Annual Report and Statement of Accounts

2016/17

MAYOR OF LONDON

TRANSPORT FOR LONDON
EVERY JOURNEY MATTERS

About Transport for London (TfL)

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

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

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

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

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

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

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

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

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

Contents

Message from the Mayor

From my first day as Mayor, I have been on a mission to create modern and affordable transport that works for every Londoner. I am hugely proud of what we have achieved so far, from cutting the cost of commuting and making the network more accessible, to setting out the most ambitious plans anywhere in the world to tackle life-threatening air pollution.

In December, I set out a wide-reaching programme in TfL's Business Plan, showing how I will invest record amounts to modernise transport infrastructure and improve the quality of life of all Londoners. The plan sets out a range of improvements to meet the needs of London's growing population – reducing dependence on private cars to make streets healthier, less congested and safer, and making public transport more attractive and accessible.

With my Deputy Mayor for Transport, Valerie Shawcross CBE, I am overseeing the largest ever overhaul of TfL and, in the process, have found the savings to make sure transport is more affordable for Londoners. My TfL fares freeze will save an average household £200 over four years, putting money back into people's pockets and encouraging more Londoners on to public transport.

I am proud to have launched the Hopper fare, offering customers two journeys within an hour for the price of one, and bringing down the cost of travelling by bus or tram. Around 300,000 Hopper journeys are being made every weekday, with more than 55 million trips having taken place since its introduction in September.

The changes we are making add up to a whole new way of planning transport in London that will not only result in travel savings for customers, but could deliver a huge improvement in Londoners' quality of life. TfL is now looking at transport as being fundamental to many aspects of Londoners' lives, beyond simply getting from A to B – their health, access to key services, where they are able to find work and where they decide to live.

Through our influence over the streets where most travel happens, we can also have a huge impact on the way London looks and feels as a city. TfL has adopted the Healthy Streets Approach to planning our streets, enabling a shift away from car use and making London a healthier, fairer and more sustainable place.

I am determined to help every Londoner live an active life. TfL's Business Plan committed a record level of investment to walking and cycling. I am also ensuring that TfL puts health at the heart of all of its decision-making. This means encouraging more people to use public transport, making cycling safer, tackling the city's toxic air crisis and planning a future London where people do not have to rely on cars to get around.

Making the transport network more accessible is a big part of creating a city for all Londoners. Tottenham Court Road and Victoria stations are now step free, and I have instigated the biggest boost to step-free access on the Underground in the network's 153-year history, bringing the total number of

step-free stations to more than 100 over the next few years.

I have taken action to open up the city and boost its economy. After a hugely successful launch of the Night Tube, five lines are now running 24-hour services at weekends.

For Londoners to make the most of all the city has to offer without relying on cars to get around, the transport network also needs to be welcoming. London Underground is making significant improvements to its stations following the recent London Travelwatch review into station staffing levels. TfL has also become the first European transport provider to recognise hidden disabilities following the successful trial of badges asking other customers to 'please offer me a seat'.

Safety on our transport network is of fundamental importance, and I join the Commissioner in committing both to

Message from the Mayor

Continued

finding out what caused the tragic tram derailment in Croydon and to taking every action to prevent anything similar from happening again. I also commit to doing everything we can to support the families and friends of those affected and the local community in which the tram service plays such an integral part.

While we continue to ensure that today's public transport services are safe, accessible and attractive, it is, of course, essential that we plan for London's future. London is growing rapidly, so steady and sustained investment is vital. That's why I have been joined by politicians and businesses in making the compelling case for Crossrail 2 and starting consultation on the extension of the Bakerloo line. In October, I published plans for four new river crossings in east London, prioritising links that encourage the use of public transport, walking and cycling.

I am conscious of the perception that London benefits from infrastructure investment at the expense of other regions of the country. My view on this is clear; investment is not a question of one region benefiting over others. Particularly post-Brexit, all regions must have steady and sustained investment to generate jobs, housing and economic growth. I will continue to work with elected Mayors across the country to make that case and to share knowledge and expertise on how we can improve the country's transport in an increasingly competitive global market place.

I have challenged TfL to meet ambitious targets to deliver my vision for an affordable, accessible and modern transport network. I am pleased with progress but I want us to be even more ambitious in the time ahead to increase opportunity for all Londoners.

Sadiq Khan
Mayor of London

City Hall – headquarters of the GLA

Commissioner's foreword

Transport is fundamental to the Mayor's ambition for everyone to share in, and make the most of, our city's richly diverse culture, and social and economic development. The way people choose to move around our city is also a huge factor in the quality of life of everyone who lives here.

With transport being so vital to the nation's prosperity and the life of every Londoner, it is essential that we build a safe, modern, affordable and accessible network. We must reduce dependence on private cars to create streets that are a pleasure to spend time in, and where people choose to walk, cycle and use public transport. Only then will we be able to say that we have a genuinely sustainable transport system.

The past year has seen steps towards making this a reality. TfL has adopted the Healthy Streets Approach to reduce Londoners' dependency on private cars. Through this work we will do even more to put people – their health, safety and wellbeing – at the heart of everything we do. Not only are we helping people switch from cars to walking, cycling and public transport, this approach will also improve air quality, reduce congestion and make London greener, healthier and a more attractive place to live, visit and do business.

My first priority is, and always will be, the safety of our customers and employees. On 9 November, seven people lost their lives and 51 people were injured when a tram derailed at Sandilands in Croydon. This was a catastrophe for everyone on board, their families and loved ones, and for the local community. Nothing I can say

will make their loss and pain any better. I will, however, do whatever it takes to find out what went so wrong and act to make sure that nothing like this can happen again.

I am particularly grateful to Sarah Hope for providing the inspiration for us to establish the Sarah Hope Line. Set up for people affected by collisions and other incidents on public transport in London, our specially-trained colleagues have been available to offer practical support and a voice of kindness to those affected by the derailment. Sarah and her family know what it is like to experience a life-changing event when simply going about a normal day. We will build on everything she has taught us to support everyone affected by such terrible events.

We have allocated all necessary resources to improve the safety of public transport and London's roads. This includes action to ban the most dangerous heavy goods vehicles, install new Blaze Laserlights on Santander Cycles, quadruple the amount of taxi and private hire compliance officers, and transform a number of London's most dangerous junctions. Every action we take will have safety at the top of the agenda as we work towards Vision Zero – the eradication of all death and serious injury on the roads.

We also launched a hard-hitting campaign to encourage more customers to report unwanted sexual behaviour on the transport network. It highlights how every report is taken seriously and provides valuable information to help the police catch and prosecute the perpetrators.

We have taken decisive action to place our finances on a solid and sustainable footing. Action to cut operating and capital investment costs have continued throughout the year. We have taken money out of our day-to-day costs, and major capital and IT programmes, merged functions, and reduced management layers and reliance on expensive agency staff.

This has resulted in a reduction of £153m in the cost of our day-to-day operations, which is the first time a reduction has been achieved since TfL was formed in 2000. Action to reduce costs and increase revenue, including restoring bus passenger demand, will continue to ensure that we deliver for London even after our operating grant from Government comes to an end by the close of 2017/18. At that point, we will be the only major world city transport network whose operating costs are matched by fare and other self-generated revenue.

Commissioner's foreword

Continued

We have also focused on generating non-fares income by making the most of our property assets and putting in place a new and innovative approach to our advertising estate. In particular, we announced new housing developments on our land in Kidbrooke, Southwark and Lambeth, all of which will mean more affordable homes for Londoners.

We made significant progress in delivering the Mayor's transport and environmental agenda. We successfully launched the Night Tube, introduced the bus Hopper fare, froze all TfL fares until 2020 and took action to clean up London's toxic air.

All of this work has taken place while we continue with one of Europe's largest programmes of capital investment.

The reliability of our services remains at the centre of what we do and it was disappointing that we did not do as well on London Underground and the road network as we need to. In the next period we will put even greater effort into improving journey reliability for the millions of people who rely on us.

Bringing the Elizabeth line into passenger service through the tunnel is now just over a year away, with trains being tested as fully accessible stations are being completed. By March, half of the track had been laid with the project on time and to budget. The change to London's transport that the Elizabeth line will bring will clearly demonstrate what steady and sustained investment in transport can deliver for the country.

The investment story does not stop there. We announced a major consultation on the extension of the Bakerloo line, continued work to modernise the signalling on the Circle, District, Hammersmith & City and Metropolitan lines, and began tunnelling the Northern line extension to Battersea – an area of significant regeneration.

And, of course, we must look longer term. Work continued on the case for Crossrail 2, a project carrying enormous cross party political and business community support. It will relieve what will become unmanageable crowding on routes into Waterloo and elsewhere, creating 200,000 new homes and supporting 200,000 jobs.

Infrastructure investment is not a zero-sum game – it is needed across all regions of the country. But Crossrail 2, 50 per cent of which will be paid for by London, is absolutely essential for the entire South East region. It must be progressed without delay.

We could not run our network or build the new transport capacity London needs without our suppliers.

Our work supports around 50,000 jobs outside the Capital and thousands of apprenticeships in businesses large and small. As one such example, I was pleased to visit RS Clare, Liverpool's oldest manufacturer, in September. We have worked closely with the team there to improve Tube journeys, using their high-quality, specialist lubricant products. I am grateful to them and all of our suppliers and partners, including London's boroughs, in working with us to improve transport across the city

We also rely, of course, on our dedicated teams to keep the Capital moving – all those directly employed by us and those of our contractors. We worked with the Mayor and trade unions to agree a new, fairer deal for London's 25,000 bus drivers, and launched a scheme to support working parents with an interest-free loan to help with the cost of childcare.

A huge amount of progress has been made over the year to deliver the Mayor's ambitious transport agenda and place our finances on a sustainable long-term footing. This is testament to the exceptional work of Ian Nunn, our Chief Finance Officer, who sadly passed away in July. He was an incredibly charismatic leader who was a brilliant talent and a really valued colleague. I will miss him hugely – as I know will many others. He made an enormous contribution to keeping London moving, particularly at a time of financial challenges.

We will continue to do everything in our power to build on that to keep London moving, working and growing, and make life in the city better for years ahead.

Mike Brown MVO
Commissioner

Year at a glance

April 2016

A £1.5bn contract is signed with Arriva to operate London Overground, which includes plans for modernising stations and more frequent services.

May 2016

The new Mayor of London Sadiq Khan announces his plans for the Capital, which include clean air and affordable travel.

June 2016

A contract is awarded to provide step-free access at three existing stations that will serve the Elizabeth line when services start in December 2018.

July 2016

Customers following TfL travel information feeds can get disruption alerts straight to their mobile devices as part of a world-first pilot with Twitter.

August 2016

The first Night Tube trains start running on the Victoria line and parts of the Central line to boost London's night-time economy.

September 2016

The Mayor launches the Hopper fare for passengers on buses and trams, making travel more affordable for millions of Londoners.

October 2016

Travelling by taxi is made more convenient as contactless payment is accepted in all London taxis.

November 2016

Tragically, on 9 November a tram derails after leaving the Sandilands tunnel. Our Sarah Hope Line continues to support those affected.

December 2016

The Mayor launches a £2.1bn investment in Healthy Streets, which includes a record £770m to be spent on cycling over the next five years.

January 2017

All TfL fares are frozen at 2016 levels until 2020, saving the average household around £200 over the four-year period.

February 2017

The Mayor announces that an Emissions Surcharge (or T-charge) will apply to the oldest, most polluting vehicles driving in central London from October 2017.

March 2017

Tunnelling to extend the Northern line to Battersea begins, the first major Tube extension since the late 1990s.

Creating a city for all Londoners

Our purpose is to deliver the Mayor's commitments on transport by keeping London moving, working and growing, and making life in our city better.

The Capital's population is bigger than it has ever been and is expected to rise from 8.8 million today to 10 million by 2030. Our day-to-day transport services and huge capital programme to improve them are at the centre of supporting this growth and maintaining London's success, to the benefit of the entire UK.

Our objective is to deliver the vital services and improvements needed to achieve the Mayor's ambitions for transport. These include improving Londoners' health by encouraging walking, cycling and public transport use and cleaning up London's toxic air, and supporting the Capital's growth and prosperity.

Creating a city for all Londoners means we must meet the needs of every member of the Capital's diverse communities. We must provide a safe, affordable and accessible network that promotes increased use of public transport, and more walking and cycling.

The network must also support the Capital's position as one of the world's top cities for business and tourism, enabling London and the South East region to make a huge contribution to the country's economy.

We also need to encourage Londoners to be more physically active. Getting people to choose walking, cycling and public transport instead of private cars is the easiest and most affordable way for everyone to live healthier lives. Adopting the Healthy Streets Approach will help achieve this. It will also shape our decision-making – in our schemes, our relationships with the boroughs, and our role in planning for London's growth.

The new Mayor's Transport Strategy (MTS) will set out the Mayor's policies and proposals for reshaping transport in London over the next 25 years.

The first draft MTS was published in June 2017 and is open for consultation until October. Feedback on this will then help to shape the final strategy, which will be published early in 2018.

This year's Annual Report describes our delivery against six priorities:

Driving improvements in safety and reliability

Putting customers at the core of our decision-making

Accelerating growth and increasing capacity

Investing in our people

Costing less and delivering more

Exploiting technology

Our transport network keeps London moving, working and growing

Operational performance

Buses	2016/17	2015/16	2014/15	2013/14	2012/13
Passenger journeys (millions)*	**2,262**	2,314	2,385	2,382 2,405	2,311 2,335
Kilometres operated (millions)	**495**	492	489	491	490
Schedule operated (per cent)	**97.4**	97.2	97.1	97.7	97.6
Excess wait time (high frequency routes) (minutes)	**1.1**	1.2	1.1	1.0	1.0
Customer satisfaction (score)	**86**	86	85	83	82

*The method for calculating child journeys changed in 2014/15. The figures on the top row show corrected figures between 2012/13 and 2013/14. The figures on the bottom row show uncorrected figures as previously published

TfL's road network	2016/17	2015/16	2014/15	2013/14	2012/13
Journey time reliability (am)	**88.0**	87.8	88.3	89.0	89.5
Traffic flow*	**95.1**	95.2	95.9	94.6	92.9
Customer satisfaction (score)	**70**	74	74	75	76
Resolution time for serious and severe disruption (unplanned) per event (hours)	**1.9**	1.9	2.0	2.0	2.1
Hours of serious and severe disruption (planned)	**506**	1,404	931	195	291

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

London Underground (LU)	2016/17	2015/16	2014/15	2013/14	2012/13
Passenger journeys (millions)	**1,378**	1,349	1,305	1,265	1,229
Kilometres operated (millions)	**83.7**	82.5	80.3	76.2	76.0
Schedule operated (per cent)*	**96.9**	97.0	97.6	97.5	97.6
Excess journey time (weighted) (minutes)*	**4.7**	4.6	4.6	5.2	5.3
Customer satisfaction (score)	**85**	85	84	83	83
Lost customer hours (millions)*	**26.1**	26.5	22.7	24.2	22.9

*Includes industrial action

Docklands Light Railway (DLR)	2016/17	2015/16	2014/15	2013/14	2012/13
Passenger journeys (millions)	**122.3**	117.0	110.2	101.6	100.0
Kilometres operated (millions)	**6.0**	6.0	5.8	5.8	5.7
Planned kilometres delivered (per cent)	**99.0**	98.5	99.3	99.2	98.5
Customer satisfaction (score)	**89**	89	89	87	87

Operational performance

Continued

London Trams	2016/17	2015/16	2014/15	2013/14	2012/13
Passenger journeys (millions)	**29.5**	27.0	30.7	31.2	30.1
Kilometres operated (millions)	**3.2**	3.0	3.0	3.0	2.9
Planned kilometres delivered (per cent)	**97.1**	99.0	97.9	98.8	98.2
Customer satisfaction (score)	**90**	90	89	89	89

London Overground	2016/17	2015/16	2014/15	2013/14	2012/13
Passenger journeys (millions)	**188.8**	185.2	139.9	135.7	124.6
Kilometres operated (millions)	**10.8**	10.5	7.8	7.9	7.5
Planned kilometres delivered (per cent)	**94.4**	94.4	95.2	96.1	96.6
Customer satisfaction (score)	**84**	84	83	82	82

Emirates Air Line	2016/17	2015/16	2014/15	2013/14	2012/13
Availability (per cent)	**98.7**	94.4	96.3	95.0	94.2
Customer satisfaction (score)	**93**	93	93	93	93
Passenger numbers (millions)	**1.5**	1.5	1.5	1.5	1.7

London River Services	2016/17	2015/16	2014/15	2013/14	2012/13
Customer satisfaction (score)	**90**	90	90	89	87
LRS Passenger Services* (including Woolwich Ferry) (thousands)	**10,620**	10,301	10,023	8,412	–

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

London Dial-a-Ride	2016/17	2015/16	2014/15	2013/14	2012/13
Customer satisfaction (score)	**91**	92	92	92	92
Trip requests scheduled (per cent)	**89**	90	90	91	91

Cycle Hire	2016/17	2015/16	2014/15	2013/14	2012/13
Customer satisfaction (score)	**83**	83	82	75	70
Cycle hires per period (thousands)	**10,532**	9,886	10,084	8,233	9,312

Supporting the UK economy

We are here to keep London moving, working and growing, and to make life in the city better.

To do that, we rely on strong partnerships and a supply chain that stretches throughout the UK and abroad.

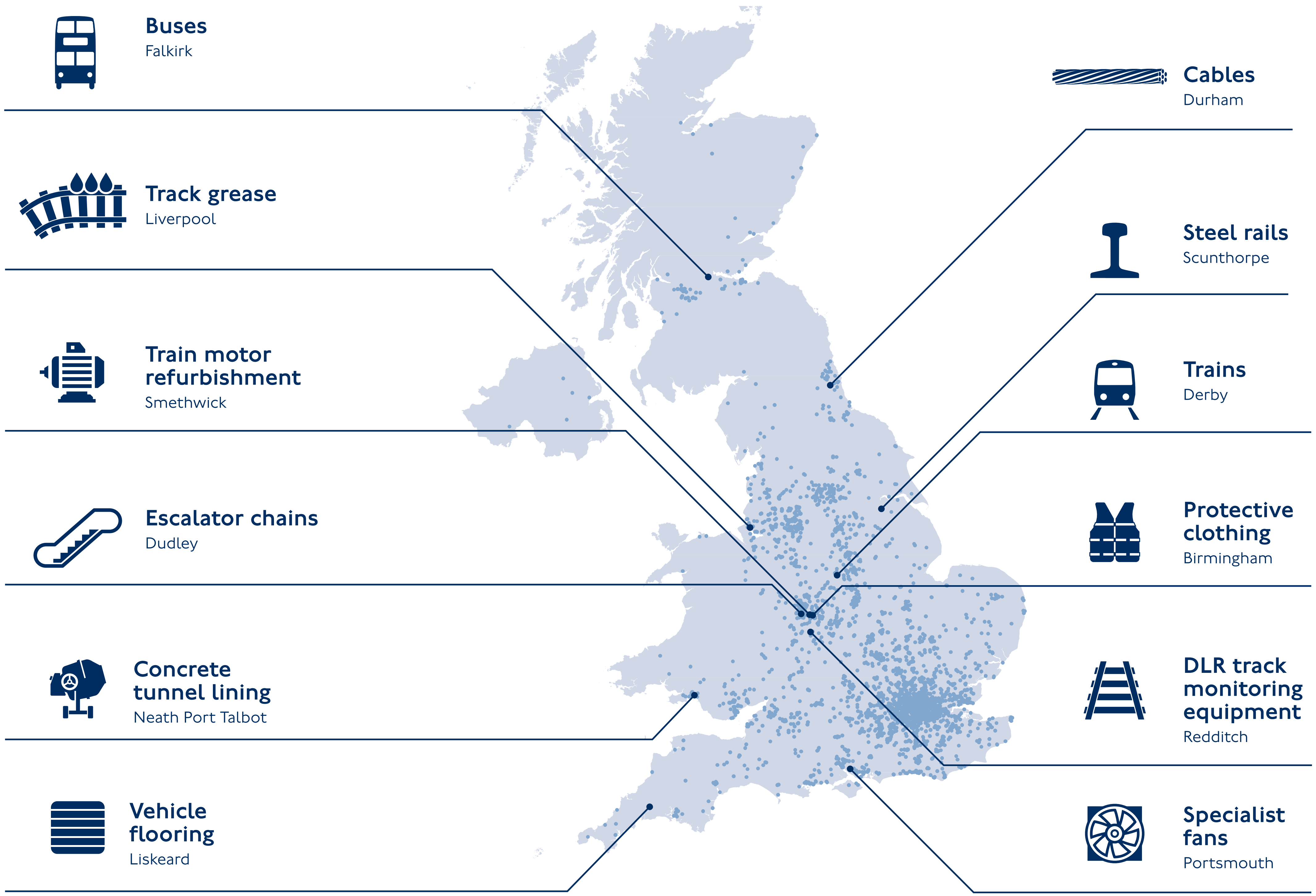
Our supply chain supports around 50,000 jobs outside the Capital and more than 7,700 apprenticeships. We have long-standing relationships with companies that manufacture the equipment we need to operate our network today and invest in it for the future.

In September, Commissioner Mike Brown MVO visited RS Clare, Liverpool's oldest manufacturer and supplier of lubricants, and spoke with the company's apprentices. Deputy Mayor for Transport Valerie Shawcross CBE met staff at DK Rewinds in Smethwick, a family firm that reconditions the motors on Central line trains.

We are also forging new partnerships. In the past year, we have worked increasingly closely with transport authorities across the country as a member of the Urban Transport Group, comprising authorities serving more than 24 million people. This allows us to work together to set a common vision for urban transport and make the case to Government for steady and sustained investment in transport infrastructure across all regions of the country. We also share our respective experience of running a devolved and integrated transport network and learn from the approaches taken by other authorities.

In the past year, we have set out our ideas for how cities can harness disruptive technology and worked with Transport for West Midlands on digital technology. We have also supported a conference on new approaches to freight delivery, conducted a peer review of Transport for the North's plans for smart ticketing and advised Transport for Greater Manchester on bus franchising.

Location of our supply chain



Supporting the UK economy

Building productive partnerships with suppliers nationwide.

Liverpool
RS Clare and Co.

The city's oldest manufacturer has supplied bio-degradable rail lubrication for London Underground tracks for the past 30 years. The company has worked closely with us to make sure its products meet the rigorous needs of the Tube network. Transport Commissioner Mike Brown MVO visited its Liverpool site in September and met some of its apprentices.

'We've been able to thrive and prosper'

David Meadows, Head of Customer Services and Marketing at RS Clare, explained that its rail lubricants have helped save money and increase safety. 'We've been able to thrive and prosper for generations due to our ability to innovate and reinvent ourselves, and through our successful partnerships with customers like TfL.'

Scunthorpe
British Steel Ltd

'We're proud to be working with London Underground'

The 3,000-strong team manufactures more than 2.8 million tonnes of steel, which is used to renew and maintain London Underground tracks. We have a long relationship with the company, and in 2016/17 the company delivered products for the Northern line upgrade and track renewals in Ruislip.

Peter Smith, Managing Director – Rail, said: 'For every British Steel employee, there are a further four people supported by the steel supply chain – that's more than 16,000 people in the UK. We're proud to be working in partnership with London Underground, keeping our Capital connected.'

Smethwick
DK Rewinds

For more than 30 years, the West Midlands company has supported London Underground to keep trains running. Its workshop maintains and re-conditions Central line motors to the highest standard. In October, Deputy Mayor for Transport Valerie Shawcross CBE visited to find out more about its work.

'We have been working with TfL for 30 years'

Managing Director Balvinder S Bhogal highlighted the benefits of the company's long relationship with us. He said: 'We have been working with TfL for 30 years. This has enabled DK Rewinds to invest in our workforce, which includes training apprentice and graduate engineers.'

Falkirk
Alexander Dennis Ltd

Fifty-one electric buses started operating on Routes 507 and 521 this year. Manufactured in Scotland in partnership with BYD, the vehicles are helping to improve air quality in the heart of the Capital.

'We have the certainty... to deliver new technologies'

Chief Executive Colin Robertson said: 'TfL's continued investment in low and zero emission vehicles means that as the UK's leading bus manufacturer, we have the certainty needed to work with our partners to deliver new technologies.

'It also allows us to invest in the education of our workforce and in our graduate engineers, as well as apprentices to make sure that we continue to have the skills to supply the most modern buses to London.'

Our Direct Vision Standard rates HGVs based on how much a driver can see

Driving improvements in safety and reliability

With more than 31 million journeys made in London every day, safety is our top priority.

Every customer who travels on our network should expect to reach their destination safely.

Tragically, a tram derailed in Sandilands last November. Seven people lost their lives and a further 51 were injured. Our thoughts remain with everyone affected.

While investigations continue into the cause of the derailment, we have introduced a number of safety improvements. Before services resumed in November, additional speed restrictions and safety signs were introduced near Sandilands and at three other locations on the tram network. In January, we installed chevron signs at four sites that have significant bends – including Sandilands – to provide another visual cue for drivers. We have also introduced digital signs at the same sites to warn drivers of the approaching speed limit.

In January, we held a summit with other tram operators from around the country and Europe to learn from their experiences. There are also a number of further safety options being considered, such as more digital signs to give drivers additional speed warnings, using bus technology to monitor speeds and locations, better in-cab driver alerts and upgraded CCTV.

We continue to work closely with the investigations and will act on any further recommendations.

The Sarah Hope Line continues to provide specialist help and support to those affected. Run by specially-trained TfL employees, the service offers practical and financial assistance, including counselling.

Greater vision

We made further progress towards reaching our target of halving the number of people killed or seriously injured on London's roads by 2020, compared with the 2005-09 base line. We are working towards a 'Vision Zero' approach where all death and serious injury on London's roads will be eradicated.

To help achieve this, we launched the Direct Vision Standard in September. It is a new tool that gives a zero to five-star rating to HGVs based on how much the driver can see from the cab. It follows research that shows drivers respond an average 0.7 seconds slower when checking blind spots and monitors, compared with looking directly through the windows. This means an HGV would travel an extra 1.5 metres before seeing a nearby road user.

Using this standard, there are plans to ban the most dangerous HGVs from London's roads by 2020. These HGVs would be zero-star rated by the Direct Vision Standard.

Our Bus Safety Programme was launched in February 2016 which included commitments to improve collision data reporting and analysis, develop new driver training and improve vehicle design. This year we have enhanced the detail and frequency of our data reporting and published long-term casualty trends, including a summary of outcomes of collision investigations. A review of police collision investigation files for fatal collisions involving buses will be published in summer 2017 and this will provide the basis for trialling innovative bus safety technology.

Innovations are also helping to make vulnerable road users easier to spot. In October, Olympic gold medallist Jessica Ennis-Hill helped us launch Blaze Laserlights on 4,000 Santander Cycles. The lights, which project an image of a bicycle on to the road six metres in front of the bike, will be installed on the entire fleet of 11,500 cycles by the end of the 2017/18 financial year.

Safety first

We have organised a number of initiatives to raise awareness and improve passenger safety in taxis and private hire vehicles. Together with the Metropolitan Police Service (MPS), our compliance officers took to the streets before Christmas to tackle illegal and non-compliant minicab and taxi activity. There were 50 new officers on patrol for the campaign. These were the first of 250 new compliance officers to be recruited by September 2017, which will see numbers quadruple to 332.

The Safer Travel at Night campaign continues to educate people about the dangers of getting into unbooked minicabs, as well as reminding minicab drivers about their responsibilities for making sure passengers get home safely.

Hate crime

More than 50 events took place across the transport network as part of Operation Safer Travel for All to support National Hate Crime Awareness Week. The #WeStandTogether message was used to reassure passengers and employees that hate crimes, based on someone's race, religion, gender, sexual orientation, age or disability, will not be tolerated.

Sexual offences

As part of Project Guardian, which tackles unwanted sexual behaviour on the transport network, we work with the MPS, British Transport Police and City of London Police. In March, we launched our latest campaign which features a film and poster series encouraging people to 'Report it to Stop it'. It highlights how every offence reported provides valuable information to help identify offenders and warns potential offenders that they could be caught at any time.

> 'Tackling all forms of unwanted sexual behaviour on public transport is a priority for BTP. We have worked hard to send a clear message to people who experience this that they will be taken seriously and we will investigate offences.'
>
> Jenny Gilmer, Superintendent, British Transport Police, comments on the new Report it to Stop it campaign

1,492
schools accredited with our STARS scheme, which encourages children to travel safely and sustainably

250
extra compliance officers will be recruited by September 2017 to tackle non-compliant and illegal taxis and minicabs, bringing the total to 332

100
extra police officers on patrol on the Night Tube

36%
increase in arrests for unwanted sexual behaviour on public transport since the launch of Project Guardian in 2013, which shows people are more confident in reporting offences

Royal approval for road safety

In December, HRH Prince Michael of Kent presented us with the International Road Safety Award in recognition of our ground-breaking work to improve conditions for cyclists, pedestrians and motorcyclists in London.

Initiatives highlighted at the ceremony included our Safer Lorry Scheme, installing sensors at pedestrian crossings (pictured) that adjust crossing times when large groups of people are detected, and trialling 20mph limits and average speed cameras along certain routes.

Adrian Walsh, Director of the Prince's awards scheme, said: 'The judges thought that it was a first-class programme of action, well-planned, adequately funded and well-organised, with promising results.'

Taking action on unsafe roadworks

Unsafe and unregulated roadworks are a danger to people and cause delays and congestion. This is why we continue to prosecute those companies responsible. In September, UK Power Networks was fined a total of £24,000, including a £10,000 charge for working without a permit. This is the highest fine ever imposed for a single streetworks offence. The total fine included two counts of carrying out work without a permit and a further two counts of failing to serve the required statutory streetworks notices before beginning work.

As part of Operation Clearway, we also successfully prosecuted businesses that persistently cluttered pavements. This is a particular problem for visually impaired and disabled people as it puts obstacles in their way. Action involves officers speaking with local businesses about their responsibilities for keeping pavements clear for pedestrians, and taking action against persistent offenders.

School travel

In November, we gave top awards to 34 high-performing schools as part of our STARS programme, which helps primary and secondary pupils adopt safe and sustainable ways of travelling, such as cycling, walking and public transport. Winners included Claremont High School, which made an active travel video, and Mossford Green Primary School, which held a car-free day.

Almost 1,500 London schools participated in the STARS programme. They were judged on changing their travel behaviour and awarded a Bronze, Silver or Gold accreditation.

Our STARS programme encourages school children to travel safely and sustainably

Successful prosecutions for mismanaged roadworks since 2010

Company	Number of prosecutions	Percentage of total prosecutions
BT	38	36%
Thames Water	13	12%
Infocus	11	10%
Virgin Media	10	10%
Fulcrum	9	9%
UK Power Networks/London Power Networks	9	9%
National Grid Gas	5	5%
Cable & Wireless	3	3%
Vodafone	3	3%
Abovenet	2	2%

We avoided more than five weeks of disruption by coordinating projects

Safer roads

In September, a project to improve pedestrian access and the road layout in the King's Cross area received overwhelming support from the public following a consultation. We worked with Camden and Islington Councils to develop the plans, which include removing the gyratory and introducing two-way traffic, improving conditions for pedestrians and cyclists with safer crossings and contra-flow cycle lanes, and reducing traffic on residential streets.

More than five weeks of disruption was avoided by coordinating 100 projects at the same time along the A501 near Marylebone and Euston. The work, which involved several utility companies, took place between Boxing Day and 3 January, when traffic in central London was at its lowest level. By working with different companies to coordinate the projects, a number of potentially high-impact works were avoided.

Running repairs

On the Piccadilly line in the lead up to Christmas, up to 40 trains had to be taken out of service owing to faults on the wheels. This caused considerable disruption to our customers, for which we apologise.

Heavy leaf fall and slippery tracks cause the wheels to skid during braking, which causes 'flat spots' to form and damage the track and the train. This problem particularly affects trains on the Piccadilly line, which are some of the oldest on the network and more susceptible to this type of wheel damage. Newer trains on other lines have technology that reduces the impact of braking over leaves and in cold weather.

We worked around the clock to fix the wheels and transferred trains to other depots so there were more locations to work in. Passengers who were delayed by more than 15 minutes were refunded the full cost of the single fare for each affected journey. These refunds were automatically applied to Oyster and contactless payment users. We are committed to making sure that this disruption does not happen again.

Improving Tube reliability

In January 2017 we established a plan to improve reliability across LU. Called the Reliability Improvement Programme, it is made up of three phases: to address the causes of disruption to services; ensure improvements are enforced and maintained; and make continuous improvements. Five issues currently account for more than 50 per cent of all disruption across the LU network, including customer incidents, employee availability and faulty signals. Although we are already addressing these issues, we still have a significant amount of work to do improve our performance. Lifts and escalators

We have refurbished and replaced lifts and escalators at a number of stations, including Lambeth North, Holland Park, Paddington and Holborn. This is a complex job that involves working in cramped conditions but, wherever possible, we keep stations open. Sometimes we have to restrict access, in which case we work closely with customers and local businesses to make sure people have plenty of information about alternative travel options.

Partnership spotlight

Working with Santander, Serco and Blaze, we are helping to improve the safety of cyclists in the Capital.

In October, we announced that 4,000 Santander Cycles had been fitted with Blaze Laserlights, which are helping to make riders more visible to other road users. This is largely being funded through our partnership with Santander.

Keith Moor, Chief Marketing Officer at Santander, said: 'We've had a hugely successful trial and feel that this latest innovation will contribute to improving the lives of Londoners by reducing fear and increasing visibility and safety while promoting an active lifestyle.'

We also signed a five-year contract with Serco to provide the next generation of Santander Cycles, all of which will be fitted with Blaze Laserlights. The bikes will be smaller and more comfortable and will be built by Pashley Cycles in Stratford-upon-Avon, England's longest-established bicycle manufacturer.

An average of 300,000 journeys are made every weekday using the Hopper fare

Putting customers at the core of our decision-making

Across the network we are making journeys easier and more affordable, and providing travel information in new ways.

Our transport network should be open to everyone; no Londoner should face barriers caused by poor accessibility, price or location. People should be able to travel safely and easily, wherever and whenever they choose.

TfL fares frozen

In November, the Mayor delivered on his promise to make travelling in London more affordable by freezing all TfL fares until 2020. This is putting around £200 into the pockets of the average household over the next four years and benefiting around four million journeys every day across London.

In September, the Mayor launched the new Hopper fare for bus and tram journeys, which allows people to make a second journey within an hour of touching in on their first trip.

There have already been more than 55 million Hopper journeys made, with an average of around 300,000 taking place every weekday. The most popular bus stop to 'hop' on is at Brent Cross shopping centre, where more than 12,000 'hops' took place during February alone.

We are developing the technology so that passengers can make unlimited bus and tram transfers within one hour. By 2018, we also plan to offer the Hopper to people who travel on a Tube or train between their two bus or tram journeys.

Ease of use

As well as making travel cheaper, we are making it more convenient. After the success of contactless payments on Tube and rail services, customers can now pay this way when they use London's black cabs and MBNA Thames Clippers River Bus services.

£200m
to be invested in step-free access on the Underground over the next five years

55m
journeys made using the Hopper fare since its launch

£200
saved, on average, by households over the next four years as a result of the TfL fares freeze

670k
journeys cycled each day in London, which has doubled in the last 10 years

Harnessing advances in technology, in May we introduced Android Pay, allowing people to use the new Google payment app for their journeys.

By downloading the app from the Google Play Store and setting up their account with their bank card, customers can use their smartphones to touch in and out on the yellow card reader, just as they do with Oyster and contactless payment cards.

We also made our travel information more accessible. As well as the many travel apps available, Londoners can now get even more detailed information from our website, tfl.gov.uk, as a result of a new function that enables them to add their favourite stations or stops, leading to a more personalised result. It covers Tube and tram lines, major roads, bus routes, specific bus stops and river services. These will be prioritised on the customer's homepage if there is any disruption.

A cleaner London

Every year the city's toxic air contributes to more than 9,000 premature deaths. There are 438 schools and 27 nurseries in areas that exceed legal air quality levels. Funding for clean air initiatives is set to double. In February, the Mayor announced that a £10 Emissions Surcharge, (or T-Charge), will be introduced in central London from 23 October. The toughest emission standard of any world city, it will mean the vast majority of pre-2006 vehicles, which are among the most polluting, will be subject to an additional charge if they are driven within the Congestion Charging zone.

The T-Charge is just part of a package of measures designed to address London's air quality crisis.

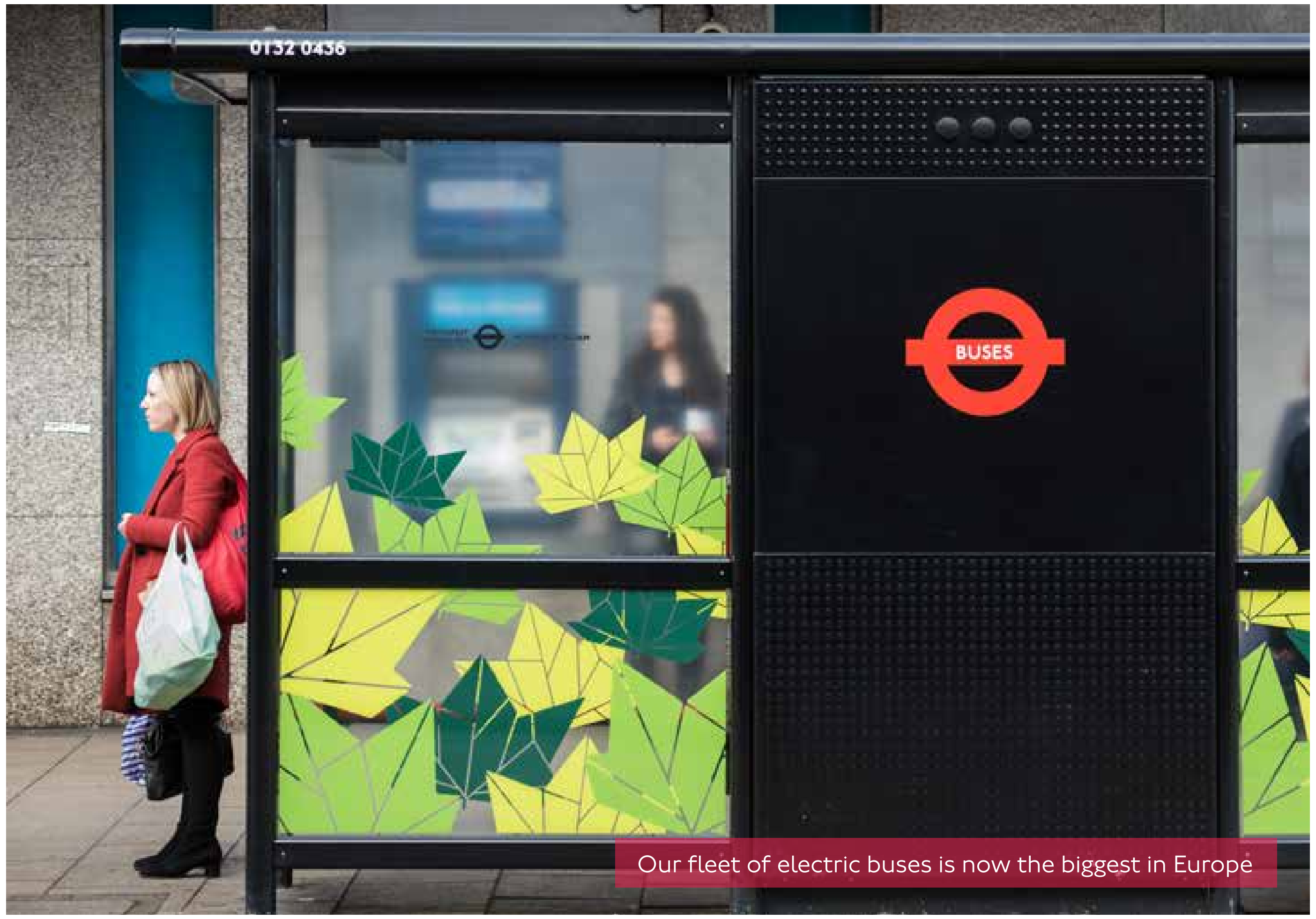
A public consultation is taking place into proposals to bring the launch of the world's first Ultra Low Emission Zone (ULEZ) forward from 2020 to 2019, extending it to the North and South Circulars for all vehicles, and London-wide for lorries, coaches and buses. We have also committed to making all double-deck buses ULEZ compliant by 2019.

