoidance of doubt, these amounts do not represent the amounts that could be payable by TfL under the guarantees but are shown here to give an indication of the relative size of each contract.

	Estimated maximum debt drawn by counterparty at start of contract
	£m
Agreement with CityLink Telecommunications Ltd	502
Agreements with QW Rail Leasing Ltd	380
Agreement with Pittville Leasing Limited	51
Agreement with Lombard North Central Plc	7
Agreement with APSLL	4

28. Guarantees (continued)

In addition TfL also guarantees the payments of certain of its subsidiaries under a number of other service and construction contracts. It guarantees Crossrail Limited's payments to Canary Wharf Properties (Crossrail) Limited under a Development Agreement. It guarantees pension liabilities due to the London Pension Fund Authority from Briggs Marine Contractors Limited in respect of employees working on the Woolwich Ferry. It has guaranteed amounts owed by London Bus Services Limited to the Fuel Cells and Hydrogen Joint Undertaking under a Grant agreement for the 3EMOTION Environmentally Friendly, Efficient Electric Motion project. It has guaranteed London Underground Limited's payment obligations as a tenant in respect of an operating lease for the Stratford City Business District. It has also provided an indemnity to Berkeley 55 Limited in respect of future Mayoral CIL payments that Berkeley 55 Limited may be charged in relation to the fit out of the Crossrail station at Woolwich.

Unlike the agreements listed above, these contracts are not based on an initial amount of debt and so cannot be quantified in a similar manner.

TfL also acts as a guarantor in respect of all liabilities under third party derivative contracts entered into by its subsidiary, Transport for London Finance Limited. The fair value of net liabilities outstanding under derivative contracts at 31 March 2016 is £104.0m (2015 £80.0m).

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 2016 the fair value of all financial guarantees granted has been recorded as £nil (2015 £nil).

29. Financial commitments

a) Operating leases – The Group as lessee

The Group operating lease agreements primarily relate to office space, motor vehicles and rail access. All leases have been entered into on commercial terms.

The Group is committed to the following future minimum lease payments under non-cancellable operating leases:

	Land and buildings £m	Rail access £m	Motor vehicles £m	Rolling stock £m	Total £m
At 31 March 2016					
Within one year	54.7	12.5	2.7	23.8	93.7
Between one and two years	48.2	12.1	1.8	23.8	85.9
Between two and five years	101.9	31.7	2.1	71.5	207.2
Later than five years	459.1	14.8	-	171.5	645.4
	663.9	71.1	6.6	290.6	1,032.2
At 31 March 2015					
Within one year	48.1	4.2	3.2	18.5	74.0
Between one and two years	45.2	4.4	1.5	21.9	73.0
Between two and five years	114.2	2.5	1.3	71.5	189.5
Later than five years	392.9	16.9	-	219.2	629.0
	600.4	28.0	6.0	331.1	965.5

29. Financial commitments (continued)

b) Operating leases – The Group as lessor

The Group leases out commercial, retail and office property, rail access and land that it holds as a result of its infrastructure holdings.

At the balance sheet date, the Group had contracted with customers for the following future minimum lease payments:

	Land and buildings £m	Rail access £m	Motor vehicles £m	Total £m
At 31 March 2016				
Within one year	46.6	8.5	0.2	55.3
Between one and two years	41.2	4.2	0.1	45.5
Between two and five years	95.6	13.1	-	108.7
Later than five years	455.4	9.7	-	465.1
	638.8	35.5	0.3	674.6
At 31 March 2015				
Within one year	46.6	8.5	0.1	55.2
Between one and two years	39.5	4.1	0.1	43.7
Between two and five years	88.2	11.6	-	99.8
Later than five years	486.3	7.5	-	493.8
	660.6	31.7	0.2	692.5

29. Financial commitments (continued)

c) Operating leases – The Corporation as lessee

The Corporation's operating lease agreements primarily relate to office space. It also leases motor vehicles under operating leases from a subsidiary undertaking. All leases have been entered into on commercial terms.

The Corporation is committed to the following future minimum lease payments under non-cancellable operating leases:

	Land and buildings £m	Motor vehicles £m	Total £m
At 31 March 2016			
Within one year	18.4	0.1	18.5
Between one and two years	18.4	0.1	18.5
Between two and five years	54.2	-	54.2
Later than five years	232.4	-	232.4
	323.4	0.2	323.6
At 31 March 2015			
Within one year	18.2	-	18.2
Between one and two years	18.0	-	18.0
Between two and five years	53.8	-	53.8
Later than five years	130.1	-	130.1
	220.1	-	220.1

29. Financial commitments (continued)

d) Operating leases – The Corporation as lessor

The Corporation leases out commercial, retail and office property and land that it holds as a result of its infrastructure holdings.

At the balance sheet date, the Corporation had contracted with customers for the following future minimum lease payments:

	Land and buildings £m	Total £m
At 31 March 2016		
Within one year	3.4	3.4
Between one and two years	3.4	3.4
Between two and five years	9.9	9.9
Later than five years	8.4	8.4
	25.1	25.1
At 31 March 2015		
Within one year	3.5	3.5
Between one and two years	3.3	3.3
Between two and five years	9.7	9.7
Later than five years	11.3	11.3
	27.8	27.8

30. Funding and financial risk management

Introduction

TfL is a statutory corporation established under the Greater London Authority Act 1999 (the 'GLA Act'). TfL is funded by revenues (predominantly fares), grant and prudential borrowing. The majority of the Group's debt is issued by the statutory corporation, Transport for London, in the form of loans from the Public Works Loan Board and the European Investment Bank, Medium Term Notes under the £5 billion TfL Euro Medium Term Note programme, and short-term Commercial Paper under the £2 billion TfL Euro Commercial Paper programme.

Treasury Management

TfL has a Treasury Management Policy, which requires the TfL Board to approve a Treasury Management Strategy on at least an annual basis, prior to the commencement of each financial year.

The Treasury Management Strategy also takes account of the CIPFA recommendations contained in the Code of Practice and Cross-Sectoral Guidance Notes (the Treasury Management Code) issued in 2011 for Treasury Management in the Public Services, the Local Government Act 2003, the Local Authorities (Capital Finance and Accounting) Regulations 2003 and the fully revised second edition of CIPFA's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) issued in 2011, in managing the financial risks faced by the Group.

The Group's principal financial instruments comprise borrowings, investments, derivatives, finance lease liabilities, cash and cash equivalents. These financial instruments are used to manage funding and liquidity requirements. Other financial instruments that arise directly from the Group's operations include trade receivables and payables.

The Group monitors the risk profile of its borrowing, investment and derivative programmes against approved benchmarks and provides regular reports to the Chief Finance Officer. An annual report on overall performance against approved strategy is considered by the Finance and Policy Committee (a committee of the Transport for London Board). Section 49 of the TfL Act 2008 confers upon TfL the powers to use derivative financial instruments for risk management purposes only.

30. Funding and financial risk management (continued)

The Prudential Borrowing Regime

TfL has the power to borrow as it is treated as a local authority for the purposes of financial management under the Local Government Act 2003. In accordance with this Act, the Mayor, in consultation with TfL, sets an affordable borrowing limit for external debt (including direct borrowing and other long-term liabilities). In setting these limits, the Mayor and the Corporation are required by regulation to have regard to the Prudential Code. Accordingly, the Board of Transport for London annually approves indicators for prudent and affordable borrowing, for estimates of capital expenditure and for interest rate exposures and the maturity profile of its borrowing.

TfL also agrees its maximum in-year incremental borrowing capacity with Government.

Financial Risks and Risk Management

The Group is exposed to a number of financial risks in the normal course of its business operations, the key ones being:

- Credit risk
- Liquidity risk
- Market risk
- Currency risk

Each of these risks is managed in accordance with the Group's comprehensive risk management process. The Board of Transport for London, through its Finance and Policy Committee, has approved and monitors the risk management processes, including documented treasury policies, counterparty limits, and controlling and reporting structures.

Credit risk

Credit risk is managed on a Group-wide basis. Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet contractual obligations. The following categories comprise the main credit exposures of the Group.

30. Funding and financial risk management (continued)

(i) Trade and other receivables

The Group earns the majority of revenue through prepaid fares, and the receivables relate to penalty charges. The Group makes all reasonable attempts to recover penalty charges before providing against them. Other trade receivables include amounts due under contractual arrangements with suppliers, and include prepayments for work to be performed. These counterparties are assessed individually for their creditworthiness at the time of entering into contract and termination provisions are included to mitigate the Group's risk.

Age of trade debtors that are past due but not impaired

	Overdue by less than 3 months £m	Overdue by between 3 and 6 months £m	Overdue by between 6 months and 1 year £m	Overdue by more than 1 year £m	Total £m
Group – 2016					
Trade debtors	16.0	4.6	1.8	0.2	22.6
Group – 2015					
Trade debtors	10.9	4.8	1.0	0.6	17.3
Corporation – 2016					
Trade debtors	4.3	2.3	1.0	-	7.6
Corporation – 2015					
Trade debtors	2.4	1.4	0.2	-	4.0

30. Funding and financial risk management (continued)

(ii) Investments

All cash balances are invested in accordance with TfL's Treasury Management Strategy which was developed with regard to the Treasury Management Code and Department for Communities and Local Government Guidance, which requires a prudent approach to the investment of surplus funds with priority given to security and liquidity.

Investments are only made with institutions included on an Approved Investment List and within limits approved by the Finance and Policy Committee. The Approved Investments List includes i) the UK Government and its executive agency, the Debt Management Office; ii) UK Government guaranteed investments; iii) selected financial institutions with high (investment grade) credit ratings from a credit rating agency; iv) selected supranational or sub-sovereign agencies with high credit ratings; v) selected Money Market Funds with high credit ratings; vi) highly rated corporates; and vii) other highly rated Governments.

In determining whether to place an institution on the Approved Investment List, TfL considers the credit rating, financial position and jurisdiction of the institution, the market pricing of credit default swaps for the institution, any implicit or explicit Government support for the institution and any other relevant factors that could influence the institution's general creditworthiness.

Counterparty limits are set according to the assessed risk of each counterparty and exposures are monitored against these limits on a regular basis. Investment limits per institution on the Approved Investment List, and the maximum term of such investments, are linked to the credit rating of the institution. In accordance with the TfL Treasury Management Strategy, which has been approved by TfL's Finance and Policy Committee, TfL will not trade with an institution with a credit rating of less than A- with all three major credit rating agencies.

Certain banks hold collateral on TfL's account to provide security for TfL's reverse repurchase agreement investments. As at 31 March 2016, the fair value of the collateral held amounted to £300.0m (2015 £275.0m). As no lenders have defaulted, TfL has not exercised its right to sell or re-pledge the collateral.

The centrally managed cash reserves at 31 March 2016 totalled £3,126.2m (2015 £4,551.6m).

30. Funding and financial risk management (continued)

As at 31 March funds managed centrally on behalf of the Group and placed on deposit by the Corporation were as follows:

	Amount £m	Credit Rating (S&P/Moody's/Fitch)	Weighted average days to maturity
At 31 March 2016			
UK Debt Management Office	1,273.8	AAA/Aa1/AA+	54
Other Government Agencies	528.5	Minimum AA-/Aa1/AAA	72
Money Market Funds	176.3	AAA/Aaa/AAA	1
Banks (including Gilt backed repos)	657.4	Minimum AA-/A3/AA-	37
Corporates	317.1	Minimum A/A2/A	50
Non-UK Sovereign Funds	173.1	Minimum AA/Aa2/AA	42
Total	3,126.2		49

At 31 March 2015

UK Debt Management Office	1,303.5	AAA/Aa1/AA+	66
Government guaranteed supranationals	375.4	Minimum AA+/Aa1/AA+	191
Other Government Agencies	1,332.6	Minimum A+/Aa3/AA-	137
Money Market Funds	374.3	AAA/Aaa/AAA	1
Banks (including Gilt backed repos)	610.6	Minimum BBB/A2/A	50
Corporates	485.4	Minimum A/A2/A	81
Non-UK Sovereign Funds	69.8	Minimum AA+/Aaa/AA+	122
Total	4,551.6		92

30. Funding and financial risk management (continued)

(iii) Derivative financial instruments

Counterparty limits are established and monitored in accordance with TfL's policy relating to the use of Derivative Instruments. The Group spreads its exposure over a number of counterparties, and has strict policies on how much exposure can be assigned to each counterparty.

The credit risk with regard to derivative financial instruments is limited because TfL has arrangements in place that limit the exposure with each bank to a threshold, which if breached, allow TfL to require the bank to post collateral in cash or eligible securities. TfL only envisages using these rights in the event that the financial strength of the institution has deteriorated since the limits were approved.