In December, six innovative 'Neighbourhoods of the Future' schemes were unveiled. Spanning nine London boroughs, they promote switching to ultra low emission vehicles. They include: a zero emission zone in Hammersmith town centre; clean energy charging schemes in Haringey; 'electric streets' with charge points in Hackney, Islington and Tower Hamlets; and electric van and truck loan schemes in Croydon and Sutton.

Supporting cycling

We continue to promote cycling in the Capital and in June we launched Quietway 1, which links Waterloo and Greenwich along low-traffic routes and parks. By October, cycle flows had increased by 56 per cent from 2014 levels.

Our Cycle Superhighways continue to be well-used, with around 7,000 cyclists using Cycle Superhighway 3 (East-West) on Victoria Embankment and around 8,000 cyclists using Cycle Superhighway 6 (North-South) on Blackfriars Bridge during peak times.



Our fleet of electric buses is now the biggest in Europe

We have also continued our work on the Mini-Holland schemes. These support the Mayor's Healthy Streets agenda by targeting people who make short car journeys in outer London that could easily be cycled or walked instead. So far we have completed 16 schemes in the boroughs of Enfield, Kingston and Waltham Forest.

Greener buses and taxis

Our bus fleet is one of the cleanest in the world and we continue to look for new and innovative ways to improve it. In March, we launched the first of 12 Low Emission Bus Zones in Putney High Street, one of the Capital's most heavily polluted routes. Now only buses that meet the most stringent emission standards can operate in this area.

The introduction of 51 all-electric buses on the 507 and 521 routes at the end of the year established our electric fleet as the biggest in Europe. More electric models will come into service in spring 2018 on the C1 and 70 routes, increasing the number to 121. These run alongside our 2,000 hybrid electric buses.

Healthy Streets

In February, the Mayor set out his vision for Healthy Streets. This was launched in the same week that London's first full-time Walking and Cycling Commissioner, Will Norman, took up his position. The vision includes proposals for providing more space and more appealing routes for walking and cycling. It also outlines plans for new developments so that people can walk or cycle to local shops, schools and workplaces.

As part of this, £2.1bn will be allocated to TfL Healthy Streets projects to create more welcoming streets. This will take London's cycling spend per head to the same levels as seen in Denmark and the Netherlands.

The move follows research that shows if every Londoner walked or cycled for at least 20 minutes every day, the NHS would save £1.7bn in treatment costs over the next 25 years. These statistics include 85,000 fewer people being treated for hip fractures, 19,200 fewer dementia sufferers and 18,800 fewer people suffering from depression.

Currently, just 34 per cent of Londoners are estimated to manage the recommended amount of 20 minutes exercise each day.

Under the Mayor's Taxi and Private Hire Action Plan, which was published in September, grants of up to £5,000 will be available to drivers who scrap the oldest and most polluting taxis. The number of taxi ranks will also be increased, with 'zero emission' ranks for drivers pioneering the latest 'green' models.

Better journeys

Improvements continue to be made to London Underground services. For example, customers travelling on the northern part of the Victoria line will experience more comfortable temperatures after a new chiller system was installed between Blackhorse Road and Walthamstow Central. The fan system works by drawing in fresh air from the street through coils that have chilled water flowing through them.

We started refurbishing our Jubilee line trains, which are more than 20 years old, to improve accessibility. The first trains are back in service, with better seats and grabrails.

In November, the final new S-stock train was delivered, marking the full introduction of these new models on the Circle, District, Hammersmith & City and Metropolitan lines. It means we now have a fleet of 192 modern, air-conditioned, walk through trains operating across these four lines. The trains are longer and more spacious and have bigger doors to allow more people on and off. There is also improved audio and visual information, dedicated wheelchair spaces and colour contrasting interiors to improve accessibility.

Improving access

We completed step-free access work at Tower Hill, Vauxhall and Tottenham Court Road Tube stations and South Tottenham London Overground station. The new north ticket hall at Victoria station, which opened in January, also offers step-free access from the street to the Victoria line platforms.

In December, the Mayor confirmed a £200m investment over five years in step-free access on the Underground. This will bring the number of step-free Tube stations to more than 100, making travel easier for older and disabled customers, and for people travelling with children and buggies.

The first schemes will include step-free access at Harrow-on-the-Hill and Newbury Park in outer London, which together see nearly 15 million journeys every year.

Customers with hidden disabilities can also face challenges when using public transport. In August, we began a six-week trial that saw 1,000 people wear badges that asked 'Please offer me a seat'. They also had a card explaining their circumstances.

The results were encouraging. Eighty-six per cent of participants reported feeling more confident when asking for a seat, with 72 per cent of journeys said to be easier as a result. And 98 per cent said they would recommend the badge to others who require it.

> 'We welcome the Mayor's focus on a modern, accessible transport network. Investment in Tube capacity and step-free stations will mean more travel options and greater opportunity for all Londoners – particularly disabled and older people – to enjoy our great Capital and travel with freedom and independence.'
>
> Faryal Velmi, Director, Transport for All

Station works

Improvements continued at London Overground stations between Liverpool Street and Chingford, Cheshunt and Enfield Town, including installing new lights, CCTV, Help Points, ticket machines and gates.

The Mayor appointed London TravelWatch to carry out an independent review of changes to staffing at Underground stations, including the closure of ticket offices. The recommendations were published in December. We are working with our trade union colleagues to implement them, to make sure we provide the best service to our customers.

Progress is already being made. For example, we are trialling extended hours at King's Cross St. Pancras, Heathrow and Euston Visitor Centres. We have also given employees tabards to wear so that customers can identify them more easily and are rolling out a new iPad case to make it easier for staff to use the devices to provide up-to-the-minute information.

Advertising Steering Group

In June, the Mayor announced that adverts on the transport network that could pressurise people to conform to unhealthy or unrealistic body images, or could create body confidence issues, particularly among young people, were inappropriate. As a result, we have revised our advertising policy and established an Advertising Steering Group, which includes advertising partners Exterion Media and JCDecaux, and a number of stakeholders who reflect the diversity of London. The group is responsible for monitoring our approach to advertising and regularly review the policy.

We also continue to refer campaigns to the Committee of Advertising Practice to make sure they meet Advertising Standards Authority regulations.

Bold plans for buses

London's buses carry millions of passengers every day on 9,300 vehicles and 675 routes. More than half of England's bus journeys take place on what is one of the world's most frequent and extensive networks.

Passenger numbers have fallen in recent years, with forecasts predicting a decline of 2.3 per cent over the next year, particularly in central London where other forms of transport, such as the Tube, walking or cycling, are viable options. Bus speeds have also fallen by an average of three per cent over the past two years owing to challenging conditions on the roads.

In March, the Mayor announced plans to make bus travel more attractive, including:

- More effectively matching services to demand
- £20m a year for bus priority measures
- Reviewing traffic signal timings at 1,200 junctions and 200 sites to improve bus speeds
- Improving customer service and travel information
- Initiatives to improve congestion
- Making 95 per cent of bus stops accessible to wheelchair users

In November, we launched a consultation on changes to 23 bus routes in central London so that services better match passenger demand. It would also make buses more reliable by reducing congestion along Oxford Street, as well as improving air quality and safety.

The proposals would reduce the number of buses going along Oxford Street by around 40 per cent and help make the area more accessible for pedestrians.

Private hire standards

New measures to raise standards and enhance passenger safety in the private hire trade were published in September. These include a formal English language requirement for all private hire drivers and providing customers with driver and vehicle details before the start of each journey.

By summer 2017, we will also require private hire drivers to pass an advanced driving test before they can be licensed or relicensed.

The Mayor's plans, which were set out in the Taxi and Private Hire Action Plan, include help for the black cab industry to continue to flourish. These include opening extra bus lanes for taxis to use, increasing the number of taxi ranks by at least 20 per cent by 2020, and using new technology to help customers connect with taxis more quickly and easily.

Partnership spotlight

We have worked with Mothercare to distribute 12,400 leaflets and Baby on Board badges at their events for expectant parents which took place at all 31 of their London stores in February. These leaflets featured advice on the most suitable buggies for travelling on the network, and how best to use public transport with a baby or toddler.

At the same time, we issued guidance to Mothercare store managers that outlined how they can help their customers make the best decisions when choosing their buggy.

We will continue to work with Mothercare to distribute these products, and will be supporting its next round of parenting events this summer. We are currently approaching other retailers, manufacturers and parenting organisations to see how we can work together to share similar information.

The new Elizabeth line trains are being tested on tracks in east London

Enabling growth and increasing capacity

As London continues to grow, it is vital our public transport services evolve with it.

This means making the most of our existing infrastructure and providing new services and schemes to meet the demands of a rapidly increasing population.

Elizabeth line

When it comes to new services, nothing will match the scale and scope of the Elizabeth line. Passing through 42km of new tunnels under central London, from Reading in the west to Shenfield and Abbey Wood in the east, it is Europe's biggest construction project. The £14.8bn investment involves building 10 new Elizabeth line stations and upgrading 30 existing Network Rail stations.

In December, a new Elizabeth line test train arrived in London. This was joined in February by the first train that will carry passengers when the service launches. Both are now being tested on tracks in east London. A front carriage was also put through extreme-weather trials at a test centre in Vienna.

The first passenger trains are due to start running between Liverpool Street and Shenfield in summer 2017. The central tunnels will open in December 2018, with full operations between Reading/Heathrow and Shenfield/Abbey Wood in 2019. We are also rebuilding Custom House DLR station so customers can interchange with the Elizabeth line when it opens.

Elizabeth line in sight

A major milestone was reached last summer with the announcement that the Crossrail project was 75 per cent complete.

The Mayor marked the occasion by boarding a construction train to make the first station-to-station journey from the new Elizabeth line station at Custom House to Canary Wharf.

By March 2017, half of the permanent track had been laid and nearly all of the platform structures at the 10 new stations were in place, on time and to budget. All stations on the Elizabeth line will provide step-free access.

‘We are over the moon with the launch of the Night Tube. It will be fantastic not only for our staff getting home at night, but also for dispersal of our customers after gigs and events, many of whom have had to leave before the end of a concert to ensure they can get home.’

Mike Hamer, Operations Manager at concert venue KOKO

Crossrail 2

This project is an important part of our long-term answer to London’s transport needs. Linking rail networks in Surrey and Hertfordshire with tunnels running from Wimbledon to Tottenham Hale and New Southgate, Crossrail 2 will relieve pressure on the Underground and on congested commuter rail lines. Adding 10 per cent to the Capital’s rail capacity, it will allow 270,000 more people to enter central London during the morning peak.

Across the South East, the project will ease the housing crisis, enabling the development of 200,000 new homes, and will help support 200,000 jobs, as well as 60,000 supply chain jobs throughout the UK. It will add an estimated £150bn to the UK economy – making it a nationally significant project.

In the past year, design work has continued. We have also refined the project’s Strategic Outline Business Case, which sets out why we need Crossrail 2 and highlights the regional and national benefits. Responding to last year’s National Infrastructure Commission report, we have cut costs and set out in greater detail how London – including businesses and developers – can fund half of the construction.

Crossrail 2 already enjoys substantial popular, political and business support. This spring, as we awaited the Transport Secretary’s green light for the next stage of design, all the major business organisations, including the Confederation of British Industry, London Chamber of Commerce, Federation of Small Businesses and the Institute of Directors, gave their

The Night Tube will support around 2,000 permanent jobs in the Capital

backing for Crossrail 2 – reflecting its urgency as an infrastructure project of national strategic importance.

Free the night

We fulfilled the Mayor’s pledge to have the Night Tube running on five lines by the end of 2016.

Working closely with the trade unions helped with the success of the launch. We set up a committee made up of management and trade union representatives. Together, they made sure the process of recruitment, training and deployment of part-time train operators to work Friday and Saturday nights ran smoothly.

The Central and Victoria lines were the first to offer 24-hour travel on Friday and Saturday when they launched on

£150bn
boost to the UK economy generated by building Crossrail 2

50,000
customer journeys on the Central and Victoria lines during the first weekend of the Night Tube

40%
of the transport benefits from Crossrail 2 will be felt by passengers outside London

The new bus station at West Croydon has boosted capacity by 21 per cent

19 August. The service proved extremely popular, with more than 50,000 journeys being made on the opening night. The Jubilee and Northern lines followed in October and November respectively, before services launched on the Piccadilly line on Friday 16 December.

The Night Tube is expected to support some 2,000 permanent jobs and add around £77m to the Capital's night-time economy.

Nineteen new night bus services were also introduced to suburban Night Tube stations, making it easier and safer for customers to make the last leg of their journey.

Capacity boost

Greater demand for evening services has also been seen on London Overground, leading to twice the number of late-night trains on the route from Highbury & Islington to New Cross, Clapham Junction, West Croydon and Crystal Palace. We have invested in new trains for services to Chingford, Cheshunt, and Enfield Town, as well as from Romford to Upminster, Euston to Watford and to Barking/Gospel Oak, where they will double the current capacity.

In April, we started fitting a new computerised signalling system for the Circle, District, Hammersmith & City and Metropolitan lines between Hammersmith and Edgware Road. Once it is fully operational, it will improve reliability and increase capacity by 33 per cent, with up to 32 trains per hour running in central areas by 2022.

In October, the Deputy Mayor for Transport Valerie Shawcross CBE opened the new £4.5m West Croydon bus station, describing it as a 'station to be proud of'. It now serves 25 bus routes and 150 buses an hour at peak times, and can accommodate 23,000 passengers a day – an increase of 21 per cent.

Tube extensions

Two giant boring machines arrived in Battersea for testing in January, ahead of work on the Northern line extension starting in March. Each the length of a football pitch, they will create two new 3.2km tunnels. They were named in honour of the first British astronaut, Helen Sharman, and aviation pioneer Amy Johnson, following a vote among local children.

When the work is completed in 2020, the Charing Cross branch of the Northern line will extend from Kennington to Battersea via Nine Elms. This is the first major Tube line extension since the Jubilee line in the late 1990s. It will improve transport options for Vauxhall, Nine Elms and Battersea, supporting around 25,000 jobs

Partnership spotlight

The new bus station in West Croydon, which was officially opened by the Deputy Mayor for Transport in October, forms part of a wider £50m programme of high street, public space and transport improvements that will transform the town centre.

We are working with Croydon Council to deliver the Connected Croydon programme, which is being supported by an £18m investment from the Mayor and additional funding from us.

The new bus station was designed by our in-house team, which ensured the new low-rise building will make a positive contribution to both the local environment and the wider town centre.

Councillor Stuart King, cabinet member for transport and environment, said: 'It's fantastic to see the West Croydon bus station re-built, modernised and given the makeover it deserves.

'West Croydon is hugely significant to us as a major transport hub and gateway to our town centre, so this is an important regeneration milestone.

'We are revitalising and transforming the streets and public realm around the West Croydon transport interchange with a £6m package of improvements and the new bus station is right at the heart of this.'

and more than 20,000 homes. As well as two new tunnels, two new stations are being created – one at the heart of the Battersea Power Station redevelopment and another at Nine Elms.

Another Tube extension moved a step closer in January when we launched a consultation on proposals to extend the Bakerloo line from Elephant & Castle to Lewisham via Old Kent Road and New Cross Gate.

Designed to encourage growth in southeast London, it has the potential to support 25,000 new homes and 5,000 jobs, and relieve congestion on local roads, bus and National Rail services. Four new stations are proposed.

Station upgrade

There have been two major milestones on London Underground's station upgrade projects. After seven years of work, the new station at Tottenham Court Road opened fully in February, with a larger ticket hall, new entrances, more escalators and step-free access to the Central and Northern lines. The Paolozzi mosaics were carefully preserved and most were replaced. The station is also ready for the arrival of the Elizabeth line in 2018.

The new entrance on Victoria Street is making customer journeys smoother

Walk this way

After the Mayor's Healthy Streets for London vision was published in February, we organised the first walking conference and launched two extended Walking Tube maps for people travelling outside central London.

The new maps include Zone 3 stations and the estimated walking times and steps between them. This followed the publication in August of the first map showing walking times between stations in Zones 1 and 2.

The conference, 'Healthy Streets for London – making a great city for walking', brought together international experts, health professionals and borough representatives to discuss how the Capital can be improved for pedestrians.

Speakers included Deputy Mayor for Transport Valerie Shawcross CBE, Walking and Cycling Commissioner Will Norman and New York City's former Transportation Commissioner Janette Sadik-Khan.

At Victoria, the new north ticket hall and entrance on Victoria Street opened in January. It makes journeys through the station, the fourth busiest on the Underground network, smoother and enables customers to avoid a series of busy road junctions, which helps relieve congestion. Work has also taken place on major station upgrades at Bond Street and Bank.

Bigger and better

Two important piers on the Thames – Westminster and Bankside – were extended and modernised in the summer so services could be increased. The £4.3m extensions are part of a range of improvements aimed at encouraging at least 12 million passengers to use river services by 2020.

The Mayor asked us to look at options for a public transport river crossing in the Thamesmead area to improve transport links for existing residents and support new housing developments. This includes extending the DLR and a possible extension of the London Overground from Barking Riverside. Feasibility work continues and should be completed by the end of 2017.

London's bus drivers will benefit from a new deal, which includes a starter minimum wage

Investing in our people

From those who help customers at our stations to the people working behind the scenes, we have a highly skilled team dedicated to delivering for London.

Our employees strive to provide the best possible service for the millions of customers who rely on our network. To do this, we need to recruit, manage and reward the right people, helping them to develop and realise their full potential.

In December, the Mayor announced a new, fairer deal for London's 25,000 bus drivers.

Childcare loans

It can be difficult and expensive to balance the demands of work and family. In February, we launched a scheme to offer our working parents the chance to apply for an interest-free loan to help with the cost of childcare. They can borrow up to £1,500 to help pay for childcare costs when returning to work after maternity, adoption, surrogacy or shared parental leave.

The loan, which is a scheme backed by the Mayor, can also be used to pay for new childcare arrangements for children of any age. It is in addition to our childcare vouchers, meaning that parents can take advantage of both initiatives.

It includes a starter minimum wage of £23,000 for those working across all of London's bus companies, which operate routes on our behalf. This will be introduced to all new TfL contracts that are awarded to bus companies from this spring.

We worked closely with the trade union Unite to develop the deal. It also includes a 'Licence for London', allowing drivers to move between companies and take their qualifications and driving record with them, without having to revert back to a lower starter rate.

Our new cleaning and security contracts, which include Tube stations, depots and the London Transport Museum, will make sure all our employees, whether directly employed or hired through an agency, are paid the London Living Wage, which the Mayor announced in October would increase to £9.75 an hour.

In January, the Government outlined plans for a modern Industrial Strategy. Our work is delivering against the 10 pillars of the strategy, which include investing in innovation, developing skills, upgrading infrastructure, improving procurement and delivering clean growth. We will continue to use this model as a benchmark for our work and future plans.

More than 175 people joined us in the last apprentice intake

Working for the future

We continue to invest in skills for the future through apprenticeship and graduate programmes. With the transport industry facing a skills gap, our work is helping to meet the Government's Transport Infrastructure Skills Strategy target of 30,000 new apprenticeships by 2020.

More than 175 people joined TfL as part of the last apprentice intake, an increase of more than 30 on the previous year. Under this scheme, which covers many areas of the organisation from engineering to finance, people have the opportunity to earn as they learn.

A total of 149 people enrolled on our graduate programmes in 2016. We also overhauled the scheme to attract more diverse candidates, with the selection process now concentrated on potential. Forty per cent of last year's graduate offers went to women.

We are also encouraging diversity, and providing valuable work experience opportunities through our Steps into Work initiative, which is run in partnership with specialist employment agency Remploy and Barnet and Southgate College. The one-year programme for young adults with learning difficulties gives them the chance to experience different areas of TfL, while developing skills that will help them find employment in the future. Ten students completed the programme in December, and one scheme participant was recruited as a junior analyst.

7,600

apprentices have joined TfL – along with our suppliers, Crossrail and the London Transport Museum – since 2009

24%

of people who signed up for our most recent apprenticeship schemes are women, a nine per cent increase on last year

> 'I love being an apprentice at TfL and the reaction I get when I tell people that my job involves me maintaining the Tube trains. They find it really interesting, particularly as they don't expect a woman to be in that role. My gender has never been an issue and I think it's important that everyone feels confident to apply for the role they think they would enjoy, rather than being put off by misconceptions.'

Jessica Ellis, second-year apprentice, TfL

'Women have always played an integral part in London's transport industry, and it is vital that this is not only recognised but also built upon. For the Capital to thrive it is essential that we continue to invest in transport to meet growing demand and I would encourage women and young people to consider a career in transport at this very crucial time for the industry.'

Val Shawcross CBE, Deputy Mayor for Transport

Women play an integral part in the transport industry

Inspiring a generation

The Women in Transport programme has been helping to inspire and motivate women across the Capital to consider a career in transport. Initiatives include spending time in schools, providing work placements and presenting at careers fairs.

In May, we launched a schools toolkit aimed at 11 to 16 year-olds. The toolkit includes two short films that set out the crucial role the transport industry has in society – building and supporting cities and opening up opportunities for millions of people. It also features supporting materials showcasing the wide variety of roles that are available, from communications and legal through to engineering and operational.

Other school projects include Innovate TfL in association with Cleshar, which is an annual competition that invites Year 12 and 13 students to come up with new ideas for how to improve transport in the Capital. Five all-girl schools signed up for the competition this year and more than half of the volunteers supporting in schools

Tunnel vision

In March, we signed a deal with Prospect's College of Advanced Technology to run the Tunnelling and Underground Construction Academy (TUCA) in Ilford. The training facility, which was set up in 2011 as part of the Crossrail project, has already trained more than 15,000 contractors and apprentices.

The academy has state-of-the-art facilities including areas for practising sprayed concrete lining, a laboratory to study materials and a tunnel mock-up to learn evacuation procedures. It teaches specialist skills in tunnelling and underground construction, and gives apprentices the chance to learn the technical skills required to build major infrastructure projects such as High Speed 2, the Thames Tideway Tunnel and Crossrail 2.

By the end of the year, TUCA will also be home to the Elizabeth line maintenance and station staff training centre. We plan to have more than 130 railway engineering apprentices from the industry training at the academy from September.

Partnership spotlight

Research by our Women's Staff Network Group highlighted the need to enhance the information and resources we offer pregnant colleagues. As a result, we worked with the pregnancy charity Tommy's to bring its Pregnancy at Work scheme to our employees.

In spring 2016, we launched a three-year partnership with Tommy's to complement HR policy by providing our pregnant employees (around 500 annually), their partners and line managers with pregnancy health and wellbeing support. This year, they have been able to benefit from:

- Access to midwives through the Tommy's Pregnancy Line and website
- Midwife representation at internal drop-in sessions and large-scale parenting events targeting our pregnant employees
- A free pregnancy book and bespoke leaflet, produced in partnership with the charity, outlining our work/life balance policies and the health and wellbeing support available from Tommy's
- Dedicated Yammer groups for pregnant employees and parents, where colleagues can help and support each other

are women. This year's winners, from City and Islington College, developed a way of using energy from customers sitting down on public transport to power air conditioning, heating and USB points.

Staff Network Groups

We are committed to providing an inclusive and equal workplace that meets the needs of our teams and reflects the diversity of the Capital. We have six active staff network groups focusing on: women; black, Asian and minority ethnic (BAME) staff; carers; disability; faith and wellbeing; and lesbian, gay, bisexual and transgendered (LGBT) colleagues.

Our Women's Staff Network Group showed its support for International Women's Day in March by flying the campaign flag over 55 Broadway for the first time. It marked the start of a week of events under the heading 'Be bold for change', which included workshops, support groups and masterclasses.

One workshop, 'Women in Tech', explored the reasons why women are under-represented in the technology industry. Our Chief Technology Officer Shashi Verma opened the event by highlighting the importance of technology departments encouraging women into the industry. Other speakers included Lauren Sagar Weinstein, our Chief Data Officer, who charted her career with TfL, in which she has risen through the ranks while twice taking time out for maternity leave.


We created a series of LGBT+ pedestrian signals to support Pride in London

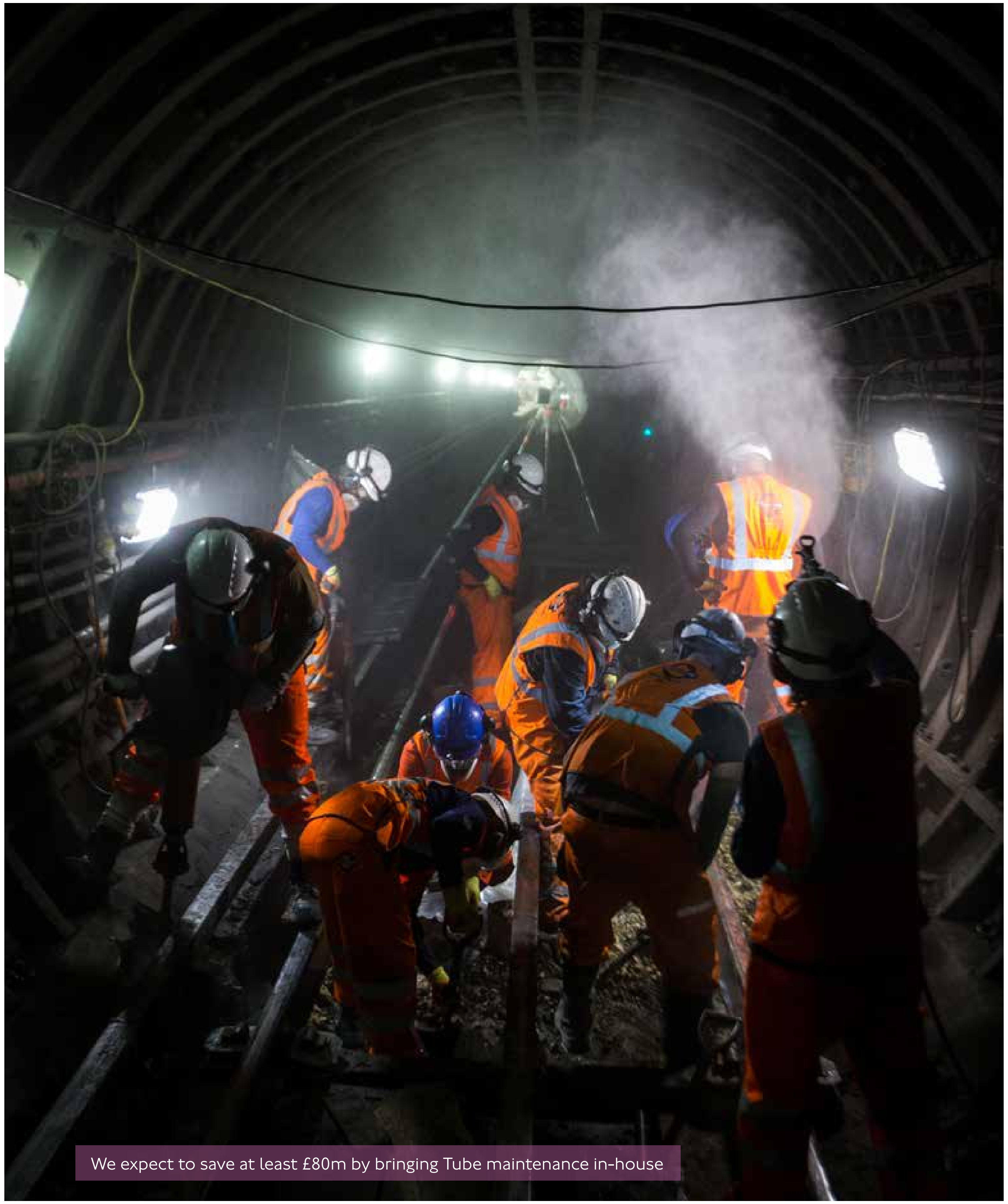
Other banners to fly over our Broadway offices include the rainbow-coloured flag to support LGBT History Month, which was supported by our OUTbound Staff Network. It also created a series of pedestrian traffic signals, replacing the green walking symbol with seven designs to represent LGBT+ relationships as part of Pride in London in June. The lights were installed by Siemens free of charge. In November, we also flew the Trans Pride flag to mark Transgender Awareness Week.

A second chance

As part of TfL's award-winning Smart Sourcing programme, we worked with the Prison Reform Trust and charity Bounce Back, to offer employability skills training and guaranteed interviews to selected people at HMP Brixton.

Anyone who is motivated to find work is identified six months before their release. They are then supported by a dedicated case worker who helps them prepare for interviews and assessments. We also provide continuing support to successful candidates to help them make the transition into employment and begin building a career with us.

The importance of this scheme is highlighted by the statistics that show people are much less likely to reoffend if they secure a job after their release. However only a quarter of inmates have a job to go to when they are released from prison.


We expect to save at least £80m by bringing Tube maintenance in-house

Costing less and delivering more

With London's population set to reach record levels by 2030, we are developing new ways to fund our day-to-day operations and meet increasing demand.

Against a backdrop of a further £219m reduction in our Government operational funding in 2016/17 – and its complete withdrawal of all such revenue funding by 2018/19 – it is essential that we keep our operating costs down while continuing to provide the service and capacity that London needs.

In January 2016, we began a thorough review of every aspect of our organisation. This has led to more than 400 individual savings initiatives covering the entire £6.5bn spend on operating the business and the £4bn on investing in our network. This is the biggest overhaul of our internal organisation, focusing on driving down costs in our supply chain and ensuring and reducing cost from our operating model.

For the first time since TfL began in 2000, there has been a reduction of £153million in our day-to-day operating costs. This represents the early results from our drive to reduce costs which has identified more than 400 initiatives and some £4billion of potential cost savings in the five-year period to 2021/22. Initiatives include a reduction in management layers, reduced numbers of non-permanent labour and eliminating duplication to make transport safer, more reliable and more efficient.

Every part of our business is being redesigned to give better value for money, from procurement to project planning. In December 2016 we published our Business Plan, which explains how we expect to generate cost reductions of £4bn by 2021/22.

Effective and efficient business operations

The programme's successes include consolidating and rationalising our facilities management contracts, which we have reduced from 50 contracts to six. We expect this to lead to savings of £34m over the next five years.

Similarly, a new office accommodation strategy, which will restructure our corporate portfolio and integrate a new office in Stratford, will bring about significant savings.

Other initiatives include reviewing our IT projects to only focus on essential projects. Over the next five years, this will result in savings of around £70m.

We are committed to a new operating model that will reduce duplication and help build capability in our workforce. Around 49 senior managers have already left the business and we have significantly reduced our reliance on non-permanent contractor labour, which we expect to result in savings of around £90m over five years.

Working together

We are also working ever closer with our partners to make savings and have agreed a number of new contracts to help achieve this, including a £1.5bn deal signed in April, with Arriva Rail London Limited to take over as the new operator of London Overground. The move will mean improvements for customers, including extended operating hours and new services on some routes. The contract also contains incentives to guarantee punctuality, including financial sanctions if incidents caused by Network Rail or train and freight operators impact the service. We will still be responsible for setting the fares and marketing the service, and will continue to reinvest all ticket revenue.

We have also signed a new contract with Serco to distribute and maintain Santander Cycles. The five-year deal includes the manufacturing of a new, lighter, more manoeuvrable bike. A total of 500 bicycles will be introduced annually to replace older models.

One contract that will not be renewed is for maintenance work on the Jubilee, Northern and Piccadilly lines. In August, we announced that we will bring this work in-house in a move that is expected to save at least £80m over the next 10 years by eliminating expensive management fees. The current deal with private company Amey, which has managed maintenance on the three lines for the past 13 years, will end at the end of 2017 – the earliest point that the contract allows.

Advertising screens at Canary Wharf celebrate #LondonIsOpen

Adding value

We continue to seek out every opportunity to generate new revenue and opportunities from our assets. This includes our advertising estate, which is one of the largest in the world, making up 20 per cent of all out-of-home advertising in the UK and 40 per cent of the London market.

Licence to invest

London's ticketing system could be adopted in cities around the world as part of a licensing agreement with Cubic Transportation Systems (CTS) worth up to £15m. The deal will see CTS adapt our contactless system for use in other world cities. It is the first in a number of planned agreements to sell our expertise both at home and abroad.

In October, a new contract was signed with Outdoor Plus, which will generate £13m that can be ploughed back into our services. The deal, covering nine roadside locations across London, has led to new digital screens being installed along main routes, including the A3 at Kingston, the A40 in Ealing and the Northern Ring Road at Wembley Way.

The largest ever Tube advertising screens were unveiled at Canary Wharf station in October, with passengers greeted by artwork from Mark Titchner to celebrate the Mayor's #LondonIsOpen campaign.

Measuring 29m^2, the screens form part of a deal with Exterion Media that is expected to bring in £1.1bn in revenue over the next eight years. Digital screens will also be installed elsewhere across the Capital, and there will be new sponsorship opportunities, for instance at pop-up stores.

‘By changing the way we are organised, by driving efficiency in every part of our business and by looking for further ways in which to generate more non-fares income, we will deliver a transport network that continues to meet the needs of a rapidly growing London while keeping transport affordable.’

Mike Brown MVO, London’s Transport Commissioner

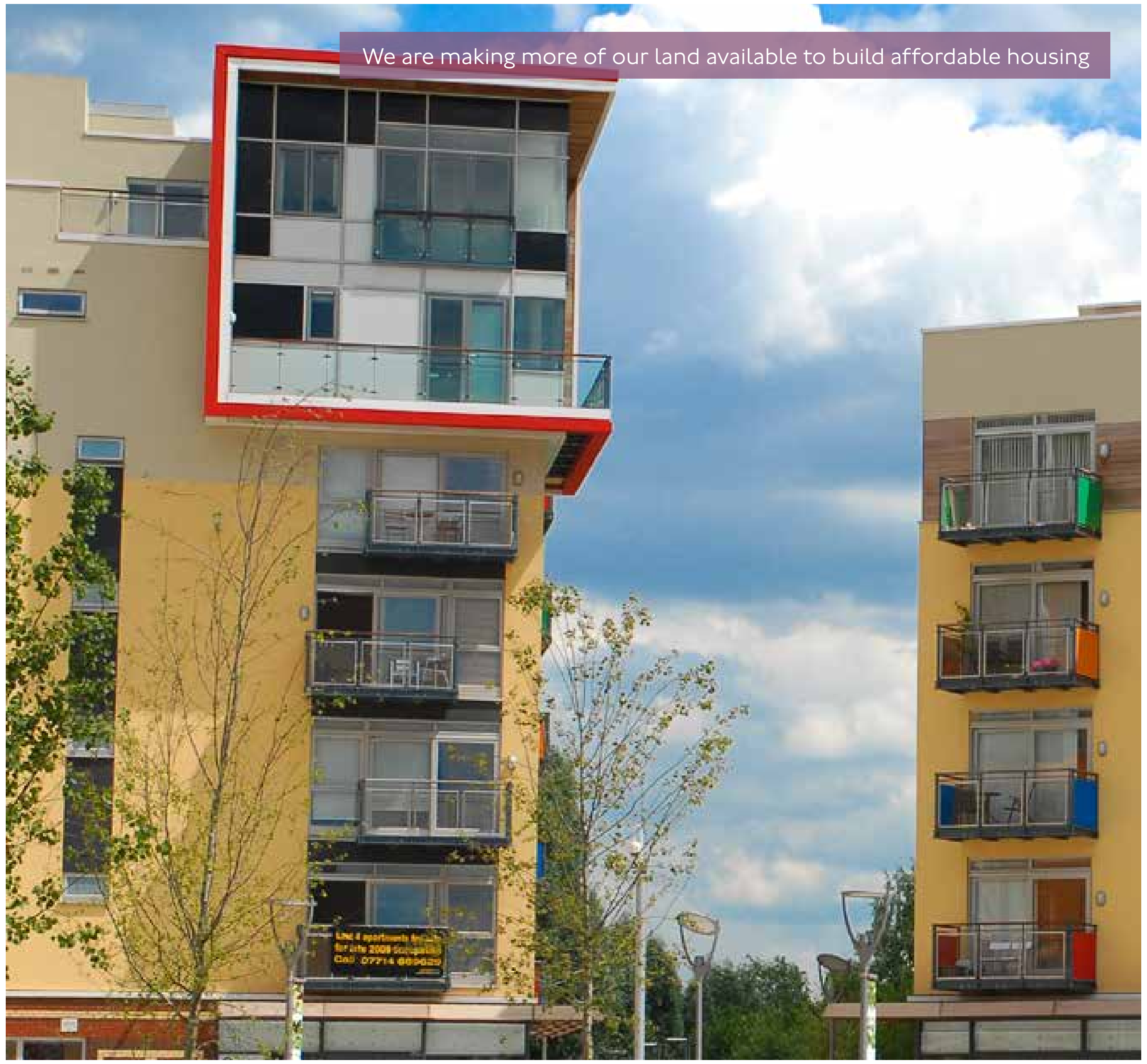
New homes

The Mayor pledged to unlock public land for affordable housing and generate more revenue to reinvest in services and this work has really begun to take shape.

In March, we announced Triangle London Developments as our preferred bidder for a joint venture to develop a TfL-owned site in Kidbrooke, southeast London. The initiative will provide 400 new homes, half of which will be affordable housing. There are also plans for commercial, retail and office space, as well as an improved transport hub and village square, on the four-acre site. Subject to approvals, public consultation and planning permissions, the first homes could be available to buy and rent by 2020.

Kidbrooke was the first site to be announced by the Mayor. Others include Landmark Court in Southwark, which has the potential to accommodate a mixed-use scheme with 35 per cent affordable housing, and Fenwick South in Lambeth, to provide 55 social housing homes.