(iv) Guarantees

The Corporation provides guarantees to third parties under section 160 of the GLA Act, as disclosed in note 28, which are deemed necessary for the fulfilment of its policies. The Group's policy is to recognise financial guarantees at fair value initially and amortise this over the life of the guarantee. Where indications are that a payment is likely to occur under a guarantee, this is accounted for as a provision, in accordance with the Code. As at 31 March 2016, the fair value of the Corporation's financial guarantees has been assessed as £nil (2015 £nil).

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Corporation manages liquidity risk by maintaining access to a number of sources of funding which are sufficient to meet anticipated funding requirements. As long as the affordable borrowing limit set by the Mayor is not exceeded, the Corporation is able to borrow from the Public Works Loan Board, raise debt on the capital markets through both its established Medium Term Note programme and Commercial Paper programme, borrow from Commercial Banks or utilise its overdraft facility and, subject to meeting the relevant criteria, borrow at competitive interest rates from the European Investment Bank. There is therefore no significant risk that it will be unable to raise finance to meet its planned capital commitments.

The contractual maturities of the Group and Corporation's financial liabilities are listed later in this note.

30. Funding and financial risk management (continued)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income, expenditure or the value of its holdings of financial instruments. The Group, through its wholly owned subsidiary Transport for London Finance Limited, uses derivatives (hedging instruments) to reduce exposure to interest rate and foreign exchange rate movements (the hedged risks) on highly probable future transactions. The Group does not use derivative financial instruments for speculative purposes.

On inception, all interest rate derivatives and foreign currency derivative instruments hedging commercial contracts are designated in highly effective hedge relationships and hedge accounting is applied. If a derivative should no longer satisfy the hedging criteria in accordance with adopted IAS 39 Financial Instruments: Recognition and Measurement (IAS 39), hedge accounting ceases and the derivative is fair valued immediately through the Comprehensive Income and Expenditure Statement.

The use of derivative instruments can itself give rise to credit and market risk. Market risk is the possibility that future changes in interest rates may make a derivative more or less valuable. Since the Group uses derivatives for risk management, market risk relating to derivative instruments is principally offset by changes in the cash flows of the transactions being hedged.

For the years ended 31 March 2016 and 2015, no ineffectiveness was recognised and all derivatives in designated hedge relationships were assessed as highly effective. Accordingly, the movement in the fair value of those derivatives was taken to reserves.

Foreign exchange risk

During 2015/16, TfL held certain short term investments denominated in Euros and US Dollars. These were swapped back to GBP at the Group level through the use of forward foreign exchange contracts. These contracts were not in formally designated hedging relationships for accounting purposes, as the currency gain or loss on retranslation of the investments is offset within net cost of services at the Group level by the movement in the fair value of the derivative instruments. As at 31 March 2016, the Group held foreign exchange contracts to hedge €978.0m future Euro receipts in relation to its Euro investments (2015 €791.5m). An unrealised exchange net gain of £39.8m was recognised on retranslation of these Euro investment balances as at 31 March 2016 (2014/15 a net loss of £19.7m). This gain was offset by an unrealised fair value net loss of £41.4m arising from the fair value movement of the related forward foreign exchange contracts (2014/15 a net gain of £21.3m). These derivative instruments mature in the period to June 2016. It had no outstanding US Dollar derivatives (2015 \$nil).

30. Funding and financial risk management (continued)

For 2015/16, the broad policy on managing transactional foreign exchange risk arising from contractual obligations with overseas providers was to pass the exchange risk to the vendor where there was value in doing so. For specific transactions where the risk was retained by the Group, exchange rate exposures were managed through the use of forward foreign exchange contracts. Hedge accounting is applied to these derivative instruments.

At 31 March 2016, the Group held forward foreign derivative contracts in Euros, US Dollars and Canadian Dollars to hedge planned foreign currency capital expenditure payments with a net nominal value of £180.6m (2015 £3.2m). At 31 March 2016, these contracts had a combined net fair value of £11.0m (2015 £nil). It is expected that the hedged purchases will take place in the period to 1 September 2021. The maturity of all these contracts is disclosed later in this note. All hedging relationships have been assessed as 100 per cent effective.

Where funds were received in specific currencies in which the Group expected to have future exposures, the Investment Strategy made allowances to place these funds on deposit. This gave the Group the flexibility to offer certain payments in specific foreign currencies where required.

The Group has no other material financial assets or liabilities denominated in foreign currencies, and thus has no general translation exposure to gains or losses arising from movements in exchange rates.

Sensitivity analysis on foreign exchange risk

As at 31 March 2016, the Group held forward euro foreign exchange contracts with a combined total net nominal sale value of £736.4m (2015 £591.0m) and a net fair value liability of £18.5m (2015 an asset of £21.3m). A 10 per cent increase/(decrease) in GBP against the euro would increase/(decrease) the fair value of these derivative instruments by £68.6m/£(83.9)m (2015 £51.8m/£(63.3)m).

As at 31 March 2016, the Group held forward foreign exchange contracts with a combined net notional value of £1.0m (2015 £nil) and a fair value of £0.1m (2015 £nil), to purchase US dollars. A 10 per cent increase/(decrease) in GBP against the US dollar would (decrease)/increase the fair value of these derivative instruments by £(0.1)m/£0.1m.

As at 31 March 2016, the Group also held forward foreign exchange contracts with a combined net notional value of £161.5m (2015 £nil) and a fair value of £9.3m (2015 £nil) to purchase Canadian dollars. A 10 per cent increase/(decrease) in GBP against the Canadian dollar would (decrease)/increase the fair value of these derivative instruments by £(15.5)m/£19.0m.

The Group has no other material exposure to foreign exchange rate movements.

Interest rate risk

As at 31 March 2016, 99.4 per cent (2015 99.6 per cent) of the Group's borrowings were at fixed rates of interest after hedging. The remaining 0.6 per cent was unhedged Commercial Paper which, although having fixed rates of interest for the duration of the note, in practice behaves more like variable rate debt if used on a revolving basis.

30. Funding and financial risk management (continued)

The Group is mainly exposed to interest rate risk on its planned future borrowings, which are agreed with Government. As TfL is required by legislation to produce a balanced Budget and produces a balanced Business Plan annually, any uncertainty over the cost of future borrowing requires funding to be set aside in the Business Plan against that risk rather than invested in the transport system.

In order to achieve certainty over the cost of a portion of its planned borrowing TfL employs a number of interest rate swaps and gilt locks, allowing additional funds to be allocated for investment in transport infrastructure in the Business Plan. As at 31 March 2016, the Group, through its wholly owned subsidiary Transport for London Finance Limited, held 18 interest rate swaps at a total notional value of £830.7m (2015 18 interest rate swaps at a total notional value of £830.9m). The net fair value of these contracts at 31 March 2016 was a liability of £94.9m (2015 £101.3m). As the hedging was assessed as fully effective these unrealised losses have been recognised in the hedging reserve. In addition, a gain of £0.1m, representing the cash settled net gain on gilt locks taken out to hedge the interest rate on £200m of the £400m 2.125 per cent 10 year Green bond, issued in April 2015, has been deferred in the hedging reserve and is being released to profit or loss over the term of the bond to which it relates. Amounts held in the hedging reserve are expected to impact the Comprehensive Income and Expenditure Statement over the period to December 2042.

The maturity of the forward fixing contracts is disclosed later in this note.

The Group is also exposed to interest rate risk in respect to its investments. Investments are made in accordance with the Investment Strategy, which prioritises security and liquidity over yield.

Sensitivity analysis on interest rate risk**(i) Fair value sensitivity analysis for fixed interest instruments**

All of the Group's non-derivative financial instruments with fixed rates of interest are accounted for at amortised cost. Fluctuations in market interest rates would therefore have no impact on the balance sheet or net income figures in respect of these items.

(ii) Fair value sensitivity analysis for derivative instruments

As at 31 March 2016, the Group holds interest rate derivative contracts with a combined notional value of £830.7m (2015 £830.9m) which are designated as cash flow hedges.

An increase/(decrease) of 100 basis points in interest rates would increase/(decrease) the fair value of the derivative instruments by £38.8m/£(37.0)m (2015 £46.7m/£(48.6)m).

Inflation risk

The Group has a number of exposures to inflation including staff pay awards and fares revenue. 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.

30. Funding and financial risk management (continued)

Maturity profile of derivatives

The Group's foreign currency derivatives have the following maturities:

	2016 Average exchange rate	2016 Fair value £m	2016 Notional amount £m	2015 Average exchange rate	2015 Fair value £m	2015 Notional amount £m
Foreign currency forward contracts						
Buy euro						
Less than one year	0.770	1.7	56.0	0.729	-	3.2
Between one and two years	0.738	1.1	12.4	-	-	-
Between two and five years	0.759	-	0.1	-	-	-
Sell euro						
Less than one year	0.772	(21.3)	804.9	0.751	21.3	594.2
Total euro	0.772	(18.5)	873.4	0.751	21.3	597.4
Buy US Dollars						
Less than one year	0.640	-	0.4	-	-	-
Between one and two years	0.640	0.1	0.3	-	-	-
Between two and five years	0.638	-	0.3	-	-	-
Total US Dollars	0.639	0.1	1.0	-	-	-
Buy Canadian Dollars						
Less than one year	0.498	3.4	45.1	-	-	-
Between one and two years	0.500	2.4	35.5	-	-	-
Between two and five years	0.510	3.1	68.4	-	-	-
After five years	0.513	0.4	12.5	-	-	-
Total Canadian Dollars	0.504	9.3	161.5	-	-	-
Grand total	n/a	(9.1)	1,035.9	n/a	21.3	597.4

30. Funding and financial risk management (continued)

Maturity profile of derivatives (continued)

The Group's interest rate derivatives have the following maturities:

	2016 Average contracted fixed interest rate (%)	2016 Fair value £m	2016 Notional amount £m	2015 Average contracted fixed interest rate (%)	2015 Fair value £m	2015 Notional amount £m
Interest rate hedges						
Between one and two years	3.273	(9.2)	250.0	-	-	-
Between two and five years	3.718	(24.4)	275.0	3.504	(39.4)	500.0
After five years	3.832	(61.3)	305.7	3.810	(61.9)	330.9
Total	3.626	(94.9)	830.7	3.626	(101.3)	830.9

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.

30. Funding and financial risk management (continued)

Maturity profile of derivatives (continued)

The following tables detail the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

	Less than one year £m	Between one and two years £m	Between two and five years £m	More than five years £m	Total £m
Group – 2016					
Derivatives settled gross					
Foreign exchange forward contracts:					
Amounts receivable	911.4	51.8	71.9	13.0	1,048.1
Amounts payable	(927.6)	(48.3)	(68.8)	(12.5)	(1,057.2)
Derivatives settled net					
Interest rate swaps	(25.1)	(20.3)	(29.4)	(17.6)	(92.4)
	(41.3)	(16.8)	(26.3)	(17.1)	(101.5)
Group – 2015					
Derivatives settled gross					
Foreign exchange forward contracts:					
Amounts receivable	597.4	-	-	-	597.4
Amounts payable	(576.1)	-	-	-	(576.1)
Derivatives settled net					
Interest rate swaps	(25.0)	(19.6)	(22.5)	(4.2)	(71.3)
	(3.7)	(19.6)	(22.5)	(4.2)	(50.0)

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 2016, the fair value of the interest rate derivatives was a net liability of £94.9m (2015 £101.3m). The fair value of forward foreign exchange derivatives was a net liability of £9.1m (2015 a net asset of £21.3m).

30. 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 - 2016					
Trade and other creditors	1,656.8	51.5	-	-	1,708.3
Borrowings - principal	833.1	342.8	282.0	7,689.8	9,147.7
Borrowings - interest	334.2	245.9	1,048.8	5,647.9	7,276.8
Finance lease liabilities	135.6	112.2	290.2	373.4	911.4
	2,959.7	752.4	1,621.0	13,711.1	19,044.2
Group - 2015					
Trade and other creditors	1,622.4	81.2	-	-	1,703.6
Borrowings - principal	785.1	53.0	511.2	7,198.4	8,547.7
Borrowings - interest	321.9	320.7	937.2	5,840.1	7,419.9
Finance lease liabilities	133.5	135.7	309.4	467.3	1,045.9
	2,862.9	590.6	1,757.8	13,505.8	18,717.1
Corporation - 2016					
Trade and other payables	526.3	-	-	-	526.3
Borrowings - principal	833.1	342.8	282.0	7,689.8	9,147.7
Borrowings - interest	334.2	245.9	1,048.8	5,647.9	7,276.8
Finance lease liabilities	18.4	18.2	48.0	134.4	219.0
	1,712.0	606.9	1,378.8	13,472.1	17,169.8
Corporation - 2015					
Trade and other payables	561.5	-	-	-	561.5
Borrowings - principal	785.1	53.0	511.2	7,198.4	8,547.7
Borrowings - interest	321.9	320.7	937.2	5,840.1	7,419.9
Finance lease liabilities	18.7	18.4	52.0	148.6	237.7
	1,687.2	392.1	1,500.4	13,187.1	16,766.8

30. Funding and financial risk management (continued)

Fair values

In accordance with IFRS 13, the fair values of the financial assets and liabilities are calculated as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following methods and assumptions were used to estimate the fair values:

- Cash and cash equivalents – approximates to the carrying amount
- Short-term investments – approximates to the carrying amount because of the short maturity of these instruments
- Long-term investments – by reference to bid prices at the close of business on the balance sheet date, within Level 1 of the fair value hierarchy as defined within IFRS 7
- Trade and other debtors - approximates to the carrying amount
- Derivative financial instruments – In the absence of quoted market prices, derivatives are valued by using quoted forward prices for the underlying commodity/currency and discounted using quoted interest rates (both as at the close of business on the balance sheet date). Hence, derivatives are within Level 2 of the fair value hierarchy as defined within IFRS 7:
 - Forward exchange contracts – based on market data and exchange rates at the balance sheet date
 - Interest rate swaps and forward starting interest rate swaps – based on the net present value of discounted cash flows
- Trade and other creditors - approximates to the carrying amount
- Long-term borrowings – determined by calculating the discounted value of the future cash flows (redemption and interest) using appropriate discount rates, based on observable market data, in effect at the balance sheet date at Level 2 of the fair value hierarchy. Fair value approximates to the carrying amount in the case of short-term commercial paper
- Finance lease liabilities – approximates to the carrying amount.