A further area near Blackhorse Road Tube station in northeast London will also be transformed, with plans unveiled for 350


We are making more of our land available to build affordable housing

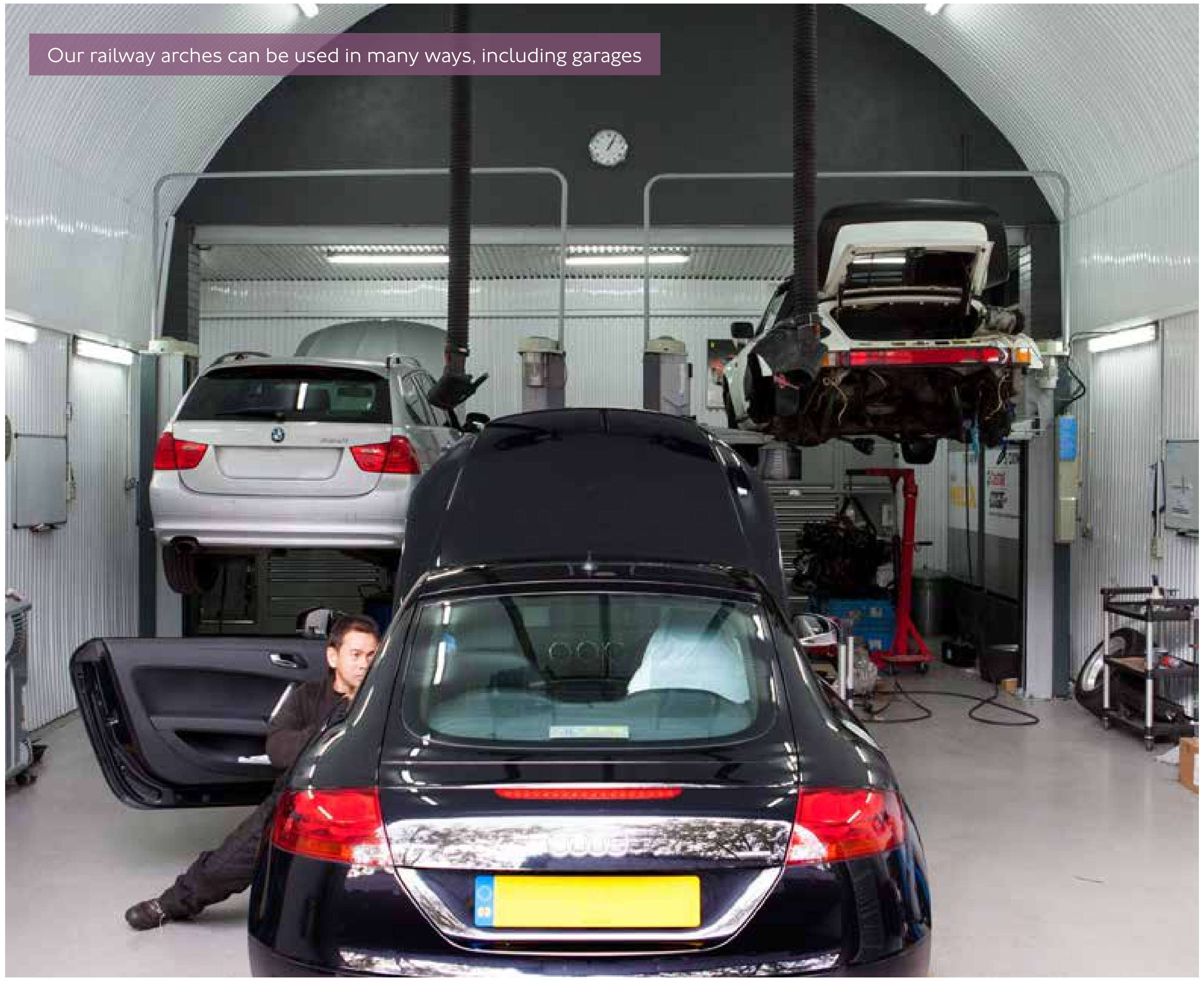
£80m
saved over the next decade by moving Tube maintenance work for the Jubilee, Northern and Piccadilly lines in-house

£225,000
generated through a week-long sponsorship campaign with Actimel at five Tube stations, including branded areas, station announcements and free samples for customers

700
TfL-owned commercial railway arches across London, used for everything from a music studio in Stamford Brook to a restaurant in Hoxton

'Westfield very much welcomes TfL's project to activate the Hammersmith & City line arches with new and exciting uses, which will complement our expansion at Westfield London. We are looking forward to working closely with TfL to ensure its successful and timely delivery in 2018.'

Duncan Bower, Development Director for Westfield



Our railway arches can be used in many ways, including garages

new homes. The 1.8-acre site, currently used as a car park, is surrounded by former industrial land that is being redeveloped for housing. A tender document seeking bids from interested parties has been issued, with a view to work starting in 2019.

We also announced plans to open 31 railway arches near Wood Lane station to provide a mix of commercial, leisure and retail space. Subject to planning, the project will be completed in two stages – 19 arches opening in early 2018 and a further 12 in the early 2020s.

Partnership spotlight

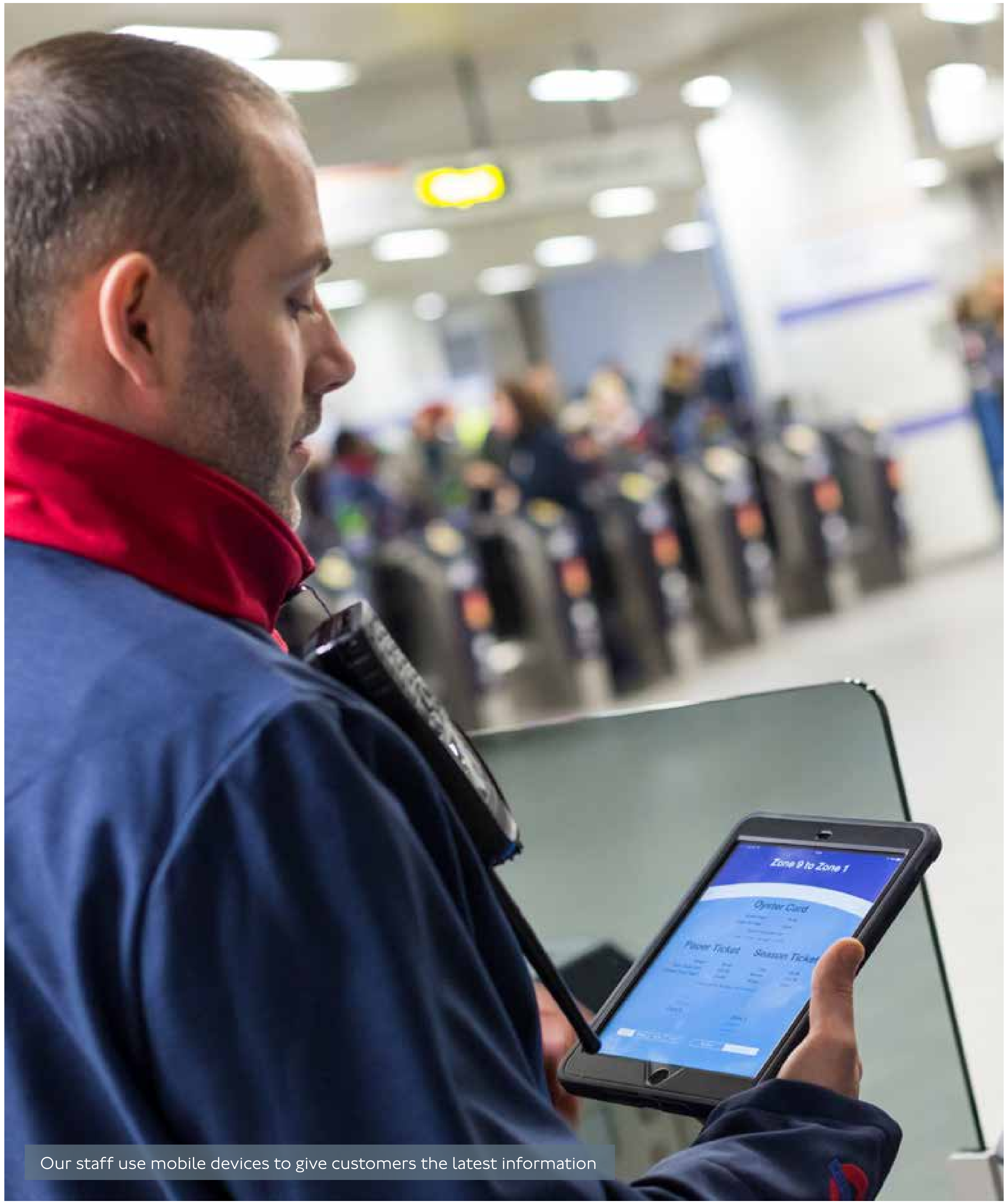
As part of the 100th anniversary of the Johnston font in November, we joined forces with two major brands – Scrabble and Nike – to produce a limited edition board game and trainers.

The special edition NikeLab x Roundel trainers feature the typeface that has been used across London's transport network for the past century. It also appears on the Scrabble set tiles. Both items are available to buy from London Transport Museum.

Jupiter Depshy, Footwear Design Special Projects at Nike, said: 'Working with our partners at TfL we thought that the shoe made sense for today's youth, and would be a great canvas for the designs.

'This year London Underground's iconic typeface celebrates its centenary so there are many activities celebrating the Johnston100 font. Nike is excited to be part of the project, to mark a design evolution that is local to London.'

The partnerships form part of our work to raise non-fares revenue to reinvest in the Capital's transport services.



Our staff use mobile devices to give customers the latest information

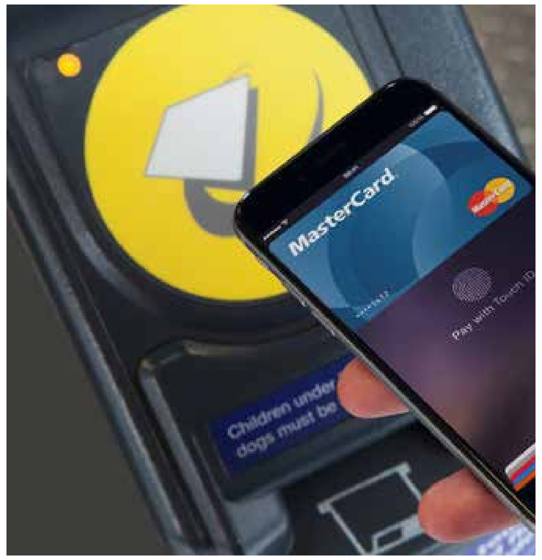
Exploiting technology

From providing travel information to planning and modelling our city, technology and data influence all aspects of our business.

Modern signalling has led to more frequent trains. Vehicle location systems on buses have enabled us to run our routes more effectively, and road signals are intuitive. The latest payment methods are just a swipe away, while our station colleagues have mobile devices so they can provide the best possible customer service.

Technology is transforming TfL. Our work in areas like smart ticketing is not only helping our customers, it's changing the transport industry worldwide.

The number of people using contactless payments continues to rise. Almost a quarter (23 per cent) of journeys on the Tube are now paid for with contactless bank cards. In 2016/17, this method of payment was extended to taxis and MBNA Thames Clippers River Bus services, and we welcomed Android Pay in May.



TfL technology is helping to shape London – our online planning tool, WebCAT, has been upgraded to include data such as heat maps, travel times and scenario planning. It is frequently used by city planners and developers to investigate the viability of a project.

WebCAT shows how well-connected an area is in terms of transport provision, and users can see how many town centres, healthcare services and schools are within reach. It also includes population and employment information, showing how many jobs can be accessed from a selected location by public transport.

1.92m
Twitter followers for @TfL

11,000
developers registered to access our free open data

22
separate TfL Twitter accounts, which allow customers to see specific information for their service

Bus displays keep London moving

In a world-first trial, buses on selected routes were fitted with live traffic information displays, helping other road users avoid congestion while improving journeys and road reliability. GPS technology was used to make sure information was accurate and up-to-date. The data comes from our Variable Message Sign network, which is fed by the 24-hour traffic control centre.

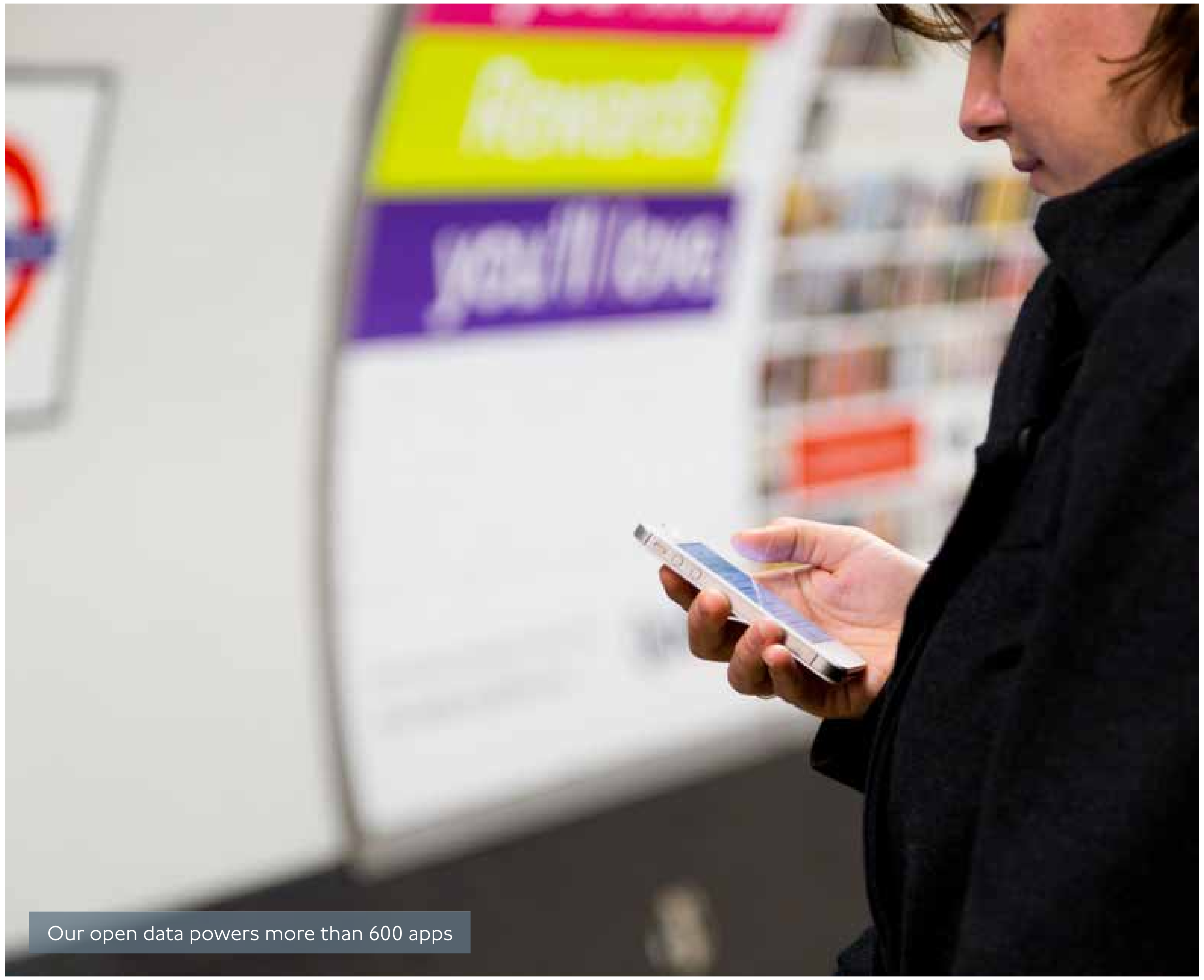
Open data

Our open data strategy has created a community of more than 11,000 developers, powering more than 600 apps that are used by 42 per cent of Londoners.

In 2016/17, we added more information to our open data, with 24-hour journey timetables included for the Central and Jubilee line ahead of the Night Tube launch in August. This was followed with information for all five Night Tube lines. Data has also been made available for tram services, with up-to-the-minute details of arrivals and destinations.

Instant updates

We joined forces with social media giant Twitter in June to launch a world-first scheme to provide live travel alerts for the Tube and TfL Rail when there are delays. Originally launched as a pilot, the service allows passengers to opt-in to receive notifications about disruptions.



Our open data powers more than 600 apps

There are now separate Twitter feeds for each Tube line and TfL Rail, as well as for buses, river services, the Emirates Air Line, taxis and private hire, plus a new feed for the upcoming Elizabeth line. They are more than a source of travel information, they improve customer communications through Tweet the Manager sessions, where passengers can send questions to the head of their service.

The rise in social media has also led to a transport classic having to move with the times – after 100 years our New Johnston

'We're incredibly excited to be partnering with TfL to make it more simple and convenient for commuters to receive important news about their journey. Up-to-the-minute information around severe disruption is a daily must-have for everyone and the live nature of Twitter is the perfect companion for this.'

Dara Nasr, Managing Director at Twitter UK

'TfL is unlocking the power of data to gain insights into how passengers are using the network and drive its transformation into a smart transport system.'

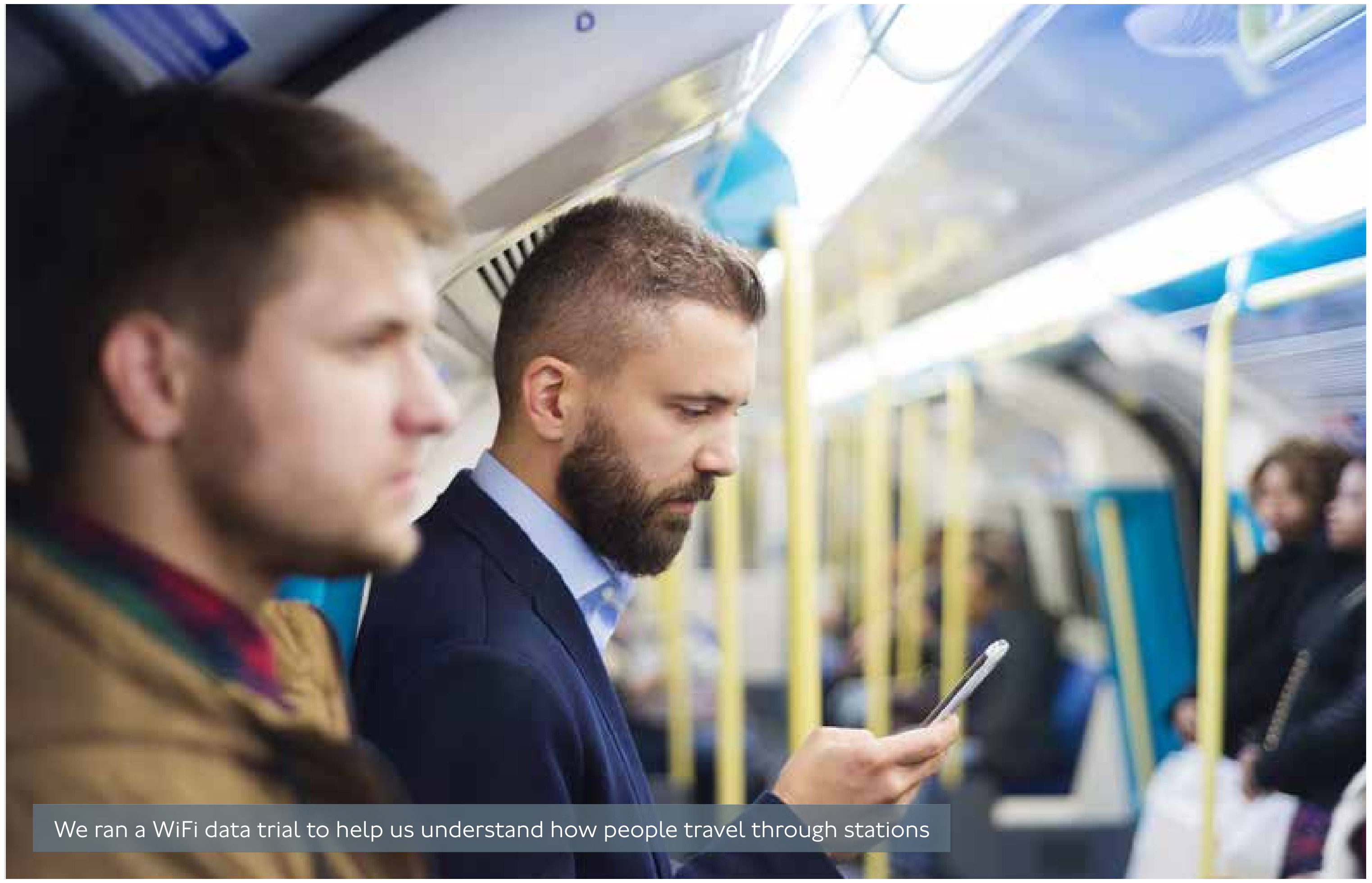
Sue Daley, Head of Big Data, Cloud and Mobile at techUK

font was updated in June. As well as getting a refresh, new characters were added so it can work better on digital platforms.

WiFi trial

In November, we ran a four-week trial that used de-personalised WiFi connection data to give us an insight into how people move through stations and switch between lines. The innovative study used WiFi connection requests from mobile devices, which are sent whenever WiFi is enabled.

The information, which was collected at 54 Tube stations in Zones 1-4, helps our understanding of how people travel through stations, the platforms and lines they use, the routes they take and the interchanges used. The data can also show when and how crowding happens. This can all be used to power analytical tools and services that improve our planning and give customers more information about the transport network.



We ran a WiFi data trial to help us understand how people travel through stations

Clean technology

Technology is also playing its part in the battle to improve London's toxic air. In August, new alerts that warn people when there is high or very high air pollution were introduced on 2,500 bus countdown and river pier signs, 140 roadside message boards and electronic updates in the entrances of all 270 Tube stations. Messages vary according to pollution levels, but include advice on using public transport and avoiding strenuous activity, and warnings for asthma sufferers about using their inhaler more often.

Clean technology was also an important theme during our Data in Motion Hack Week in September, when industry experts and app developers used our open data to find fresh solutions to transport challenges. The winning team designed a live Journey Planner prototype that allowed passengers to plan their travel based on how busy a station or route is, while also taking into account air quality. Other ideas included solutions to help evenly distribute Santander Cycles and turning travel into a game to encourage people to use less congested routes.

Partnership spotlight

We are members of the Urban Transport Group, which brings together the country's major urban transport authorities. This involves working with other members to set out a common vision for urban transport, share insight from our operations and tackle challenges such as air quality together.

In the past year we have set out ideas on how cities should react to disruptive technology, supported a conference on freight in the city and provided advice on improving customer services and information.

We also work directly with other cities and regions. We have advised Transport for Greater Manchester on implementing bus franchising, worked with Transport for West Midlands on digital technology and supported the development of a pan-northern smart ticketing scheme.

Remuneration Report

Introduction

Following the Mayoral election in May 2016, the composition of the Board has changed significantly and so has that of the Remuneration Committee. I am one of two Board members who have continued in post and I continue as Chair of the Remuneration Committee.

In this role, my job is to ensure that Transport for London (TfL) has an appropriate remuneration policy to recruit and retain senior employees with the capability and experience to deliver the Mayor's ambitious agenda for transport.

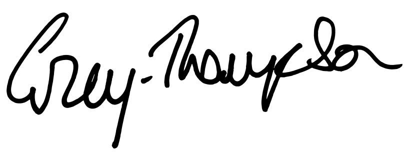
The Remuneration Committee takes into account that TfL is large and complex, and that it operates in a highly competitive global employment market. We need a management team which is qualified to run a business delivering more than 31 million journeys safely, reliably and efficiently every day. The team is responsible for some £10.1bn of income and expenditure each year and is managing one of the largest capital investment programmes in the world – the dimensions of a nationally and internationally significant business. Management's performance is vital to ensuring that London remains successful to the benefit of the entire UK economy.

As is the case with any modern organisation, the management team must also deliver more with less resource, so commercial acumen is vital. TfL is undertaking the largest overhaul of its operations since its creation in 2000. Uniquely among major global transport authorities, it must soon cover all operating costs from fare and its own non-fare income as the central Government revenue grant is phased out.

This has demanded renewed management focus on commercial strategy and controlling operating costs. The team is delivering results. The day-to-day operating costs of running the network have decreased for the first time since TfL began operating – by £153 million (-2 per cent), reflecting the drive to reduce costs. This focus will need to be sustained in the coming years.

As this report explains, independent market benchmarking shows that the remuneration of TfL's senior management is relatively low compared with the organisations with which it competes. The number of senior managers with a base salary of more than £100,000 per annum has fallen by 19 per cent in the last 12 months. And the base salaries of the Commissioner and his most senior team have, where the accountabilities for the team have remained unchanged, been frozen for the four year duration of this Mayoral term.

We believe that we have an appropriate and evidence-based approach to senior remuneration to ensure that the management modernise and improve transport in one of the world's greatest cities while delivering increased value for money.



Baroness Grey-Thompson DBE
Chair of TfL's Remuneration Committee

Governance

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

*New members

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

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

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

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

Dates of meetings during 2016/17
The appointment of a new Board and Remuneration Committee members has made this an unusual year, and the focus has been on the induction and training of new members to the Committee.

While Committee members met informally on several occasions during the year, it met formally once on 13 October 2016.

Activities of the Remuneration Committee during 2016/17
In April 2016, the Chair of the Committee exercised authority delegated by the Committee in March 2016 to note the final outturn delivery against the 2015/16 TfL and business area scorecards and agreed the final performance awards for the most senior employees.

In October 2016, the Committee approved the proposed remuneration for the new post of Director of Major Projects.

During 2016/17, the Remuneration Committee, TfL Board and Executive Committee have been developing a new TfL Scorecard to provide a clear line of sight between the Business Plan, the Budget and how TfL monitors and drives its performance. The purpose of the new scorecard is to:

- Identify objectives required to deliver the Budget and Business Plan over the next the five years
- Identify metrics required to track these

- objectives, and assign appropriate targets and weightings to ensure the scorecard is balanced
- Ensure the scorecard is cascaded into individual objectives and other corporate reporting

On 30 March 2017, the TfL Board ratified a new 2017/18 Scorecard. Fourteen objectives have been identified against which TfL has to measure its performance, both through improving outcomes in 2017/18 and enabling future improvements. The scorecard is balanced against four areas (Customer, Safety and Operations, People and Finance), with each area receiving a 25 per cent weighting, reflecting their equal importance to our delivery.

The objectives to measure in the 2017/18 scorecard are in these areas:

Customer

1. **We work for our customers**
   Measured by the percentage of Londoners who agree that TfL cares about its customers
2. **Active and inclusive travel**
   Measured by total public transport journeys and central London cycling trips
3. **Reducing impact on air quality, carbon and environment**
   Measured by annual average NO_2 concentration (from controlled inner roadside detectors)
4. **Deliver affordable housing**
   Measured by the percentage of affordable housing units out to market in the year
5. **Creating an accessible public transport system**
   Measured by the percentage of Rail and Underground journeys that could be completed step-free

Safety and Operations

6. **Safe and secure travel**
   Measured by the reduction in the number of people killed or seriously injured (KSIs) on London's roads, and total injuries – workforce and customer
7. **Tackling crowding and ensuring good growth**
   Measured by available passenger kilometres
8. **Improving public transport services**
   Measured by journey time reliability, excess wait time (buses), average bus speed, excess journey time (London Underground)
9. **Deliver critical infrastructure and prepare for the Elizabeth line**
   Measured by key milestone delivery

People

10. **A workforce representative of London**
    Measured by Workforce Representativeness Index (all employees) and Workforce Representativeness Index (Director/Band 5), Action on Equality
11. **A capable, engaged workforce**
    Measured by the Total Engagement Index (from annual Viewpoint employee survey)
12. **A more effective, efficient organisation**
    Measured by milestone delivery on the Transformation programme and the Transformation survey result

Finance

13. **We are financially sustainable**
    Measured by the net operating surplus
14. **We are prudent**
    Measured by daily closing cash vs target minimum cash, and the average cash balance over the period

Policy

Board remuneration*
As part of the Mayor's work to make TfL more efficient, he has reduced the Board by two members and two advisors, and has restructured payments to all members, reducing the cost of the Board by some £190,000 a year compared with 2015/16.

Board members receive a basic fee of £16,000 per annum, compared with £18,000 last year. Additional fees are paid for each appointment to a committee or panel, up to a maximum total remuneration of £20,000 per annum.

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

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

The remuneration for each member for the year ended 31 March 2017 is shown in appendix 4.

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

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

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

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

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

*Information not subject to audit

Component	Purpose	Operation	Maximum
Benefits	To provide a competitive total reward package that supports attraction, retention and motivation.	The Commissioner, Managing Directors, General Counsel and Chief Finance Officer receive the same core benefits as all other TfL employees. The only enhancements are full family cover for private medical benefit and an annual health assessment (which is available to all TfL Directors). Membership of the TfL Pension Fund, a 'defined benefit' scheme which provides for a pension payable from age 65, based on 1/60th of pensionable salary for each year of service or, if invited and eligible, similar benefits provided on an unfunded basis. Some legacy arrangements apply for certain employees whereby an employer contribution of 10 per cent of salary is paid to either a defined contribution arrangement or as cash supplement at a discounted amount.	Pensionable salary is capped at £154,200 from 6 April 2017 for members who joined after 31 May 1989.

The remuneration received by the Commissioner, Managing Directors, General Counsel and Chief Finance Officer for 2016/17 are shown on pages 88-89.

Performance related pay

The TfL Group scorecard below shows the performance targets for 2016/17, aligned to the TfL 2016/17 Budget. The table shows the measures used to determine any performance related pay.

Indicator	Unit of measure	2016/17 Weighting	2016/17 Target
Customer		**22.50%**	
London Buses - customer satisfaction	score	7.50%	86
London Underground - overall customer satisfaction	score	7.50%	85
TfL Road Network - customer satisfaction	score	5.00%	70
TfL Rail customer satisfaction	score	1.25%	83
London Overground customer satisfaction	score	1.25%	84
Delivery		**47.50%**	
Reduction in the number of people killed or seriously injured on London's roads	% reduction (2005-09 baseline)	5.00%	43.9%
Recorded crime: London Underground (LU)/DLR	crimes per million passenger journeys	5.00%	6.8
Reduction on reportable injuries per million hours on LU and Rail Infrastructure	Injuries per million hours		
a) Passengers		1.25%	0.16
b) Employees		1.25%	2.16
London Buses: excess wait time	minutes	5.00%	1.1
London Underground: total lost customer hours	millions of hours	5.00%	17.9
TLRN: journey time reliability	%	5.00%	88.3%
DLR: departures	%	1.00%	99.1%
TfL Rail public performance measure	%	0.75%	94.0%
London Overground public performance measure	%	0.75%	94.5%
Budget milestones achieved	%	12.50%	90%
Action on Equality (Single Equality Scheme in 2015/16)	%	5.00%	90%

Indicator	Unit of measure	2016/17 Weighting	2016/17 Target
People		**15.00%**	
Total engagement	%	15.00%	61%
Value		**15.00%**	
Cost less	cost per passenger journey	5.00%	£1.54
Generate more income	% increase in other operating income	5.00%	5.8%
Be more affordable	fare income as % of direct operating costs	5.00%	75%
Total Result*		**100.00%**	

* Any performance related pay on the basis of 2016/17 results would be payable in 2017/18

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

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

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

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

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

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

Remuneration

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

The Committee uses two primary pay comparator groups. The benchmark is calculated on the basis of a 60:40 split between a Listed Companies Group, consisting of 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.

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

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

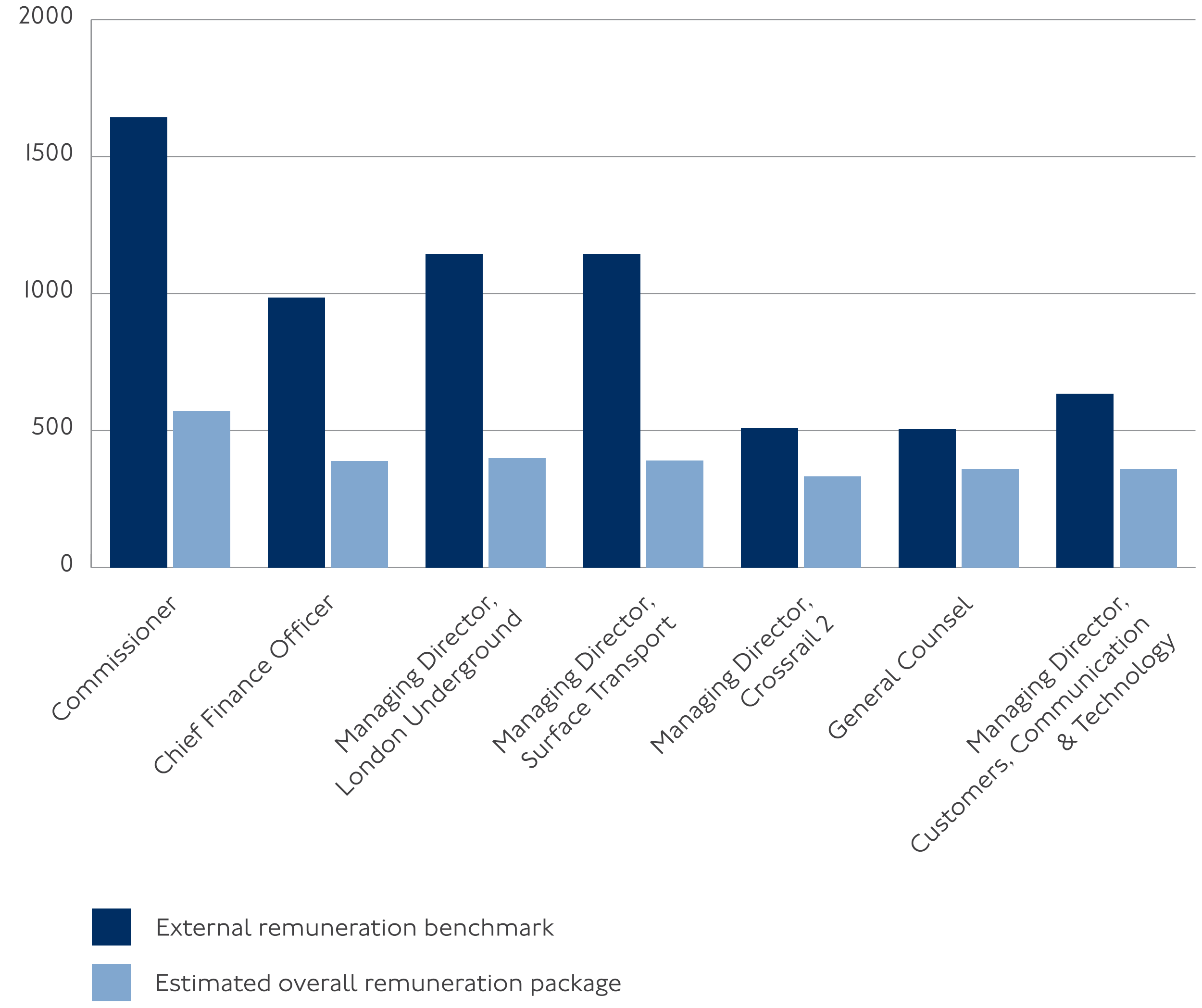
Estimated overall remuneration for each role has been calculated to include the base salary and estimates for performance related pay and pension provision.

Performance related pay has been based on the average level of performance over recent years and the value of the pension provision is based on standard actuarial assumptions.

The value of the estimated overall remuneration package will therefore be different to the actual remuneration paid.

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

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



Comparison of senior executive pay to rest of TfL

The base salary of the Commissioner in 2016/17 was £355,944. This compares with the median base salary of £47,230 and the lowest base salary (excluding apprentices) of £19,490. The ratio between the Commissioner's salary and median base salary is 7.5 to 1 and the ratio to the lowest base salary is 18.3 to 1.

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

	% of total remuneration
Commissioner, Managing Directors, General Counsel & Chief Finance Officer	0.2
Directors	0.8
General managers	2.2
All other TfL employees	96.8

Note: employees' remuneration is consistent with the definition on pages 75 and 76 and includes salaries, fees, performance related pay, benefits in kind, lump sums and termination payments. It excludes employer pension contributions and employer national insurance contributions paid, and is based on remuneration received by employees during the relevant year.

Summary of employee information

For the first time in five years, the average number of employees has fallen. The average headcount (permanent and fixed-term contract) has reduced by 370 (one per cent) since last year. Headcount, excluding Crossrail, reduced from 30,230 on 31 March 2016 to 28,386 on 31 March 2017.

Remuneration costs, which include base salary, national insurance, pension contributions and severance pay, increased by one per cent on last year.

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

TfL's median cash earnings have increased by four per cent from £49,688 to £51,832. The ratio of Commissioner's cash earnings to the pan-TfL median earnings is 9.9:1.

Year	Average headcount (1)	Total remuneration costs £m (1)
2012/13	25,161	1,578.3
2013/14	25,294	1,737.9
2014/15	26,090	1,803.6
2015/16	27,501	1,942.0
2016/17	27,131	1,963.9

(1) From statutory accounts

Note: average headcount and total renumeration costs include permanent, and fixed-term contract (FTC). Group employee costs and average employee numbers for 2012/13-2014/15 have been restated to exclude the costs of British Transport Police Authority staff and officers working on the London Underground. Costs of these individuals have been reclassified as non-employee costs within other service expenditure.

Other employees' remuneration (including Crossrail)

We publish the remuneration of all employees, including those working in our subsidiaries, whose total remuneration was more than £50,000 over the course of the financial year, grouped in rising bands of £5,000. In the prior year, this information was published in Note 5 of TfL 2015/16 Statement of Accounts, but it is now included as Appendix 1 of this report.

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

The remuneration disclosure is also affected by the Crossrail project. The number of employees of Crossrail Limited receiving total remuneration of £50,000 or more increased from 297 in 2015/16 to 304 in 2016/17. The corresponding figures for those receiving total remuneration of more than £100,000 per year increased from 56 in 2015/16 to 61 in 2016/17.

Employees with a base salary of more than £100,000 per year

Over the past year we have successfully reduced management layers with a number of employees leaving through a Senior Manager Exit programme.

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

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

Year	Number of TfL employees earning a base salary over £100,000 per year as at 31 March
2012/13	145
2013/14	153
2014/15	160
2015/16	188
2016/17	153

As at 31 March 2017, the number of people earning a base salary of more than £100,000 per year is 153. This is 35 fewer people (19 per cent) than 31 March 2016.

We have also successfully reduced our reliance on agency staff. As at 31 March 2017 there were 267 non-permanent labour/contractors earning more than £100,000 per year. This compares with 517 in June 2016, which was the date that TfL started to analyse this information as part of the new Mayor's commitment of reducing reliance on agency staff.

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

The number of TfL staff (excluding Crossrail) who received total remuneration of more than £100,000 per year, including severance payments and overtime, was 515 in 2016/17 compared with 402 in 2015/16.

This includes 189 people who earned a total remuneration of more than £100,000 during the course of the financial year and had a base salary of £100,000 or more per year. Thirty-nine have now left TfL, 31 of them under the Senior Management Exit programme.

A total of 122 people (compared with 70 in 2015/16) who were on a base salary of less than £100,000 per year, received a one-off voluntary severance payment that took their total remuneration above this threshold.

This number includes one-off voluntary severance payments made as part of the reorganisation of customer service at London Underground stations.

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

The number of Crossrail employees who received total remuneration of more than £100,000 per year was 61 in 2016/17 compared with 56 in 2015/16. The number of Crossrail employees on a base salary of more than £100,000 per year has remained at 47 for 2016/17. Fourteen employees who received a base salary of less than £100,000 per year, either received allowances or performance related pay, which took their total remuneration above the threshold. This compares with nine people in 2015/16.

Appendices

I: number of employees who received total remuneration of more than £50,000*

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:

*Information subject to audit

	Group 2017 number**	Group 2016 number	Corporation 2017 number***	Corporation 2016 number
50,000 – 54,999	5,466	4,260	499	478
55,000 – 59,999	2,540	2,231	413	405
60,000 – 64,999	1,839	1,647	304	319
65,000 – 69,999	1,352	1,164	253	248
70,000 – 74,999	1,036	812	206	231
75,000 – 79,999	729	613	161	148
80,000 – 84,999	494	404	92	86
85,000 – 89,999	378	239	64	63
90,000 – 94,999	234	178	46	37
95,000 – 99,999	167	140	34	37
100,000 – 104,999	135	85	28	28
105,000 – 109,999	92	69	21	19
110,000 – 114,999	69	59	17	23
115,000 – 119,999	52	49	9	10
120,000 – 124,999	31	31	13	6
125,000 – 129,999	18	25	4	7
130,000 – 134,999	26	18	8	5
135,000 – 139,999	11	10	2	2

	Group 2017 number**	Group 2016 number	Corporation 2017 number***	Corporation 2016 number
140,000 – 144,999	9	15	4	4
145,000 – 149,999	9	7	2	1
150,000 – 154,999	4	5	1	4
155,000 – 159,999	6	10	1	4
160,000 – 164,999	6	7	3	4
165,000 – 169,999	7	7	5	2
170,000 – 174,999	3	2	2	-
175,000 – 179,999	9	4	6	1
180,000 – 184,999	5	4	3	1
185,000 – 189,999	5	1	1	1
190,000 – 194,999	4	1	2	-
195,000 – 199,999	3	3	1	2
200,000 – 204,999	2	7	-	2
205,000 – 209,999	1	3	1	3
210,000 – 214,999	3	4	1	3
215,000 – 219,999	6	2	4	-
220,000 – 224,999	6	3	3	3
225,000 – 229,999	3	5	2	1

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

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

	Group 2017 number**	Group 2016 number	Corporation 2017 number***	Corporation 2016 number
230,000 – 234,999	1	1	1	1
235,000 – 239,999	5	-	2	-
240,000 – 244,999	7	1	2	1
245,000 – 249,999	1	1	1	-
250,000 – 254,999	3	4	1	1
255,000 – 259,999	2	2	1	-
260,000 – 264,999	4	1	1	-
270,000 – 274,999	4	-	-	-
275,000 – 279,999	3	1	1	-
280,000 – 284,999	1	1	-	-
285,000 – 289,999	2	-	2	-
290,000 – 294,999	2	-	-	-
295,000 – 299,999	1	-	1	-
300,000 – 304,999	1	3	-	1
305,000 – 309,999	3	-	3	-
320,000 – 324,999	1	2	-	2
335,000 – 339,999	-	1	-	1
340,000 – 344,999	1	-	1	-
345,000 – 349,999	-	1	-	1
350,000 – 354,999	1	-	-	-
370,000 – 374,999	1	-	-	-
375,000 – 379,999	2	-	2	-

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

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

	Group 2017 number**	Group 2016 number	Corporation 2017 number***	Corporation 2016 number
390,000 – 394,999	-	1	-	-
410,000 – 414,999	1	-	-	-
435,000 – 439,999	-	1	-	1
470,000 – 474,999	1	-	-	-
490,000 – 494,999	1	-	-	-
510,000 – 514,999	1	-	1	-
775,000 – 779,999	-	1	-	-
945,000 – 949,999	1	-	-	-
Total	14,811	12,146	2,236	2,197

Remuneration for senior employees

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

Disclosure is made for each financial year under various categories, and set out in the tables from page 88.

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

Salary, fees and allowances are disclosed on an earned basis. Although performance related pay is reported on a cash paid basis, it may not be determined for many months after the end of the relevant year. The same statutory disclosure can be found within Note 5 of the 2015/16 Statement of Accounts.

Appendices

2: named employees receiving a base annual salary in excess of £150,000 at 31 March 2017*

*Information subject to audit

	Notes	Salary (including fees and allowances) 2016/17 £	Performance related pay for 2015/16 paid in year 2016/17** £	Compensation for loss of employment 2016/17 £	Benefits in kind 2016/17 £	Total remuneration excluding pension contributions 2016/17 £	Employer's contribution to pension 2016/17^ £	Salary (including fees and allowances) 2015/16 £	Performance related pay for 2014/15 paid in year 2015/16*** £	Total remuneration excluding pension contributions 2015/16**** £
TfL employees including subsidiary companies but excluding Crossrail										
Mike Brown, Commissioner	a	* 373,051	139,600	-	2,050	514,701	-	* 356,409	79,957	438,147
Howard Carter, General Counsel	b	* 255,208	63,249	-	2,050	320,507	-	* 257,814	63,486	323,081
Leon Daniels, Managing Director, Surface Transport	c	270,264	70,831	-	2,050	343,145	-	273,760	73,886	349,427
Michèle Dix, Managing Director, Crossrail 2	d	* 169,056	46,464	-	2,050	217,570	-	173,086	35,904	210,760
Vernon Everitt, Managing Director, Customers, Communication & Technology	e	244,016	63,860	-	2,050	309,926	-	233,657	65,500	300,938
Ian Nunn, Chief Finance Officer	f	271,095	37,583	-	2,049	310,727	-	137,693	-	138,505
Mark Wild, Managing Director, London Underground	g	214,726	-	-	1,248	215,974	30,045	-	-	-
Alex Williams, Interim Managing Director of Planning	h	164,305	19,880	-	-	184,185	34,277	140,059	16,639	156,698
Derek Baillie, Project Manager, Property Development	i	84,326	-	-	-	84,326	-	22,518	-	22,518
Justin Brand, Commercial Revenue Director	j	150,000	43,571	-	721	194,292	36,832	107,787	-	108,244
Andrea Clarke, TfL Legal Director	k	148,832	29,770	-	1,600	180,202	36,683	148,832	29,000	179,221
Jean Cockerill, Human Resources Director - London Underground Operations		156,897	27,930	-	721	185,548	36,570	148,519	19,600	168,745
Tanya Coff, Divisional Finance Director, London Underground	l	156,335	16,937	-	721	173,993	35,533	141,143	14,459	156,228
Graeme Craig, Director of Commercial Development		185,000	29,000	-	1,600	215,600	38,474	175,000	25,000	201,389
Garrett Emmerson, Chief Operating Officer, Surface Transport	m	* 190,539	36,000	-	721	227,260	-	* 193,686	33,298	227,610

	Notes	Salary (including fees and allowances) 2016/17 £	Performance related pay for 2015/16 paid in year 2016/17** £	Compensation for loss of employment 2016/17 £	Benefits in kind 2016/17 £	Total remuneration excluding pension contributions 2016/17 £	Employer's contribution to pension 2016/17^ £	Salary (including fees and allowances) 2015/16 £	Performance related pay for 2014/15 paid in year 2015/16*** £	Total remuneration excluding pension contributions 2015/16**** £
Stephen Field, Director of Pensions and Reward	n	* 190,873	34,400	-	1,600	226,874	-	* 189,988	30,970	222,347
Lester Hampson, Property Development Director	o	177,341	42,579	-	1,600	221,520	38,474	66,335	-	66,867
Stuart Harvey, Sub-Surface Programme Director		* 235,860	43,000	-	1,600	280,460	-	210,092	52,000	263,481
David Hughes, Director of Strategy & Service Development	p	177,979	26,680	-	1,600	206,259	35,870	145,251	23,000	169,640
Simon Kilonback, Corporate Finance Director		* 208,401	33,430	-	1,600	243,431	-	179,185	25,000	205,574
Chris Macleod, Marketing Director		* 205,618	32,000	-	-	237,618	-	* 173,547	31,014	204,561
Peter McNaught, Operations Director, Bakerloo, Central & Victoria lines	q	162,596	27,680	-	1,600	191,876	37,153	148,679	24,682	174,750
Andrew Pollins, Transformation Director	r	231,961	24,820	-	1,600	258,381	38,474	* 183,645	22,820	207,854
Gareth Powell, Director of TfL Strategy and Contracted Services	s	* 251,546	34,410	-	1,600	287,556	22,556	*200,606	33,300	235,295
Paul Thomas, Head of Engineering, New Tube for London	t	171,806	10,591	-	1,850	184,247	38,474	171,324	32,000	204,713
Shashi Verma, Chief Technology Officer and Director of Customer Experience		205,398	37,000	-	721	243,119	38,474	* 192,872	36,000	229,498
Steve White, Operations Director, Sub-Surface lines		* 210,334	59,880	-	1,600	271,814	-	210,082	46,465	257,936
Brian Woodhead, Operations Director, Jubilee, Northern & Piccadilly lines		* 166,703	-	-	1,165	167,868	-	-	-	-
Patricia Wright, Human Resources Director	u	* 236,381	39,000	-	721	276,102	-	* 207,826	32,375	240,827
David Wylie, Chief Procurement Officer		27,730	-	-	259	27,990	6,220	-	-	-

	Notes	Salary (including fees and allowances) 2016/17 £	Performance related pay for 2015/16 paid in year 2016/17** £	Compensation for loss of employment 2016/17 £	Benefits in kind 2016/17 £	Total remuneration excluding pension contributions 2016/17 £	Employer's contribution to pension 2016/17^ £	Salary (including fees and allowances) 2015/16 £	Performance related pay for 2014/15 paid in year 2015/16*** £	Total remuneration excluding pension contributions 2015/16**** £
Crossrail employees										
Sir Terry Morgan, Non-Executive Chairman	v	250,000	-	-	1,600	251,600	-	250,000	-	251,400
Andrew Wolstenholme, Chief Executive		463,336	481,460	-	1,600	946,396	29,532	521,150	252,950	775,500
Jeremy Bates, Head of Integration		156,199	14,500	-	1,600	172,299	27,879	145,000	13,464	159,864
Chris Binns, Chief Engineer	w	165,456	12,142	-	1,600	179,198	16,360	121,542	-	122,605
Mathew Duncan, Finance Director	x	241,694	27,077	-	1,600	270,371	-	107,718	-	108,394
Mark Fell, Legal Services Director and Company Secretary		174,625	84,405	-	1,600	260,630	18,438	162,553	40,735	204,688
Paul Grammer, Commercial Director		233,015	27,149	-	1,600	261,764	-	211,575	12,531	225,506
Ian Lindsay, Land & Property Director		205,286	28,421	-	1,600	235,307	4,899	177,453	31,657	210,510
Richard Palczynski, Programme Controls Director	y	157,350	9,886	-	721	167,957	15,688	126,936	-	127,440
Duncan Pickard, Stations Delivery Director		174,423	25,452	-	-	199,875	17,742	170,195	8,920	179,115
Chris Sexton, Technical Director		216,499	39,900	-	1,600	257,999	29,532	210,052	36,238	247,690
Howard Smith, Director of Operations	z	* 183,303	29,930	-	1,600	214,833	-	* 185,644	94,500	281,533
Valerie Todd, Talent & Resources Director	aa	* 249,064	41,076	-	2,050	292,190	3,158	221,625	52,809	276,215
Matthew White, Surface Director		151,406	24,000	-	1,600	177,006	28,867	147,140	20,784	169,324
Simon Wright, Programme Director		322,831	169,471	-	1,600	493,902	-	289,101	99,680	390,181

	Notes	Salary (including fees and allowances) 2016/17 £	Performance related pay for 2015/16 paid in year 2016/17** £	Compensation for loss of employment 2016/17 £	Benefits in kind 2016/17 £	Total remuneration excluding pension contributions 2016/17 £	Employer's contribution to pension 2016/17^ £	Salary (including fees and allowances) 2015/16 £	Performance related pay for 2014/15 paid in year 2015/16*** £	Total remuneration excluding pension contributions 2015/16**** £
Former employees										
Nick Brown, Managing Director, Rail and Underground	ab	* 106,849	64,563	-	-	171,412	-	* 314,880	9,069	323,949
Miles Ashley, Programme Director – Construction, Rail and Underground	ac	75,936	20,250	168,122	796	265,104	18,467	153,535	21,000	175,924
Sarah Atkins, Commercial Director, Rail & Underground	ad	* 83,259	24,800	270,247	796	379,102	-	* 187,362	25,600	214,351
Richard De Cani, Managing Director, Planning	ae	15,193	32,900	2,911	119	51,122	3,053	* 191,416	32,375	225,180
Michael Flynn, New Tube for London Programme Director	af	116,235	15,000	920	932	133,087	22,556	178,426	23,200	203,015
Steve Griffiths, Chief Operating Officer, London Underground	ag	272,803	97,396	233,235	1,600	605,033	38,474	247,747	-	249,025
Steve Jackson, Director of Commercial	ah	262,810	-	22,423	-	285,233	-	-	-	-
Nicholas Leach, IM Chief Operating Officer	ai	415	-	9,199	-	9,614	101	62,916	-	63,494
George McInulty, Programme Director – Infrastructure	aj	97,058	27,750	349,228	1,169	475,205	22,155	153,008	20,000	174,397
Andrew Quincey, Director of Commercial	ak	* 8,001	25,760	191,931	57	225,749	-	* 176,156	25,000	202,545
Michael Strzelecki, Director of Business Transformation	al	80,219	21,760	100,733	796	203,508	-	160,000	20,000	181,389
Steve Townsend, Chief Information Officer	am	99,324	44,000	231,388	857	375,569	20,764	175,598	20,000	196,987
David Waboso, Director of Capital Programmes, London Underground	an	59,560	36,250	-	365	96,175	8,957	258,582	-	259,971
Martin Buck, Transition and Strategy Director, Crossrail	ao	45,238	121,988	76,036	180	243,441	7,349	153,090	149,753	303,474
Robert Flanagan, Finance Operations Director, Crossrail	ap	53,332	23,912	85,457	535	163,235	9,813	159,081	22,097	182,578

	Notes	Salary (including fees and allowances) 2016/17 £	Performance related pay for 2015/16 paid in year 2016/17** £	Compensation for loss of employment 2016/17 £	Benefits in kind 2016/17 £	Total remuneration excluding pension contributions 2016/17 £	Employer's contribution to pension 2016/17^ £	Salary (including fees and allowances) 2015/16 £	Performance related pay for 2014/15 paid in year 2015/16*** £	Total remuneration excluding pension contributions 2015/16**** £
Steve Hails, Health & Safety Director, Crossrail	aq	35,419	29,591	8,890	290	74,190	4,881	196,785	31,251	229,436
Andrew Turner, IT Director, Crossrail	ar	126,256	12,000	78,833	1,600	218,688	-	161,022	7,336	169,758
Mark Warren, Head of Performance, Crossrail	as	7,890	27,472	52,692	66	88,121	673	164,279	9,017	174,696

* 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 2015/16 performance related pay awards

*** refers to 2014/15 performance related pay awards

**** total remuneration for 2015/16 also includes benefits in kind as reported in last year's Statement of Accounts

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

a salary sacrificed for pension of £7,504 (2015/16 £5,154)

b salary sacrificed for childcare vouchers of £nil (2015/16 £352) and pension of £7,506 (2015/16 £5,155)

c salary sacrificed for pension of £7,504 (2015/16 £4,008)

d salary sacrificed for pension of £22,000 (2015/16 £9,167). Paid for providing services four days per week

e salary sacrificed for pension of £7,504 (2015/16 £2,863)

f entered service 1 September 2015. Salary sacrificed for pension of £7,504 (2015/16 £4,438)

g entered service 20 June 2016

h appointed as interim Managing Director of Planning 16 May 2016

i entered service 11 January 2016. Paid for providing services three days per week and 1.5 days since 27 November 2016

j entered service 13 July 2015

k paid for providing services four and a half days per week

l appointed as Divisional Finance Director, London Underground 5 September 2016

m salary sacrificed for pension of £7,504 (2015/16 £5,154)

n salary sacrificed for pension of £7,504 (2015/16 £5,154)

o entered service 16 November 2015

p salary sacrificed for childcare vouchers of £1,456 (2015/16 £232)

q salary sacrificed for childcare vouchers of £nil (2015/16 £1,456)

r changed role in year, formerly Director of Finance, Rail & Underground

s changed role in year, formerly Chief Operating Officer, London Rail

t salary sacrificed for Cycle to Work scheme of £538 (2015/16 £1,000)

u salary sacrificed for pension of £7,504 (2015/16 £4,581)

v paid for providing services three days per week

w entered service 29 June 2015

x entered service 8 October 2015

y entered service 15 June 2015

z salary sacrificed for pension of £7,504 (2015/16 £5,154)

aa employed by Tfl but on secondment to Crossrail since January 2009

ab left service 26 April 2016

ac left service 30 September 2016

ad left service 30 September 2016. Salary sacrificed for pension of £3,752 (2015/16 £2,863)

ae left service 29 April 2016

af left service 31 October 2016

ag left service 31 March 2017, entered service 5 May 2015. Compensation for loss of employment payment made in April 2017

ah left service 24 February 2017, entered service 18 April 2016

ai left service 1 April 2016, entered service 1 November 2015

aj left service 28 October 2016. Salary sacrificed for Cycle to Work scheme of £605 (2015/16 £794)

ak left service 15 April 2016

al left service 30 September 2016

am left service 14 October 2016

an left service 24 June 2016. Performance related pay of £nil sacrificed to pension fund (2015/16 £33,406)

ao left service 30 June 2016

ap left service 31 July 2016. Salary sacrificed for childcare vouchers of £440 (2015/16 £1,320)

aq left service 5 June 2016

ar left service 31 December 2016. Paid for providing services four days per week

as left service 15 April 2016

Severance payments

We have also published the number and cost of compulsory and voluntary severance termination packages agreed during the year. This is fully in line with the Code. Our policy on severance is found on page 78.

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

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

£	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	–	–	–	–
350,000-400,000	–	–	–	–
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

Appendices

3: representation of equalities groups at different pay levels as at 31 March 2017* **

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

	<£20,000		£20,001 to £30,000		£30,001 to £40,000		£40,001 to £50,000		£50,001 to £60,000		£60,001 to £70,000		£70,001 to £80,000		£80,001 to £90,000		£90,001 to £100,000		>£100,000	
	No	%	No	%	No	%	No	%	No	%	No	%	No	%	No	%	No	%	No	%
Ethnicity																				
Asian or Asian British	7	21	168	9	719	10	440	9	834	10	196	8	70	8	10	3	3	2	5	3
Black or Black British	3	9	245	13	1,208	17	652	13	1215	14	238	9	42	5	9	3	3	2	1	1
White	21	62	742	39	2,829	39	2,913	57	4,852	56	1,647	66	641	70	226	72	91	71	113	74
Dual heritage	1	3	42	2	168	2	76	1	119	1	35	1	10	1	3	1	-	-	2	1
Other ethnic group	-	-	33	2	113	2	111	2	157	2	42	2	12	1	4	1	6	5	-	-
Not stated	2	5	658	35	2,182	30	944	18	1,439	17	364	14	141	15	63	20	25	20	32	21
Total	34	100	1,888	100	7,219	100	5,136	100	8,616	100	2,522	100	916	100	315	100	128	100	153	100
Gender																				
Female	9	26	745	40	2,450	34	1,167	23	1314	15	373	15	148	16	54	17	27	21	32	21
Male	25	74	1,140	60	4,765	66	3,968	77	7,296	85	2,149	85	768	84	261	83	101	79	121	79
Transgendered Woman	-	-	3	-	2	-	-	-	2	-	-	-	-	-	-	-	-	-	-	-
-T-ransgendered Man	-	-	-	-	2	-	1	-	3	-	-	-	-	-	-	-	-	-	-	-
Gender Neutral	-	-	-	-	-	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-
Total	34	100	1,888	100	7,219	100	5,136	100	8,616	100	2,522	100	916	100	315	100	128	100	153	100
Disabled / Not disabled																				
Disabled	-	-	49	2	156	2	74	1	145	1	56	2	16	2	4	1	3	2	1	1
Not disabled	33	97	937	50	3,350	46	2,054	40	3,751	44	1,007	40	433	47	131	42	66	52	92	60
Not stated	1	3	902	48	3,713	52	3,008	59	4,720	55	1,459	58	467	51	180	57	59	46	60	39
Total	34	100	1,888	100	7,219	100	5,136	100	8,616	100	2,522	100	916	100	315	100	128	100	153	100

Appendices

4: Board Remuneration*

*Information not subject to audit

	For the year ended 31/03/17 £
Current Board Member	
Sadiq Khan	Not remunerated by TfL
Valerie Shawcross CBE	Not remunerated by TfL
Kay Carberry CBE	10,076
Greg Clark CBE	10,939
Baroness Tanni Grey-Thompson DBE**	21,121
Bronwen Handyside	8,500
Ron Kalifa	11,227
Michael Liebreich**	20,273
Dr Alice Maynard CBE	10,364
Anne McMeel	11,515
Dr Mee Ling Ng OBE	11,515
Dr Nelson Ogunshakin OBE	10,939
Dr Nina Skorupska CBE	10,939
Dr Lynn Sloman	10,939
Ben Story	10,652

**Members continuing on the Board who were paid at a higher rate until 5 September 2016 when the new arrangements for Board remuneration were introduced.

	For the year ended 31/03/17 £	Date left service
Members who have left during the year		
Boris Johnson	Not remunerated by TfL	5 May 2016
Peter Anderson	5,182	19 June 2016
Sir John Armitt CBE	10,273	4 September 2016
Sir Brendan Barber	9,417	4 September 2016
Richard Barnes	5,182	19 June 2016
Charles Belcher	5,182	19 June 2016
Roger Burnley	4,318	19 June 2016
Brian Cooke	5,182	19 June 2016
Angela Knight CBE	8,561	4 September 2016
Eva Lindholm	8,561	4 September 2016
Daniel Moylan***	15,910	12 May 2016
Bob Oddy	4,750	19 June 2016
Keith Williams	10,273	4 September 2016
Steve Wright MBE	5,182	19 June 2016

***This is the total remuneration received from TfL in 2016/17 which comprised £2,827 as a Member of TfL and £2,356 for additional consultancy fees until 13 May 2016. It also includes £10,726 as Interim Chairman of Crossrail 2 Limited which continued until 26 June 2016

Statement of Accounts

Contents

Narrative Report and Financial Review

Highlights

In many respects 2016/17 was a pivotal, transitional year for the Transport for London ('TfL') Group, a year which has seen reduced levels of general grant from central government, combined with slower growth in fares revenues. In this context it has been vital to keep tight control of costs and the 2.7 per cent reduction in gross expenditure has helped to reduce the net costs of services by some £312.9m (14.6%) in the year.

On the London Underground and on TfL Rail, we have seen record-breaking numbers of journeys, up 2.1 per cent on 2015/16 for the Underground and 5.7 per cent for TfL Rail, reflecting continued strong demand for our services. Demand for buses, however, has reduced. We know that this is largely due to falling bus speeds owing to challenging conditions on the roads, and we have plans in place to respond to this and make bus travel more attractive.

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

- The commissioning of the Victoria line upgrade to allow an improved service running 36 trains per hour, which makes the Victoria line one of the most intensive metro services in Europe;
- The first major element of the Victoria station upgrade, the north ticket hall and new entrance in Cardinal Place, opened to customers in January 2017;
- Step-free access was provided at Tottenham Court Road station on 6 February 2017, completing the modernisation of this station, allowing it to service the 200,000 passengers expected to use it daily when the Elizabeth line opens in 2018;
- Lambeth North station was re-opened on 13 February 2017, following the planned replacement of two lifts and the installation of new ticket gates and upgraded lighting;
- The Crossrail project is now 83 per cent complete.

Financial performance

On the Underground fares revenues increased 4.3 per cent from £2,559m in 2015/16 to £2,669m reflecting increased passenger volumes and inflationary fare increases from 1 January 2016. Reliability was nevertheless below target on the Underground during 2016/17. We are analysing the causes of this decline, and the containment plans we have put in place are starting to yield signs of improvement.

Bus fares income was also affected by challenging conditions on the roads, resulting in fewer fare-paying passenger journeys and a fall in fares revenues from £1,526m in 2015/16 to £1,474m in 2016/17. The fall in demand is largely due to falling bus speeds. Plans have been put in place to address this and to attract passengers back to bus travel.

Gross expenditure fell by 2.7 per cent from £7,436m to £7,234m, as good progress was made with a number of cost-saving initiatives implemented during the year.

The level of capital works undertaken remained high reflecting the continued investment in Crossrail and new Tube infrastructure and rolling stock. Capital expenditure during the year was £3,585m (2015/16 £4,088m).

Funding sources

TfL's activities are funded from six main sources:

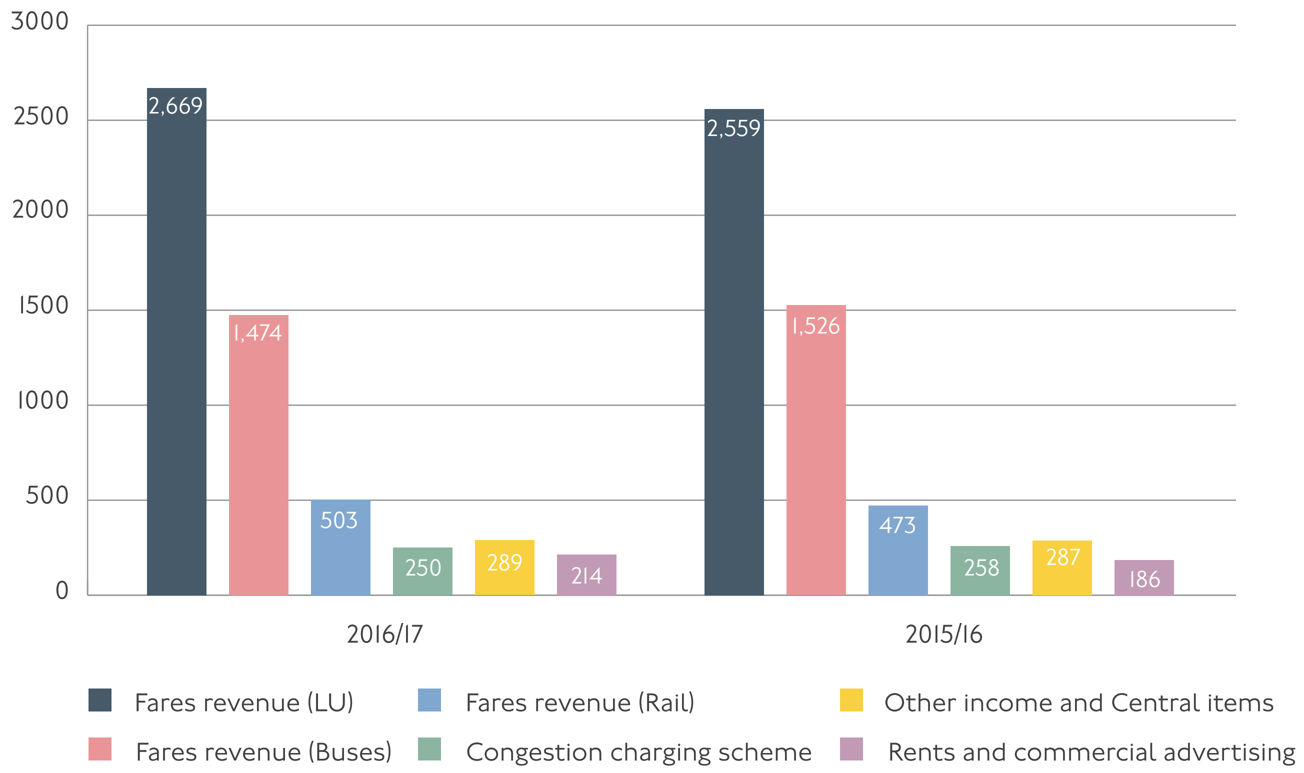
- Income from fares and the Congestion Charging scheme;
- A proportion of London's business rates;
- Central government funding;
- Prudential borrowing (the amount and profile of which has been agreed to 2020/21 with central government in the March 2017 Funding Agreement);
- Commercial development in 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.

Narrative Report and Financial Review (continued)

Gross income

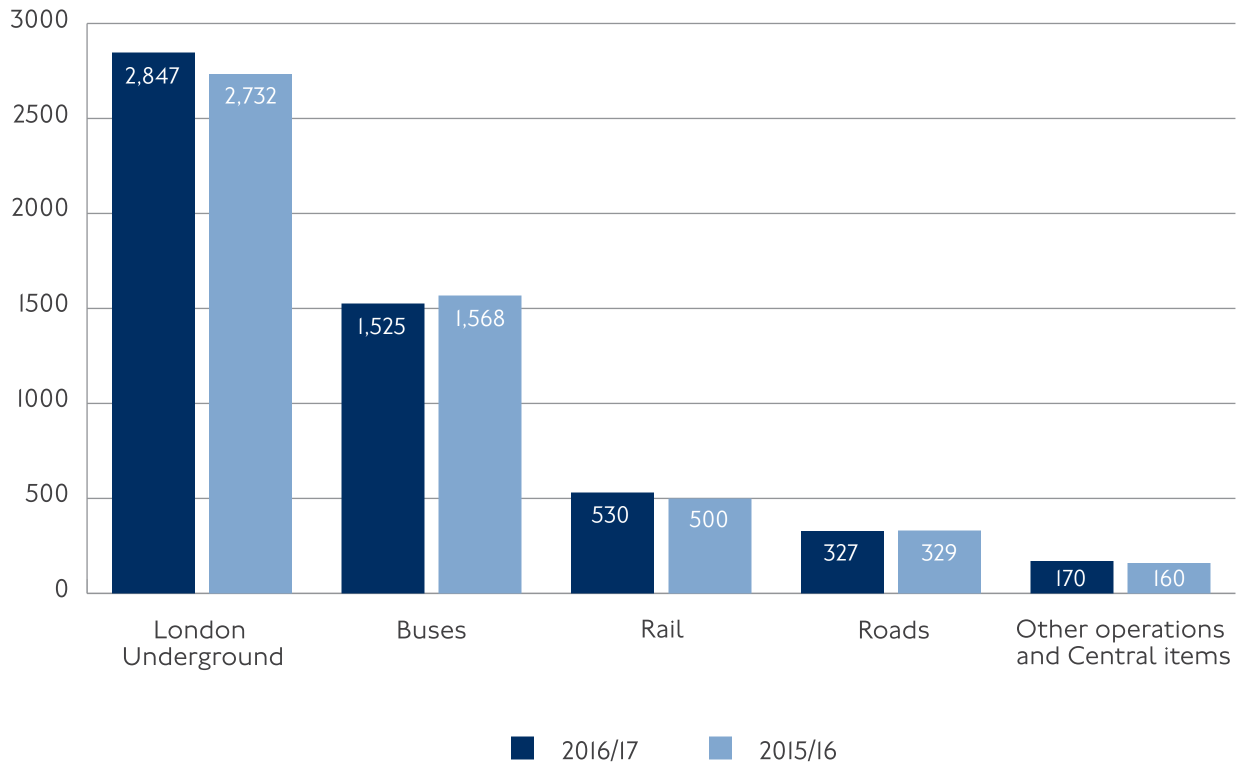
Gross income breakdown by type (£m)



Total gross income increased by 2.1 per cent from £5,289m in 2015/16 to £5,399m in 2016/17.

TfL's primary source of gross income comes from fares on the London Underground ('LU'), Rail and Bus networks. This represents 86.1 per cent of all revenue generated. The year-on-year increase reflects higher passenger numbers on LU and Rail, combined with a rise in average fares in January 2016. TfL fares decisions are taken annually by the Mayor and he has frozen all TfL fares until 2020.

Total gross income by operating division (£m)



Total gross income in LU was £2,847m, 4.2 per cent up on 2015/16. This reflected a year-on-year increase in passenger journeys of 29 million or 2.1 per cent, as well as the increase from the rise in average fares in January 2016. Passenger volumes during 2016/17 were boosted by more than three million additional journeys following the launch of the Night Tube in August 2016.

Passenger journeys were also higher than the prior year for all Rail operations. An increase on the underlying network was further enhanced by the full year benefit in London Overground and TfL Rail of operating the devolved West Anglia rail service which transferred into the TfL Group from 31 May 2015. London Overground's fares revenue of £222m for the year was up on 2015/16 (£215m). TfL Rail fare revenues increased from £70m in 2015/16 to £83m in 2016/17, also as a reflection of the increase in the number of passenger journeys, from 184.1 million in 2015/16 to 189.3 million.

Also within Rail's gross income figures, total fares revenue on the DLR increased 5.7 per cent from £158m in 2015/16 to £167m in 2016/17, reflecting higher passenger volumes across the whole

Narrative Report and Financial Review (continued)

network. Annual ridership of 122.3 million passengers was up 5.4 million (4.6 per cent) from the previous year. The Emirates Air Line also carried 1.5 million passengers, broadly unchanged from 2015/16 and its fares revenue remained constant at £6m.

In the Buses division, total network income fell to £1,525m, 2.7 per cent below the prior year total of £1,568m. This reduction comprised a 3.4 per cent decrease in fares revenues from £1,526m to £1,474m, offset by a £9m increase in revenues from other income streams. We know that the fall in fare-paying passenger journeys is a consequence of falling bus speeds owing to challenging road conditions, and we have plans in place to address this. The impact of reduced volumes was partially offset by an average fares increase of 0.8 per cent in January 2016 across all ticket types.

Within Roads' income, Congestion Charging revenues fell 3.1 per cent from £258m in 2015/16 to £250m in 2016/17, reflecting reduced volumes linked to the construction of major highway and urban improvement schemes. This reduction was partly offset by higher enforcement income.

Other income increased 6.3 per cent from £160m in 2015/16 to £170m in 2016/17. Other income comprises a broad range of revenue streams including taxi licensing, Dial-a-Ride services, London River Services, cycle hire and the Victoria Coach station.

Government grants and other funding

The main sources of grant income for 2016/17 were the Investment Grant and the General Grant from the Department for Transport ('DfT'). The Investment Grant supported the delivery of the Investment Programme, whilst the General Grant is classified as resource grant under Section 101 of the GLA Act 1999 and is 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.

As part of the Government's devolution strategy the Chancellor announced a trial in the 2016 Budget whereby the Department for Transport will not pay any Investment Grant to TfL from April 2017. Instead, beginning in the next financial year, the GLA will receive an equivalent amount through the retention of a larger proportion of London's business rates, and will take on responsibility for funding TfL's capital projects.

The total of general and capital grants receivable by TfL in 2016/17, excluding specific Crossrail funding, amounted to £2,660m (2015/16 £2,702m).

Prudential borrowing

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

Movement in borrowing (£m)

Opening borrowing at 1 April 2016 per the accounts	9,113
European Investment Bank (EIB) loans - Urban Mobility for London Facility – three tranches were drawn down during the year: £100m due in 2034, £100m due in 2035 and £300m due in 2052	500
Export Development Canada (EDC) loans - £250m due in 2037, drawn down in two tranches	250
Repayment of rolling short-term commercial paper debt	(16)
Scheduled repayments on EIB loan	(53)
Fair value movements, issue premia/discounts and fee adjustments	1
Closing borrowing at 31 March 2017 per the accounts	9,795

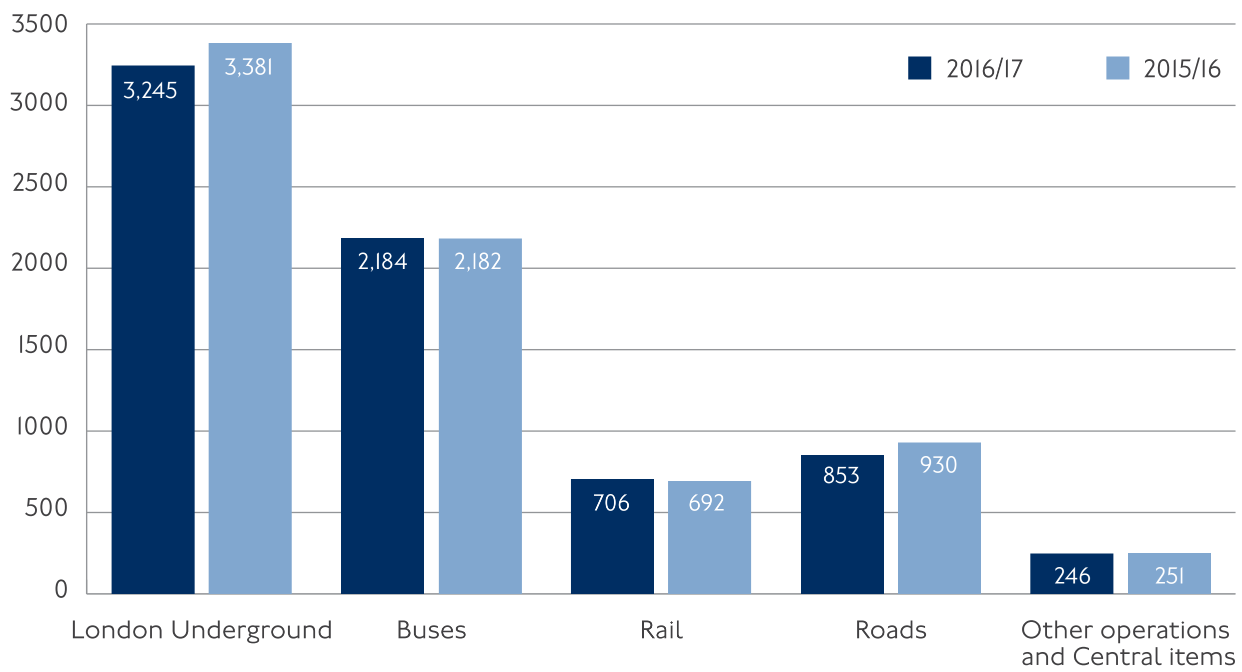
The Authorised borrowing limit for the Corporation set by the Mayor for 2016/17 was £11,074.9m.

At 31 March 2017, TfL had three committed facilities with the EIB and EDC. Funds under these facilities are being drawn down in multiple tranches over three years, starting in 2016/17.

Narrative Report and Financial Review (continued)

Uses of Funding
Gross expenditure

Gross expenditure by operating division (£m)



Gross expenditure, which includes day-to-day operating costs, depreciation and amortisation of our assets and Central statutory reporting items, has decreased by 2.7 per cent from £7,436m in 2015/16 to £7,234m in 2016/17.

For the first time since TfL began in 2000, there has been a reduction of £153m in our day-to-day operating costs before depreciation, amortisation and Central statutory reporting items. This represents the early results from the drive to reduce costs following a review of TfL's entire cost base in 2016 which identified more than 400 initiatives and some £4bn of potential cost savings in the five year period to 2021/22. Initiatives in the year include a reduction in management layers, reduced numbers of non-permanent labour and eliminating duplication to make transport safer, more reliable and efficient.

On the Underground, costs fell by £136m as a result of efficiencies on the Jubilee, Northern and Piccadilly line train maintenance programmes as well as reduced cost of long-term maintenance contracts. Employee costs have also reduced, following the stations modernisation programme and improved headcount resource management.

Roads' operating costs saw an 8.3 per cent year-on-year reduction, from £930m in 2015/16 to £853m in 2016/17 as efficiencies started to be realised.

TfL continued to support Borough schemes that prioritise health and wellbeing, with the overall objective of delivering a transport system where everyone can travel safely by the healthiest and most resource and space-efficient modes. The overall Borough funding package for 2016/17 included £132m provided directly to the Boroughs through the Local Implementation Plan programme, together with £10m spent on the renewal of life-expired traffic signals. In addition, TfL has provided financial assistance to Boroughs to implement measures to improve bus speeds and reliability as well as to deliver TfL's major investment in cycling on Borough roads, including a Mini-Hollands programme.

In the Rail division, operating costs increased 2.0 per cent from £692m in 2015/16 to £706m in 2016/17. Operating costs within London Overground reduced due to one-off contractual savings and from a number of other cost saving initiatives that have more than covered the cost impact of running the additional West Anglia rail service and inflation. However, these savings were offset by some cost increases in TfL Rail as we prepare for the Elizabeth line becoming fully operational.