30. Funding and financial risk management (continued)

Fair values (continued)

The fair values of the Group's financial assets and liabilities together with the carrying amounts recorded in the balance sheets are illustrated below:

	2016 Carrying value £m	2016 Fair value £m	2015 Carrying value £m	2015 Fair value £m
Cash and cash equivalents	152.1	152.1	119.4	119.4
Long-term investments	-	-	10.1	10.1
Short-term investments	3,162.3	3,162.3	4,548.4	4,548.4
Trade and other debtors	1,754.3	1,754.3	1,263.8	1,263.8
Derivative financial instruments	12.2	12.2	22.6	22.6
Total financial assets	5,080.9	5,080.9	5,964.3	5,964.3
Trade and other creditors	1,708.3	1,708.3	1,703.6	1,703.6
Borrowings	9,113.1	10,517.8	8,514.3	9,942.4
Finance lease liabilities	659.1	659.1	746.0	746.0
Derivative financial instruments	116.2	116.2	102.6	102.6
Total financial liabilities	11,596.7	13,001.4	11,066.5	12,494.6
Net financial liabilities	(6,515.8)	(7,920.5)	(5,102.2)	(6,530.3)

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:

	2016 Carrying value £m	2016 Fair value £m	2015 Carrying value £m	2015 Fair value £m
Cash and cash equivalents	19.6	19.6	53.7	53.7
Long-term investments	-	-	10.1	10.1
Short-term investments	3,146.3	3,146.3	4,521.9	4,521.9
Trade and other debtors	9,346.1	9,346.1	8,338.5	8,338.5
Total financial assets	12,512.0	12,512.0	12,924.2	12,924.2
Trade and other creditors	526.3	526.3	561.5	561.5
Borrowings	9,120.9	10,517.8	8,522.7	9,942.4
Finance lease liabilities	164.6	164.6	175.5	175.5
Total financial liabilities	9,811.8	11,208.7	9,259.7	10,679.4
Net financial assets	2,700.2	1,303.3	3,664.5	2,244.8

31. Pensions

During the year the majority of the Group's staff were members of either the Public Sector Section or the Tube Lines Section of the TfL Pension Fund. On 30 March 2016, the Tube Lines Section was merged into the Public Sector Section. The majority of the Group's remaining staff belong to the Local Government Pension Scheme, the Principal Civil Service Pension Scheme or the Tube Lines defined contribution scheme.

a) Amount included in net cost of services

	Note	Group 2016 £m	Group 2015 £m	Corporation 2016 £m	Corporation 2015 £m
TfL Pension Fund		377.6	314.6	158.2	85.2
Local Government Pension Scheme		1.6	1.3	1.6	1.3
Unfunded schemes provision		1.8	4.5	1.8	4.5
Total for schemes accounted for as defined benefit		381.0	320.4	161.6	91.0
Principal Civil Service Pension Scheme		0.6	0.6	0.6	0.6
Other schemes		11.5	13.4	1.7	1.3
Amounts included in net cost of services		393.1	334.4	163.9	92.9
Less: scheme expenses		(10.7)	(10.3)	(10.1)	(9.7)
Amount included in staff costs	3	382.4	324.1	153.8	83.2

31. Pensions (continued)

b) Defined benefit schemes

This section deals with those pension funds to which the Group contributes that are accounted for under IAS 19 as defined benefit schemes.

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's actuary makes valuations and recommends the level of contributions to be made by the participating employers to ensure the long-term solvency of the Fund. The latest available valuation of the Fund was carried out as at 31 March 2015 by the Actuary, a partner of consulting actuaries Towers Watson, using the projected unit method. A revised Schedule of Contributions was agreed between the Trustee and the employers following the formal funding valuation of the TfL Pension Fund.

Employer's contributions for the period from 1 April 2016 until 31 March 2022 will continue to be 31.0 per cent, with an additional lump sum payment due in March 2018. The recovery plan states that the expectation is that the funding shortfall will be eliminated by March 2022.

The underlying assets and defined benefit obligation of the Public Sector Section 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.

On 30 March 2016, the Group's obligations in respect of the Tube Lines Section transferred from Tube Lines Limited, a subsidiary of the TfL Group, to the Corporation as the Tube Lines Section of the TfL Pension Fund was merged into the Public Sector Section. In the following tables this transfer is shown under assets/liabilities acquired during the year by the Corporation in the analysis of balance sheet movements; and as a settlement loss in the analysis of amounts charged to net cost of services. The transfer has no impact on consolidated Group figures.

A separate valuation of the TfL Pension Fund has been prepared for accounting purposes on an IAS 19 basis as at 31 March 2016. The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions, whilst the present value of the schemes' defined benefit obligation is derived from cash flow projections. Due to the timescale covered, neither the assumptions nor the cash flow projections may necessarily be borne out in practice.

The defined benefit obligation for the TfL Pension Fund has been calculated using the mortality assumptions adopted for the latest available funding valuation as at 31 March 2015. Standard mortality tables were used, adjusted to reflect the recent mortality experience of the Fund's pensioners at that date. An allowance was made for future mortality improvements based on the CMI 2015 projections with a long term improvement rate of 1.25 per cent per annum.

The discounted scheme liabilities have an average duration of 18 years.

31. Pensions (continued)

b) Defined benefit schemes (continued)

Local Government Pension Scheme

The Local Government Pension Scheme is a funded multi-employer defined benefit scheme, administered by the London Pensions Fund Authority. The Corporation is able to identify its share of the assets and defined benefit obligation of the scheme and this scheme has therefore been accounted for as a defined benefit scheme under IAS 19. Employer's contributions were payable at the rate of 12 per cent (2014/15 12 per cent) of pensionable pay. The Corporation's share of the underlying assets and defined benefit obligation resulted in a deficit of £43.0m (2015 £47.7m). The discounted scheme liabilities have an average duration of 21 years.

The last full actuarial valuation was carried out at 31 March 2013. The annual report and financial statements for the whole scheme can be found on the London Pensions Fund Authority website (www.lpfa.org.uk).

Unfunded pension costs

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

In addition, the Corporation also bears the cost of:

- ex-gratia payments which are made to certain former employees on retirement in respect of service prior to the establishment of pension funds for those employees;
- supplementary pensions, which are made to certain former employees who retired prior to index linking of pensions;
- pensions of London Regional Transport (LRT) former board members who did not qualify to join the TfL Pension Fund; and
- other unfunded defined benefit pensions accruing to certain employees.

Punter Southall, consulting actuaries, were instructed to report on the financial position of the unfunded pension defined benefit obligation as at 31 March 2016 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 2016 was £73.3m (2015 £77.5m), and is fully provided for in these financial statements.

31. Pensions (continued)

(b) Defined benefit schemes (continued)

Assumptions for defined benefit sections

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

	IAS 19 valuation at 31 March 2016 %	IAS 19 valuation at 31 March 2015 %
RPI Inflation	2.60-3.40	2.75-3.30
CPI Inflation	2.00-2.50	2.50
Rate of increase in salaries	2.60-4.30	2.75-4.30
Rate of increase in pensions in payment and deferred pensions	2.50-3.00	2.50-3.00
Discount rate	3.25-3.80	2.95-3.40

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 £214.5m/ (increase by 220.6m).
- If the expected salary growth were increased/(decreased) by 0.1 per cent, the defined benefit obligation would increase by £58.3m/(decrease by £58.2m).
- If life expectancy were increased/(decreased) by one year, the defined benefit obligation would increase by £334.6m/(decrease by £335.4m).
- If the inflation rate were 0.1 per cent higher/(lower), the defined benefit obligation would increase by £213.4m/ (decrease by £211.3m).

The sensitivity analyses presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

31. Pensions (continued)

c) Accounting for defined benefit schemes

The total assets in the Schemes were:

	Value at 31 March 2016 £m	Value at 31 March 2015 £m
Equities and alternatives	6,186.1	6,208.9
Bonds	1,936.6	2,002.4
Cash and other	64.7	34.9
Total fair value of assets	8,187.4	8,246.2

The TfL Pension Fund's and the Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March 2016 %	31 March 2015 %
Equities	75	75
Bonds	24	25
Cash and other assets	1	-
	100	100

The unfunded pension schemes have no assets to cover their defined benefit obligation.

31. Pensions (continued)

Total pension deficit at the end of the year

	2016 £m	2015 £m
Group		
Fair value of scheme assets	8,187.4	8,246.2
Actuarial valuation of defined benefit obligation	(11,395.6)	(11,140.9)
Deficit recognised as a liability in the balance sheet	(3,208.2)	(2,894.7)

	2016 £m	2015 £m
Group		
TfL Pension Fund – Public Sector section	(3,091.9)	(2,737.5)
TfL Pension Fund – Tube Lines section	-	(32.0)
Local Government Pension Scheme	(43.0)	(47.7)
Unfunded schemes provision	(73.3)	(77.5)
Deficit recognised as a liability in the balance sheet	(3,208.2)	(2,894.7)

	2016 £m	2015 £m
Corporation		
Fair value of scheme assets	8,187.4	7,969.9
Actuarial valuation of defined benefit obligation	(11,395.6)	(10,832.6)
Deficit recognised as a liability in the balance sheet	(3,208.2)	(2,862.7)

	2016 £m	2015 £m
Corporation		
TfL Pension Fund - Public Sector section	(3,091.9)	(2,737.5)
Local Government Pension Scheme	(43.0)	(47.7)
Unfunded schemes provision	(73.3)	(77.5)
Deficit recognised as a liability in the balance sheet	(3,208.2)	(2,862.7)

31. Pensions (continued)

Analysis of amounts included in the Comprehensive Income and Expenditure Statement

Analysis of amounts charged to net cost of services

	Group 2016 £m	Group 2015 £m	Corporation 2016 £m	Corporation 2015 £m
Current service cost	369.1	305.8	355.7	293.5
Less contributions paid by subsidiaries	-	-	(229.7)	(216.5)
Past service cost	1.2	4.3	1.2	4.3
Settlements and curtailments	-	-	24.3	-
Total included in staff costs	370.3	310.1	151.5	81.3
Scheme expenses	10.7	10.3	10.1	9.7
Total amount charged to net cost of services	381.0	320.4	161.6	91.0

Amounts charged to financing and investment expenditure

	Group 2016 £m	Group 2015 £m	Corporation 2016 £m	Corporation 2015 £m
Net interest expense on scheme defined benefit obligation	91.9	102.4	91.3	101.0

Amount recognised in other comprehensive income and expenditure

	Group 2016 £m	Group 2015 £m	Corporation 2016 £m	Corporation 2015 £m
Net remeasurement losses recognised in the year	162.1	293.7	167.2	300.9

Analysis of scheme defined benefit obligation into amounts arising from schemes that are wholly or partly funded and wholly unfunded

	Group 2016 £m	Group 2015 £m	Corporation 2016 £m	Corporation 2015 £m
Wholly unfunded schemes	73.3	77.5	73.3	77.5
Wholly or partly funded schemes	11,322.3	11,063.4	11,322.3	10,755.1
Total scheme defined benefit obligation	11,395.6	11,140.9	11,395.6	10,832.6

31. Pensions (continued)

Reconciliation of defined benefit obligation

	Group 2016 £m	Group 2015 £m	Corporation 2016 £m	Corporation 2015 £m
Actuarial value of defined benefit obligation at start of year	11,140.9	9,772.0	10,832.6	9,484.7
Current service cost	369.1	305.8	355.7	293.5
Interest cost	367.6	423.9	358.8	412.5
Employee contributions	49.3	47.0	47.3	44.8
Remeasurement (gains)/losses on scheme liabilities:				
Net remeasurement - financial	(524.8)	1,059.3	(508.8)	1,036.3
Net remeasurement - experience	352.3	(162.3)	354.3	(154.8)
Net remeasurement - demographic	(26.5)	-	(26.5)	-
Actual benefit payments	(333.5)	(309.1)	(309.3)	(288.7)
Past service cost	1.2	4.3	1.2	4.3
Acquisition of Tube Lines section liabilities	-	-	290.3	-
Actuarial value of defined benefit obligation at end of year	11,395.6	11,140.9	11,395.6	10,832.6

Reconciliation of fair value of the scheme assets

	Group 2016 £m	Group 2015 £m	Corporation 2016 £m	Corporation 2015 £m
Fair value of assets at start of year	8,246.2	7,289.8	7,969.9	7,050.3
Expected return on assets net of expenses	275.7	321.5	267.5	311.5
Scheme expenses	(10.7)	(10.3)	(10.1)	(9.7)
Return on assets excluding interest income and other net gains on assets	(361.1)	603.3	(348.2)	580.6
Actual employer contributions	317.0	299.6	70.1	60.2
Contributions paid by subsidiaries	-	-	229.7	216.5
Employee contributions	49.3	47.0	47.3	44.8
Actual benefits paid	(329.0)	(304.7)	(304.8)	(284.3)
Acquisition of Tube Lines Section assets	-	-	266.0	-
Fair value of assets at end of year	8,187.4	8,246.2	8,187.4	7,969.9

31. Pensions (continued)

The expected return on scheme assets is set equal to the discount rate. The actual return on scheme assets in the year was a loss of £85.4m (2014/15 a gain of £924.8m).