In the Buses division, operating costs increased marginally, by 0.1 per cent to £2,184m. This was driven principally by inflation, although the completion of the Euro III buses replacement programme and other contract savings realised in 2016/17 as contracts were re-tendered at lower rates limited the overall increase.

Other expenditure is primarily centralised overheads, and the cost of running other operations including London River Services, Taxi & Private Hire, Santander Cycles and the Victoria Coach Station. Also included are accounting policy adjustments, including the difference between employer contributions paid and the IAS 19 service costs of the TfL defined benefit pension scheme.

Net interest and finance charges

Total financing and investment expenditure for the year was £433m, £14m above the prior year.

Within this overall total, interest payable on direct borrowings increased by 0.8 per cent from £368m to £371m, reflecting an increase in the nominal value of borrowings during the year of £681m. The average cost of servicing these borrowings continued to fall. As at 31 March 2016, TfL had a nominal £9.148bn of debt, of which approximately £0.8bn was short-term borrowing under the Commercial Paper Programme. The weighted average interest rate was 3.70 per cent and the borrowings had a weighted average remaining life to maturity of 19.9 years. As at 31 March 2017, the nominal value of debt outstanding

Narrative Report and Financial Review (continued)

had increased to £9.828bn, of which £0.8bn was short-term Commercial Paper. The weighted average interest rate was 3.56 per cent and the borrowings had a weighted average life to maturity of 19.5 years.

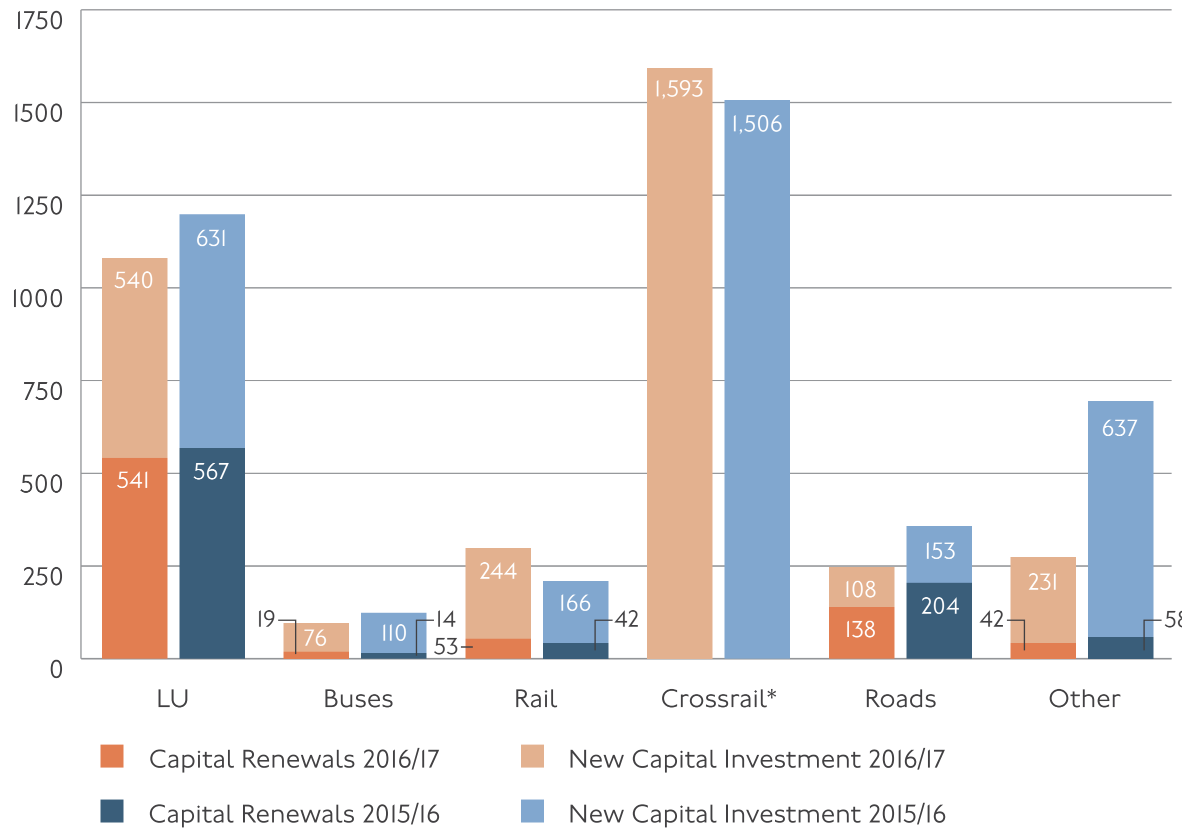
The increase in interest payable on direct borrowings was offset to a degree by a rise in the amount of interest capitalised into the cost of qualifying property, plant and equipment. Interest capitalised increased from £106m in 2015/16 to £109m in 2016/17. Interest payable on finance leases, including contingent rentals in respect of Private Finance Initiatives, fell from £63m in 2015/16 to £58m in 2016/17 as the remaining capital balance of lease liabilities continued to be paid down.

The Group's net interest expense in respect of its defined benefit pension scheme obligations increased from £92m in 2015/16 to £111m in 2016/17.

Financing and investment income totalled £47m, a reduction of £35m from 2015/16. This reflected a fall in the revaluation gain on investment properties from £50m in 2015/16 to £30m in 2016/17, combined with a decrease in interest income from investments. Investment returns during 2016/17 fell from £26m in the prior year to £9m in 2016/17 as cash balances were utilised to fund planned investment in capital renewals and infrastructure. The net gain realised on the disposal of investment properties increased from £5m in 2015/16 to £8m in 2016/17.

Capital expenditure

Capital expenditure by business area (£m)



*There were no Capital Renewals for Crossrail in 2016/17 or 2015/16

Total capital expenditure for the year was £3,585m (2015/16 £4,088m).

On the Underground capital expenditure totalled £1,081m in 2016/17, including £540m of new capital investment.

Capital improvements included new, air-conditioned, walk-through S-Stock trains on the Circle, District, Hammersmith & City and Metropolitan lines. The introduction of these trains into service has now been completed, and the full fleet is in service. The S-Stock fleet is the largest single train fleet in the country with more than 1,400 carriages.

Upgrade work on the Victoria line has also been completed allowing the introduction of a service of 36 trains per hour in May this year. The new timetable makes the Victoria line one of the most intensive metro services in Europe.

On the Northern line extension, the huge reinforced crossover box at the

Narrative Report and Financial Review (continued)

Battersea Power Station site is complete and 'Helen' and 'Amy', the two tunnel boring machines, have been launched from Battersea towards Kennington Park. About 300,000 tonnes of spoil, equivalent to 33,000 truck journeys, will be excavated from both tunnels and moved via river barges to a land reclamation site.

After seven years of work the new, modernised Tottenham Court Road station was fully opened with the new glass, north plaza entrance opening to the public before Christmas 2016. This will allow the station to serve the 200,000 customers expected to use it daily when the Elizabeth line opens in 2018. Step-free access was provided in February, making it the 71st step-free station on the network. Snagging and remedial works will continue until the summer to complete the construction works.

The first major element of the new Victoria station, the north ticket hall leading directly from street level in Cardinal Place to the Victoria line, opened to customers in January.

Lambeth North station re-opened in February following the planned replacement of the two lifts. The station closure also gave time to carry out significant works including new ticket gates and upgraded lighting.

The new Piccadilly line signalling control system, which improves the reliability of the line's signalling and allows staff to better monitor and manage the line, continues to operate successfully between Cockfosters and Earl's Court. We are currently installing the infrastructure to extend the system further west.

In the summer of 2016 a major track renewal programme was completed prior to the launch of Night Tube, and new track was delivered on the Heathrow branch of the Piccadilly line.

Within the Roads division, £246m was spent on capital works. Much 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 on four road-over-rail bridges at Power Road, Ardleigh Green, Upper Holloway Road and Highbury Corner. A project to replace the Woolwich ferries has started as the current ferries approach the end of their useful economic life.

TfL's cycling programme remains a priority, with more significant investment this year. Further progress has been made on the network of Cycle Superhighways, in particular the new segregated East-West route. Implementation of the Central London Grid and Quietways programme has also continued. Schemes aimed primarily at improving safety for cyclists at junctions are being implemented, with key works completing at Archway Gyratory and Stockwell Cross.

Major activity to enhance traffic signals technology and associated communications infrastructure continued apace, including the completion of a project to digitise the capital's safety cameras.

Capital expenditure of £297m was incurred by Rail in 2016/17. Improvements continued at London Overground stations between Liverpool Street and Chingford, Cheshunt and Enfield Town and included the installation of new lights, CCTV, help points, ticket machines and gates.

A public inquiry into the Barking Riverside extension scheme, which will serve the development site at Barking Riverside, was held in October 2016. An extension of the Gospel Oak to Barking line, from its current terminus at Barking to a new station in the heart of Barking Riverside would be 4km in length and would include 1.5km of new track. The Secretary of State is expected to make a decision on our Transport and Works Act Order application later this year.

Ilford depot received the first Class 345 train in December 2016, and was joined in February by the first train that will carry passengers when the service launches. Both are now being tested on tracks in east London. The project remains on schedule to be fully completed in 2019.

During the year, £1,593m was spent on the Crossrail project. By the end of the year, the project reached 83 per cent completion; platforms were 97 per cent complete. Power and tunnel ventilation is now being installed, along with signalling and communication systems, and platform screen doors in the new Elizabeth line central stations.

The impressive pre-cast concrete ceilings at Liverpool Street and Farringdon stations are now complete and architectural finishing and escalator and lift installation have commenced. Work continued on integration including the introduction of the Crossrail Integration Facility, a state-of-the-art testing facility for the new fleet of Crossrail trains, along with signalling, testing, commissioning and handover plans to ensure that the complex interfaces and integration risks can be managed across the entire length of the route.

Total capital expenditure within the Buses division of £95m in 2016/17 included £76m of capital investment as new buses were introduced into service.

In 2015/16, other capital expenditure of £695m included the Group's £447m investment in its associated undertaking, Earls Court Partnership Limited - a 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. In 2016/17 ongoing development works were debt-funded within the associate itself. Other capital expenditure of £273m in 2016/17 included investment in Santander Cycles and on London River Services. Also included within this sub-heading was £109m of interest on borrowings capitalised into the cost of fixed assets during the year.

Narrative Report and Financial Review (continued)

Cash and investments

Total cash, cash equivalents and investments with maturities greater than three months held by the Group at 31 March 2017 amounted to £1,961m, down from £3,314m as at 31 March 2016. The average yield from TfL's cash investments for 2016/17 fell to 0.30 per cent, down from 0.56 per cent in 2015/16. The low investment yields reflect the conservative nature of TfL's investment strategy and falling interest rates. Earmarked reserves for TfL's future Investment Programme at 31 March 2017 amount to £1,063m, with an additional £630m 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 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). The borrowing strategy for 2016/17 reflected TfL's objective of managing its borrowings in a manner that combines flexibility, security of access to funds, diversity of funding sources and value for money. It achieved this through maintaining access to capital markets through its Euro Commercial Paper and Euro Medium Term Note programmes, and through loans and other facilities from banks where appropriate, as well as by strengthening and broadening its investor base. TfL's investment strategy remained largely unchanged in 2016/17.

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

Counterparty credit

The Group's exposure to credit-related losses, i.e. non-performance by counterparties on financial instruments, is mitigated by setting a minimum required credit rating and applying financial limits based on credit ratings. For 2016/17, TfL continued to follow a conservative investment strategy, investing in: the UK Government and its executive agency, the UK Debt Management Office ('DMO'); selected financial institutions with high (investment grade) credit ratings; selected supranational or sub-sovereign agencies; selected Money Market Funds; highly rated corporates; and other highly rated sovereign governments. In addition to Sterling investments, these included investments in Euros, US Dollars and Canadian 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 2017 is set out in Note 31 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.

Foreign exchange rates

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

Interest rates

The Board has approved parameters of a minimum of 75 per cent fixed-rate on existing and forecast debt. The proportion of fixed-rate debt borrowings (including Commercial Paper swapped to fixed through the use of interest rate derivatives) at the year end was 99.6 per cent; the remaining 0.4 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 2017, the majority of TfL's employees were members of the TfL Pension Fund. Over the past year, as a result of a change in financial assumptions, the actuarial value of future liabilities recorded by the Group in respect of this scheme increased significantly, by a total of £3,743m. This was offset to a degree by an increase in the fair value of the assets recorded, which rose by £1,641m. 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 £2,102m to £5,194m.

The total deficit recognised in respect of all funded and unfunded pension arrangements at 31 March amounted to £5,364m (2016 £3,208m).

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

Narrative Report and Financial Review (continued)

Prospects and outlook

In December 2016, TfL published an updated Business Plan for the next five years to 2021/22. The activities and investment outlined in the Business Plan are designed to support London's projected population growth to over 10 million people by 2030 and the associated growth in employment. The core financial objective of the Business Plan is to achieve break-even on operations by 2021/22 whilst also achieving the Mayor's goal of keeping transport affordable, delivering on his promise to freeze all TfL fares until 2020.

There are several programmes, projects and initiatives in progress to make sure that our services are able to meet the demands of a growing London, including:

- The Elizabeth Line, which is expected to generate more than £2bn in fares over the 5 years covered by the Business Plan and deliver a 10 per cent increase in rail-based network capacity in London. In 2016/17, Crossrail construction reached 83 per cent completion and MTR Corporation continued operating services under the 'TfL Rail' brand between Shenfield and Liverpool Street, achieving one of the highest performance levels of any operator in the UK. Good progress has been made on the construction of the new Crossrail Depot and stabling facilities at Old Oak Common; production of the new rolling stock (Class 345) remains on track and the first train has been delivered to Ilford and is currently undergoing final route testing.

- Crossrail 2, which is a proposed new northeast-to-southwest rail route serving London. Crossrail 2 would run underground through central London and link into the existing national rail networks at Wimbledon and Tottenham Hale, helping to tackle the capacity crunch at Clapham Junction and Waterloo stations, enabling up to 200,000 new homes to be built and generating an opportunity for thousands of new jobs to be created. TfL has recently submitted an updated Strategic Outline Business Case to Government.

- An increased investment in step-free access. By the end of 2021/22 more than 40 per cent of London Underground stations will have step-free access to all platforms.

- A significant enhancement of London Underground will continue, including the development of the Northern line extension, consultation on a Bakerloo line extension, 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, supporting the regeneration of the area. 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 when it opens in 2020.

- Major upgrades to improve stations, including Bond Street, Bank, Victoria and towards the end of the plan Camden Town and Holborn.

- The Jubilee and Northern line upgrades, which will boost capacity by 17 per cent and 20 per cent respectively. The Jubilee line upgrade will be complete in 2020, and the Northern line will be finished in 2023.

- The 'Four Lines' modernisation programme 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. These upgrades will result in a 33 per cent increase in capacity on these four lines.

- DLR rolling stock replacement will deliver 43 new full-length trains, increasing total capacity on the DLR network by around 30 per cent.

- Gospel Oak to Barking electrification, which will allow four electric trains to run from 2018, replacing the existing diesel trains. This project will provide additional capacity and contribute significantly to the improvement of air quality in London.

- The Barking Riverside extension will provide an additional 4.5km of London Overground line to connect Barking Riverside, supporting the creation of new homes and jobs in the area. Construction is programmed to start in late 2017, with services beginning in 2021.

- Working with the City of Westminster to make Oxford Street more pedestrian friendly, improve air quality and create new public space through the Oxford Street transformation programme.

- Implementation of all the lessons learnt from the terrible Sandilands derailment which tragically resulted in seven fatalities and 15 major injuries.

- Refurbishment of our trams' interiors as well as building the Dingwall Road Loop on the tram network to extend the tram line capacity.

- A continuing focus on giving buses priority as they travel across London; we will spend £20m on bus priority measures in 2017/18.

- The Healthy Streets programme will deliver improvements and incentives to sustainable modes of transport such as walking and cycling in order to encourage less use of cars in London. We will deliver major road schemes to improve safety, cycling facilities and make it better for pedestrians including Old Street roundabout and Westminster Bridge South as well numerous improvements to borough roads and the continuation of the cycling Mini-Hollands.

Narrative Report and Financial Review (continued)

- TfL will maintain the road network and other assets to an appropriate "state of good repair" at minimum cost. We will also replace and refurbish key bridges and other assets to keep the network moving.

- Efforts to support the early introduction of ULEZ (Ultra Low Emission Zone) from 2019 by reducing bus fleet emissions and licensing requirements for zero emission capable (ZEC) taxis and private hire vehicles.

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

- New river crossings, including the Silvertown Tunnel which will open by the early 2020s easing congestion on the Blackwall tunnel, and a new pedestrian and cycling crossing between Rotherhithe and Canary Wharf.

- The new advertising contract, operating as a joint venture between TfL and Exterion, 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 a net £672m of investment over the next five years.

Key risks

We have a strategic risk management framework that tracks several risks that could affect TfL's ability to achieve its strategic priorities. The approach, risk register and reporting documentation have recently been refreshed. This means we are now able to provide more useful and simplified strategic risk information to support decision making. We are also working to create an effective risk appetite framework that aims to explore how much risk we are willing to take to meet our strategic goals and how this should guide decision making.

The strategic risks we are currently tracking and the strategic goals to which they relate include:

To put customers and users at the core of all our decision making

- Technological failure or cyber security attack could result in loss of personal data, interruption to key business systems or interference with operational activity;

- Governance structures at TfL may not provide enough support to meet the changing demands faced by the organisation;

- Events related to the environment, such as TfL's activities impact on the environment and the risk of extreme weather due to climate change could result in significant disruption and reputational damage;

- External stakeholder requirements or a lack of strategic foresight might affect TfL's ability to shape the future and adapt.

To drive improvement in reliability and safety across our network

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

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

- TfL may be unable to effectively manage its asset base, resulting in adverse operational performance or TfL might not meet operational targets and deliver less reliable services for customers and other users.

To accelerate the growth and increase the capacity of our network

- London's population growth may lead to TfL networks being unable to support and respond to demand;

- Internal or external events may impact projects, possibly resulting in an inability to efficiently deliver the investment programme and achieve benefits.

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

- Our workforce may not be able to adapt sufficiently to meet the changing demands on TfL, which may lead to lack of benefit realisation and increasing the potential for strikes.

To cost less, be more affordable and to generate more income

- A challenging macro economic environment may affect our ability to maintain minimum cash levels. Externally driven events may result in unexpected loss of income and/or commercial income streams not being able to deliver commercial revenue targets.

To exploit technology to produce better and faster results

- Technological or market developments may outpace our ability to adapt, leading to an inability to deliver the expectations of stakeholders.

We will continue to work to improve the way strategic risks are managed and to provide regular updates to the Audit and Assurance Committee. Reporting includes a new metric, risk trend, which is a qualitative analysis that indicates how the risk climate is evolving. In addition, we are currently reviewing the organisational model for risk in order to create a more effective and efficient risk function in the future.

Narrative Report and Financial Review (continued)

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 2016/17 (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 assets of its associated undertakings on the basis set out in the Statement of Accounting Policies (paragraph c), are here presented alongside the financial statements of the Corporation.

The Statement of Accounts comprises:

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

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

Purposes of major schedules within the financial statements

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

Comprehensive Income and Expenditure Statement

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

The Balance Sheet

The Balance Sheet shows the value as at the balance sheet date of the assets and liabilities recognised by TfL. The net assets of TfL (assets less liabilities) are matched by the reserves held by TfL. Reserves are reported in two categories.

The first category is usable reserves, being those reserves that TfL may use to provide services, subject to the need to maintain a prudent level of reserves. The second category is those reserves that TfL is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold, and reserves that hold timing differences shown in the movement in reserves statement line 'Adjustments between accounting basis and funding basis under regulations'.

The Cash Flow Statement

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

Narrative Report and Financial Review (continued)

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by TfL, analysed into usable reserves and other reserves. The Surplus or Deficit on the Provision of Services is different from the statutory amounts required to be charged to the General Fund Balance. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves.

Expenditure and Funding Analysis

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

Statement of Responsibilities for the Accounts

The Corporation is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers (the 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.

TfL's Chief Finance Officer, Ian Nunn, tragically passed away in July. Ian had previously certified this Statement of Responsibilities on 27 June 2017 in accordance with the requirements of the Accounts and Audit Regulations 2015. Following Ian's untimely passing the Statutory Chief Finance Officer responsibilities are temporarily held by Sarah Bradley, Group Financial Controller.

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.

Sarah Bradley
Group Financial Controller and acting Statutory Chief Finance Officer
19 September 2017

Independent Auditor's Report to Transport for London

We have audited the financial statements of Transport for London ('the Corporation') and of the Transport for London Group ('the Group') for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Corporation and Group Movement in Reserves Statements;
- Corporation and Group Comprehensive Income and Expenditure Statements;
- Corporation and Group Balance Sheets;
- Corporation and Group Cash Flow Statements;
- Expenditure and Funding Analysis note; and
- Related notes 1 to 42.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to Transport for London in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than 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 127, 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 2016/17, 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 Annual Report and Statement of Accounts 2016/17 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 the financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Group and the Corporation as at 31 March 2017 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 2016/17.

Opinion on other matters

In our opinion, the information given in the Annual Report and Statement of Accounts 2016/17 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 the Corporation and Group;
- 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.

Independent Auditor's Report to Transport for London (continued)

Auditor's responsibilities
We are required under Section 20(1)(c) 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 (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the 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 work in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether the Corporation had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Corporation put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

We planned and performed 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 ended 31 March 2017.

Certificate
We certify that we have completed the audit for the accounts of the Corporation and the Group in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Practice issued by the National Audit Office.

Karl Havers (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Appointed Auditor
London, E14 5GL
22 September 2017

Group Comprehensive Income and Expenditure Statement

Year ended 31 March	Note	Gross income 2017 £m	Gross expenditure 2017 £m	Net expenditure 2017 £m	Gross income 2016 (restated*) £m	Gross expenditure 2016 (restated*) £m	Net expenditure 2016 (restated*) £m
Operating segment							
London Underground		2,847.0	(3,245.0)	(398.0)	2,732.0	(3,381.0)	(649.0)
Buses		1,525.0	(2,184.0)	(659.0)	1,568.0	(2,182.0)	(614.0)
Rail		530.0	(706.0)	(176.0)	500.0	(692.0)	(192.0)
Roads		327.0	(853.0)	(526.0)	329.0	(930.0)	(601.0)
Other operations		164.0	(324.0)	(160.0)	155.0	(316.0)	(161.0)
Net cost of operations per internal management reports	2	5,393.0	(7,312.0)	(1,919.0)	5,284.0	(7,501.0)	(2,217.0)
Central items	2	6.2	78.1	84.3	4.6	64.8	69.4
Net cost of services	1,2	5,399.2	(7,233.9)	(1,834.7)	5,288.6	(7,436.2)	(2,147.6)
Other net operating expenditure	6			(13.8)			(46.2)
Financing and investment income	7			46.7			81.6
Financing and investment expenditure	8			(433.3)			(418.7)
Grant income	9			2,660.0			3,510.9
Group share of (loss)/profit after tax of associated undertakings	15			(104.8)			25.9
Surplus on the provision of services before tax				320.1			1,005.9
Taxation income	10			6.5			2.2
Surplus on the provision of services after tax				326.6			1,008.1

* Figures for 2015/16 have been restated to show the split of net cost of services by internal management operating segment (see note 2).

Group Comprehensive Income and Expenditure Statement (continued)

Year ended 31 March	Note	Gross income 2017 £m	Gross expenditure 2017 £m	Net expenditure 2017 £m	Gross income 2016 £m	Gross expenditure 2016 £m	Net expenditure 2016 £m
Surplus on the provision of services after tax				326.6			1,008.1
Other comprehensive income and expenditure							
Items that will not be subsequently reclassified to profit or loss							
(Deficit)/surplus on the revaluation of property, plant and equipment *	12			(3.8)			108.0
Net remeasurement losses on defined benefit pension schemes *	32			(2,009.0)			(162.1)
				(2,012.8)			(54.1)
Items that may be subsequently reclassified to profit or loss							
Movement in the fair value of derivative financial instruments *	34			29.1			17.4
Movement in the fair value of available for sale financial investments *	34			-			(0.1)
Derivative fair value loss recycled to income and expenditure *	34			7.8			7.5
				36.9			24.8
				(1,975.9)			(29.3)
Total comprehensive income and expenditure				(1,649.3)			978.8

* There is no tax effect of these items on other comprehensive income and expenditure in the years ended 31 March 2017 or 2016 (note 10).

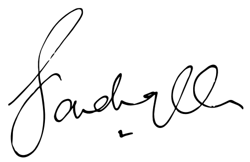
Group Balance Sheet

	Note	31 March 2017 £m	31 March 2016 £m
Long-term assets			
Intangible assets	11	140.1	122.8
Property, plant and equipment	12	36,838.9	34,402.6
Investment property	13	558.0	517.7
Equity accounted investment in associated undertakings	15	368.2	473.0
Derivative financial instruments	26	18.2	7.1
Long-term finance lease receivables	16	3.5	-
Long-term debtors	18	25.8	691.8
		37,952.7	36,215.0
Current assets			
Inventories	17	71.7	70.6
Short-term debtors	18	1,820.2	1,262.4
Assets held for sale	19	15.0	-
Short-term derivative financial instruments	26	12.3	5.1
Short-term finance lease receivables	16	0.9	-
Short-term investments	20	1,751.2	3,162.3
Cash and cash equivalents	21	210.2	152.1
		3,881.5	4,652.5
Current liabilities			
Short-term creditors	22	(2,146.6)	(2,187.9)
Short-term borrowings	23	(1,105.7)	(832.1)
Short-term finance lease liabilities	24	(76.7)	(94.3)
Short-term derivative financial instruments	26	(3.6)	(21.3)
Short-term provisions	27	(194.3)	(220.7)
		(3,526.9)	(3,356.3)

Group Balance Sheet (continued)

	Note	31 March 2017 £m	31 March 2016 £m
Long-term liabilities			
Long-term creditors	22	(56.5)	(79.8)
Long-term borrowings	23	(8,689.6)	(8,281.0)
Long-term finance lease liabilities	24	(488.1)	(564.8)
Long-term derivative financial instruments	26	(79.2)	(94.9)
Long-term provisions	27	(43.6)	(46.4)
Retirement benefit obligation	32	(5,363.5)	(3,208.2)
		(14,720.5)	(12,275.1)
Net assets		23,586.8	25,236.1
Reserves			
Usable reserves		1,860.5	3,233.2
Unusable reserves	34	21,726.3	22,002.9
Total reserves		23,586.8	25,236.1

The Expenditure and Funding Analysis on page 146 and the notes on pages 150 to 281 form part of these financial statements. These financial statements were approved by the Board on 19 September 2017 and signed on its behalf by:



Sadiq Khan,
Chair of TfL

Group Movement in Reserves Statement

	Note	General fund £m	Earmarked reserves £m	General fund and earmarked reserves £m	Street works reserve £m	Capital grants unapplied account £m	Usable reserves £m	Unusable reserves £m	Total reserves £m
At 1 April 2015		150.0	1,734.8	1,884.8	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	-	-	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	-	-	911.9	66.9	978.8
Adjustments between accounting basis and funding basis under regulations	36	(1,371.6)	-	(1,371.6)	7.1	(974.8)	(2,339.3)	2,339.3	-
Net (decrease)/increase before transfer to/from earmarked reserves		(459.7)	-	(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)	(459.7)	7.1	(974.8)	(1,427.4)	2,406.2	978.8
Balance at 31 March 2016		150.0	1,275.1	1,425.1	13.9	1,794.2	3,233.2	22,002.9	25,236.1
Movement in reserves during 2016/17									
(Deficit)/surplus on the provision of services after tax		(40.5)	-	(40.5)	-	-	(40.5)	367.1	326.6
Other comprehensive income and expenditure		-	-	-	-	-	-	(1,975.9)	(1,975.9)
Total comprehensive income and expenditure		(40.5)	-	(40.5)	-	-	(40.5)	(1,608.8)	(1,649.3)
Adjustments between accounting basis and funding basis under regulations	36	(172.0)	-	(172.0)	4.1	(1,164.3)	(1,332.2)	1,332.2	-
Net (decrease)/increase before transfer to/from earmarked reserves		(212.5)	-	(212.5)	4.1	(1,164.3)	(1,372.7)	(276.6)	(1,649.3)
Transfer to/from earmarked reserves		212.5	(212.5)	-	-	-	-	-	-
(Decrease)/increase in 2016/17		-	(212.5)	(212.5)	4.1	(1,164.3)	(1,372.7)	(276.6)	(1,649.3)
Balance at 31 March 2017		**150.0**	**1,062.6**	**1,212.6**	**18.0**	**629.9**	**1,860.5**	**21,726.3**	**23,586.8**

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	2017 £m	2016 £m
Surplus on the provision of services after tax		326.6	1,008.1
Adjustments to surplus after tax for non-cash movements	33a	105.9	(1,044.7)
Net cash flows from operating activities		432.5	(36.6)
Investing activities	33b	(648.9)	(135.0)
Financing activities	33c	274.5	204.3
Increase in net cash and cash equivalents in the year		58.1	32.7
Net cash and cash equivalents at the start of the year		152.1	119.4
Net cash and cash equivalents at the end of the year	21	210.2	152.1

Corporation Comprehensive Income and Expenditure Statement

Year ended 31 March	Note	2017 £m	2016 £m
Highways and Transport Services			
Gross income	1	373.9	378.9
Gross expenditure	3	(1,059.5)	(1,154.9)
Net cost of services*		(685.6)	(776.0)
Other net operating expenditure	6	(1.3)	(25.6)
Financing and investment income	7	326.3	347.9
Financing and investment expenditure	8	(467.5)	(446.5)
Grant income	9	2,636.3	3,468.0
Grant funding of subsidiaries		(1,848.7)	(1,655.9)
(Deficit)/surplus on the provision of services		(40.5)	911.9
Other comprehensive income and expenditure			
Items that will not be subsequently reclassified to profit or loss			
Net remeasurement losses on defined benefit pension schemes	32	(1,979.0)	(167.2)
		(1,979.0)	(167.2)
Items that may be subsequently reclassified to profit or loss			
Movement in the fair value of available for sale financial investments	34	-	(0.1)
		-	(0.1)
		(1,979.0)	(167.3)
Total comprehensive income and expenditure		(2,019.5)	744.6

* Decisions taken by the Board about resource allocation are made using internal management reports which show total expenditure for the TfL Group. No segmental disclosures are included for the Corporation as the Corporation's results are not reported to the Board on a segmental basis.

Corporation Balance Sheet

	Note	**31 March 2017 £m**	31 March 2016 £m
Long-term assets			
Intangible assets	11	**99.4**	62.5
Property, plant and equipment	12	**3,829.9**	3,751.1
Investment property	13	**10.8**	13.0
Investments in subsidiaries	14	**8,562.5**	7,262.5
Long-term debtors	18	**9,372.3**	8,692.5
		21,874.9	19,781.6
Current assets			
Inventories	17	**0.8**	2.2
Short-term debtors	18	**809.0**	735.3
Assets held for sale	19	**1.5**	-
Short-term investments	20	**1,741.5**	3,146.3
Cash and cash equivalents	21	**81.8**	19.6
		2,634.6	3,903.4
Current liabilities			
Short-term creditors	22	**(639.2)**	(592.5)
Short-term borrowings	23	**(1,105.7)**	(832.1)
Short-term finance lease liabilities	24	**(11.4)**	(11.1)
Short-term provisions	27	**(113.4)**	(101.9)
		(1,869.7)	(1,537.6)

	Note	**31 March 2017 £m**	31 March 2016 £m
Long-term liabilities			
Long-term creditors	22	**(16.2)**	(19.8)
Long-term borrowings	23	**(8,696.8)**	(8,288.8)
Long-term finance lease liabilities	24	**(142.1)**	(153.5)
Long-term provisions	27	**(33.3)**	(37.7)
Retirement benefit obligation	32	**(5,331.5)**	(3,208.2)
		(14,219.9)	(11,708.0)
Net assets		**8,419.9**	10,439.4
Reserves			
Usable reserves		**1,860.5**	3,233.2
Unusable reserves	34	**6,559.4**	7,206.2
Total reserves		**8,419.9**	10,439.4

The Expenditure and funding Analysis on p147 and the notes on pages 150 to 281 form part of these financial statements. These financial statements were approved by the Board on 19 September 2017 and signed on its behalf by:

Sadiq Khan,
Chair of TfL

Corporation Movement in Reserves Statement

	Note	General fund £m	Earmarked reserves £m	**General fund and earmarked reserves £m**	Street works reserve £m	Capital grants unapplied account £m	**Usable reserves £m**	Unusable reserves £m	**Total reserves £m**
At 1 April 2015		150.0	1,734.8	**1,884.8**	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**	-	**911.9**
Other comprehensive income and expenditure		-	-	**-**	-	-	**-**	(167.3)	**(167.3)**
Total comprehensive income and expenditure		911.9	-	**911.9**	-	-	**911.9**	(167.3)	**744.6**
Adjustments between accounting basis and funding basis under regulations	36	(1,371.6)	-	**(1,371.6)**	7.1	(974.8)	**(2,339.3)**	2,339.3	**-**
Net (decrease)/increase before transfer to/from earmarked reserves		(459.7)	-	**(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)	**(459.7)**	7.1	(974.8)	**(1,427.4)**	2,172.0	**744.6**
Balance at 31 March 2016		150.0	1,275.1	**1,425.1**	13.9	1,794.2	**3,233.2**	7,206.2	**10,439.4**
Movement in reserves during 2016/17									
Deficit on the provision of services		(40.5)	-	**(40.5)**	-	-	**(40.5)**	-	**(40.5)**
Other comprehensive income and expenditure		-	-	**-**	-	-	**-**	(1,979.0)	**(1,979.0)**
Total comprehensive income and expenditure		(40.5)	-	**(40.5)**	-	-	**(40.5)**	(1,979.0)	**(2,019.5)**
Adjustments between accounting basis and funding basis under regulations	36	(172.0)	-	**(172.0)**	4.1	(1,164.3)	**(1,332.2)**	1,332.2	**-**
Net (decrease)/increase before transfers to/from earmarked reserves		(212.5)	-	**(212.5)**	4.1	(1,164.3)	**(1,372.7)**	(646.8)	**(2,019.5)**
Transfer to/from earmarked reserves		212.5	(212.5)	**-**	-	-	**-**	-	**-**
(Decrease)/increase in 2016/17		-	(212.5)	**(212.5)**	4.1	(1,164.3)	**(1,372.7)**	(646.8)	**(2,019.5)**
Balance at 31 March 2017		**150.0**	**1,062.6**	**1,212.6**	**18.0**	**629.9**	**1,860.5**	**6,559.4**	**8,419.9**

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	2017 £m	2016 £m
(Deficit)/surplus on the provision of services		(40.5)	911.9
Adjustments to deficit after tax for non-cash movements	33 a	(110.1)	(1,892.7)
Net cash flows from operating activities		(150.6)	(980.8)
Investing activities	33 b	(101.7)	703.1
Financing activities	33 c	314.5	243.6
Increase/(decrease) in net cash and cash equivalents in the year		62.2	(34.1)
Net cash and cash equivalents at the start of the year		19.6	53.7
Net cash and cash equivalents at the end of the year	21	81.8	19.6

Expenditure and Funding Analysis

For the year ended 31 March 2017	Net expenditure chargeable to the General Fund £m	Adjustments between accounting basis and funding basis under regulations (note 36) £m	**Total per the Corporation Comprehensive Income and Expenditure Statement £m**	Surplus on the provision of services after tax in subsidiaries (note 34) £m	**Total per the Group Comprehensive Income and Expenditure Statement £m**
Net cost of services					
London Underground	(303.0)	-	**(303.0)**	(95.0)	**(398.0)**
Buses	(50.0)	-	**(50.0)**	(609.0)	**(659.0)**
Rail	(22.0)	-	**(22.0)**	(154.0)	**(176.0)**
Roads	(340.5)	(129.5)	**(470.0)**	(56.0)	**(526.0)**
Other operations	(56.8)	(35.2)	**(92.0)**	(68.0)	**(160.0)**
Central items	360.3	(108.9)	**251.4**	(167.1)	**84.3**
Net cost of services	**(412.0)**	**(273.6)**	**(685.6)**	**(1,149.1)**	**(1,834.7)**
Other net operating expenditure	-	(1.3)	**(1.3)**	(12.5)	**(13.8)**
Financing and investment income	324.7	1.6	**326.3**	(279.6)	**46.7**
Financing and investment expenditure	(357.4)	(110.1)	**(467.5)**	34.2	**(433.3)**
Grant income	337.3	450.3	**787.6**	1,872.4	**2,660.0**
Group share of (loss) after tax of associated undertakings	-	-	**-**	(104.8)	**(104.8)**
(Deficit)/surplus on the provision of services before tax	**(107.4)**	**66.9**	**(40.5)**	**360.6**	**320.1**
Taxation income	-	-	**-**	6.5	**6.5**
(Deficit)/surplus on the provision of services after tax	**(107.4)**	**66.9**	**(40.5)**	**367.1**	**326.6**
Employer's pension contributions and direct payments to pensioners payable in the year	(74.6)	74.6	**-**		
Minimum Revenue provision	(18.7)	18.7	**-**		
Amortisation of premium on financing	(11.8)	11.8	**-**		
Net (decrease)/increase in 2016/17	**(212.5)**	**172.0**	**(40.5)**		
Balance of General Fund and Earmarked Reserves at 1 April 2016	1,425.1				
Balance of General Fund and Earmarked Reserves at 31 March 2017	**1,212.6**				

Expenditure and Funding Analysis (continued)

For the year ended 31 March 2016	Net expenditure chargeable to the General Fund £m	Adjustments between accounting basis and funding basis under regulations (note 36) £m	**Total per the Corporation Comprehensive Income and Expenditure Statement £m**	Surplus on the provision of services after tax in subsidiaries (note 34) £m	**Total per the Group Comprehensive Income and Expenditure Statement £m**
Net cost of services					
London Underground	(305.0)	-	(305.0)	(344.0)	(649.0)
Buses	(53.0)	-	(53.0)	(561.0)	(614.0)
Rail	(20.0)	-	(20.0)	(172.0)	(192.0)
Roads	(364.8)	(174.2)	(539.0)	(62.0)	(601.0)
Other operations	(74.3)	(32.7)	(107.0)	(54.0)	(161.0)
Central items	410.3	(162.3)	248.0	(178.6)	69.4
Net cost of services	(406.8)	(369.2)	(776.0)	(1,371.6)	(2,147.6)
Other net operating expenditure	-	(25.6)	(25.6)	(20.6)	(46.2)
Financing and investment income	347.7	0.2	347.9	(266.3)	81.6
Financing and investment expenditure	(355.2)	(91.3)	(446.5)	27.8	(418.7)
Grant income	40.9	1,771.2	1,812.1	1,698.8	3,510.9
Group share of profit after tax of associated undertakings	-	-	-	25.9	25.9
(Deficit)/surplus on the provision of services before tax	(373.4)	1,285.3	911.9	94.0	1,005.9
Taxation income	-	-	-	2.2	2.2
Surplus on the provision of services after tax	(373.4)	1,285.3	911.9	96.2	1,008.1
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	-		
Net (decrease)/increase in 2015/16	(459.7)	1,371.6	911.9		
Balance of General Fund and Earmarked Reserves at 1 April 2015	1,884.8				
Balance of General Fund and Earmarked Reserves at 31 March 2016	1,425.1				

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 2016/17 (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 2016/17 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 here:

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.

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

Accounting Policies (continued)

financially balanced Budget each year. As at 31 March 2017, the Group had usable reserves totalling £1,860.5m.

e) The application of new and revised standards

The Code stipulates that the requirements of IFRS and other pronouncements by the International Accounting Standards Board (as adopted by the EU) be applied unless specifically adapted or otherwise stated by the Code. The following new standards and amendments have therefore been applied for the first time in these financial statements:

- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception (mandatory for years beginning on or after 1 January 2016). These 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 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. This does not apply to the TfL Group.

- Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations (mandatory for years beginning on or after 1 January 2016). The 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 beginning on or after 1 January 2016). The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset.

- Amendments to IAS 16 and IAS 14 Agriculture: Bearer Plants (mandatory for years beginning on or after 1 January 2016).

- 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.

- Annual Improvements to IFRSs 2012-2014 cycle (mandatory for years beginning on or after 1 January 2016). The standards affected and the subjects of the amendments are:

  - IFRS 5 Non-current Assets Held for sale and Discontinued Operations - the changes introduce guidance for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa);

  - IFRS 7 Financial Instruments: Disclosures - the amendments provide guidance to clarify whether a servicing contact is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets;

  - IAS 19 Employee Benefits - the amendments clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid; and

- IFRS 14 Regulatory Deferral Accounts (mandatory for years beginning 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.

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. 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 15 Revenue from Contracts with Customers (mandatory for years beginning on or after 1 January 2018). IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. It will supersede IAS 18 Revenue, IAS 11 Construction Contracts, IFRIC 13 Customer Loyalty

Accounting Policies (continued)

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.

- 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.

- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (mandatory for years beginning on or after 1 January 2018). The amendments aim to eliminate diversity in practice in the classification and measurement of particular share-based payment transactions. This standard is not expected to be relevant to TfL.

- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (mandatory for years beginning on or after a date yet to be determined). The amendments require gains and losses resulting from transactions involving assets that do not constitute a business between and investor and its associate or joint venture to be recognised to the extent of the unrelated investors' interest in the associate or joint venture. Gains or losses from downstream transactions involving assets that constitute a business between an investor and its associate or joint venture should be recognised in full in the investor's financial statements.

- Amendments to IAS 7 Disclosure Initiative (mandatory for years beginning on or after 1 January 2017). The amendments require entities to provide disclosures that enable users of the accounts to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses (mandatory for years beginning on or after 1 January 2017). The amendments clarify that (i) unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use. (ii) The carrying amount of an asset does not limit the estimation of probable future taxable profits. (iii) Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. (iv) An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

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 32.

Useful economic life of property, plant and equipment

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

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

Accounting Policies (continued)

on the balance sheet this can have a significant effect on the reported financial position of the Group.

Derivative financial instruments

The Group uses derivative financial instruments to manage certain exposures to fluctuations in foreign currency exchange rates and interest rates. In making its assessment and judgements, the Group assesses the effectiveness of the derivatives and changes in their fair values. Note 31 and the Accounting Policy on financial instruments (policy ah) provide detailed information about the key assumptions used in the determination of the fair value of financial instruments, as well as a sensitivity analysis for these assumptions. Management believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

Classification of investment properties

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

Leases

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

Provisions

Judgement and estimation techniques are employed in the calculation of the best estimate of the amount required to settle obligations, including determining how likely it is that expenditure will be required by the Group. This can be very complex, especially when there is a wide range of possible outcomes. More details are given in note 27.

Investment property

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

Office buildings

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

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.

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

Road network compliance

Income from penalty charge notices for traffic and parking infringements on red routes is recognised as they become due. Each increase in charge results in income being recognised in full at the date the increase is applied.

Taxi licensing

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

Commercial advertising

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

Rental income

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

j) Segmental reporting

In accordance with the Code, the Group's operating segments have been

Accounting Policies (continued)

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 Buses – Provision of bus services;
- Rail – Provision of passenger rail services through contracted third party operators;
- Roads – Maintenance of London's roads and cycle routes; and
- Other operations – Provision of other operations, including Dial-a-Ride, London River Services, Taxi and Private Hire, Santander Cycles, Victoria Coach Station and 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 2016/17 (SERCOP) are not applicable to TfL as it is a single service authority.

m) Financing and investment income and expenses

Financing and investment income comprises interest income on funds invested and premiums received on the early settlement of borrowings. Interest income is recognised in the Comprehensive Income and Expenditure Statement as it accrues, using the effective interest rate method.

Financing and investment costs comprise the interest expense on borrowings and finance lease liabilities and the net financing cost on defined benefit 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.

Accounting Policies (continued)

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

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

p) Business combinations

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

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

q) Intangible assets

Goodwill

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

Other intangible assets

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

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

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

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

Software costs	Straight-line	3-5 years

r) Property, plant and equipment

Recognition and measurement

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

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

Office buildings are valued at fair value by external, professionally qualified surveyors in accordance with RICS Guidelines. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement methodology assumes the valuation is based on the highest and best use of the asset. Office buildings are measured using the income approach, by means of the discounted cash flow method, where the expected cash flows from the properties are discounted (using a marked-derived discount rate) to establish the present value of the net income stream. Properties are therefore categorised as Level 3 in the fair value hierarchy, as the measurement technique uses significant unobservable inputs to determine the fair value measurements. Valuations are performed on a rolling basis, with approximately 75 per cent of the portfolio by value being valued each year. Between formal valuations fair values are adjusted by the application of annual indexation. Movements in the fair value of the property are taken to the Revaluation Reserve, with the exception of permanent diminutions in value which are recognised in profit or loss.

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

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

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

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

Depreciation

Depreciation is calculated on the depreciable amount, which is the cost

Accounting Policies (continued)

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.

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.

Accounting Policies (continued)

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

x) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets (those necessarily taking a substantial period of time to get ready for their intended use) are added to the cost of those assets, until such time as the assets are ready for their intended use. The Group has opted to use the date of transition to IFRS (1 April 2009) as the effective date for applying IAS 23 Borrowing Costs ('IAS 23').

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

y) Provisions

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

z) Foreign currencies

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

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

aa) Leases (the Group as lessee)

Leased assets

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

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

Lease payments

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

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

Determining whether an arrangement contains a lease

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

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

ab) Leases (the Group as lessor)

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

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

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

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

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:

a) The service charge

b) Repayment of the capital

c) The interest element (using the interest rate implicit in the contract)

Accounting Policies (continued)

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

Accounting Policies (continued)

shared between the entities under common control. There is no contractual arrangement in place to apportion the net defined benefit cost across the member entities. Accordingly, in line with the provisions of IAS 19, the total net defined benefit obligation is recognised in the individual financial statements of the sponsoring employer, the Corporation.

Unfunded pension schemes

Ex-gratia payments are made to certain employees on retirement in respect of service prior to the establishment of pension funds for those employees. Supplementary payments are made to the pensions of certain employees who retired prior to the index linking of pensions. The Group also augments the pensions of certain employees who retire early under voluntary severance arrangements. In addition, certain employees also accrue benefits under an unfunded pension arrangement. These unfunded pension liabilities are provided for in the balance sheet.

Defined contribution plans

Some employees are members of defined contribution plans. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the Comprehensive Income and Expenditure Statement in the periods during which services are rendered by employees.

Other employee benefits

Other short and long-term employee benefits, including holiday pay and long service leave, are recognised as an expense over the period in which they accrue.

af) Reserves

Reserves consist of two elements, usable and unusable. Usable reserves are those that can be applied to fund expenditure. They are made up of the General Fund, Earmarked Reserves, the Capital Grants Unapplied Account and the Street Works Reserve. Amounts in the Street Works Reserve represent the net income/expenditure generated from lane rental revenues. These net revenues may only be employed in funding the reduction of disruption and other adverse effects caused by street works.

Unusable reserves cannot be applied to fund expenditure as they are not cash backed. They include the Capital Adjustment Account, Pension Reserve, the Hedging Reserve, the Available for Sale Reserve, the Financial Instruments Adjustment Account, the Retained Earnings Reserve in subsidiaries and the fixed asset Revaluation Reserve.

ag) Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (grants, business rates etc.) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between TfL's operating segments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

ah) Financial instruments

Financial assets within the scope of IAS 39 Financial Instruments: Recognition and Measurement ('IAS 39') are classified as:

- Financial assets at fair value through the Comprehensive Income and Expenditure Statement; 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.

Accounting Policies (continued)

Available for sale financial assets
Available for sale financial assets are non-derivative financial assets that are designated as such or are not classified in any of the other categories. After initial recognition, interest is taken to the Comprehensive Income and Expenditure Statement using the effective interest rate method and the assets are measured at fair value with gains or losses being recognised in the Available for Sale Reserve until the investment is derecognised, or until the investment is deemed to be impaired at which time the cumulative gain or loss previously reported in reserves is included in the Comprehensive Income and Expenditure Statement.

Other investments
Other investments include short and long-term deposits with Government or financial institutions, including Money Market Fund investments and Repurchase Agreements. Short-term investments are classified as loans and receivables. Long-term investments quoted in an active market are classified as available for sale financial assets.

Trade and other receivables
Trade and other receivables are classified as loans and receivables financial assets and are recognised initially at fair value and subsequently at amortised cost. For trade receivables this is after an allowance for estimated impairment. The allowance is based on objective evidence that the Group will not be able to recover all amounts due, through a review of all accounts and prior experience of collecting outstanding balances. Changes in the carrying amount of the allowance are recognised in the Comprehensive Income and Expenditure Statement.

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits with an outstanding maturity, at the date of acquisition, of less than or equal to three months. Other investments with an outstanding maturity at the date of acquisition of less than or equal to three months are classified as short-term investments on the basis that they are not readily convertible to cash without penalty.

Cash equivalents are classified as loans and receivables financial instruments.

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

Accounting Policies (continued)

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.

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. These derivatives are carried on the balance sheet at fair value from inception of the host contract. Unrealised changes in fair value are recognised as gains/losses within the Comprehensive Income and Expenditure Statement during the period in which they arise.

1. Gross income

a) Group gross income

Year ended 31 March	2017 £m	% of total	2016 £m*	% of total*
Fares	4,365.7	80.9	4,258.4	80.5
Revenue in respect of free travel for the elderly and disabled	328.2	6.1	328.3	6.2
Congestion Charging	249.6	4.6	258.4	4.9
Charges to London Boroughs and Local Authorities	13.1	0.2	13.2	0.2
Charges to transport operators	13.4	0.2	10.8	0.2
Road Network compliance income	42.6	0.8	35.2	0.7
Commercial advertising receipts	142.1	2.6	120.1	2.3
Rents receivable	71.4	1.3	71.5	1.4
Contributions from third parties to operating costs	26.6	0.5	12.6	0.2
Taxi licensing	26.6	0.5	25.4	0.5
Ticket and photocard commission income	25.6	0.5	37.8	0.7
ATM and car parking income	17.2	0.3	15.9	0.3
Museum income	9.7	0.2	8.6	0.2
Training and specialist services	4.7	0.1	9.0	0.2
Cycle hire scheme	11.3	0.2	11.0	0.2
Other	51.4	1.0	72.4	1.3
	5,399.2	100.0	5,288.6	100.0

* Figures for 2015/16 have been restated to reflect the reclassification of £5.2m of sponsorship income related to the cycle hire scheme from cycle hire scheme income to commercial advertising receipts.

1. Gross income (continued)

b) Corporation gross income

	2017 £m	% of total	2016 £m	% of total
Congestion Charging	249.6	66.8	258.4	68.2
Charges to London Boroughs and Local Authorities	11.4	3.0	11.0	2.9
Road Network compliance income	42.6	11.4	35.2	9.3
Commercial advertising receipts	5.3	1.4	5.2	1.4
Rents receivable	1.6	0.4	2.9	0.8
Contributions from third parties to operating costs	3.3	0.9	2.5	0.7
Taxi licensing	26.6	7.1	25.4	6.7
Other	33.5	9.0	38.3	10.0
	373.9	100.0	378.9	100.0

c) Congestion charging

	Group and Corporation 2017 £m	Group and Corporation 2016 £m
Income	249.6	258.4
Toll facilities and traffic management	(74.8)	(84.4)
	174.8	174.0
Administration, support services and depreciation	(10.9)	(5.7)
Net income from Congestion Charging	163.9	168.3

The net revenues from the Congestion Charge are spent on improving transport in line with the Mayor's Transport Strategy.

1. Gross income (continued)

d) Street works

	Group and Corporation 2017 £m	Group and Corporation 2016 £m
Income	8.1	12.0
Allowable operating costs of managing the lane rental scheme	(1.6)	(1.8)
Application of Street Works Reserve to projects reducing the adverse effects caused by street works	(1.6)	(1.3)
Net income recognised within net cost of services	4.9	8.9
Allowable capital costs of managing the lane rental scheme	(0.8)	(1.8)
Net income for the year transferred to the Street Works Reserve	4.1	7.1

Under the London lane rental scheme, introduced in 2012, TfL receives payments where utilities carry out certain street works in circumstances significantly affecting traffic. The legislation (SI 2012/425) requires TfL to apply the net proceeds of these payments to reducing the adverse effects caused by street works. The net income shown above has been transferred to the Street Works Reserve.

2. Segmental analysis

Decisions taken by the Board about resource allocation are made using internal management reports which show the net cost of operations before financing. These management reports are presented on a segmental basis as shown below.

Year ended 31 March 2017

	London Underground £m	Buses £m	Rail £m	Roads £m	Other operations £m	Total per internal management reports £m	Central items £m	Total £m
Fares income	2,669.0	1,474.0	503.0	-	48.0	4,694.0	(0.1)	4,693.9
Other operating income	178.0	51.0	27.0	327.0	116.0	699.0	6.3	705.3
Gross income	2,847.0	1,525.0	530.0	327.0	164.0	5,393.0	6.2	5,399.2
Direct operating cost	(2,149.0)	(2,069.0)	(541.0)	(641.0)	(213.0)	(5,613.0)	74.1	(5,538.9)
Indirect operating cost	(417.0)	(70.0)	(33.0)	(78.0)	(14.0)	(612.0)	-	(612.0)
Depreciation and amortisation	(679.0)	(45.0)	(132.0)	(134.0)	(97.0)	(1,087.0)	4.0	(1,083.0)
Gross expenditure	(3,245.0)	(2,184.0)	(706.0)	(853.0)	(324.0)	(7,312.0)	78.1	(7,233.9)
Net cost of services	(398.0)	(659.0)	(176.0)	(526.0)	(160.0)	(1,919.0)	84.3	(1,834.7)

Year ended 31 March 2016 (restated)

	London Underground £m	Buses £m	Rail £m	Roads £m	Other operations £m	Total per internal management reports £m	Central items £m	Total £m
Fares income	2,559.0	1,526.0	473.0	-	29.0	4,587.0	(0.3)	4,586.7
Other operating income	173.0	42.0	27.0	329.0	126.0	697.0	4.9	701.9
Gross income	2,732.0	1,568.0	500.0	329.0	155.0	5,284.0	4.6	5,288.6
Direct operating cost	(2,284.0)	(2,075.0)	(530.0)	(666.0)	(204.0)	(5,759.0)	61.1	(5,697.9)
Indirect operating cost	(417.0)	(70.0)	(34.0)	(83.0)	(15.0)	(619.0)	-	(619.0)
Depreciation and amortisation	(680.0)	(37.0)	(128.0)	(181.0)	(97.0)	(1,123.0)	3.7	(1,119.3)
Gross expenditure	(3,381.0)	(2,182.0)	(692.0)	(930.0)	(316.0)	(7,501.0)	64.8	(7,436.2)
Net cost of services	(649.0)	(614.0)	(192.0)	(601.0)	(161.0)	(2,217.0)	69.4	(2,147.6)

2. Segmental analysis (continued)

The segmental analysis is prepared using internal management reporting accounting methodologies. In some cases, these methodologies are different from the accounting policies used in the financial statements. Differences between the methodologies are collectively referred to as "Central items" and are explained below:

- The cost of retirement benefits in the management reports is based on cash flows rather than the current service costs of benefits accrued in the year.
- The capital elements (i.e. capital repayment and financing costs) relating to PFI contracts are included in the management reports in net operating expenditure but they are not included in net cost of services in the Comprehensive Income and Expenditure Statement.
- Certain items which do not fit into any of the reporting segments are known internally as 'other Central items'. Other Central items are reported separately to management and are not included in the segmental analysis.

A reconciliation of amounts reported per internal management reports to those included in these statutory financial statements is included in the analyses below.

Reconciliation of net cost of services per internal management reports to net cost of services per the Comprehensive Income and Expenditure Statement for the year ended 31 March 2017

	Gross income £m	Gross expenditure £m	Net cost of services £m
Net cost of services per internal management reports	5,393.0	(7,312.0)	(1,919.0)
Central items:			
Amounts included in the Comprehensive Income and Expenditure Statement not reported in management reports			
Pension service costs (note 32)	-	(364.6)	(364.6)
Other Central items	6.2	5.5	11.7
	6.2	(359.1)	(352.9)
Amounts included in management reports not reported in the Comprehensive Income and Expenditure Statement			
Capital and interest payments under the PFI schemes	-	120.9	120.9
Pension payments charged to operating costs	-	316.3	316.3
	-	437.2	437.2
Net cost of services per the Comprehensive Income and Expenditure Statement	5,399.2	(7,233.9)	(1,834.7)

2. Segmental analysis (continued)

Reconciliation of net cost of services per internal management reports to net cost of services per the Comprehensive Income and Expenditure Statement for the year ended 31 March 2016 (restated)

	Gross income £m	Gross expenditure £m	Net cost of services £m
Net cost of services per internal management reports	5,284.0	(7,501.0)	(2,217.0)
Central items:			
Amounts included in the Comprehensive Income and Expenditure Statement not reported in management accounts			
Pension service costs (note 32)	-	(381.0)	(381.0)
Other Central items	4.6	37.8	42.4
	4.6	(343.2)	(338.6)
Amounts included in management reports not reported in the Comprehensive Income and Expenditure Statement			
Capital and interest payments under the PFI schemes	-	118.0	118.0
Pension payments charged to operating costs	-	290.0	290.0
	-	408.0	408.0
Net cost of services per the Comprehensive Income and Expenditure Statement	5,288.6	(7,436.2)	(2,147.6)

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 2017 £m**	Group 2016 £m	**Corporation 2017 £m**	Corporation 2016 £m
Staff costs:					
Wages and salaries*		**1,436.6**	1,423.8	**331.5**	291.1
Social security costs		**161.7**	135.8	**34.2**	27.9
Pension costs	32	**365.6**	382.4	**101.1**	153.8
		1,963.9	1,942.0	**466.8**	472.8
Other service expenditure **		**4,187.0**	4,374.9	**423.9**	468.1
Depreciation	12	**1,017.5**	1,057.3	**131.7**	186.2
Amortisation of software intangibles	11	**65.5**	62.0	**37.1**	27.8
		7,233.9	7,436.2	**1,059.5**	1,154.9

*Wages and salaries include amounts provided for the cost of voluntary severance.

**Included in the Corporation's other service expenditure is £195.2m (2015/16 £177.0m) relating to financial assistance to London Boroughs and other third parties (see note 39 for detailed analysis). Other service expenditure also includes payments made under operating leases for the year of £104.1m for the Group (2015/16 £98.7m) and of £24.5m (2015/16 £24.8m) for the Corporation.

The average number of persons employed in the year was:

	Group 2017 Number	Group 2016 Number	**Corporation 2017 Number**	Corporation 2016 Number
Permanent staff (including fixed term contracts)	**27,131**	27,501	**5,810**	5,501
Agency staff	**2,679**	2,882	**861**	859
	29,810	30,383	**6,671**	6,360

4. External audit fees

External audit fees are made up as follows:

	Group 2017 £m	Group 2016 £m	**Corporation 2017 £m**	Corporation 2016 £m
Auditor's remuneration:				
for statutory audit services	**1.0**	0.9	**0.2**	0.2
for non-statutory audit services	**0.1**	-	**0.1**	-
for non-audit services *	**0.2**	-	**-**	-
	1.3	0.9	**0.3**	0.2

*The Audit and Assurance Committee reviews and notes the nature and extent of non-audit services provided by TfL's external auditor to ensure that independence is maintained.

5. Remuneration

Disclosures in respect of the remuneration of employees (including senior employees) and of termination payments made during the year may be found in the Remuneration Report on pages 70 to 103 of the Annual Report and Financial Statements.

6. Other operating expenditure

	Group 2017 £m	Group 2016 £m	Corporation 2017 £m	Corporation 2016 £m
Net loss on disposal of property, plant and equipment	(13.8)	(46.1)	(1.3)	(25.5)
Net loss on disposal of intangibles	-	(0.1)	-	(0.1)
Total other operating expenditure	(13.8)	(46.2)	(1.3)	(25.6)

7. Financing and investment income

	Note	Group 2017 £m	Group 2016 £m	Corporation 2017 £m	Corporation 2016 £m
Interest income on bank deposits and other investments		9.4	19.3	9.2	18.9
Realised exchange gain on foreign currency investments		-	6.3	-	6.3
Interest income on loans to subsidiaries		-	-	315.5	304.1
Change in fair value of investment properties	13	29.5	50.0	0.7	0.1
Net gain on disposal of investment properties		7.7	5.4	0.9	0.1
Interest receivable on finance lease debtors		0.1	-	-	-
Dividends receivable from subsidiaries		-	-	-	18.0
Other investment income		-	0.6	-	0.4
		46.7	81.6	326.3	347.9

8. Financing and investment expenditure

	Note	Group 2017 £m	Group 2016 £m	Corporation 2017 £m	Corporation 2016 £m
Interest payable on loans and derivatives		371.4	368.3	340.3	338.2
Interest payable on finance lease liabilities		41.3	46.5	7.3	7.8
Contingent rentals on PFI contracts		17.1	16.6	8.7	8.2
Net interest on defined benefit obligation	32	110.5	91.9	110.1	91.3
Other financing and investment expenditure		1.6	1.6	1.1	1.0
		541.9	524.9	467.5	446.5
Less: amounts capitalised into qualifying assets	12	(108.6)	(106.2)	-	-
		433.3	418.7	467.5	446.5

9. Grant income

	Group 2017 £m	Group 2016 £m	Corporation 2017 £m	Corporation 2016 £m
Non ring-fenced resource grant from the DfT used to fund operations	311.2	40.9	311.2	40.9
Non ring-fenced Business Rates Retention from the GLA used to fund operations	854.3	772.5	854.3	772.5
Other revenue grant received	19.6	28.9	19.6	28.9
Council tax precept	6.0	6.0	6.0	6.0
Total grants allocated to revenue	1,191.1	848.3	1,191.1	848.3
Non ring-fenced resource grant from the DfT used to fund capital	163.2	715.4	163.2	715.4
Investment grant from the DfT used to fund capital	944.0	925.0	944.0	925.0
Ring-fenced grant used to fund capital expenditure relating to Crossrail	-	800.0	-	800.0
Business Rate Supplement levied to fund capital expenditure relating to Crossrail	-	9.0	-	9.0
Community Infrastructure Levy used to fund capital expenditure	148.3	123.3	148.3	123.3
Other capital grants and contributions received	213.4	89.9	189.7	47.0
Total grants allocated to capital	1,468.9	2,662.6	1,445.2	2,619.7
Total grants	2,660.0	3,510.9	2,636.3	3,468.0

Allocation of capital grants

	Group 2017 £m	Group 2016 £m	Corporation 2017 £m	Corporation 2016 £m
Capital grant funding of subsidiaries	-	-	994.9	848.5
Applied capital grants (note 34)	2,633.2	3,637.4	1,614.6	2,746.0
Transfer from unapplied capital grants (note 36)	(1,164.3)	(974.8)	(1,164.3)	(974.8)
Total capital grants	1,468.9	2,662.6	1,445.2	2,619.7

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 (2015/16 20 per cent) comprised:

	Group 2017 £m	Group 2016 £m
UK Corporation Tax - current year charge	0.1	-
UK Corporation Tax - adjustments in respect of prior years	(6.6)	(2.2)
Total tax income for the year	(6.5)	(2.2)

Reconciliation of tax income

	Group 2017 £m	Group 2016 £m
Surplus on the provision of services before tax	320.1	1,005.9
Surplus on the provision of services before tax multiplied by standard rate of Corporation Tax in the UK of 20% (2015/16 20%)	64.0	201.2
Effects of:		
Non-taxable income	(41.9)	(38.9)
Permanent difference in TfL Corporation	8.1	(180.7)
Amount charged to current tax for which no deferred tax was recognised	1.9	23.3
Tax losses carried forward for which no deferred tax was recognised	-	4.0
Utilisation of tax losses carried forward for which no deferred tax was recognised	(33.7)	(9.2)
Overseas earnings	1.7	0.3
Adjustments in respect of prior years	(6.6)	(2.2)
Total tax income for the year	(6.5)	(2.2)

10. Taxation (continued)

b) Unrecognised deferred tax assets
The Group has a potential net deferred tax asset of £1,443.1m (2016 £1,500.2m) in respect of the following items:

	Group 2017 £m	Group 2016 £m
Deductible temporary differences	572.0	541.6
Tax losses	871.1	958.6
Unrecognised deferred tax asset	1,443.1	1,500.2

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:

For the year ended 31 March 2017	Balance at 1 April 2016 £m	Movement in period £m	**Balance at 31 March 2017 £m**
Deferred tax assets			
Property, plant and equipment	42.6	14.6	57.2
Derivative financial instruments	35.3	(12.1)	23.2
Total	77.9	2.5	80.4
Deferred tax liabilities			
Investment properties	(77.9)	(0.2)	(78.1)
Assets held for sale	-	(2.3)	(2.3)
Total	(77.9)	(2.5)	(80.4)
Net deferred tax asset/(liability)	-	-	-

10. Taxation (continued)

c) Movement in recognised deferred tax assets and liabilities during the year (continued)

For the year ended 31 March 2016	Balance at 1 April 2015 £m	Movement in period £m	Balance at 31 March 2016 £m
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)	-	-	-

The key movements in the period were due to the following:

- The deferred tax liability arising on investment properties, including those classified as assets held for sale, has increased due to the revaluation uplift recognised during the year.
- The property, plant and equipment deferred tax asset has changed in the period due to assets acquired in the year, movements in the market value of assets held and capital allowances claimed.
- Included in the deferred tax balances for property, plant and equipment and investment properties is the deferred tax movement on revaluation losses of £3.8m recognised in Other Comprehensive Income.
- The deferred tax asset arising in respect of derivative financial instruments has fallen due to movement in the fair value of derivatives.

The Corporation Tax rate was reduced from 21 per cent to 20 per cent on 1 April 2015. On 18 November 2015, further legislation was enacted setting the Corporation Tax rate at 19 per cent for the years starting 1 April 2017, 2018 and 2019. In September 2016, the main rate of Corporation Tax was further reduced to 17 per cent from 1 April 2020. As the Group's deferred tax balances are not expected to be settled until after April 2020 deferred tax balances at 31 March 2017 have therefore been calculated at the enacted rate of 17 per cent.

No deferred tax asset has been recognised on the Corporation's pension deficit of £5,331.5m as the principal employer is not a taxpaying entity. Future tax deductions for some contributions will be made in the taxable entities, however, as at 31 March 2017, no deferred tax assets have been recognised in these entities.

11. Intangible assets

a) Group intangible assets

	Note	Software costs £m	Intangible assets under construction £m	Goodwill £m	Total £m
Cost					
At 1 April 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
Additions		**26.5**	**2.0**	**-**	**28.5**
Net transfers from property, plant and equipment	12	**14.8**	**39.5**	**-**	**54.3**
Transfers between asset classes		**41.9**	**(41.9)**	**-**	**-**
Disposals		**(15.0)**	**-**	**-**	**(15.0)**
At 31 March 2017		**458.5**	**2.9**	**349.2**	**810.6**
Amortisation and impairment					
At 1 April 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
Amortisation charge for the year	3	**65.5**	**-**	**-**	**65.5**
Disposals		**(15.0)**	**-**	**-**	**(15.0)**
At 31 March 2017		**321.3**	**-**	**349.2**	**670.5**
Net book value at 31 March 2017		**137.2**	**2.9**	**-**	**140.1**
Net book value at 31 March 2016		119.5	3.3	-	122.8

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 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
Additions		**21.1**	**0.2**	**21.3**
Net transfers from property, plant and equipment	12	**13.3**	**39.5**	**52.8**
Transfers between asset classes		**39.9**	**(39.9)**	**-**
Disposals		**(14.1)**	**-**	**(14.1)**
At 31 March 2017		**276.6**	**0.2**	**276.8**
Amortisation and impairment				
At 1 April 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
Amortisation charge for the year	3	**37.1**	**-**	**37.1**
Disposals		**(14.0)**	**-**	**(14.0)**
At 31 March 2017		**177.4**	**-**	**177.4**
Net book value at 31 March 2017		**99.2**	**0.2**	**99.4**
Net book value at 31 March 2016		62.1	0.4	62.5

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 2017 comprised the following elements:

	Note	Infrastructure and office buildings £m	Rolling stock £m	Plant and equipment £m	Assets under construction £m	Total £m
Cost or valuation						
At 1 April 2016		30,263.9	5,210.6	1,742.1	12,064.0	49,280.6
Additions		205.2	4.9	95.7	3,235.1	3,540.9
Transfers to intangible assets	11	-	-	(13.7)	(40.6)	(54.3)
Disposals		(138.4)	(3.9)	(42.6)	-	(184.9)
Transfers to investment properties	13	(13.5)	-	-	-	(13.5)
Transfers between asset classes		1,305.4	32.2	82.1	(1,419.7)	-
Revaluation		(9.5)	-	-	-	(9.5)
At 31 March 2017		31,613.1	5,243.8	1,863.6	13,838.8	52,559.3
Depreciation						
At 1 April 2016		11,846.0	1,963.3	1,068.7	-	14,878.0
Depreciation charge for the year	3	671.9	133.4	212.2	-	1,017.5
Disposals		(127.2)	(1.0)	(41.2)	-	(169.4)
Transfers between asset classes		22.0	-	(22.0)	-	-
Revaluation		(5.7)	-	-	-	(5.7)
At 31 March 2017		12,407.0	2,095.7	1,217.7	-	15,720.4
Net book value at 31 March 2017		19,206.1	3,148.1	645.9	13,838.8	36,838.9
Net book value at 31 March 2016		18,417.9	3,247.3	673.4	12,064.0	34,402.6

12. Property, plant and equipment (continued)

b) 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
Net transfers to intangible assets	11	-	-	(6.1)	(2.4)	(8.5)
Disposals		(718.4)	(238.0)	(40.4)	-	(996.8)
Transfers to investment property	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

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 £108.6m (2016 £106.2m). The cumulative borrowing costs capitalised are £411.9m (2016 £303.3m).

At 31 March 2017, the Group had capital commitments which are contracted for but not provided for in the financial statements amounting to £2,854.6m (2016 £4,060.4m).

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	403.2	39.1	16.7	459.0
Other leased assets	-	157.0	-	157.0
	403.2	196.1	16.7	616.0
Net book value at 31 March 2017	562.1	256.9	-	819.0
Net book value at 31 March 2016	593.1	271.0	-	864.1

d) Depreciation charge
The total depreciation charge for the Group for the year comprised:

	2017 £m	2016 £m
Depreciation of owned assets	972.4	1,011.8
Depreciation of assets held under PFI	33.2	33.2
Depreciation of assets held under other leases	11.9	12.3
Total depreciation	1,017.5	1,057.3

12. Property, plant and equipment (continued)

e) Group office buildings
The fair value of office buildings at 31 March 2017 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 (2015/16 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 2017 was £313.3m (2016 £342.8m) and the depreciated historic cost value was £32.5m (2016 £33.6m). A related revaluation loss for the year of £3.8m (2015/16 a gain of £108.0m) 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 2017, the latest available insurance value for the collection was £36.5m (2016 £25.5m). The net book value of these assets at 31 March 2017 was £nil (2016 £nil).

12. Property, plant and equipment (continued)

g) Corporation property, plant and equipment at 31 March 2017 comprised the following elements:

	Note	Infrastructure and office buildings £m	Plant and equipment £m	Assets under construction £m	Total £m
Cost or valuation					
At 1 April 2016		4,817.8	207.5	1,030.4	6,055.7
Additions		150.7	6.5	107.2	264.4
Net transfers to intangible assets	11	-	(13.3)	(39.5)	(52.8)
Transfers between asset classes		66.1	40.2	(106.3)	-
Disposals		(44.1)	(40.0)	-	(84.1)
At 31 March 2017		4,990.5	200.9	991.8	6,183.2
Depreciation					
At 1 April 2016		2,158.7	145.9	-	2,304.6
Depreciation charge for the year	3	105.8	25.9	-	131.7
Disposals		(44.2)	(38.8)	-	(83.0)
At 31 March 2017		2,220.3	133.0	-	2,353.3
Net book value at 31 March 2017		2,770.2	67.9	991.8	3,829.9
Net book value at 31 March 2016		2,659.1	61.6	1,030.4	3,751.1

12. Property, plant and equipment (continued)

h) 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
Transfers from 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

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 (2016 £nil). The cumulative borrowing costs capitalised are also £nil (2016 £nil).

At 31 March 2017, the Corporation had capital commitments which are contracted for but not provided for in the financial statements amounting to £129.1m (2016 £121.2m).

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 2017, of £4.9m (2016 £4.9m) and a depreciated net book value of £1.0m (2016 £1.9m).

	Infrastructure and office buildings £m	Plant and equipment £m	Total £m
Gross cost			
PFI assets	**209.1**	**16.7**	**225.8**
Depreciation			
PFI assets	**85.7**	**16.7**	**102.4**
Net book value at 31 March 2017	**123.4**	**-**	**123.4**
Net book value at 31 March 2016	126.1	-	126.1

j) Depreciation charge
The total depreciation charge for the Corporation for the year comprised:

	2017 £m	2016 £m
Depreciation of owned assets	129.0	183.6
Depreciation of assets held under PFI	2.7	2.6
Total depreciation	131.7	186.2

k) Corporation office buildings
The Corporation did not have any office buildings.

13. Investment properties

	Note	Group £m	Corporation £m
Valuation			
At 1 April 2015		437.8	16.2
Additions		5.1	-
Transfers from property, plant and equipment		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
Additions		**16.0**	**-**
Transfers to assets held for sale	19	**(15.0)**	**(1.5)**
Transfers from property, plant and equipment	12	**13.5**	**-**
Disposals		**(3.7)**	**(1.4)**
Fair value adjustments	7	**29.5**	**0.7**
At 31 March 2017		**558.0**	**10.8**

The fair value of the Group's investment properties at 31 March 2017 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 (2015/16 none).

Properties are valued in accordance with the RICS Valuation – Professional Standards UK January 2014 (revised April 2015) published by the Royal Institution of Chartered Surveyors. Properties with a carrying value in excess of £5,000,000 are valued annually. Properties with a value in excess of £250,000 but less than £5,000,000 are revalued every three years. Properties with a value in excess of £100,000 but less than £250,000 are revalued every five years. Between formal valuations fair values are adjusted by the application of annual indexation.

14. Investments in subsidiaries

	Corporation 2017 £m	Corporation 2016 £m
At 1 April	7,262.5	5,432.5
Investments in year	1,300.0	1,830.0
At 31 March	**8,562.5**	7,262.5

During the year, the Corporation increased its investment in the ordinary share capital of Transport Trading Limited (TTL) by £1,300.0m (2015/16 £1,830.0m). TTL subsequently increased its investment in the ordinary share capital of Crossrail Limited by the same amount.

14. Investments in subsidiaries (continued)

The Group's subsidiaries are:

Subsidiaries	Principal activity
City Airport Rail Enterprises Limited	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
Rail for London (Infrastructure) Limited	Maintenence of overground rail lines
TfL Trustee Company Limited	Pension Fund Trustee
Tramtrack Croydon Limited	Passenger transport by tram
Transport for London Finance Limited	Manages financial risk of the Group
Transport Trading Limited	Holding company
TTL 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. During 2015/16 the Group invested share capital and non-interest bearing loans totalling £447.1m into ECP. The loan notes are non-interest bearing and have no fixed repayment date. They have therefore been treated in these financial statements as an investment in the equity of ECP. No further amounts have been invested in 2016/17.

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 2016 have been used, and appropriate adjustments made for the effects of significant transactions between that date and 31 March 2017.

Summarised financial information in respect of the Group's investment in ECP is set out below:

Balance sheet of Earls Court Partnership Limited at the 100 per cent level

	Group 2017 £m	Group 2016 £m
Short-term assets	5.9	27.8
Long-term assets	1,035.0	1,285.7
Short-term liabilities	(6.7)	(6.1)
Long-term liabilities	(39.1)	(29.1)

Reconciliation of net assets to amounts included in the consolidated Group accounts

	Group 2017 £m	Group 2016 £m
Net assets at 100 per cent	995.1	1,278.3
Percentage held by the TfL Group	37%	37%
Carrying amount of the Group's equity interest in Earls Court Partnership Limited	368.2	473.0

15. Investment in associated undertakings (continued)

Group share of comprehensive income and expenditure of Earls Court Partnership Limited

	Group 2017 £m	Group 2016 £m
Group share of (loss)/profit from continuing operations	(104.8)	25.9
Group share of other comprehensive income	-	-
Total Group share of comprehensive income and expenditure for the year	(104.8)	25.9

16. Finance lease receivables

a) Group finance lease receivables
The Group leases certain items of plant and equipment related to its media activities to a third party under a finance lease arrangement.

Finance lease receivables on the balance sheet are calculated as the present value of minimum lease payments outstanding. Interest is accrued at a rate of 6.29 per cent per annum.

	Group 2017 £m	Group 2016 £m
Principal outstanding		
Short-term	0.9	-
Long-term	3.5	-
	4.4	-

17. Inventories

	Group 2017 £m	Group 2016 £m
Raw materials and consumables	70.2	69.4
Goods held for resale	1.5	1.2
	71.7	70.6

	Corporation 2017 £m	Corporation 2016 £m
Raw materials and consumables	0.8	2.2

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 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
Purchases in the year	82.7	0.1
Recognised as an expense in the year:		
Consumed in the year	(80.5)	(1.5)
Goods sold in the year	(1.3)	-
Net write-backs in the year	0.2	-
Balance at 31 March 2017	71.7	0.8

18. Debtors

	Group 2017 £m	Group 2016 £m
Short-term		
Trade debtors	138.5	162.8
Capital debtors	9.8	41.9
Other debtors	1,319.2	690.4
Other tax and social security	81.2	97.1
Grant debtors	65.2	69.5
Amounts due relating to sale of non-current assets	-	7.4
Interest debtors	0.3	2.4
Accrued income	85.4	21.8
Prepayments for goods and services	120.6	169.1
	1,820.2	1,262.4
Long-term		
Other debtors	8.9	661.0
Prepayments for goods and services	16.9	30.8
	25.8	691.8

Short and long-term other debtors include funds totalling £1,268.2m (2016 £1,285.4m) advanced to Network Rail Infrastructure Limited to provide interim financing for the construction of assets related to the Crossrail project. £17.2m was repaid during 2016/17 (£453.4m advanced in 2015/16). The receivable is non-interest bearing and has been discounted to its fair value of £1,264.8m (2016 £1,277.5m) using a discount rate of 0.633 per cent (2016 0.633 per cent). It is repayable in six equal instalments with the final instalment falling due on 30 September 2017.