Total contributions of £313.8m are expected to be made to the schemes in the year ending 31 March 2017.

d) Other pension arrangements

Principal Civil Service Pension Scheme

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme. The Group is unable to identify its share of the underlying assets and defined benefit obligation on a consistent and reasonable basis and, as permitted by the multi-employer exemption in IAS 19, the Group treats contributions to the PCSPS as if they were contributions to a defined contribution plan. A full actuarial valuation was last carried out at 31 March 2012. Details can be found in the Civil Service Superannuation Resource Accounts (www.civilservice.gov.uk/pensions).

From 1 April 2015 employers' contributions are payable to the PCSPS at one of four rates in the range 20.0 per cent to 27.9 per cent of pensionable pay, based on salary bands. Employer contributions are reviewed every four years. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Railways Pension Scheme

Crossrail Limited (CRL) contributes to the Omnibus Section of the Railways Pension Scheme (RPS). The RPS is a defined benefit arrangement for rail industry employees. The Omnibus Section is made up of 37 participating employers, each (apart from CRL) having fewer than 51 active members in the scheme.

The Omnibus Section of the RPS is a multi-employer scheme and is valued as a whole. As a result of this, CRL is unable to identify its share of the underlying assets and defined benefit obligation. It is therefore accounted for as a defined contribution scheme under IAS 19.

The last actuarial valuation of the Omnibus Section of the scheme was carried out at 31 December 2013. The actuarial report showed that there was a deficit of £5.4m for the total Omnibus Section.

The findings of the 2013 valuation report were translated into the current contribution level of 31 per cent up to 30 June 2015, and 26.9 per cent effective from 1 July 2015. The pension charge for the year was £5.4m (2014/15 £6.2m).

31. Pensions (continued)

Docklands Light Railway Pension Scheme (the 'DLR Scheme')

The 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.

Actuarial valuations are carried out every three years with the last available valuation being carried out at 31 March 2015. As a consequence of this valuation a schedule of contributions was agreed in June 2016.

Keolis Amey Docklands Limited (KAD) was awarded the franchise to operate the Docklands Light Railway from 7 December 2014 and is a Participating Employer in the DLR Scheme. Under the franchise agreement between DLR and KAD, KAD is required to pay 35.7 per cent per annum of pensionable salaries into the DLR Scheme, the PPF levy and additional contributions if actual pensionable salary increases exceed RPI + 1.5 per cent per annum. The previous franchisee, Serco Limited, ceased paying contributions towards future benefit and accrual and expenses from 7 December 2014, although they remain liable for some contributions towards the deficit of the DLR Scheme. As at 31 March 2016, Serco Limited is committed to pay £8.25m on or before January 2017 and £8.25m on or before 2 January 2018. DLR, as the Principal Employer of the scheme, is responsible for meeting any further costs towards the cost of accruing benefits and removing the deficit, over and above contributions payable by KAD and Serco Limited, if necessary. Following the completion of the 2015 valuation, it was agreed that DLR will pay 12.8 per cent per annum of Pensionable Salaries towards future benefit accrual, plus additional contributions towards the deficit of £0.1m per annum until April 2020. As these contributions were set with effect from 1 April 2015, DLR will pay an amount in lieu of contributions due before the new schedule of contributions was signed. In addition, DLR will pay additional contributions if actual pensionable salary growth exceeds RPI + 0.75 per cent per annum (up to RPI + 1.5 per cent per annum). No contributions were paid by DLR in the year to 31 March 2016.

A valuation of the DLR Scheme has been prepared for accounting purposes by Punter Southall on an IAS 19 basis at 31 March 2016. This valuation showed a defined benefit obligation as at 31 March 2016 of £21.1m. The scheme's funding arrangements outlined above, however, mean that DLR is currently unable to identify its share of this obligation on a consistent and reasonable basis. The Group has therefore taken the exemption permitted under IAS 19 for multi-employer schemes and treats contributions to the DLR Scheme as if they were contributions to a defined contribution plan. No defined benefit obligation has been recognised in the balance sheet in respect of this scheme.

Defined contribution schemes

The Group contributes to a number of defined contribution schemes, with total contributions, including contributions to the PCSPS and RPS schemes as outlined in the paragraphs above, amounting to £12.1m (2014/15 £14.0m).

32. Cash flow notes

a) Adjustments to net surplus for non-cash movements

	Group 2016 £m	Group 2015 £m	Corporation 2016 £m	Corporation 2015 £m
Depreciation of property, plant and equipment and amortisation of intangibles	1,119.3	1,039.9	214.0	188.9
Loss on disposal of property, plant and equipment and intangibles	46.2	19.5	25.6	2.1
Net gain on sale of investment properties	(5.4)	(0.8)	(0.1)	(0.9)
Movements in the value of investment properties	(50.0)	(200.2)	(0.1)	(2.1)
Reversal of unrealised (gains)/losses on retranslation of foreign currency investments	(39.8)	19.7	(39.8)	19.7
Reversal of fair value movements on derivatives not in hedging relationships for accounting purposes	41.4	(21.3)	-	-
Financing income	(26.2)	(28.3)	(347.7)	(301.4)
Financing expense	418.7	450.7	446.5	439.8
Capital grants received	(2,662.6)	(3,489.2)	(2,619.7)	(3,441.5)
Capital grants paid to subsidiaries	-	-	848.5	1,356.9
Reversal of share of profits from associated undertakings	(25.9)	-	-	-
Reversal of defined benefit pension service costs	381.0	320.4	161.6	91.0
Reversal of taxation credit	(2.2)	-	-	-
Adjustments to net surplus for non-cash movements before movements in working capital	(805.5)	(1,889.6)	(1,311.2)	(1,647.5)
Increase/(decrease) in creditors	95.0	(17.8)	(42.6)	(74.9)
(Increase)/decrease in debtors	(18.6)	3.5	(465.0)	27.7
(Increase)/decrease in inventories	(16.7)	(6.2)	(0.6)	3.5
Increase/(decrease) in provisions	20.4	(2.9)	1.3	(2.3)
Adjustments to net surplus for non-cash movements after movements in working capital	(725.4)	(1,913.0)	(1,818.1)	(1,693.5)
Net cash payments for employers' contributions to defined benefit pension funds and direct payments to pensioners	(321.5)	(304.0)	(74.6)	(64.6)
Taxation received/(paid)	2.2	(0.1)	-	-
Total adjustments to net surplus for non-cash movements	(1,044.7)	(2,217.1)	(1,892.7)	(1,758.1)

32. Cash flow notes (continued)

b) Investing activities

	Group 2016 £m	Group 2015 £m	Corporation 2016 £m	Corporation 2015 £m
Interest and other investment income received	27.7	24.5	331.2	297.6
Dividends received from subsidiaries	-	-	18.0	-
Capital grants received	2,715.3	3,460.8	2,660.6	3,410.8
Capital grants paid to subsidiaries	-	-	(848.5)	(1,356.9)
Purchase of property, plant and equipment and investment property	(3,758.6)	(3,507.0)	(428.9)	(311.2)
Purchase of intangible assets	(52.6)	(34.9)	(43.9)	(20.8)
Proceeds from the sale of property, plant and equipment and intangible assets	3.1	6.2	2.5	-
Net sales of other investments	1,435.9	58.1	1,425.4	66.9
Interim financing advanced to third parties for the Crossrail project	(453.4)	(381.9)	-	-
Issue of loans to subsidiaries (net of repayments)	-	-	(590.0)	(649.2)
Proceeds from sale of investment property	394.7	21.1	6.7	2.9
Investment in equity loan notes of associated undertakings	(402.7)	-	-	-
Investment in share capital of associated undertakings	(44.4)	-	-	-
Investment in share capital of subsidiaries	-	-	(1,830.0)	(1,500.0)
Net cash flows from investing activities	(135.0)	(353.1)	703.1	(59.9)

c) Financing activities

	Group 2016 £m	Group 2015 £m	Corporation 2016 £m	Corporation 2015 £m
Cash payments for reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI arrangements	(86.9)	(75.8)	(10.9)	(7.9)
Net proceeds from new borrowing	623.0	668.1	623.0	668.1
Repayments of borrowings	(25.3)	(22.1)	(25.3)	(22.1)
Cash received on settlement of derivatives	0.1	-	-	-
Interest paid	(306.6)	(320.4)	(343.2)	(319.5)
Net cash flows from financing activities	204.3	249.8	243.6	318.6

33. Unusable reserves

	2016 £m	2015 £m
Group		
Capital adjustment account	23,826.1	21,122.1
Pension reserve	(3,208.2)	(2,862.7)
Accumulated absences reserve	(7.2)	(6.5)
Retained earnings reserve in subsidiaries	985.9	1,071.9
Revaluation reserve	310.8	212.9
Hedging reserve	(176.0)	(200.9)
Available for sale reserve	-	0.1
Financial instruments adjustment account	(194.6)	(206.3)
Merger reserve	466.1	466.1
At 31 March	22,002.9	19,596.7

	2016 £m	2015 £m
Corporation		
Capital adjustment account	10,616.2	8,109.6
Pension reserve	(3,208.2)	(2,862.7)
Accumulated absences reserve	(7.2)	(6.5)
Available for sale reserve	-	0.1
Financial instruments adjustment account	(194.6)	(206.3)
At 31 March	7,206.2	5,034.2

33. Unusable reserves (continued)

Capital adjustment account

The capital adjustment account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by TfL as finance for the costs of acquisition, construction and enhancement. The account also contains accumulated gains and losses on investment properties.

Note	Group 2016 £m	Group 2015 £m	Corporation 2016 £m	Corporation 2015 £m
Balance at 1 April	21,122.1	18,669.3	8,109.6	6,434.5
Charges for depreciation and impairment of non-current assets	(214.0)	(188.9)	(214.0)	(188.9)
Gain on disposal of investment properties	0.1	0.9	0.1	0.9
Movements in the market value of investment properties	0.1	2.1	0.1	2.1
Capital grants and contributions	9	3,267.3	2,746.0	1,862.7
Transfer from street works reserve	-	0.4	-	0.4
Loss on disposal of non-current assets	(25.6)	(2.1)	(25.6)	(2.1)
Adjustments between Group and Corporation financial statements	*	(626.9)	-	-
Balance at 31 March	23,826.1	21,122.1	10,616.2	8,109.6

* 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.