18. Debtors (continued)

	Corporation 2017 £m	Corporation 2016 £m
Short-term		
Trade debtors	18.0	22.1
Amounts due from subsidiary companies	618.8	542.6
Capital debtors	4.6	4.2
Other debtors	2.6	3.7
Other tax and social security	8.7	11.3
Grant debtors	60.5	65.2
Interest debtors	0.3	2.4
Accrued income	72.5	5.5
Prepayments for goods and services	23.0	78.3
	809.0	735.3
Long-term		
Loans made to subsidiary companies	9,369.3	8,688.8
Other debtors	0.2	0.3
Prepayments for goods and services	2.8	3.4
	9,372.3	8,692.5

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 2017 was 3.9 per cent (2016 4.0 per cent).

19. Assets held for sale

	Note	Group £m	Corporation £m
Balance at 1 April 2015		375.7	-
Disposals:		-	-
Investment properties		(375.7)	-
Balance at 31 March 2016		-	-
Assets newly classified as held for sale			
Investment properties	13	15.0	1.5
Balance at 31 March 2017		15.0	1.5

As at 31 March 2017, certain development sites and surplus land were being actively marketed for sale. Disposals are expected to complete within the next 12 months.

20. Other investments

	Group 2017 £m	Group 2016 £m
Short-term		
Investments held at amortised cost	1,751.2	3,162.3

	Corporation 2017 £m	Corporation 2016 £m
Short-term		
Investments held at amortised cost	1,741.5	3,146.3

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.

21. Cash and cash equivalents

	Group 2017 £m	Group 2016 £m
Cash at bank	187.1	129.1
Cash in hand and in transit	23.1	23.0
	210.2	152.1

	Corporation 2017 £m	Corporation 2016 £m
Cash at bank	81.8	19.6

22. Creditors

	Group 2017 £m	Group 2016 £m
Short-term		
Trade creditors	157.0	190.8
Accrued interest	98.4	96.7
Capital works	650.1	641.4
Retentions on capital contracts	6.3	8.0
Capital grants received in advance	99.1	66.2
Wages and salaries	99.9	126.5
Other taxation and social security creditors	44.0	57.6
Receipts in advance for travelcards, bus passes and Oyster cards	426.1	411.4
Other deferred income	57.9	53.5
Accruals and other payables	507.8	535.8
	2,146.6	2,187.9
Long-term		
Trade creditors	8.0	8.4
Capital grants received in advance	3.8	3.4
Retentions on capital contracts	13.2	35.1
Other deferred income	23.6	24.9
Accruals and other payables	7.9	8.0
	56.5	79.8

22. Creditors (continued)

	Corporation 2017 £m	Corporation 2016 £m
Short-term		
Trade creditors	28.3	65.6
Accrued interest	93.6	92.2
Capital works	71.4	91.4
Retentions on capital contracts	-	0.2
Capital grants received in advance	93.4	54.7
Amounts due to subsidiary companies	162.0	100.2
Wages and salaries	19.2	17.1
Other taxation and social security creditors	2.9	4.5
Other deferred income	14.2	11.5
Accruals and other payables	154.2	155.1
	639.2	592.5
Long-term		
Capital grants received in advance	3.8	3.4
Other deferred income	12.4	16.4
	16.2	19.8

23. Borrowings and overdrafts

	Group 2017 £m	Group 2016 £m
Short-term		
Borrowings	1,105.7	832.1
Long-term		
Borrowings	8,689.6	8,281.0

	Corporation 2017 £m	Corporation 2016 £m
Short-term		
Borrowings	1,105.7	832.1
Long-term		
Borrowings	8,696.8	8,288.8

Further information about the maturity and interest rate profiles of the Group and Corporation's borrowings is provided in note 31 (Funding and financial risk management).

In May 2015, TfL signed a £500m 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 2017, TfL had drawn down £250m and fixed the interest rates and repayment dates for a further £100m to be drawn down in 2017/18.

In June 2015, TfL also entered into a new £1bn 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. TfL drew down £500m under this facility in 2016/17 and has fixed the interest rates and repayment dates for a number of tranches totalling £400m to be drawn between 2017/18 and 2018/19.

A further £500m 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.

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.

24. Finance lease liabilities

a) Group finance lease liabilities
The Group holds a proportion of its property, plant and equipment under finance lease arrangements as outlined in note 12.

Finance lease liabilities on the balance sheet are calculated as the present value of minimum lease payments outstanding.

	Minimum lease payments £m	Interest £m	Principal (present value of minimum lease payments) £m
At 31 March 2017			
Not later than one year	112.1	(35.4)	76.7
Later than one year but not later than two years	100.5	(30.7)	69.8
Later than two years but not later than five years	236.6	(67.6)	169.0
Later than five years	327.4	(78.1)	249.3
	776.6	(211.8)	564.8
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

	2017 £m	2016 £m
Principal outstanding		
Short-term	76.7	94.3
Long-term	488.1	564.8
	564.8	659.1

24. Finance lease liabilities (continued)

b) Corporation finance lease liabilities
The Corporation holds a proportion of its property, plant and equipment under finance lease arrangements as outlined in note 12.

Finance lease liabilities on the balance sheet are calculated as the present value of minimum lease payments outstanding.

	Minimum lease payments £m	Interest £m	Principal (present value of minimum lease payments) £m
At 31 March 2017			
Not later than one year	18.2	(6.8)	11.4
Later than one year but not later than two years	17.0	(6.2)	10.8
Later than two years but not later than five years	45.5	(15.8)	29.7
Later than five years	119.9	(18.3)	101.6
	200.6	(47.1)	153.5
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

	2017 £m	2016 £m
Principal outstanding		
Short-term	11.4	11.1
Long-term	142.1	153.5
	153.5	164.6

25. 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.
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.

25. Private finance initiative contracts (continued)

Contract	Contract dates	Description
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.

PFI finance lease liabilities
The following PFI finance lease liabilities are included within total finance lease liabilities in note 24.

	Group 2017 £m	Group 2016 £m	**Corporation 2017 £m**	Corporation 2016 £m
At 1 April	**363.5**	430.8	**162.7**	172.6
Payments	**(90.3)**	(90.5)	**(17.2)**	(17.4)
Interest	**19.3**	23.2	**7.1**	7.5
At 31 March	292.5	363.5	152.6	162.7

25. Private finance initiative contracts (continued)

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 2017				
Less than 1 year	**15.2**	**57.7**	**86.3**	**159.2**
Between 2 to 5 years	**31.0**	**133.1**	**210.2**	**374.3**
Between 6 to 10 years	**16.4**	**75.3**	**162.5**	**254.2**
Between 11 to 15 years	**1.9**	**26.4**	**76.0**	**104.3**
	64.5	**292.5**	**535.0**	**892.0**
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

25. Private finance initiative contracts (continued)

Corporation
Amounts payable under the PFI arrangements cover payments for repayment of capital, payments of interest and payment of service charges. The total amount payable breaks down as follows:

	Payments of interest £m	Repayment of capital £m	Payments for service charges £m	Total amount payable under non-cancellable PFI arrangements £m
At 31 March 2017				
Less than 1 year	6.6	10.5	18.9	36.0
Between 2 to 5 years	22.0	40.5	90.1	152.6
Between 6 to 10 years	16.4	75.2	161.8	253.4
Between 11 to 15 years	1.9	26.4	76.0	104.3
	46.9	152.6	346.8	546.3
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

26. Derivative financial instruments

Group cash flow hedges

	Fair value 2017 £m	Notional amount 2017 £m	Fair value 2016 £m	Notional amount 2016 £m
Long-term assets				
Interest rate swaps	5.7	96.0	-	-
Foreign currency forward contracts	12.5	92.1	7.1	129.6
	18.2	188.1	7.1	129.6
Short-term assets				
Foreign currency forward contracts	12.3	234.5	5.1	137.2
Short-term liabilities				
Interest rate swaps	2.9	250.0	-	-
Foreign currency forward contracts	0.7	201.6	21.3	769.1
	3.6	451.6	21.3	769.1
Long-term liabilities				
Interest rate swaps	77.2	581.5	94.9	830.7
Foreign currency forward contracts	2.0	93.5	-	-
	79.2	675.0	94.9	830.7

The Corporation has not entered into any derivative financial instrument contracts.

27. Provisions

a) Group provisions

	At 1 April 2016 £m	Payments in the year £m	Charge for the year £m	Releases in the year £m	At 31 March 2017 £m
Compensation and contractual	80.2	(44.8)	38.9	(12.4)	**61.9**
Capital investment activities	120.6	(26.8)	11.5	(6.1)	**99.2**
Environmental harm	1.4	-	-	-	**1.4**
Severance and other	64.9	(39.7)	51.4	(1.2)	**75.4**
	267.1	(111.3)	101.8	(19.7)	**237.9**

	2017 £m	2016 £m
Due		
Short-term	**194.3**	220.7
Long-term	**43.6**	46.4
At 31 March	**237.9**	267.1

27. Provisions (continued)

b) Corporation provisions

	At 1 April 2016 £m	Payments in the year £m	Charge for the year £m	Releases in the year £m	At 31 March 2017 £m
Compensation and contractual	17.4	(5.4)	17.5	(10.2)	**19.3**
Capital investment activities	120.6	(26.8)	11.5	(6.1)	**99.2**
Severance and other	1.6	(0.4)	27.2	(0.2)	**28.2**
	139.6	(32.6)	56.2	(16.5)	**146.7**

	2017 £m	2016 £m
Due		
Short-term	**113.4**	101.9
Long-term	**33.3**	37.7
At 31 March	**146.7**	139.6

c) Nature of provisions
Compensation and contractual
The Group has provisions for expected compensation and contractual claims that arise in respect of disputes arising in the ordinary course of business. The provisions recorded 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.

27. Provisions (continued)

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.

28. Contingencies

There are a number of uncertainties surrounding projects, including claims in the course of negotiations, which may affect the Group's financial performance. Where claims are possible but not probable, or unquantifiable, such claims are treated as contingent liabilities. Contingent liabilities are not recognised in the financial statements, but are monitored to ensure that, where a possible obligation has become probable or a transfer of economic benefits has become probable, a provision is made.

The impact of these contingent liabilities on the Group's financial performance, liquidity or financial position is not considered to be material.

29. Guarantees

Section 160 of the Greater London Authority Act 1999 (the GLA act) sets out the conditions under which TfL may give certain guarantees, indemnities or similar arrangements. Under section 161 of the GLA Act TfL is obliged to disclose in its annual report details of all guarantees etc. so given.

TfL and its subsidiaries have entered into joint and several guarantees in favour of HSBC Bank plc as security for any bank indebtedness outstanding from time to time. TfL has also separately guaranteed any liabilities owing to HSBC Bank plc by its subsidiary, Crossrail Limited.

TfL has given guarantees in respect of some of its subsidiary companies' contracts. The amount that could be payable by TfL under the guarantees (as described below) varies depending on a number of factors, including, inter alia, responsibility for the costs arising from an early termination of the underlying contract, which are not known before the event. For information only, the approximate maximum amounts of debt that were envisaged to be drawn by the counterparty at the signing of the agreements are disclosed below. For the avoidance of doubt, these amounts do not represent the amounts that could be payable by TfL under the guarantees but are shown here to give an indication of the relative size of each contract.

	Estimated maximum debt drawn by counterparty at start of contract £m
Agreement with CityLink Telecommunications Ltd	502
Agreements with QW Rail Leasing Ltd	380
Agreement with London Rail Leasing Ltd	55
Agreement with Pittville Leasing Limited	51
Agreement with Lombard North Central Plc	7
Agreement with APSLL	4

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.

29. Guarantees (continued)

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 2017 is £52.3m (2016 £104.0m).

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 2017 the fair value of all financial guarantees granted has been recorded as £nil (2016 £nil).

30. Financial commitments

a) Operating leases – The Group as lessee
The Group operating lease agreements primarily relate to office space, motor vehicles and rail access. All leases have been entered into on commercial terms.

The Group is committed to the following future minimum lease payments under non-cancellable operating leases:

	Land and buildings £m	Rail access £m	Motor vehicles £m	Rolling stock £m	Total £m
At 31 March 2017					
Within one year	52.1	13.0	3.2	26.6	94.9
Between one and two years	42.2	11.8	2.2	40.6	96.8
Between two and five years	98.6	26.2	2.1	115.0	241.9
Later than five years	456.3	21.0	-	373.2	850.5
	649.2	72.0	7.5	555.4	1,284.1
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

30. Financial commitments (continued)

b) Operating leases – The Group as lessor
The Group leases out commercial, retail and office property, rail access and land that it holds as a result of its infrastructure holdings.

At the balance sheet date, the Group had contracted with customers for the following future minimum lease payments:

	Land and buildings £m	Rail access £m	Motor vehicles £m	Total £m
At 31 March 2017				
Within one year	55.5	9.4	0.1	65.0
Between one and two years	49.3	5.1	0.1	54.5
Between two and five years	109.4	16.0	-	125.4
Later than five years	739.2	6.3	-	745.5
	953.4	36.8	0.2	990.4
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

30. Financial commitments (continued)

c) Operating leases – The Corporation as lessee
The Corporation's operating lease agreements primarily relate to office space. It also leases motor vehicles under operating leases from a subsidiary undertaking. All leases have been entered into on commercial terms.

The Corporation is committed to the following future minimum lease payments under non-cancellable operating leases:

	Land and buildings £m	Motor vehicles £m	Total £m
At 31 March 2017			
Within one year	19.7	0.1	19.8
Between one and two years	19.6	-	19.6
Between two and five years	56.5	-	56.5
Later than five years	240.7	-	240.7
	336.5	0.1	336.6
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

30. Financial commitments (continued)

d) Operating leases – The Corporation as lessor
The Corporation leases out commercial, retail and office property and land that it holds as a result of its infrastructure holdings.
At the balance sheet date, the Corporation had contracted with customers for the following future minimum lease payments:

	Land and buildings £m	Total £m
At 31 March 2017		
Within one year	3.8	3.8
Between one and two years	3.7	3.7
Between two and five years	9.5	9.5
Later than five years	6.5	6.5
	23.5	23.5
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

31. Funding and financial risk management

Introduction
TfL is a statutory corporation established under the Greater London Authority Act 1999 (the GLA act). TfL is funded by revenues (predominantly 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, the European Investment Bank and the Export Development Canada Bank, Medium Term Notes under the £5bn TfL Euro Medium Term Note programme, and short-term Commercial Paper under the £2bn TfL Euro Commercial Paper programme.

Treasury Management
TfL has a Treasury Management Policy, which requires the TfL Board to approve a Treasury Management Strategy on at least an annual basis, prior to the commencement of each financial year.
The Treasury Management Strategy 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.

31. Funding and financial risk management (continued)

The Prudential Borrowing Regime
TfL has the power to borrow as it is treated as a local authority for the purposes of financial management under the Local Government Act 2003. In accordance with this Act, the Mayor, in consultation with TfL, sets an affordable borrowing limit for external debt (including direct borrowing and other long-term liabilities). In setting these limits, the Mayor and the Corporation are required by regulation to have regard to the Prudential Code. Accordingly, the 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 Committee (formally the 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.

31. Funding and financial risk management (continued)

(i) Trade and other receivables
The Group earns the majority of revenue through prepaid fares, and the receivables relate to penalty charges. The Group makes all reasonable attempts to recover penalty charges before providing against them. Other trade receivables include amounts due under contractual arrangements with suppliers, and include prepayments for work to be performed. These counterparties are assessed individually for their creditworthiness at the time of entering into contract and termination provisions are included to mitigate the Group's risk.

Age of trade debtors that are past due but not impaired

	Overdue by less than 3 months £m	Overdue by between 3 and 6 months £m	Overdue by between 6 months and 1 year £m	Overdue by more than 1 year £m	Total £m
Group – 2017					
Trade debtors	11.5	5.1	1.2	0.2	18.0
Group – 2016					
Trade debtors	16.0	4.6	1.8	0.2	22.6

	Overdue by less than 3 months £m	Overdue by between 3 and 6 months £m	Overdue by between 6 months and 1 year £m	Overdue by more than 1 year £m	Total £m
Corporation – 2017					
Trade debtors	2.1	1.8	1.1	-	5.0
Corporation – 2016					
Trade debtors	4.3	2.3	1.0	-	7.6

31. Funding and financial risk management (continued)

(ii) Investments
All cash balances are invested in accordance with TfL's Treasury Management Strategy which was developed with regard to the Treasury Management Code and 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 Board, TfL did not trade in 2016/17 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 2017, the fair value of the collateral held amounted to £150.0m (2016 £300.0m). 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 2017 totalled £1,593.5m (2016 £3,126.2m).

31. Funding and financial risk management (continued)

As at 31 March funds managed centrally on behalf of the Group and placed on deposit by the Corporation were as follows:

	Amount £m	Credit Rating (S&P/Moody's/Fitch)	Weighted average days to maturity
At 31 March 2017			
UK Debt Management Office	481.4	AA/Aa1/AA	57
Other Government Agencies	298.3	Minimum AA-/Aa3/AA	138
Money Market Funds	476.6	AAA/Aaa/AAA	1
Banks (including Gilt backed repos)	212.0	Minimum A+/Aa3/AA-	60
Corporates	125.2	Minimum A/A2/A	61
Total	1,593.5		56
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

31. Funding and financial risk management (continued)

(iii) Derivative financial instruments
Counterparty limits are established and monitored in accordance with TfL's policy relating to the use of Derivative Instruments. The Group spreads its exposure over a number of counterparties, and has strict policies on how much exposure can be assigned to each counterparty.

The credit risk with regard to derivative financial instruments is limited because TfL has arrangements in place that limit the exposure with each bank to a threshold, which if breached, allow TfL to require the bank to post collateral in cash or eligible securities. TfL only envisages using these rights in the event that the financial strength of the institution has deteriorated since the limits were approved.

(iv) Guarantees
The Corporation provides guarantees to third parties under section 160 of the GLA Act, as disclosed in note 29, which are deemed necessary for the fulfilment of its policies. The Group's policy is to recognise financial guarantees at fair value initially and amortise this over the life of the guarantee. Where indications are that a payment is likely to occur under a guarantee, this is accounted for as a provision, in accordance with the Code. As at 31 March 2017, the fair value of the Corporation's financial guarantees has been assessed as £nil (2016 £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.

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.

31. Funding and financial risk management (continued)

The use of derivative instruments can itself give rise to credit and market risk. Market risk is the possibility that future changes in interest rates may make a derivative more or less valuable. Since the Group uses derivatives for risk management, market risk relating to derivative instruments is principally offset by changes in the cash flows of the transactions being hedged.

For the years ended 31 March 2017 and 2016, 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 2016/17, TfL held certain short term investments denominated in Euros, US Dollars and Canadian 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 2017, the Group held foreign exchange contracts to hedge €430.0m future Euro receipts in relation to its Euro investments (2016 €978.0m). An unrealised exchange net loss of £21.7m was recognised on retranslation of these Euro investment balances as at 31 March 2017 (2015/16 a net gain of £39.8m). This loss (2015/16 gain) was offset by an unrealised fair value net gain of £22.6m (2015/16 a net loss of £41.4m) arising from the fair value movement of the related forward foreign exchange contracts. These derivative instruments mature in the period to September 2017. As at 31 March 2017, the Group had no outstanding Canadian Dollar derivatives (2016 C$nil) and no outstanding US Dollar derivatives (2016 US$nil) relating to foreign currency investments.

For 2016/17, the broad policy on managing transactional foreign exchange risk arising from contractual obligations with overseas providers was to retain the risk where there was a value in doing so, where the exposure was highly probable and the risk profile highly certain. These exchange rate exposures were managed through the use of forward foreign exchange contracts. Hedge accounting is applied to these derivative instruments. For exposures not meeting these criteria, the exchange risk was passed on to the vendor.

At 31 March 2017, the Group held forward foreign derivative contracts in Euros, US Dollars, Canadian Dollars, Swiss Francs, Swedish Krona and Chinese Yuan Renminbi to hedge planned foreign currency capital expenditure payments with a nominal value of £251.1m (2016 £180.6m). At 31 March 2017, these contracts had a combined net fair value of £19.5m (2016 £11.0m). It is expected that the hedged purchases will take place in the period to 29 September 2023. The maturity of all these contracts is disclosed later in this note. All hedging relationships have been assessed as 100 per cent effective.

Where funds were received in specific currencies in which the Group expected to have future exposures, the 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.

31. Funding and financial risk management (continued)

Sensitivity analysis on foreign exchange risk

	2017 Net nominal value £m	2017 Fair value £m	2017 Fair value after a 10% increase in GBP against other currency £m	2017 Fair value after a 10% decrease in GBP against other currency £m	2016 Net nominal value £m	2016 Fair value £m	2016 Fair value after a 10% increase in GBP against other currency £m	2016 Fair value after a 10% decrease in GBP against other currency £m
Net sell								
Euros	276.1	3.3	28.1	(27.0)	736.4	(18.5)	50.1	(102.4)
Net buy		-						
US dollars	0.7	0.2	0.1	0.3	1.0	0.1	-	0.2
Canadian dollars	116.4	19.4	7.0	34.4	161.5	9.3	(6.2)	28.3
Swiss Francs	3.2	(0.1)	(0.4)	0.3	-	-	-	-
Swedish Krona	23.6	(0.7)	(2.8)	1.8	-	-	-	-
Chinese Yuan Renminbi	7.1	-	(0.6)	0.8	-	-	-	-
Total asset/(liability)	n/a	22.1	31.4	10.6	n/a	(9.1)	43.9	(73.9)

The Group has no other material exposure to foreign exchange rate movements.

Interest rate risk
As at 31 March 2017, 99.6 per cent (2016 99.4 per cent) of the Group's borrowings were at fixed rates of interest after hedging. The remaining 0.4 per cent was unhedged Commercial Paper which, although having fixed rates of interest for the duration of the note, in practice behaves more like variable rate debt if used on a revolving basis.

The Group is mainly exposed to interest rate risk on its planned future borrowings, which are agreed with Government. As TfL is required by legislation to produce a balanced Budget and produces a balanced Business Plan annually, any uncertainty over the cost of future borrowing requires funding to be set aside in the Business Plan against that risk rather than invested in the transport system.

In order to achieve certainty over the cost of a portion of its planned 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 2017, the Group, through its wholly owned subsidiary Transport for London Finance Limited, held 20 interest rate swaps at a total notional value of £927.5m (2016 18 interest rate swaps at a total notional value of £830.7m). The net fair value of these contracts at 31 March 2017 was a liability of £74.4m (2016 £94.9m). As the hedging was assessed as fully effective these unrealised losses have been recognised in the hedging reserve. Amounts held in the hedging reserve are expected to impact the Comprehensive Income and Expenditure Statement over the period to December 2042.

The maturity of these derivatives is disclosed later in this note.

The Group is also exposed to interest rate risk in respect of its investments. Investments are made in accordance with the 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 2017, the Group holds interest rate derivative contracts with a combined notional value of £927.5m (2016 £830.7m) 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 £48.2m/£(44.0)m (2016 £38.8m/£(37.0)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.

31. Funding and financial risk management (continued)

Maturity profile of derivatives
The Group's foreign currency derivatives have the following maturities:

	2017 Average exchange rate	2017 Fair value £m	2017 Notional amount £m	2016 Average exchange rate	2016 Fair value £m	2016 Notional amount £m
Foreign currency forward contracts						
Buy euro						
Less than one year	0.807	1.7	25.9	0.770	1.7	56.0
Between one and two years	0.878	(0.3)	20.1	0.738	1.1	12.4
Between two and five years	0.896	(0.5)	39.5	0.759	-	0.1
After 5 years	0.923	(0.3)	11.9	-	-	-
Sell euro						
Less than one year	0.862	2.7	373.4	0.772	(21.3)	804.9
Total euro	0.864	3.3	470.8	0.772	(18.5)	873.4
Buy US Dollars						
Less than one year	0.640	0.1	0.4	0.640	-	0.4
Between one and two years	0.638	0.1	0.3	0.640	0.1	0.3
Between two and five years	-	-	-	0.638	-	0.3
Total US Dollars	0.639	0.2	0.7	0.639	0.1	1.0
Buy Canadian Dollars						
Less than one year	0.500	7.0	35.5	0.498	3.4	45.1
Between one and two years	0.503	3.7	19.9	0.500	2.4	35.5
Between two and five years	0.513	8.7	60.9	0.510	3.1	68.4
After five years	-	-	-	0.513	0.4	12.5
Total Canadian Dollars	0.507	19.4	116.3	0.504	9.3	161.5

31. Funding and financial risk management (continued)

Maturity profile of derivatives (continued)
The Group's foreign currency derivatives have the following maturities:

	2017 Average exchange rate	2017 Fair value £m	2017 Notional amount £m	2016 Average exchange rate	2016 Fair value £m	2016 Notional amount £m
Foreign currency forward contracts						
Buy Swiss Francs						
Less than one year	0.824	-	0.1	-	-	-
Between one and two years	0.839	-	0.4	-	-	-
Between two and five years	0.867	(0.1)	2.3	-	-	-
After five years	0.899	-	0.4	-	-	-
Total Swiss Francs	0.867	(0.1)	3.2	-	-	-
Buy Swedish Krona						
Less than one year	0.092	-	0.4	-	-	-
Between one and two years	0.093	(0.1)	2.1	-	-	-
Between two and five years	0.094	(0.4)	15.2	-	-	-
After five years	0.094	(0.2)	5.9	-	-	-
Total Swedish Krona	0.094	(0.7)	23.6	-	-	-
Buy Chinese Yuan Renminbi						
Less than one year	0.115	-	0.5	-	-	-
Between one and two years	0.109	-	6.2	-	-	-
Between two and five years	0.103	-	0.4	-	-	-
After five years	-	-	-	-	-	-
Total Chinese Yuan Renminbi	0.109	-	7.1	-	-	-
Grand total	n/a	22.1	621.7	n/a	(9.1)	1,035.9

31. Funding and financial risk management (continued)

Maturity profile of derivatives (continued)
The Group's interest rate derivatives have the following maturities:

	2017 Average contracted fixed interest rate (%)	2017 Fair value £m	2017 Notional amount £m	2016 Average contracted fixed interest rate (%)	2016 Fair value £m	2016 Notional amount £m
Interest rate hedges						
Less than one year	3.273	(2.9)	250.0	-	-	-
Between one and two years	3.566	(3.9)	100.0	3.273	(9.2)	250.0
Between two and five years	3.815	(24.0)	250.0	3.718	(24.4)	275.0
After five years	3.036	(43.6)	327.5	3.832	(61.3)	305.7
Total	3.367	(74.4)	927.5	3.626	(94.9)	830.7

TfL was conferred the legal powers to enter into derivatives for the purpose of risk mitigation via qualifying subsidiaries. The Corporation does not itself have the legal powers to enter into derivative transactions. TfL has entered into these contracts for the purpose of risk management and intends to hold these contracts to maturity as hedges against the underlying transactions.

31. Funding and financial risk management (continued)

Maturity profile of derivatives (continued)
The following tables detail the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

	Less than one year £m	Between one and two years £m	Between two and five years £m	More than five years £m	Total £m
Group – 2017					
Derivatives settled gross					
Foreign exchange forward contracts					
Amounts receivable	445.0	52.5	126.0	17.7	641.2
Amounts payable	(433.5)	(49.1)	(118.4)	(18.2)	(619.2)
Derivatives settled net					
Interest rate swaps	(24.1)	(16.9)	(31.2)	(26.6)	(98.8)
	(12.6)	(13.5)	(23.6)	(27.1)	(76.8)
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)

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 2017, the fair value of the interest rate derivatives was a net liability of £74.4m (2016 £94.9m). The fair value of forward foreign exchange derivatives was a net asset of £22.1m (2016 a net liability of £9.1m).

31. Funding and financial risk management (continued)

Contractual maturity of financial liabilities
The following tables detail 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 - 2017					
Trade and other creditors	1,563.5	29.1	-	-	1,592.6
Borrowings - principal	1,106.3	71.6	374.5	8,275.8	9,828.2
Borrowings - interest	262.0	342.0	1,082.2	5,539.2	7,225.4
Finance lease liabilities	112.1	100.5	236.6	327.4	776.6
	3,043.9	543.2	1,693.3	14,142.4	19,422.8
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	5,617.9	7,246.8
Finance lease liabilities	135.6	112.2	290.2	373.4	911.4
	2,959.7	752.4	1,621.0	13,681.1	19,014.2

31. Funding and financial risk management (continued)

Contractual maturity of financial liabilities (continued)

	Less than one year £m	Between one and two years £m	Between two and five years £m	More than five years £m	Total £m
Corporation - 2017					
Trade and other payables	531.6	-	-	-	531.6
Borrowings - principal	1,106.3	71.6	374.5	8,275.8	9,828.2
Borrowings - interest	262.0	342.0	1,082.2	5,539.2	7,225.4
Finance lease liabilities	18.2	17.0	45.5	119.9	200.6
	1,918.1	430.6	1,502.2	13,934.9	17,785.8
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

31. Funding and financial risk management (continued)

Fair values
In accordance with IFRS 13, the fair values of the financial assets and liabilities are calculated as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following methods and assumptions were used to estimate the fair values:

- Cash and cash equivalents – approximates to the carrying amount
- Short-term investments – approximates to the carrying amount because of the short maturity of these instruments
- Long-term investments – by reference to bid prices at the close of business on the balance sheet date, within Level 1 of the fair value hierarchy as defined within IFRS 7
- Trade and other debtors - approximates to the carrying amount
- Derivative financial instruments – In the absence of quoted market prices, derivatives are valued by using quoted forward prices for the underlying commodity/currency and discounted using quoted interest rates (both as at the close of business on the balance sheet date). Hence, derivatives are within Level 2 of the fair value hierarchy as defined within IFRS 7:
  - Forward exchange contracts – based on market data and exchange rates at the balance sheet date
  - Interest rate swaps and forward starting interest rate swaps – based on the net present value of discounted cash flows
- Trade and other creditors - approximates to the carrying amount
- Long-term borrowings – determined by calculating the discounted value of the future cash flows (redemption and interest) using appropriate discount rates, based on observable market data, in effect at the balance sheet date at Level 2 of the fair value hierarchy. Fair value approximates to the carrying amount in the case of short-term commercial paper
- Finance lease liabilities – approximates to the carrying amount.

31. Funding and financial risk management (continued)

Fair values (continued)
The fair values of the Group's financial assets and liabilities together with the carrying amounts recorded in the balance sheets are illustrated below:

	2017 Carrying value £m	2017 Fair value £m	2016 Carrying value £m	2016 Fair value £m
Cash and cash equivalents	210.2	210.2	152.1	152.1
Short-term investments	1,751.2	1,751.2	3,162.3	3,162.3
Trade and other debtors	1,708.5	1,708.5	1,754.3	1,754.3
Finance lease receivables	4.4	4.4	-	-
Derivative financial instruments	30.5	30.5	12.2	12.2
Total financial assets	3,704.8	3,704.8	5,080.9	5,080.9
Trade and other creditors	1,592.6	1,592.6	1,708.3	1,708.3
Borrowings	9,795.3	13,806.8	9,113.1	10,517.8
Finance lease liabilities	564.8	564.8	659.1	659.1
Derivative financial instruments	82.8	82.8	116.2	116.2
Total financial liabilities	12,035.5	16,047.0	11,596.7	13,001.4
Net financial liabilities	(8,330.7)	(12,342.2)	(6,515.8)	(7,920.5)

31. Funding and financial risk management (continued)

Fair values (continued)
The fair values of financial assets and liabilities of the Corporation determined in accordance with IFRS 13, together with the carrying amounts recorded in the balance sheet are:

	2017 Carrying value £m	2017 Fair value £m	2016 Carrying value £m	2016 Fair value £m
Cash and cash equivalents	81.8	81.8	19.6	19.6
Short-term investments	1,741.5	1,741.5	3,146.3	3,146.3
Trade and other debtors	10,155.5	10,155.5	9,346.1	9,346.1
Total financial assets	11,978.8	11,978.8	12,512.0	12,512.0
Trade and other creditors	531.6	531.6	526.3	526.3
Borrowings	9,802.5	13,806.8	9,120.9	10,517.8
Finance lease liabilities	153.5	153.5	164.6	164.6
Total financial liabilities	10,487.6	14,491.9	9,811.8	11,208.7
Net financial assets	1,491.2	(2,513.1)	2,700.2	1,303.3

32. Pensions

During 2015/16 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, the Crossrail Section of the Railways Pension Scheme or the Tube Lines defined contribution scheme.

a) Amount included in net cost of services

	Note	2017 Group £m	2016 Group £m	2017 Corporation £m	2016 Corporation £m
TfL Pension Fund		356.7	377.6	104.2	158.2
Local Government Pension Scheme		1.3	1.6	1.3	1.6
Crossrail Section of the Railways Pension Scheme		3.3	-	-	-
Unfunded schemes provision		3.3	1.8	3.3	1.8
Total for schemes accounted for as defined benefit		364.6	381.0	108.8	161.6
Principal Civil Service Pension Scheme		0.6	0.6	0.6	0.6
Other schemes		11.6	11.5	2.9	1.7
Amounts included in net cost of services		376.8	393.1	112.3	163.9
Less: scheme expenses		(11.2)	(10.7)	(11.2)	(10.1)
Amount included in staff costs	3	365.6	382.4	101.1	153.8

32. Pensions (continued)

b) Defined benefit schemes
This section deals with those pension funds to which the Group contributes that are accounted for under IAS 19 as defined benefit schemes.

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 for 2015/16; and as a settlement loss in the analysis of amounts charged to net cost of services for that year. The transfer had 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 2017. 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.

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 for 2016/17 (2015/16 12 per cent) of pensionable pay. The Corporation's share of the underlying assets and defined benefit obligation resulted in a deficit of £51.0m (2016 £43.0m). The discounted scheme liabilities have an average duration of 20 years.

The last full actuarial valuation available was carried out at 31 March 2016. The annual report and financial statements for the whole scheme can be found on the London Pensions Fund Authority website (www.lpfa.org.uk). A separate valuation has been prepared for accounting purposes on an IAS 19 basis as at 31 March 2017.

Crossrail Section of the Railways Pension Scheme
Until 31 October 2016, one of the Group's subsidiaries, Crossrail Limited (CRL), contributed to the Omnibus Section of the Railways Pension Scheme (RPS). The RPS is a defined benefit arrangement for rail industry employees. The Omnibus Section is made up of 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 was valued as a whole. As a result of this, CRL was unable to identify its share of the underlying assets and defined benefit obligation. It was therefore accounted for as a defined contribution scheme under IAS 19. The pension charge for the period from 1 April 2016 to 31 October 2016 that was recognised as a defined contribution charge in respect of this scheme was £7m (full year 2015/16 £5.4m).

On 31 October 2016, CRL's liabilities were transferred from the Omnibus Section to a newly established section, the Crossrail Section, and it became possible for CRL to identify their pension liabilities in the accounts. From this date therefore the Crossrail Section has been accounted for in these financial statements as a defined benefit pension scheme under IAS 19. A net loss of £30.3m representing the net deficit balance of the Section recognised as at 31 October 2016 has been included within net remeasurement losses on defined benefit pension schemes within Group other comprehensive income and expenditure.

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 employer contribution level of 20.9 per cent, plus lump sum deficit reduction contributions, effective from 1 July 2015. This contribution rate remains the same for the Crossrail Section.

A separate valuation has been prepared for accounting purposes on an IAS 19 basis as at 31 March 2017. The Group's share of the underlying assets and defined benefit obligation resulted in a deficit of £32.0m. The discounted scheme liabilities have an average duration of approximately 25 years.

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 2017 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 2017 was £86.6m (2016 £73.3m), and is fully provided for in these financial statements.

32. Pensions (continued)

(b) Defined benefit schemes (continued)

Assumptions for defined benefit sections
The main actuarial assumptions used for the TfL Pension Fund, the Crossrail Section of the Railways Pension Scheme, the Local Government Pension Scheme (together 'the Schemes') and unfunded schemes were:

	IAS 19 valuation at 31 March 2017 %	IAS 19 valuation at 31 March 2016 %
RPI Inflation	3.35-3.60	2.60-3.40
CPI Inflation	2.35-2.70	2.00-2.50
Rate of increase in salaries	3.35-4.20	2.60-4.30
Rate of increase in pensions in payment and deferred pensions	2.25-3.30	2.50-3.00
Discount rate	2.65-2.80	3.25-3.80

The Group's retirement benefit plans typically expose the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk. Sensitivity analyses for the most significant actuarial assumptions made in relation to these risks are as set out below. The analyses have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate were 0.1 per cent higher/(lower), the defined benefit obligation would decrease by £324.6m/(increase by £334.5m).
- If the expected salary growth were increased/(decreased) by 0.1 per cent, the defined benefit obligation would increase by £87.7m/(decrease by £86.7m).
- If life expectancy were increased/(decreased) by one year, the defined benefit obligation would increase by £517.4m/(decrease by £514.1m).
- If the inflation rate were 0.1 per cent higher/(lower), the defined benefit obligation would increase by £311.2m/(decrease by £300.2m).

The sensitivity analyses presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

32. Pensions (continued)

c) Accounting for defined benefit schemes

The total assets in the Schemes were:

	Value at 31 March 2017 £m	Value at 31 March 2016 £m
Equities and alternatives	7,713.2	6,186.1
Bonds	2,100.7	1,936.6
Cash and other	90.1	64.7
Total fair value of assets	9,904.0	8,187.4

The TfL Pension Fund's, the Crossrail Section of the Railways Pension Scheme and the Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	31 March 2017 %	31 March 2016 %
Equities	78	75
Bonds	21	24
Cash and other assets	1	1
	100	100

The unfunded pension schemes have no assets to cover their defined benefit obligation.