33. Unusable reserves (continued)

Pension reserve

The pension reserve represents pension and other post-retirement defined benefit obligations shown on the balance sheet, excluding those reflected on the balance sheets of the subsidiary companies. The pension reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Group and Corporation account for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the defined benefit obligations recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Group and Corporation make employer's contributions to pension funds or eventually pay any pensions for which they are directly responsible. The debit balance on the pension reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources that have been set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	Group 2016 £m	Group 2015 £m	Corporation 2016 £m	Corporation 2015 £m
Balance at 1 April	(2,862.7)	(2,434.4)	(2,862.7)	(2,434.4)
Net remeasurement losses on pension assets and defined benefit obligations	(167.2)	(300.9)	(167.2)	(300.9)
Reversal of charges relating to retirement benefits	(482.6)	(408.5)	(252.9)	(192.0)
Employer's pension contributions, contributions from subsidiaries and direct payments to pensioners payable in the year	304.3	281.1	74.6	64.6
Balance at 31 March	(3,208.2)	(2,862.7)	(3,208.2)	(2,862.7)

33. 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 2016 £m	Group 2015 £m	Corporation 2016 £m	Corporation 2015 £m
Balance at 1 April	(6.5)	(6.0)	(6.5)	(6.0)
Settlement or cancellation of accrual made at the end of the preceding year	6.5	6.0	6.5	6.0
Amounts accrued at the end of the current year	(7.2)	(6.5)	(7.2)	(6.5)
Balance at 31 March	(7.2)	(6.5)	(7.2)	(6.5)

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 2016 £m	Group 2015 £m
Balance at 1 April	1,071.9	1,079.3
Loss for the year	(101.2)	(18.0)
Remeasurement gains on defined benefit pension plan assets and liabilities	5.1	7.2
Release of revaluation reserve relating to the difference between historic cost of disposal and fair value cost of disposal	10.1	3.4
Balance at 31 March	985.9	1,071.9

33. 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; or
- Used in the provision of services and the gains are consumed through depreciation; or
- Disposed of and the gains are transferred to retained earnings.

	Note	Group 2016 £m	Group 2015 £m
Balance at 1 April		212.9	117.1
Revaluation of assets	12	108.0	99.2
Release of revaluation reserve relating to the difference between fair value depreciation and historic cost depreciation		(10.1)	(3.4)
Balance at 31 March		310.8	212.9

The Corporation does not have a revaluation reserve as it does not hold any property, plant or equipment at a revalued amount (2015 £nil).

Hedging reserve

The hedging reserve holds the gain or loss on a hedging instrument that is determined to be an effective hedge. The ineffective portion, if any, is recognised immediately through the Comprehensive Income and Expenditure Statement. The gain or loss deferred in reserves is recognised in the Comprehensive Income and Expenditure Statement in the period(s) during which the hedged forecast transaction affects profit or loss.

	Group 2016 £m	Group 2015 £m
Balance at 1 April	(200.9)	(174.7)
Net change in fair value of cash flow interest rate hedges	17.4	(33.4)
Recycling of interest rate fair value losses to profit and loss	7.5	7.2
Balance at 31 March	(176.0)	(200.9)

The Corporation does not have a hedging reserve as it has not entered into any derivative transactions, nor does it have legal powers so to do.

33. Unusable reserves (continued)

Available for sale reserve

The available for sale reserve holds the unrealised gain or loss arising from a change in the fair value of available for sale long-term investments. When an available for sale financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income and expenditure is transferred from the available for sale reserve and recognised in the Surplus or Deficit on the Provision of Services.

	Group 2016 £m	Group 2015 £m	Corporation 2016 £m	Corporation 2015 £m
Balance at 1 April	0.1	-	0.1	-
Movement in the fair value of available for sale financial investments	(0.1)	0.1	(0.1)	0.1
Balance at 31 March	-	0.1	-	0.1

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 2016 £m	Group 2015 £m	Corporation 2016 £m	Corporation 2015 £m
Balance at 1 April	(206.3)	(218.1)	(206.3)	(218.1)
Release of premium	11.7	11.8	11.7	11.8
Balance at 31 March	(194.6)	(206.3)	(194.6)	(206.3)

33. Unusable reserves (continued)

Merger reserve

The merger reserve of £466.1m arose as a result of the transfer of the net assets of London Regional Transport, including the share capital of London Underground Limited (LU), to TfL in 2003. It represents the share capital of LU and was taken as a credit to the merger reserve. The Group has taken advantage of the exemption in IFRS 1 not to restate business combinations occurring prior to the transition date of 1 April 2009.

	Group 2016 £m	Group 2015 £m	Corporation 2016 £m	Corporation 2015 £m
Balance at 1 April and 31 March	466.1	466.1	-	-

34. Business rate supplement

Business Rate Supplements (BRS) were introduced by the Business Rate Supplements Act 2009 and related regulations and statutory guidance. The Act confers powers on relevant local authorities "to impose a levy on non-domestic ratepayers to raise money for expenditure on projects expected to promote economic development". In London, the only local authority empowered to levy a BRS is the Greater London Authority (GLA).

On 1 April 2010, the GLA introduced a BRS to finance £4.1bn of its contribution towards the costs of the Crossrail Project. The BRS is applied on non-domestic rating assessments in London and is collected on behalf of the GLA by the 33 London billing authorities (the London Boroughs and the Common Council of the City of London). This funding is then passed to TfL as the functional body with responsibility for delivering the Crossrail Project.

In the year to 31 March 2016, TfL recognised £9.0m (2014/15 £30.0m) of BRS income in its Income and Expenditure Statement (see note 9). Receipts in the year also totalled £9.0m (2014/15 £30.0m). No amounts were held as a debtor on the Corporation and Group balance sheets as at 31 March 2016 (2015 £nil).

	Corporation 2016 £m	Corporation 2015 £m
Balance on BRS Account at 1 April	-	-
Transfer to Capital Adjustment Account in respect of BRS capital expenditure	(9.0)	(30.0)
Transfer from General Fund to clear BRS account deficit	9.0	30.0
Balance on BRS Account at 31 March	-	-

35. 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 2016

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	214.0	(214.0)	-	-	-
Movements in the market value of investment properties	7	(0.1)	0.1	-	-	-
Gain on sale of investment property	7	(0.1)	0.1	-	-	-
Capital grants and contributions	9	(2,746.0)	2,746.0	-	-	-
Unapplied capital grants	9	974.8	-	-	-	-
Loss on disposal of non-current assets	6	25.6	(25.6)	-	-	-
Transfers to/from street works reserve		(7.1)	-	-	7.1	-
Reversal of items relating to retirement benefits		252.9	-	(252.9)	-	-
Difference between the remuneration charged on an accruals basis and the remuneration chargeable in accordance with statutory requirements		0.7	-	-	-	(0.7)
Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement which are required to be charged in accordance with statutory requirements						
Employer's pension contributions and direct payments to pensioners payable in the year		(74.6)	-	74.6	-	-
Amortisation of premium on financing		(11.7)	-	-	-	11.7
		(1,371.6)	2,506.6	(178.3)	7.1	11.7
						(0.7)

35. Adjustments between accounting basis and funding basis under regulations (continued)

Corporation 2015

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	188.9	(188.9)	-	-	-
Movements in the market value of investment properties	7	(2.1)	2.1	-	-	-
Net gain on disposal of investment properties	7	(0.9)	0.9	-	-	-
Capital grants and contributions	9	(1,862.7)	1,862.7	-	-	-
Unapplied capital grants	9	(221.9)	-	-	-	-
Loss on disposal of non-current assets	6	2.1	(2.1)	-	-	-
Transfers to/from street works reserve		(4.7)	0.4	-	4.3	-
Reversal of items relating to retirement benefits		192.0	-	(192.0)	-	-
Difference between the remuneration charged on an accruals basis and the remuneration chargeable in accordance with statutory requirements		0.5	-	-	-	(0.5)
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		(64.6)	-	64.6	-	-
Amortisation of premium on financing		(11.8)	-	-	-	11.8
		(1,785.2)	1,675.1	(127.4)	4.3	11.8
						(0.5)

36. Sources of finance

Capital expenditure analysed by source of finance:

	Note	Corporation 2016 £m	Corporation 2015 £m
Capital expenditure			
Intangible asset additions	11	43.9	20.8
Property, plant and equipment additions	12	362.6	299.5
Investments in year	14	1,830.0	1,500.0
Loans made to subsidiaries in year for capital purposes		1,037.1	650.0
Capital grants allocated to subsidiaries in year	9	848.5	1,356.9
Total capital expenditure		4,122.1	3,827.2
Sources of finance			
Transport grants used to fund capital	9	1,640.4	1,728.2
Business Rates Supplement used to fund capital	9	9.0	30.0
Community Infrastructure Levy used to fund capital	9	123.3	75.9
Other third party contributions	9	47.0	25.2
Crossrail specific grant	9	800.0	1,582.2
Adjusted by amounts transferred from/(to) Capital Grants Unapplied Account	9	974.8	(221.9)
Prudential borrowing		600.0	650.0
Capital receipts		6.8	3.1
Net repayment of finance leases		(10.9)	(79)
Working capital		(68.3)	(37.6)
Total sources of finance		4,122.1	3,827.2

37. 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 MRP regulations were approved by the Secretary of State in February 2008. TfL is required to approve an Annual MRP Statement determining the amount of MRP which it considers to be prudent.

The Department for Communities and Local Government issued guidance setting out four possible methods which are deemed automatically prudent, but also states that “approaches differing from those exemplified should not be ruled out... the broad aim of prudent provision is to ensure that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.”

While the statutory guidance provides four suggested options for the calculation of MRP, TfL does not consider that any of these are appropriate to TfL’s circumstances. TfL’s policy on MRP is to treat debt service (interest and principal) in its Business Plan as an in-year operating cost. As TfL has a legal requirement to produce a balanced Budget (and this approach had been extended to the full Business Plan), the cost of debt service is taken into account in determining whether annual Budgets and Business Plans are in balance.

TfL has therefore adopted the following policy:

No provision is made for debt repayment in advance of years where any such repayment is due;

Debt service, including principal repayment, is treated as an in-year operating cost and is funded from income in the year the debt service is required.

38. 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 the London Transport Museum Limited.

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

	Corporation 2016 £m	Corporation 2015 £m
Financial assistance to subsidiaries		
Transport Trading Limited	52.3	76.6
London Underground Limited	653.8	1,189.3
London Bus Services Limited	700.4	657.2
Docklands Light Railway Limited	57.2	43.2
Rail for London Limited	287.2	225.5
London River Services Limited	13.7	11.9
Tramtrack Croydon Limited	45.1	32.2
London Transport Museum Limited	5.3	5.5
Crossrail Limited	230.9	351.5
Transport for London Finance Limited	200.0	200.0
TTL Earls Court Properties Limited	447.1	-
	2,693.0	2,792.9
	Corporation 2016 £m	Corporation 2015 £m
	Note	
Financial assistance to London Boroughs and other third parties		
Local Implementation Plan	123.4	131.6
Severe winter payments scheme	-	12.1
Taxicard	9.9	9.8
Safety schemes	0.4	0.5
Cycling	26.4	7.5
Bus stop accessibility	5.0	-
Other	11.9	11.6
	177.0	173.1
	3	

39. Related parties

Transport for London is required by the Code and IAS 24 Related Party Disclosures (IAS 24) to disclose material transactions with related parties. Related parties are entities or individuals who have the potential to control, indirectly control or significantly influence TfL or to be controlled, indirectly controlled or significantly influenced by TfL.

TfL is a statutory corporation established by section 154 of the Greater London Authority Act 1999 (GLA Act 1999). It is a functional body of the Greater London Authority and is controlled by the Mayor of London. TfL is classified as a government entity in accordance with IAS 24, as it is controlled by the GLA, through the Mayor. The GLA and its other functional bodies are considered to be related parties of TfL and its subsidiaries, as they are all under the control of the Mayor. Other related parties include TfL's Board Members, Managing Directors, Commissioner, the Mayor of London and the TfL Pension Fund. In addition, central government has the potential to influence TfL by providing the statutory framework within which TfL operates and through the provision of funding in the form of grants.

Disclosure of related party transactions allows readers to assess the extent to which the Corporation might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with it.

GLA and functional bodies

Details of the funding granted to TfL by the GLA from the Business Rates Supplement levied by the GLA are included in note 34. In addition, the GLA made grants to TfL in respect of the Crossrail project amounting to £800m. This amount is included in note 9 as part of "Ring-fenced grant to fund capital expenditure relating to Crossrail". Amounts received from the Business Rates Retention, and the Council Tax precept paid to TfL by the GLA are also shown in note 9.

During 2015/16 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 2016 £m
Greater London Authority (GLA)	7.5	1.3	3.1
Mayor's Office for Policing and Crime (MOPC) (formerly Metropolitan Police Authority)	-	-	-
London Legacy Development Corporation (LLDC)	1.3	0.2	0.5
London Fire and Emergency Planning Authority (LFEPA)	-	-	-

39. Related parties (continued)

Board Members and Officers

Board Members, the Mayor of London, and key management (comprising the Commissioner and the Managing Directors), are required to complete a declaration regarding any related party transactions. During the year, none of the Corporation Board, key management personnel or parties related to them have undertaken any material transactions with the Corporation or its subsidiaries (2014/15 none). Details of the remuneration of the Commissioner and his Managing Directors are disclosed in note 5.

TfL Pension Fund

The Accounts of the TfL Pension Fund are prepared separately and are subject to a separate audit opinion. Contributions payable to the TfL Pension Fund by TfL as employer are disclosed in note 31.

Central Government

Transport Grant is paid by the Department for Transport to the Greater London Authority, which in turn pays the grant to the Corporation. Details of Transport Grant are disclosed in the Corporation and Group Comprehensive Income and Expenditure Statements and Cash Flow Statements.

The Department for Transport sets the level of Transport Grant through the spending review process. The last such spending review was SR 2015, and the settlement covered grant funding and permitted levels of borrowing for the period up to 31 March 2021.

Other public bodies

TfL provides financial assistance to London Boroughs to support Borough schemes that improve the local travelling environment. Financial assistance provided is disclosed in note 38.

TfL receives income from the London Boroughs for the provision of free travel for the elderly, disabled, and students. This income is set out in note 1.

TfL has borrowings outstanding from the Public Works Loan Board (PWLb), and pays interest to PWLB in respect of those borrowings.

TfL makes payments to the British Transport Police for the provision of policing services on the Underground and Overground railways.

TfL makes payments to the Metropolitan Police Service for policing services provided by the Safer Transport Command.

Transactions between the Corporation and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

40. Trust Funds

The Corporation acts as the sole trustee for the TfL Healthcare Trust, a trust established in 2012 for the purpose of providing certain benefits relating to medical treatment for eligible employees of the Group and their family members. The Trust is administered by AXA PPP Healthcare Administration Services Limited, an independent third party. Under the terms of the Trust deed the funds held by the Trust do not represent the assets of the Corporation or its subsidiaries. Hence the Trust has not been consolidated into these financial statements.

	Income £m	Expenditure £m	Assets £m	Liabilities £m
At 31 March 2016				
TfL Healthcare Trust	4.0	(4.5)	0.5	(0.3)
At 31 March 2015				
TfL Healthcare Trust	3.9	(4.1)	0.7	-

41. Events after the balance sheet date

There have been no events occurring after the reporting date that would have a material impact on these financial statements.

Annual Governance Statement

Scope of responsibility

TfL is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. TfL also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, TfL is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Under section 127 of the Greater London Authority Act 1999, an individual must be given personal responsibility by appointment of TfL to 'make arrangements for the proper administration of financial affairs'. This role is performed by TfL's Chief Finance Officer (CFO). TfL's financial management arrangements conform with the governance requirements of the Chartered Institute of Public Finance and Accountancy Statement on the Role of the Chief Financial Officer in Local Government (2010). Up until 30 September 2015, the CFO was not a member of the leadership team but played an active part in TfL strategic decision-making. His responsibilities were discharged through:

- Involvement in all key decisions with a significant financial implication
- Involvement with Business Management Review meetings
- Management responsibilities for the production of the Business Plan and statutory accounts

The CFO is appointed and removed by the Board, reviews all papers relating to financial management for the Managing Directors, Committees or Board in advance, attends all Board meetings and has unrestricted access to the Commissioner. From 1 April to 31 August 2015, Andrew Pollins was the interim CFO. From 1 September 2015, Ian Nunn has been the CFO. He reported to the Managing Director (MD) Finance up to 30 September 2015 when the MD Finance left TfL. From 1 October 2015, Ian Nunn also took on responsibility for the MD Finance role and in February 2016 both positions were combined into a single CFO role.

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

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

the Code and also meets the requirements of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

The purpose of the governance framework

The governance framework comprises the systems, processes, culture and values by which TfL is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables TfL to monitor the achievement of its strategic objectives and the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk and provide reasonable, although not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of TfL's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at TfL since the year ended 31 March 2001. It remains in place at the date of approval of the 2015/16 Statement of Accounts.

The governance framework

The Mayor, who serves as Chair of the Board, appoints the TfL Board members. The Board determines and agrees TfL's strategic direction and oversees the performance of the executive team.

The Board has three committees:

- Finance and Policy
- Audit and Assurance
- Remuneration

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

- Rail and Underground
- Surface Transport
- Safety, Accessibility and Sustainability

The Audit and Assurance Committee has been delegated the responsibility for overseeing corporate governance in TfL. It has received reports on the implementation of the Code of Governance ('the Code'), the Annual Governance Statement contained in these accounts and the results of the compliance review. It receives regular reports from the General Counsel and the Director of Internal Audit and is responsible for the annual assurance process.

The Commissioner of TfL, advised by his Managing Directors and direct reports, is responsible and accountable for the delivery of the day-to-day operations of TfL. The General Counsel has the overall responsibility for the operation of the Code and for ensuring that it is integral to the routine functioning of TfL.

In addition, the Director of Internal Audit annually comments on the adequacy and effectiveness of the Code and the extent of TfL's compliance with it. He also carries out an annual benchmarking exercise comparing TfL's governance arrangements with the UK Corporate Governance Code.

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

TfL identifies and communicates its vision of its purpose and intended outcomes for citizens and service users by:

- The Mayor developing and publishing a Transport Strategy reflecting national and local priorities
- The Budget and Business Plan reflecting the Transport Strategy and allocating resources accordingly
- Reviewing on a regular basis the implications of the Transport Strategy for its governance arrangements
- Ensuring that those making decisions are provided with information that is fit for purpose, relevant, timely and given clear explanations of technical issues and their implications

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

TfL measures the quality of services for users, ensures they are delivered in accordance with TfL's objectives, and ensures that they represent the best use of resources by:

- Having in place sound systems for providing management information for performance measurement purposes
- Ensuring performance information is collected at appropriate intervals across all activities
- Having comprehensive and understandable performance plans in place
- Monitoring and reporting performance against agreed targets
- Maximising its resources and allocating them according to priorities
- Having in place effective arrangements to identify and deal with failure in service delivery
- Developing and maintaining an effective scrutiny function for its Investment Programme that encourages constructive challenge and enhances TfL's performance overall
- Publishing operational and financial performance data each quarter

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

- Having a documented scheme of delegation that reserves appropriate responsibilities to the Board and provides staff with the authority to conduct routine business
- Having the roles and responsibilities of Board members and senior staff clearly documented

TfL has developed and communicates the requirements of the Code of Conduct, defining the standards of behaviour for Board members and staff by:

- Ensuring it is an organisation that has a climate of openness, support and respect
- Ensuring that standards of conduct and personal behaviour expected of Board members and staff, between Board members and staff and between TfL, its partners and the community are defined and communicated through codes of conduct and protocols
- Putting in place arrangements to ensure that Board members and staff of TfL are not influenced by prejudice, bias or conflicts of interest
- Ensuring that an effective process, which includes an effective Remuneration Committee, is in place to set the terms and conditions for remuneration of the Commissioner and Managing Directors

- Developing and maintaining shared values including leadership values for both the organisation and staff reflecting public expectations and communicating these to Board members, staff, the community and partners
- Putting in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice
- Setting targets for performance in the delivery of services to ensure equality for all
- Using its shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within TfL

TfL reviews and updates Standing Orders, standing financial instructions, its scheme of delegation and supporting procedures that clearly define how decisions are taken and the processes and controls required to manage risks by:

- Having a clear hierarchy of governance documentation whose components are regularly reviewed
- Maintaining robust systems for identifying and evaluating all significant risks
- Maintaining an effective risk management system

- Ensuring that risk management is embedded into its culture, with Board members and staff at all levels recognising that risk management is part of their jobs

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

- Having an effective, independent Audit and Assurance Committee
- Having the Audit and Assurance Committee develop and maintain an effective oversight
- Having an internal audit department that complies with relevant professional standards and is regularly evaluated by external auditors
- Having an Integrated Assurance Plan that is driven by an annual evidenced assessment of the key business risks facing TfL
- Maintaining an Integrated Assurance Framework

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

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

- Making a senior member of staff, currently the Chief Finance Officer, responsible for ensuring that appropriate advice is given in all financial matters, for keeping proper financial records and accounts and for maintaining an effective system of internal financial control

- Maintaining proper records to ensure that the annual accounts show a true and fair view and that expenditure has been properly authorised and allocated in an appropriate manner

- Ensuring that a senior member of staff, currently General Counsel, is responsible for all activities being legally correct, fully documented and appropriately authorised

- Developing and maintaining open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based

- Putting in place arrangements to safeguard against conflicts of interest

- Ensuring that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately

- Actively recognising the limits of lawful activity placed on it but also striving to utilise its powers to the full benefit of the public

- Observing all legal requirements placed upon it and integrating the key principles of good public law – rationality, legality and natural justice – into its procedures and decision-making processes

TfL has made arrangements for whistle-blowing and for receiving and investigating complaints from the public by:

- Ensuring that effective, transparent and accessible arrangements are in place for making, receiving and dealing with complaints
- Ensuring that arrangements are in place for whistle-blowing to which staff and all those contracting with TfL have access including external independent reporting lines

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

- Ensuring that its Board members and staff are provided with the necessary training to perform their roles
- Ensuring that its staff are competent to perform their roles
- Ensuring that the Chief Finance Officer has the skills, resources and support necessary to perform effectively in his role and that this role is properly understood throughout TfL

- Assessing the skills required by Board members and staff and committing to develop those skills to enable roles to be carried out effectively

- Commissioning regular external reviews of Board effectiveness

- Developing skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed

TfL establishes clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation by:

- Having in place proper arrangements designed to encourage individuals and groups from all sections of the community to engage with, contribute to, and participate in the work of TfL
- Making clear to staff and the public what it is accountable for and to whom
- Publishing, publicising and making generally available an annual report as soon as practicable after the end of the financial year
- The annual report presenting an objective and understandable account of its activities and achievements and its financial position and performance

- Cooperating with appropriate organisations to ensure there is independent scrutiny of its financial and operational reporting processes
- Having a clear policy on the types of issues it will consult on or engage with the public and service users about, including a feedback mechanism for those consultees to demonstrate what has changed as a result

TfL incorporates good governance arrangements in respect of partnerships and other group working by:

- Fostering effective delivery relationships and partnerships with other public sector agencies, the private and voluntary sectors
- Establishing appropriate arrangements to engage with all sections of the public effectively
- Establishing appropriate arrangements to engage with interest groups such as financial institutions, businesses and voluntary groups to ensure they are able to interact with TfL on matters of mutual interest

Review of effectiveness

TfL has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior staff within TfL who have responsibility for the development and maintenance of the governance framework, the Director of Internal

Audit's annual report and also by comments made by the external auditors and other review agencies and inspectorates.

TfL's General Counsel has the responsibility for overseeing the implementation and monitoring the operation of the Code and reporting annually to the Audit and Assurance Committee on compliance with the Code and any changes that may be necessary to maintain it and ensure its effectiveness in practice.

In addition, the Director of Internal Audit annually comments on the adequacy and effectiveness of the Code and the extent of TfL's compliance with it.

TfL's Audit and Assurance Committee has considered the review of the effectiveness of the governance framework and a plan to ensure continuous improvement is in place.

Significant governance issues

During the year 2015/16 TfL has conducted an externally led review of Board effectiveness. Recommendations are being implemented, including a number relating to the skills and diversity of the Board following the May 2016 Mayoral election.

There was a smooth transition from KPMG to EY as TfL's external auditors, with EY shadowing KPMG as it completed the audit of the 2014/15 Annual Accounts. A new Chief Finance Officer also started at TfL on 1 September 2015. Following the departure of the MD Finance, the Chief Finance Officer took on

the role of MD Finance from 1 October 2015. Both roles have subsequently been combined into a single Chief Finance Officer role.

TfL published a Transparency Strategy and responses to its consultation, with a timetable to deliver the actions. Further datasets are being published in line with the Transparency Strategy.

A pan-TfL Resilience Management Policy and a Business Recovery Management Policy were approved and will be reviewed annually.

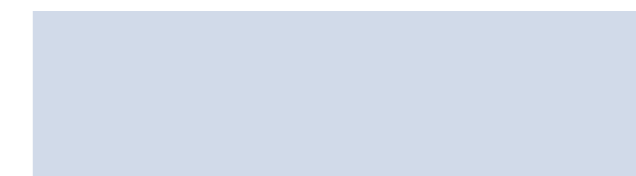
TfL implemented and embedded a Three Lines of Defence project assurance model, following a review of its approach to project assurance in 2014/15. TfL has also established and appointed members to a Commercial Development Advisory Group to provide independent assurance to the Board on TfL's major commercial development initiatives.

TfL proposes to continue to improve and develop its governance arrangements over the coming year.

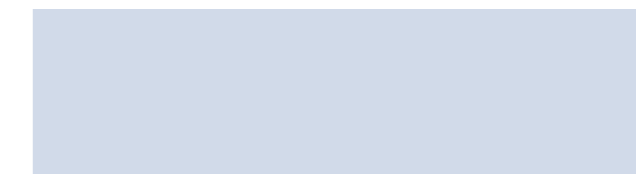
A number of initiatives will be progressed in the coming year. New Members of TfL will be appointed and inducted. TfL's decision-making structure will be reviewed, and changes will be implemented and further improvements made to the quality, consistency and transparency of the information provided to Members and the public. A TfL-wide Transformation programme is underway to develop a more financially sustainable organisation that works

effectively and efficiently with the aim of delivering savings so that revenues cover costs. TfL will undertake a comprehensive review of its capital programme delivery structures and capabilities and establish a Major Projects Delivery Unit with responsibility for delivering TfL's largest and most complex capital infrastructure projects and programmes. TfL's overall Risk Management process will also be reviewed to deliver key improvements, with internal workshops and training sessions held and a Strategic Risk Management Workshop with Audit and Assurance Committee Members.

TfL is confident that the current governance processes and planned developments will enable it to meet the challenges identified.



Chair of TfL Board



Commissioner



Our reception area at Windsor House

Commissioner and Managing Directors



Mike Brown MVO
Commissioner



Nick Brown
Interim Managing Director
London Underground
and London Rail
(until 6 April 2016)



Howard Carter
General Counsel



Leon Daniels
Managing Director
Surface Transport



Richard De Cani
Managing Director
Planning
(until 29 April 2016)



Michèle Dix CBE
Managing Director
Crossrail 2



Vernon Everitt
Managing Director
Customers, Communication
and Technology



Ian Nunn
Chief Finance Officer

Members of TfL

(2015/16)



Boris Johnson
Chair



Isabel Dedring*
Deputy Chair



Angela Knight CBE



Michael Liebreich



Peter Anderson



Sir John Armitt CBE



Eva Lindholm



Daniel Moylan**



Sir Brendan Barber



Richard Barnes



Bob Oddy



Keith Williams



Charles Belcher



Roger Burnley



Steve Wright MBE

* Left position on 18 March 2016

** Appointed Deputy Chair 19 March 2016



Brian Cooke



**Baroness
Grey-Thompson DBE**

Directors of Crossrail Limited

(2015/16)



Terry Morgan CBE
Chairman



Matthew Duncan
Deputy Chair



Michael Cassidy CBE



Phil Gaffney



Terry Hill CBE



Robert Jennings CBE



Pamela Alexander OBE



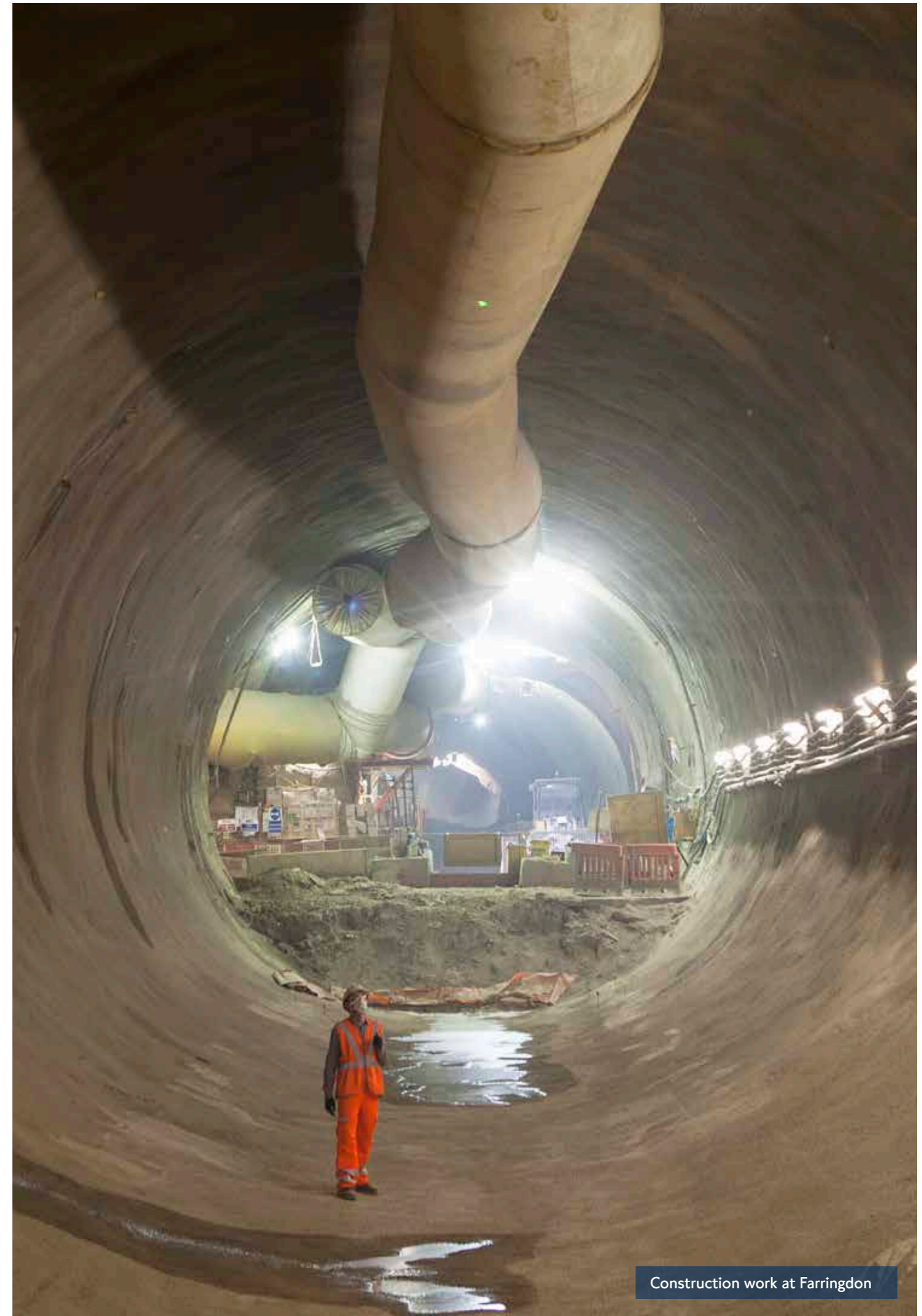
Daniel Moylan



**Andrew Wolstenholme
OBE**



Simon Wright OBE



Construction work at Farringdon

Membership of TfL committees and panels

(2015/16)

Members of TfL

Boris Johnson – Chairman
Isabel Dedring – Deputy Chair*
Peter Anderson
Sir John Armit CBE
Sir Brendan Barber
Richard Barnes
Charles Belcher
Roger Burnley
Brian Cooke
Baroness Grey-Thompson DBE
Angela Knight CBE
Michael Liebreich
Eva Lindholm
Daniel Moylan**
Bob Oddy
Keith Williams
Steve Wright MBE

Committees of TfL

Audit and Assurance Committee

Keith Williams – Chair
Steve Wright MBE – Vice Chair
Richard Barnes
Charles Belcher
Brian Cooke
Baroness Grey-Thompson DBE

Finance and Policy Committee

Peter Anderson – Chair
Daniel Moylan – Vice Chair
Sir John Armit
Brian Cooke
Isabel Dedring
Angela Knight CBE
Michael Liebreich
Eva Lindholm

Remuneration Committee

Baroness Grey-Thompson DBE – Chair
Daniel Moylan – Vice Chair
Sir John Armit CBE
Boris Johnson

Panels

Rail and Underground

Sir John Armit CBE – Chair
Steve Wright MBE – Vice Chair
Peter Anderson
Sir Brendan Barber
Richard Barnes
Charles Belcher
Brian Cooke
Isabel Dedring
Daniel Moylan

Safety, Accessibility and Sustainability

Charles Belcher – Chair
Michael Liebreich – Vice Chair
Sir Brendan Barber
Richard Barnes
Baroness Grey-Thompson DBE
Bob Oddy

Surface Transport

Baroness Grey-Thompson DBE – Chair
Charles Belcher – Vice Chair
Roger Burnley
Brian Cooke
Bob Oddy
Keith Williams
Steve Wright MBE

* Left position on 18 March 2016

** Appointed Deputy Chair 19 March 2016

TfL Members' meeting attendance

(2015/16)

Board member	Board	Audit and Assurance Committee	Finance and Policy Committee	Remuneration Committee	Rail and Underground Panel	Safety, Accessibility and Sustainability Panel	Surface Transport Panel
Total number of meetings in the period	6	4	6	3	4	4	4
Boris Johnson	6	–	–	0	–	–	–
Isabel Dedring	5	–	1	–	0	–	–
Peter Anderson	5	–	6	–	0	–	–
Sir John Armitt CBE	5	–	3	1	4	–	–
Sir Brendan Barber	4	–	–	–	3	4	–
Richard Barnes	6	4	–	–	4	3	–
Charles Belcher	6	4	–	–	4	4	4
Roger Burnley	3	–	–	–	–	–	4
Brian Cooke	6	4	6	–	4	–	4
Baroness Grey-Thompson DBE	5	0	–	3	–	3	3
Angela Knight CBE	6	–	5	–	–	–	–
Michael Liebreich	5	–	6	–	–	4	–
Eva Lindholm	5	–	4	–	–	–	–
Daniel Moylan	6	–	6	3	1	–	–
Bob Oddy	4	–	–	–	–	4	3
Keith Williams	2	3	–	–	–	–	0
Steve Wright MBE	6	4	–	–	4	–	4

Notes:

There were three extraordinary FPC meetings, called at short notice, that are not included in the table. Additional attendances for these meetings are:

Peter Anderson (2), Sir John Armitt CBE (1), Brian Cooke (3), Angela Knight CBE (3), Michael Liebreich (1), Eva Lindholm (2) and Daniel Moylan (3).

Remuneration

This report outlines TfL's policy regarding the remuneration of our Members, the Commissioner, Managing Directors, General Counsel and Chief Finance Officer, who are responsible for directing the affairs of the organisation.

Policy for Members

Members are appointed by the Mayor and are non-executive. Remuneration payable for 2015/16 for each Member related directly to the number of committees and panels on which each member served. Remuneration also took into account those members who served as Chair of the committees and panels, up to a capped maximum.

Remuneration levels are set for each Mayoral term, but are reviewed periodically to reflect the responsibilities and accountabilities of the role. Since 1 August 2004, the basic fee has been £18,000 per annum.

Members who act as Chair, or as a member of a committee or panel, receive additional fees of £4,000 per annum (as a Chair) and £2,000 per annum (as a Member) for each appointment.

The maximum payment in aggregate is set at £24,000 per annum. Most Members also received free travel for themselves and a nominee valid on TfL transport services. The remuneration for each Member for the year ended 31 March 2016 is shown on page 296.

No allowances are paid to Members, although expenses can be claimed. Any expenses claimed by Members are published on tfl.gov.uk, however there were no expenses claimed by Members in 2015/16.

Policy for the Commissioner, Managing Directors, General Counsel and Chief Finance Officer Remuneration Committee

The Remuneration Committee currently consists of four Members of TfL. The terms of reference of the Remuneration Committee include reviewing the remuneration of the Commissioner, Managing Directors, General Counsel and Chief Finance Officer.

The remuneration of the Chief Executive of Crossrail is determined by the Crossrail Remuneration Committee. Crossrail is a wholly owned subsidiary of TfL with its own governance arrangements. These include a board comprising executive and independent non-executive directors as well as two non-executive directors appointed by TfL and DfT. The Crossrail Remuneration Committee operates to a set of contractually agreed Remuneration Principles and a Remuneration Framework rather than the TfL Remuneration Framework.

Remuneration policy

The policy of TfL is to provide remuneration packages for the Commissioner, Managing Directors, General Counsel and Chief Finance Officer which attract, retain and motivate individuals of the high calibre required to manage such a large, complex organisation.

Remuneration packages reflect their responsibilities, experience and performance and the market from which TfL recruits. The Remuneration Committee has established a reward structure commensurate with this policy, which includes a base salary and a performance award scheme against the achievement of a range of stretching customer, operational, investment and financial targets.

TfL employs external remuneration advisers to benchmark the remuneration of its Commissioner, Managing Directors, General Counsel and Chief Finance Officer against a peer group of comparable companies from transport, infrastructure, and public services sectors with which TfL competes for senior employees. This contract is competitively retendered from time to time and the outcome of the latest procurement exercise was that the contract was awarded to New Bridge Street, a division of Aon Hewitt.

The peer group for the most recent benchmarking exercise included significantly more public sector facing organisations, at the request of the Remuneration Committee. The Committee uses two primary pay comparator groups when considering senior officer pay. The benchmark is calculated on

the basis of a 60:40 split between a Listed Companies Group, consisting of a bespoke selection of large transport and infrastructure companies and a Publicly Accountable Group, consisting of a bespoke selection of companies accountable to the UK public, owned or overseen by the government, and with a degree of sensitivity around pay.

Listed Companies Group

- National Grid
- BT Group
- SSE
- Centrica
- International Consolidated Airlines Group
- Capita
- EasyJet
- United Utilities
- Bunzl
- Severn Trent
- Royal Mail
- Pennon Group
- Amec Foster Wheeler
- Stagecoach Group
- Thomas Cook Group
- Balfour Beatty
- Carillion
- National Express Group
- FirstGroup
- Go-Ahead Group
- Serco Group

Publicly Accountable Group

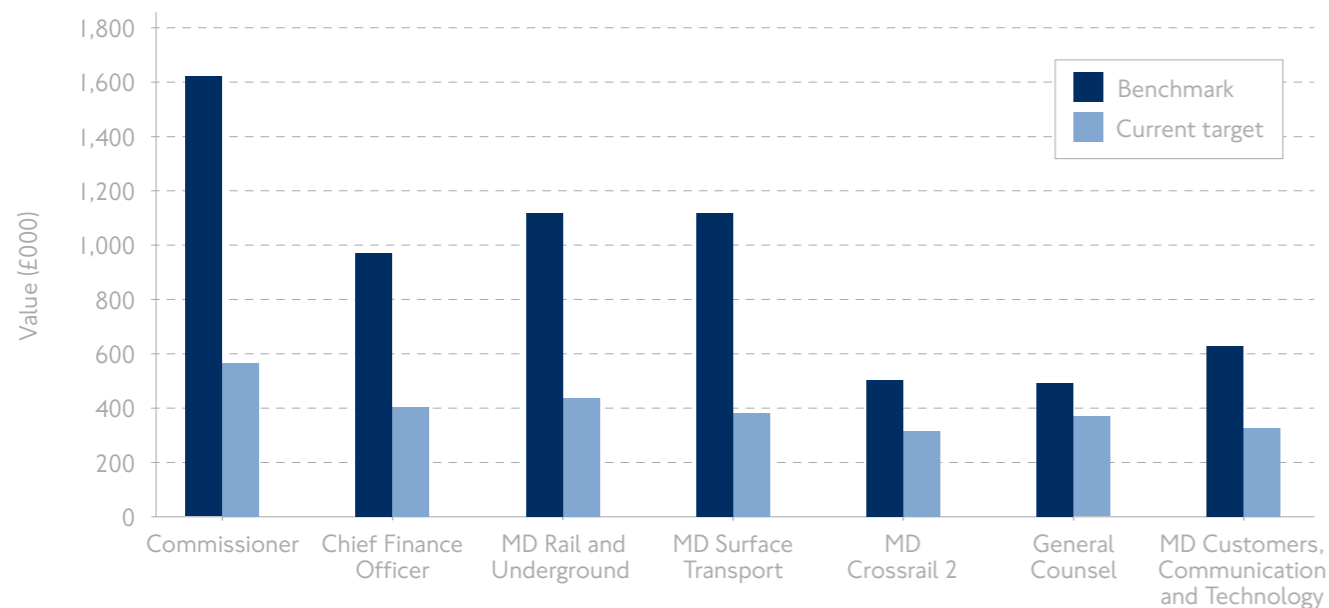
- BBC
- Manchester Airport Group
- NATS
- Network Rail
- Nuclear Decommissioning Authority
- Post Office

Remuneration has been benchmarked on a 'target' basis. The annual bonus is valued at 'on target' performance and long-term incentives are included on an 'expected' or 'fair value' basis. Target remuneration for the purposes of benchmarking for the current incumbents has been valued using the

average level of performance related pay over recent years, and valuing pension provision based on standard actuarial assumptions. Target remuneration will not therefore match actual remuneration as the basis of preparation is different.

This research has shown that the base salaries and total target remuneration for the Commissioner, Managing Directors, General Counsel and Chief Finance Officer are significantly below the market level; total target remuneration is between 35 per cent and 72 per cent of market benchmark levels as shown in the graph below.

Total remuneration of Commissioner, Managing Directors, General Counsel and Chief Finance Officer



Remuneration of senior employees

In 2015/16 the base pay of the Commissioner and certain other senior employees were increased slightly. This followed a period of six years when base salaries were largely frozen. The Commissioner's salary was £355,944.

The Commissioner is eligible for consideration of a performance award up to a maximum of 50 per cent of base salary. The Managing Directors, General Counsel and Chief Finance Officer are eligible for consideration of a performance award up to a maximum of 30 per cent of base salary.

Other benefits

Senior officers are eligible to receive the following:

- Private medical insurance
- Annual health check-ups
- Subscriptions to professional organisations
- Pension
- Where appropriate, recompense for loss of benefits from previous employers and/or to comply with TfL's policies

- As with all TfL employees, the Commissioner, Managing Directors, General Counsel and Chief Finance Officer are provided with a free travel pass for themselves and a nominee valid on TfL transport services. All those who joined after 1 April 1996 are eligible to receive reimbursement of 75 per cent of the cost of an annual season ticket on National Rail. All those employed by predecessor organisations prior to April 1996 receive National Rail facilities in line with the policy of the predecessor organisation

Pension arrangements

The Commissioner, Managing Directors, General Counsel and Chief Finance Officer are eligible for the following pension benefits:

- 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, benefits provided on an unfunded basis
- Pensionable salary is capped for joiners from 1 June 1989. For 2015/16, the cap was £149,400
- Up to 25 per cent of the value of the pension can be taken as a cash sum (under current legislation)
- Lump sum death benefit of four times paid on death in service

- Dependant's pension and children's pensions are paid on death in service and after retirement
- Member contributions are payable at the rate of five per cent of pensionable salary
- Pension is payable in the event of retirement due to ill health
- An employer contribution is paid of up to 10 per cent of salary to either the TfL Savings for Retirement Plan (formerly the TfL Supplementary Pension Scheme), a 'defined contribution' scheme, which provides additional benefits for those earning above the cap or paid as a supplement to base salary less an adjustment for employer national insurance contributions

The remuneration received by the Commissioner, Managing Directors, General Counsel and Chief Finance Officer for 2015/16 is shown on page 182.

Comparative pay across TfL

The base pay and the total remuneration of the Commissioner, Managing Directors, General Counsel and Chief Finance Officer remains significantly lower than that paid in comparable organisations which TfL competes with for high quality staff.

Research by remuneration consultants, New Bridge Street, shows that the base salaries and total target remuneration of the Commissioner and all Managing Directors and Directors are significantly below the market level.

TfL enables more than 31 million journeys in London every day while delivering one of the world's largest investment programmes, which includes building the Elizabeth line, progressing Crossrail 2 and modernising the Tube, rail and road networks. We are also creating thousands of new homes, offices and retail spaces that are vital to help London maintain its position as a world-leading city and engine of the UK economy. Our investment programme is vital to ensure we keep pace with London's huge population growth, expected to rise from 8.6 million today to nearly 10 million by 2030.

The number of TfL staff (excluding Crossrail) who received total remuneration more than £100,000, including those paid above this amount due to severance payments and overtime worked, was 402 in 2015/16 compared with 413 in 2014/15. This is 11

fewer people compared to the figures last year. The number of Crossrail staff who received total remuneration of more than £100,000 was 56 in 2015/16 compared with 41 in 2014/15. During this time, Crossrail was at the peak of its construction and the size of the leadership team reflected the level of management required to maintain the delivery of a project of this scale.

There was an increase of 11 people (59 in 2014/15 compared with 70 in 2015/16) who were on a base salary of less than £100,000 but who received a one-off Voluntary Severance payment which took their total remuneration above this.

The following table provides a summary of the changes to the Commissioner's cash earnings for 2015/16 versus the change in pan TfL median earnings over the same period. This demonstrates a slight increase in median earnings across TfL while the Commissioner's cash earnings is not on a comparable basis due to change in post during the year.

	£'000 2015/16	Change from 2014/15
Commissioner	438	N/A
Pan TfL median earnings	50	+0.2%

Note: Earnings are defined as total taxable earnings for the year, including base salary, performance related pay, allowances and the cash value of any benefits-in-kind. Median TfL earnings are based on those employees who have been employed by TfL throughout the year to avoid distortion from starters or leavers

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

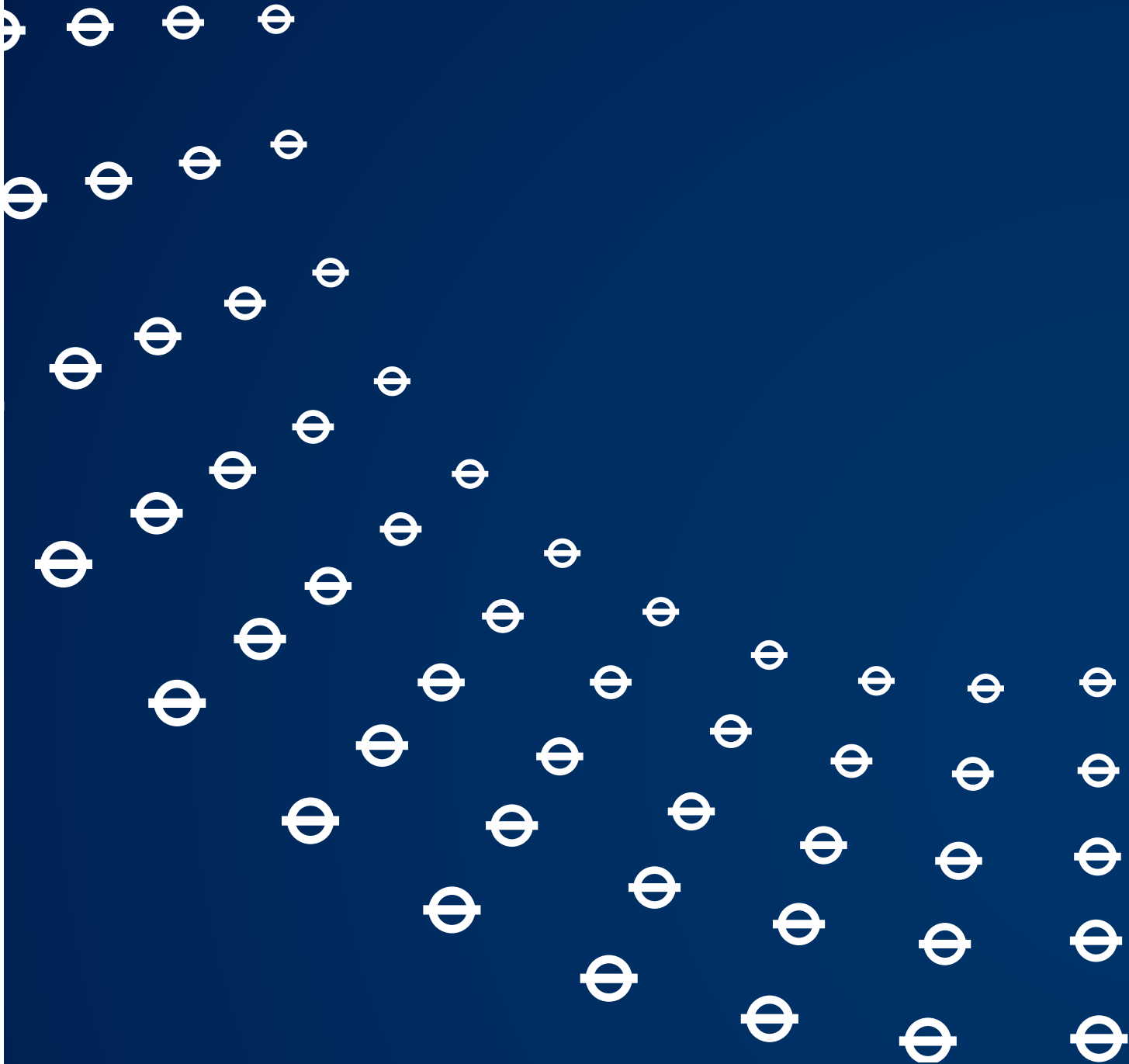
	Percentage of total 2016
Commissioner, Managing Directors, General Counsel and Chief Finance Officer	0.2
Directors	0.7
General managers	2.0
All other TfL employees	97.1
	100.0

Note: Employees' remuneration is consistent with the definition in note 5a on page 180 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.

Members' remuneration	For the year ended 31/03/16 £
Boris Johnson	Not remunerated by TfL
Isabel Deding ¹	Not remunerated by TfL
Peter Anderson	24,000
Sir John Armit CBE	24,000
Sir Brendan Barber	22,000
Richard Barnes	24,000
Charles Belcher	24,000
Roger Burnley	20,000
Brian Cooke	24,000
Baroness Grey-Thompson DBE	24,000
Angela Knight CBE	20,000
Michael Liebreich	22,000
Eva Lindholm	20,000
Daniel Moylan ²	89,000
Bob Oddy	22,000
Keith Williams	24,000
Steve Wright MBE	24,000

¹ Isabel Deding was not remunerated as a Member of TfL. She was remunerated as a TfL employee on secondment to the GLA as Deputy Mayor for Transport, and left TfL on 18 March 2016.

² This is the total remuneration received from TfL in 2015/16 which comprised £24,000 as a Member of TfL and £65,000 for additional aviation duties.



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