32. Pensions (continued)

Total pension deficit at the end of the year

Group	2017 £m	2016 £m
Fair value of scheme assets	9,904.0	8,187.4
Actuarial valuation of defined benefit obligation	(15,267.5)	(11,395.6)
Deficit recognised as a liability in the balance sheet	(5,363.5)	(3,208.2)

Group	2017 £m	2016 £m
TfL Pension Fund – Public Sector section	(5,193.9)	(3,091.9)
Local Government Pension Scheme	(51.0)	(43.0)
Crossrail Section of the Railways Pension Scheme	(32.0)	-
Unfunded schemes provision	(86.6)	(73.3)
Deficit recognised as a liability in the balance sheet	(5,363.5)	(3,208.2)

Corporation	2017 £m	2016 £m
Fair value of scheme assets	9,839.1	8,187.4
Actuarial valuation of defined benefit obligation	(15,170.6)	(11,395.6)
Deficit recognised as a liability in the balance sheet	(5,331.5)	(3,208.2)

Corporation	2017 £m	2016 £m
TfL Pension Fund - Public Sector section	(5,193.9)	(3,091.9)
Local Government Pension Scheme	(51.0)	(43.0)
Unfunded schemes provision	(86.6)	(73.3)
Deficit recognised as a liability in the balance sheet	(5,331.5)	(3,208.2)

32. Pensions (continued)

Analysis of amounts included in the Comprehensive Income and Expenditure Statement

Analysis of amounts charged to net cost of services

	Group 2017 £m	Group 2016 £m	Corporation 2017 £m	Corporation 2016 £m
Current service cost	350.9	369.1	347.6	355.7
Less contributions paid by subsidiaries	-	-	(252.5)	(229.7)
Past service cost	2.5	1.2	2.5	1.2
Settlements and curtailments	-	-	-	24.3
Total included in staff costs	353.4	370.3	97.6	151.5
Scheme expenses	11.2	10.7	11.2	10.1
Total amount charged to net cost of services	364.6	381.0	108.8	161.6

Amounts charged to financing and investment expenditure

	Group 2017 £m	Group 2016 £m	Corporation 2017 £m	Corporation 2016 £m
Net interest expense on scheme defined benefit obligation	110.5	91.9	110.1	91.3

Amount recognised in other comprehensive income and expenditure

	Group 2017 £m	Group 2016 £m	Corporation 2017 £m	Corporation 2016 £m
Net deficit on Crossrail Section at initial recognition	30.3	-	-	-
Other net remeasurement losses recognised in the year	1,978.7	162.1	1,979.0	167.2
Total net remeasurement losses recognised in the year	2,009.0	162.1	1,979.0	167.2

Analysis of scheme defined benefit obligation into amounts arising from schemes that are wholly or partly funded and wholly unfunded

	Group 2017 £m	Group 2016 £m	Corporation 2017 £m	Corporation 2016 £m
Wholly unfunded schemes	86.6	73.3	86.6	73.3
Wholly or partly funded schemes	15,180.9	11,322.3	15,084.0	11,322.3
Total scheme defined benefit obligation	15,267.5	11,395.6	15,170.6	11,395.6

32. Pensions (continued)

Reconciliation of defined benefit obligation

	Group 2017 £m	Group 2016 £m	Corporation 2017 £m	Corporation 2016 £m
Actuarial value of defined benefit obligation at start of year	11,395.6	11,140.9	11,395.6	10,832.6
Current service cost	350.9	369.1	347.6	355.7
Interest cost	406.5	367.6	405.4	358.8
Employee contributions	52.4	49.3	52.1	47.3
Remeasurement losses/(gains) on scheme liabilities:				
Obligation recognised at 31 October 2016 in respect of the Crossrail Section	91.8	-	-	-
Net remeasurement - financial	3,353.1	(524.8)	3,352.0	(508.8)
Net remeasurement - experience	(120.3)	352.3	(120.3)	354.3
Net remeasurement - demographic	103.7	(26.5)	103.7	(26.5)
Actual benefit payments	(368.7)	(333.5)	(368.0)	(309.3)
Past service cost	2.5	1.2	2.5	1.2
Acquisition of Tube Lines section liabilities	-	-	-	290.3
Actuarial value of defined benefit obligation at end of year	15,267.5	11,395.6	15,170.6	11,395.6

32. Pensions (continued)

Reconciliation of fair value of the scheme assets

	Group 2017 £m	Group 2016 £m	Corporation 2017 £m	Corporation 2016 £m
Fair value of assets at start of year	8,187.4	8,246.2	8,187.4	7,969.9
Assets recognised at 31 October 2016 in respect of the Crossrail Section	61.5	-	-	-
Expected return on assets net of expenses	296.0	275.7	295.3	267.5
Scheme expenses	(11.2)	(10.7)	(11.2)	(10.1)
Return on assets excluding interest income and other net gains on assets	1,357.8	(361.1)	1,356.4	(348.2)
Actual employer contributions	324.2	317.0	70.0	70.1
Contributions paid by subsidiaries	-	-	252.5	229.7
Employee contributions	52.4	49.3	52.1	47.3
Actual benefits paid	(364.1)	(329.0)	(363.4)	(304.8)
Acquisition of Tube Lines Section assets	-	-	-	266.0
Fair value of assets at end of year	9,904.0	8,187.4	9,839.1	8,187.4

The expected return on scheme assets is set equal to the discount rate. The actual return on scheme assets in the year was a gain of £1,653.8m (2015/16 a loss of £85.4m).

Total contributions of £337.1m are expected to be made to the schemes in the year ending 31 March 2018.

32. Pensions (continued)

d) Other pension arrangements
Principal Civil Service Pension Scheme
The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme. The Group is unable to identify its share of the underlying assets and defined benefit obligation on a consistent and reasonable basis and, as permitted by the multi-employer exemption in IAS 19, the Group treats contributions to the PCSPS as if they were contributions to a defined contribution plan. A full actuarial valuation was 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.

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 as outlined in the paragraph below.

Keolis Amey Docklands Limited ('KAD') was awarded the franchise to operate the Docklands Light Railway from 7 December 2014 and is a Participating Employer in the DLR Scheme. Under the franchise agreement between DLR and KAD, KAD is required to pay 35.7 per cent of pensionable salaries into the DLR Scheme, the PPF levy and additional contributions if actual pensionable salary increases exceed RPI + 1.5 per cent per annum. The previous franchisee, Serco Limited, ceased paying contributions towards future benefit and accrual and expenses from 7 December 2014, although they remain liable for some contributions towards the deficit of the DLR Scheme. As at 31 March 2017, Serco Limited is committed to pay £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 1 April 2020. In addition, it was agreed that DLR will pay additional contributions if actual pensionable salary growth exceeds RPI + 0.75 percent per annum (up to RPI + 1.5 per cent per annum). Under this clause DLR are due to pay £695,000 by July 2017 in respect of salary growth in the year to 1 April 2016.

32. Pensions (continued)

Over the year beginning 1 April 2017 the contributions payable to the DLR scheme are expected to be around £6.7m from KAD, £8.25m from Serco and £3.2m from DLR.

A valuation of the DLR Scheme has been prepared for accounting purposes by Punter Southall on an IAS 19 basis at 31 March 2017. This valuation showed a defined benefit obligation as at 31 March 2017 of £47.6m (2016 £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.

No contributions were paid by the Group in 2016/17 (2015/16 £nil).

Defined contribution schemes
The Group contributes to a number of defined contribution schemes, with total contributions, including contributions to the PCSPS and RPS schemes as outlined in the paragraphs above, amounting to £12.2m (2015/16 £12.1m).

33. Cash flow notes

a) Adjustments to net surplus/(deficit) for non-cash movements

	Group 2017 £m	Group 2016 £m	**Corporation 2017 £m**	Corporation 2016 £m
Depreciation of property, plant and equipment and amortisation of intangibles	**1,083.0**	1,119.3	**168.8**	214.0
Loss on disposal of property, plant and equipment and intangibles	**13.8**	46.2	**1.3**	25.6
Net gain on sale of investment properties	**(7.7)**	(5.4)	**(0.9)**	(0.1)
Movements in the value of investment properties	**(29.5)**	(50.0)	**(0.7)**	(0.1)
Reversal of unrealised losses/(gains) on retranslation of foreign currency investments	**21.7**	(39.8)	**21.7**	(39.8)
Reversal of fair value movements on derivatives not in hedging relationships for accounting purposes	**(22.6)**	41.4	**-**	-
Financing income	**(9.7)**	(26.2)	**(324.7)**	(347.7)
Financing expense	**433.3**	418.7	**467.5**	446.5
Capital grants received	**(1,468.9)**	(2,662.6)	**(1,445.2)**	(2,619.7)
Capital grants paid to subsidiaries	**-**	-	**994.9**	848.5
Reversal of share of losses/(profits) from associated undertakings	**104.8**	(25.9)	**-**	-
Reversal of defined benefit pension service costs	**364.6**	381.0	**108.8**	161.6
Reversal of taxation credit	**(6.5)**	(2.2)	**-**	-
Adjustments to net surplus/(deficit) for non-cash movements before movements in working capital	**476.3**	(805.5)	**(8.5)**	(1,311.2)
(Decrease)/increase in creditors	**(84.7)**	95.0	**22.7**	(42.6)
Decrease/(increase) in debtors	**45.1**	(18.6)	**(79.6)**	(465.0)
(Increase)/decrease in inventories	**(0.9)**	(16.7)	**1.4**	(0.6)
(Decrease)/increase in provisions	**(7.8)**	20.4	**28.5**	1.3
Adjustments to net surplus/(deficit) for non-cash movements after movements in working capital	**428.0**	(725.4)	**(35.5)**	(1,818.1)
Net cash payments for employers' contributions to defined benefit pension funds and direct payments to pensioners	**(328.6)**	(321.5)	**(74.6)**	(74.6)
Taxation received	**6.5**	2.2	**-**	-
Total adjustments to net surplus/(deficit) for non-cash movements	**105.9**	(1,044.7)	**(110.1)**	(1,892.7)

33. Cash flow notes (continued)

b) Investing activities

	Group 2017 £m	Group 2016 £m	**Corporation 2017 £m**	Corporation 2016 £m
Interest and other investment income received	**11.6**	27.7	**326.8**	331.2
Dividends received from subsidiaries	**-**	-	**-**	18.0
Capital grants received	**1,506.5**	2,715.3	**1,489.0**	2,660.6
Capital grants paid to subsidiaries	**-**	-	**(994.9)**	(848.5)
Purchase of property, plant and equipment and investment property	**(3,561.2)**	(3,758.6)	**(305.9)**	(428.9)
Purchase of intangible assets	**(28.5)**	(52.6)	**(21.3)**	(43.9)
Proceeds from the sale of property, plant and equipment and intangible assets	**1.7**	3.1	**(0.4)**	2.5
Net sales of other investments	**1,389.4**	1,435.9	**1,383.1**	1,425.4
Repayment/(advance) of interim funding to third parties in respect of the Crossrail project	**17.2**	(453.4)	**-**	-
Issue of loans to subsidiaries (net of repayments)	**-**	-	**(680.5)**	(590.0)
Finance leases granted in year	**(4.4)**	-	**-**	-
Proceeds from sale of investment property	**18.8**	394.7	**2.4**	6.7
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	**-**	-	**(1,300.0)**	(1,830.0)
Net cash flows from investing activities	**(648.9)**	(135.0)	**(101.7)**	703.1

33. Cash flow notes (continued)

c) Financing activities

	Group 2017 £m	Group 2016 £m	**Corporation 2017 £m**	Corporation 2016 £m
Cash payments for reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI arrangements	**(94.3)**	(86.9)	**(11.1)**	(10.9)
Net proceeds from new borrowing	**733.4**	623.0	**733.4**	623.0
Repayments of borrowings	**(53.0)**	(25.3)	**(53.0)**	(25.3)
Cash received on settlement of derivatives	**-**	0.1	**-**	-
Interest paid	**(311.6)**	(306.6)	**(354.8)**	(343.2)
Net cash flows from financing activities	**274.5**	204.3	**314.5**	243.6

34. Unusable reserves

	2017 £m	2016 £m
Group		
Capital adjustment account	**25,617.4**	23,826.1
Pension reserve	**(5,331.5)**	(3,208.2)
Accumulated absences reserve	**(7.3)**	(7.2)
Retained earnings reserve in subsidiaries	**1,009.3**	985.9
Revaluation reserve	**294.2**	310.8
Hedging reserve	**(139.1)**	(176.0)
Available for sale reserve	**-**	-
Financial instruments adjustment account	**(182.8)**	(194.6)
Merger reserve	**466.1**	466.1
At 31 March	**21,726.3**	22,002.9

	2017 £m	2016 £m
Corporation		
Capital adjustment account	**12,081.0**	10,616.2
Pension reserve	**(5,331.5)**	(3,208.2)
Accumulated absences reserve	**(7.3)**	(7.2)
Available for sale reserve	**-**	-
Financial instruments adjustment account	**(182.8)**	(194.6)
At 31 March	**6,559.4**	7,206.2

34. 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 2017 £m	Group 2016 £m	Corporation 2017 £m	Corporation 2016 £m
Balance at 1 April		**23,826.1**	21,122.1	**10,616.2**	8,109.6
Charges for depreciation and impairment of non-current assets		**(168.8)**	(214.0)	**(168.8)**	(214.0)
Gain on disposal of investment properties		**0.9**	0.1	**0.9**	0.1
Movements in the market value of investment properties		**0.7**	0.1	**0.7**	0.1
Capital grants and contributions	9	**2,633.2**	3,637.4	**1,614.6**	2,746.0
Minimum revenue provision		**18.7**	-	**18.7**	-
Loss on disposal of non-current assets		**(1.3)**	(25.6)	**(1.3)**	(25.6)
Adjustments between Group and Corporation financial statements	*	**(692.1)**	(694.0)	**-**	-
Balance at 31 March		**25,617.4**	23,826.1	**12,081.0**	10,616.2

* 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.

34. 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 2017 £m	Group 2016 £m	**Corporation 2017 £m**	Corporation 2016 £m
Balance at 1 April	**(3,208.2)**	(2,862.7)	**(3,208.2)**	(2,862.7)
Net remeasurement losses on pension assets and defined benefit obligations	**(1,979.0)**	(167.2)	**(1,979.0)**	(167.2)
Reversal of charges relating to retirement benefits	**(471.4)**	(482.6)	**(218.9)**	(252.9)
Employer's pension contributions, contributions from subsidiaries and direct payments to pensioners payable in the year	**327.1**	304.3	**74.6**	74.6
Balance at 31 March	**(5,331.5)**	(3,208.2)	**(5,331.5)**	(3,208.2)

34. 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 2017 £m	Group 2016 £m	**Corporation 2017 £m**	Corporation 2016 £m
Balance at 1 April	**(7.2)**	(6.5)	**(7.2)**	(6.5)
Settlement or cancellation of accrual made at the end of the preceding year	**7.2**	6.5	**7.2**	6.5
Amounts accrued at the end of the current year	**(7.3)**	(7.2)	**(7.3)**	(7.2)
Balance at 31 March	**(7.3)**	(7.2)	**(7.3)**	(7.2)

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 2017 £m	Group 2016 £m
Balance at 1 April	**985.9**	1,071.9
Surplus on the provision of services after tax	**367.1**	96.2
Transfer of capital grants and contributions to the Capital Adjustment Account	**(1,018.6)**	(891.4)
Transfer of adjustments between Group and Corporation financial statements to the Capital Adjustment Account	**692.1**	694.0
Remeasurement (losses)/gains on defined benefit pension plan assets and liabilities	**(30.0)**	5.1
Release of revaluation reserve relating to the difference between historic cost of disposal and fair value cost of disposal	**12.8**	10.1
Balance at 31 March	**1,009.3**	985.9

34. 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 2017 £m	Group 2016 £m
Balance at 1 April		310.8	212.9
Revaluation of assets	12	(3.8)	108.0
Release of revaluation reserve relating to the difference between fair value depreciation and historic cost depreciation		(12.8)	(10.1)
Balance at 31 March		294.2	310.8

The Corporation does not have a revaluation reserve as it does not hold any property, plant or equipment at a revalued amount (2016 £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 2017 £m	Group 2016 £m
Balance at 1 April	(176.0)	(200.9)
Net change in fair value of cash flow interest rate hedges	25.9	17.4
Net change in fair value of cash flow foreign exchange hedges	3.2	-
Recycling of interest rate fair value losses to profit and loss	7.8	7.5
Balance at 31 March	(139.1)	(176.0)

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.

34. 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 2017 £m	Group 2016 £m	Corporation 2017 £m	Corporation 2016 £m
Balance at 1 April	-	0.1	-	0.1
Movement in the fair value of available for sale financial investments	-	(0.1)	-	(0.1)
Balance at 31 March	-	-	-	-

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 2017 £m	Group 2016 £m	Corporation 2017 £m	Corporation 2016 £m
Balance at 1 April	(194.6)	(206.3)	(194.6)	(206.3)
Release of premium	11.8	11.7	11.8	11.7
Balance at 31 March	(182.8)	(194.6)	(182.8)	(194.6)

34. 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 2017 £m	Group 2016 £m	**Corporation 2017 £m**	Corporation 2016 £m
Balance at 1 April and 31 March	**466.1**	466.1	**-**	-

35. 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 2017, TfL did not recognise any BRS income in its Income and Expenditure Statement (2015/16 £9.0m) (see note 9). Receipts in the year totalled £nil (2015/16 £9.0m). No amounts were held as a debtor on the Corporation and Group balance sheets as at 31 March 2017 (2016 £nil).

	Corporation 2017 £m	Corporation 2016 £m
Balance on BRS Account at 1 April	-	-
Transfer to Capital Adjustment Account in respect of BRS capital expenditure	-	(9.0)
Transfer from General Fund to clear BRS account deficit	-	9.0
Balance on BRS Account at 31 March	**-**	-

36. Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement recognised by the Corporation in the year in accordance with proper accounting practice in order to determine the resources that are specified by statutory provisions as being available to the Corporation to meet future capital and revenue expenditure. The General Fund reserve represents monies available to finance the day to day activities of TfL.

Corporation 2017

	Note	General fund £m	Capital adjustment account £m	Pension reserve £m	Street works reserve £m	Financial instruments adjustment account £m	Accumulated absences reserve £m
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement							
Charges for depreciation, amortisation and impairment of non-current assets	3	168.8	(168.8)	-	-	-	-
Net gain on disposal of investment properties	7	(0.9)	0.9	-	-	-	-
Movements in the market value of investment properties	7	(0.7)	0.7	-	-	-	-
Capital grants and contributions	9	(1,614.6)	1,614.6	-	-	-	-
Unapplied capital grants	9	1,164.3	-	-	-	-	-
Loss on disposal of non-current assets	6	1.3	(1.3)	-	-	-	-
Reversal of items relating to retirement benefits		218.9	-	(218.9)	-	-	-
Transfers to/from street works reserve		(4.1)	-	-	4.1	-	-
Difference between the remuneration charged on an accruals basis and the remuneration chargeable in accordance with statutory requirements		0.1	-	-	-	-	(0.1)
Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement which are required to be charged in accordance with statutory requirements							
Employer's pension contributions and direct payments to pensioners payable in the year		(74.6)	-	74.6	-	-	-
Minimum Revenue provision		(18.7)	18.7	-	-	-	-
Amortisation of premium on financing		(11.8)	-	-	-	11.8	-
		(172.0)	1,464.8	(144.3)	4.1	11.8	(0.1)

36. Adjustments between accounting basis and funding basis under regulations (continued)

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	-	-	-	-
Net gain on disposal of investment properties	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	-	-	-	-	-
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)

37. Sources of finance

Capital expenditure analysed by source of finance:

	Note	Corporation 2017 £m	Corporation 2016 £m
Capital expenditure			
Intangible asset additions	11	21.3	43.9
Property, plant and equipment additions	12	264.4	362.6
Investments in year	14	1,300.0	1,830.0
Loans made to subsidiaries in year for capital purposes		680.5	1,037.1
Capital grants allocated to subsidiaries in year	9	994.9	848.5
Total capital expenditure		3,261.1	4,122.1
Sources of finance			
Transport grants used to fund capital	9	1,107.2	1,640.4
Business Rates Supplement used to fund capital	9	-	9.0
Community Infrastructure Levy used to fund capital	9	148.3	123.3
Other third party contributions	9	189.7	47.0
Crossrail specific grant	9	-	800.0
Adjusted by amounts transferred from Capital Grants Unapplied Account	9	1,164.3	974.8
Prudential borrowing		680.5	600.0
Capital receipts		2.3	6.8
Transfer from street works reserve		0.8	-
Net repayment of finance leases		(11.1)	(10.9)
Working capital		(20.9)	(68.3)
Total sources of finance		3,261.1	4,122.1

38. Minimum revenue provision

The Local Government and Housing Act 1989 requires a Minimum Revenue Provision (MRP) to be set aside for the redemption of external debt. As a statutory corporation regulated as if it were a local authority, TfL is required to comply with the Local Authorities Capital Finance Regulations. New 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 statutory guidance suggests four potential methods for calculating MRP it also allows for other methods and approaches to be used. Since 2016/17 TfL has applied the principles inherent in the statutory guidance on MRP, to make an annual provision in the Transport for London (the Corporation), that aims to build up a reserve on the Balance Sheet over the average useful economic life of the assets funded by borrowings in the Corporation, such that, at the end of that useful economic life, that reserve may be employed to either repay borrowings or to finance replacement capex for those assets that have reached the end of their lives. An MRP is effectively already made for borrowings passed down to the subsidiaries through TfL's existing processes for funding those entities. The MRP provision for 2016/17, shown as a transfer from the General fund to the Capital Adjustment Account in the Group and Corporation Movement in Reserves Statements, was a total of £18.7m (2015/16 £nil).

39. Financial assistance

TfL may give financial assistance to any body or person in respect of expenditure incurred or to be incurred by that body or person in doing anything which, in the opinion of TfL, is conducive to the provision of safe, integrated, efficient and economic transport facilities or services to, from or within Greater London, and also to the London Transport Museum Limited.

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

	Corporation 2017 £m	Corporation 2016 £m
Financial assistance to subsidiaries		
Transport Trading Limited	78.9	52.3
London Underground Limited	1,110.2	653.8
London Bus Services Limited	723.2	700.4
Docklands Light Railway Limited	46.5	57.2
Rail for London Limited	293.2	287.2
London River Services Limited	11.3	13.7
Tramtrack Croydon Limited	22.4	45.1
London Transport Museum Limited	5.2	5.3
Crossrail Limited	238.3	230.9
Transport for London Finance Limited	-	200.0
TTL Earls Court Properties Limited	-	447.1
	2,529.2	2,693.0

39. Financial assistance (continued)

	Note	Corporation 2017 £m	Corporation 2016 £m
Financial assistance to London Boroughs and other third parties			
Local Implementation Plan		131.5	123.4
Crossrail Complementary Measures		7.2	1.9
Taxicard		10.0	9.9
Safety schemes		0.4	0.4
Cycling		32.4	26.4
Bus stop accessibility		4.4	5.0
Other		9.3	10.0
	3	195.2	177.0

40. Related parties

Transport for London is required by the Code and IAS 24 Related Party Disclosures (IAS 24) to disclose material transactions with related parties. Related parties are entities or individuals who have the potential to control, indirectly control or significantly influence TfL or to be controlled, indirectly controlled or significantly influenced by TfL.

TfL is a statutory corporation established by section 154 of the Greater London Authority Act 1999 (GLA Act 1999). It is a functional body of the Greater London Authority and is controlled by the Mayor of London. TfL is classified as a government entity in accordance with IAS 24, as it is controlled by the GLA, through the Mayor. The GLA and its other functional bodies are considered to be related parties of TfL and its subsidiaries, as they are all under the control of the Mayor. Other related parties include TfL's Board Members, Managing Directors, Commissioner, the Mayor of London and the TfL Pension Fund. In addition, central government has the potential to influence TfL by providing the statutory framework within which TfL operates and through the provision of funding in the form of grants.

Disclosure of related party transactions allows readers to assess the extent to which the Corporation might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with it.

GLA and functional bodies
Details of amounts received from the Business Rates Retention, and the Council Tax precept paid to TfL by the GLA are shown in note 9.

During 2016/17 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 2017 £m
Greater London Authority (GLA)	8.9	2.1	1.0
Mayor's Office for Policing and Crime (MOPC) (formerly Metropolitan Police Authority)	0.3	-	-
London Legacy Development Corporation (LLDC)	1.3	0.8	-
London Fire and Emergency Planning Authority (LFEPA)	0.5	-	-

40. Related parties (continued)

Board Members and Officers
Board Members, the Mayor of London, and key management (comprising the Commissioner and the Managing Directors), are required to complete a declaration regarding any related party transactions. During the year, none of the Corporation Board, key management personnel or parties related to them have undertaken any material transactions with the Corporation or its subsidiaries (2015/16 none). Details of the remuneration of the Commissioner and his Managing Directors are disclosed in the Renumeration Report on pages 70 to 103 of the Annual Report and Statement of Accounts.

TfL Pension Fund
The Accounts of the TfL Pension Fund are prepared separately and are subject to a separate audit opinion. Contributions payable to the TfL Pension Fund by TfL as employer are disclosed in note 32.

Central Government
Transport Grant is paid by the Department for Transport to the Greater London Authority, which in turn pays the grant to the Corporation. Details of Transport Grant are disclosed in the Corporation and Group Comprehensive Income and Expenditure Statements and Cash Flow Statements.

The Department for Transport sets the level of Transport Grant through the spending review process. The last such spending review was SR 2015, and the settlement covered grant funding and permitted levels of borrowing for the period up to 31 March 2021.

Other public bodies
TfL provides financial assistance to London Boroughs to support Borough schemes that improve the local travelling environment. Financial assistance provided is disclosed in note 39.

TfL receives income from the London Boroughs for the provision of free travel for 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.

41. Trust Funds

The Corporation acts as the sole trustee for the TfL Healthcare Trust, a trust established in 2012 for the purpose of providing certain benefits relating to medical treatment for eligible employees of the Group and their family members. The Trust is administered by AXA PPP Healthcare Administration Services Limited, an independent third party. Under the terms of the Trust deed the funds held by the Trust do not represent the assets of the Corporation or its subsidiaries. Hence the Trust has not been consolidated into these financial statements.

	Income £m	Expenditure £m	Assets £m	Liabilities £m
At 31 March 2017				
TfL Healthcare Trust	5.1	(4.7)	0.6	(0.4)
At 31 March 2016				
TfL Healthcare Trust	4.0	(4.5)	0.5	(0.3)

42. Events after the balance sheet date

There have been no events occurring after the reporting date that would have a material impact on these financial statements.

Annual Governance Statement

Scope of responsibility

Transport for London (TfL) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. TfL also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, TfL is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Under section 127 of the Greater London Authority Act 1999, an individual must be given personal responsibility by appointment of TfL to 'make arrangements for the proper administration of financial affairs'. This role is performed by TfL's Chief Finance Officer (CFO). 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).

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.

As a functional body of the Greater London Authority (GLA), TfL is a signatory to a GLA Group Framework Agreement, which was updated in 2016. The Agreement is an overarching commitment in relation to the culture and individual behaviours of the GLA Group and contains specific corporate governance commitments. The Agreement is a commitment by all parties to be open, transparent and accountable for their actions and behaviour. It is a high level document that sets common principles that apply across the Group, with the methods of implementation left to each Functional Body to determine. TfL has in place protocols and processes that address all of the requirements of the Agreement.

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

A copy of the TfL Code of Governance is available online at tfl.gov.uk or can be obtained from the Secretariat, 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 2016/17 Statement of Accounts.

The governance framework

The Mayor, who serves as its Chair, appoints the TfL Board members. The Board determines and agrees TfL's strategic direction and oversees the performance of the executive team.

The Board has four committees:

- Audit and Assurance
- Finance
- Programmes and Investment
- Remuneration

The Board has two panels, made up of Board members, which provide strategic advice to the Board on the development and execution of policy:

- Customer Service and Operational Performance
- Safety, Sustainability and Human Resources

The Audit and Assurance Committee has been delegated the responsibility for overseeing corporate governance in TfL. It has received reports on the implementation of the Code of Governance ('the Code'), the Annual Governance Statement contained in these accounts and the results of the compliance review. It receives regular reports from the General Counsel and the Director of Internal Audit and is responsible for the annual assurance process.

The Commissioner of TfL and the Executive Committee are responsible and accountable for the delivery of the day-to-day operations of TfL. The General Counsel has the overall responsibility for the operation of the Code and for ensuring that it is integral to the routine functioning of TfL. In addition, the Director of 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 gives clear explanations of technical issues and their implications

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

TfL measures the quality of services for users, ensures they are delivered in accordance with TfL's objectives and ensures that they represent the best use of resources by:

- Having in place sound systems for providing management information for performance measurement purposes

- Ensuring performance information is collected at appropriate intervals across all activities

- Having comprehensive and understandable performance plans in place

- Monitoring and reporting performance against agreed targets

- Maximising its resources and allocating them according to priorities

- Having in place effective arrangements to identify and deal with failure in service delivery

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

- Publishing operational and financial performance data each quarter

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

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

- Having the roles and responsibilities of Board members and senior employees clearly documented

TfL has developed and communicates the requirements of the Code of Conduct, defining the standards of behaviour for Board members and employees by:

- Ensuring it is an organisation that has a climate of openness, support and respect

- Ensuring that standards of conduct and personal behaviour expected of Board members and employees, between Board members and employees and between TfL, its partners and the community are defined and communicated through codes of conduct and protocols

- Putting in place arrangements to ensure that Board members and employees of TfL are not influenced by prejudice, bias or conflicts of interest

- Ensuring that an effective process, which includes an effective Remuneration Committee, is in place to set the terms and conditions for remuneration of the Commissioner and senior employees

- Developing and maintaining shared values including leadership values for both the organisation and employees reflecting public expectations and communicating these to Board members, employees, the community and partners

- Putting in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and 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 employees at all levels recognising that risk management is part of their jobs

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

- Having an effective, independent Audit and Assurance Committee
- Having the Audit and Assurance Committee develop and maintain an effective oversight
- Having an internal audit department that complies with relevant professional standards and is regularly evaluated by external auditors
- Having an Integrated Assurance Plan that is driven by an annual evidenced assessment of the key business risks facing TfL
- Maintaining an Integrated Assurance Framework

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

- Ensuring that all activities are legally correct, fully documented, appropriately authorised and carried on in a planned manner
- Making a senior employee, 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 employee, 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 employees and all those contracting with TfL have access including external independent reporting lines

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

- Ensuring that its Board members and employees are provided with the necessary training to perform their roles
- Ensuring that its employees are competent to perform their roles
- Ensuring that the 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 employees and committing to develop those skills to enable roles to be carried out effectively
- Commissioning regular external reviews of Board effectiveness
- Developing skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed

TfL establishes clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation by:

- Having in place proper arrangements designed to encourage individuals and groups from all sections of the community to engage with, contribute to, and participate in the work of TfL

- Making clear to employees and the public what it is accountable for and to whom

- Publishing, publicising and making generally available an annual report as soon as practicable after the end of the financial year

- The annual report presenting an objective and understandable account of its activities and achievements and its financial position and performance

- Cooperating with appropriate organisations to ensure there is independent scrutiny of its financial and operational reporting processes

- Having a clear policy on the types of issues it will consult on or engage with the public and service users about, including a feedback mechanism for those consultees to demonstrate what has changed as a result

TfL incorporates good governance arrangements in respect of partnerships and other group working by:

- Fostering effective delivery relationships and partnerships with other public sector agencies, the private and voluntary sectors

- Establishing appropriate arrangements to engage with all sections of the public effectively

- Establishing appropriate arrangements to engage with interest groups such as financial institutions, businesses and voluntary groups to ensure they are able to interact with TfL on matters of mutual interest

Review of effectiveness

TfL has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior employees within TfL who have responsibility for the development and maintenance of the governance framework, the Director of 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 2016/17, TfL has established and embedded a new decision-making structure at Board level to provide a greater focus on strategic and pan-TfL issues. A new slimmed down Board with a wider skill set and greater diversity was appointed and inducted. Both the new decision making structure and composition of the new Board addressed the recommendations from an external review of Board effectiveness.

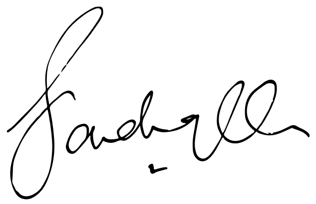
TfL further improved the quality, consistency and transparency of the finance and reporting information provided to Members and the public and continued the programme of publishing more information in line with the Transparency Strategy published in 2015.

TfL's overall Risk Management process was reviewed. It has delivered key improvements, including internal workshops and training sessions on Risk Management across the Business Areas, as well as a Strategic Risk Management Workshop with Audit and Assurance Committee Members.

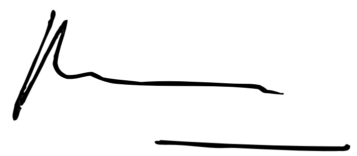
TfL proposes to continue to improve and develop its governance arrangements over the coming year.

Issues to be addressed in the coming year include reviewing the new decision making structure, introduced in September 2016, after its first year of operation. TfL's governance arrangements will also be reviewed in light of the new Mayor's Transport Strategy, which is due to be agreed later in 2017. TfL will continue to improve the quality, consistency and transparency of the information provided to members and the public

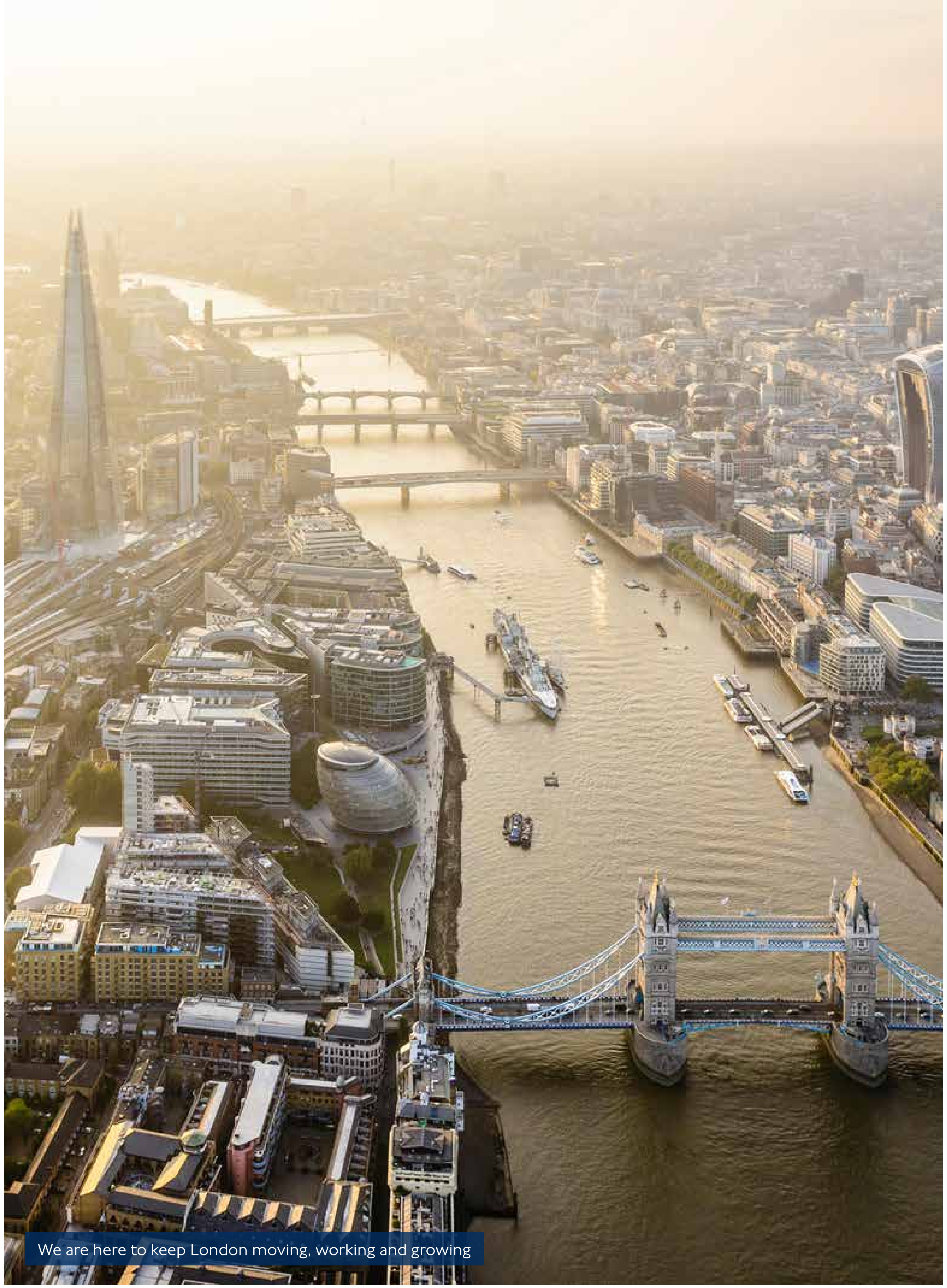
TfL is confident that the current governance processes and planned developments will enable it to meet the challenges identified.



Chair of TfL Board



Commissioner



We are here to keep London moving, working and growing

Executive Committee

2016/17

Mike Brown MVO
Commissioner

Howard Carter
General Counsel

Michèle Dix CBE
Managing Director
Crossrail 2

Graeme Craig
Director of Commercial Development

Andrew Pollins
Transformation Director

Gareth Powell
Director of TfL Strategy and Contracted Services

Mark Wild
Managing Director
London Underground

Leon Daniels
Managing Director
Surface Transport

Vernon Everitt
Managing Director
Customers, Communication & Technology

Ian Nunn
Chief Finance Officer

Alex Williams
Director of City Planning

Tricia Wright
Human Resources Director

Members of TfL

2016/17


Sadiq Khan
Chair


Valerie Shawcross CBE
Deputy Chair


Kay Carberry CBE


Professor Greg Clark CBE


Baroness Grey-Thompson DBE


Bronwen Handyside


Ron Kalifa


Michael Liebreich


Dr Alice Maynard CBE


Anne McMeel


Dr Mee Ling Ng OBE


Dr Nelson Ogunshakin OBE


Dr Nina Skorupska CBE


Dr Lynn Sloman


Ben Story

Directors of Crossrail Ltd

2016/17

Sir Terry Morgan CBE
Chairman

Matthew Duncan

Michael Cassidy CBE

Robert Jennings CBE

Pamela Alexander OBE

Mark Wild

Andrew Wolstenholme OBE

Simon Wright OBE

Terry Hill CBE

Phil Gaffney

The Elizabeth line is expected to carry more than half a million passengers every day

Membership of TfL committees and panels

Members of TfL

Sadiq Khan – Chair
Valerie Shawcross CBE – Deputy Chair
Kay Carberry CBE
Prof Greg Clark CBE
Baroness Grey-Thompson DBE
Bronwen Handyside
Ron Kalifa
Michael Liebreich
Dr Alice Maynard CBE
Anne McMeel
Dr Mee Ling Ng OBE
Dr Nelson Ogunshakin OBE
Dr Nina Skorupska CBE
Dr Lynn Sloman
Ben Story

Committees of TfL

Audit and Assurance Committee

Anne McMeel – Chair
Dr Lynn Sloman – Vice Chair
Kay Carberry CBE
Dr Mee Ling Ng OBE
Dr Nelson Ogunshakin OBE

Finance Committee

Ron Kalifa – Chair
Ben Story – Vice Chair
Michael Liebreich
Anne McMeel
Valarie Shawcross CBE
Dr Nina Skorupska CBE

Programmes and Investment Committee

Prof Greg Clark CBE – Chair
Dr Nelson Ogunshakin OBE – Vice Chair
Bronwen Handyside
Ron Kalifa
Dr Alice Maynard CBE
Dr Nina Skorupska CBE
Dr Lynn Sloman
Ben Story

Remuneration Committee

Baroness Grey-Thompson DBE – Chair
Kay Carberry CBE – Vice Chair
Ron Kalifa
Valerie Shawcross CBE
Ben Story

Panels

Customer Service and Operational Performance Panel

Dr Mee Ling Ng OBE – Chair
Dr Alice Maynard CBE – Vice Chair
Prof Greg Clark CBE
Baroness Grey-Thompson DBE
Anne McMeel
Dr Nelson Ogunshakin OBE
Dr Lynn Sloman

Safety, Sustainability and HR Panel

Michael Liebreich – Chair
Dr Nina Skorupska CBE – Vice Chair
Kay Carberry CBE
Baroness Grey-Thompson DBE
Bronwen Handyside
Dr Mee Ling Ng OBE

TfL members' meeting attendance 2016/17

Current members

Board member	Board	Finance Committee	Audit and Assurance Committee	Remuneration Committee	Programmes and Investment Committee	Customer Service and Operational Performance Panel	Safety, Sustainability and Human Resources Panel
Sadiq Khan	5 (6)	–	–	–	–	–	–
Valerie Shawcross CBE	6 (6)	4 (5)	–	1 (1)	–	–	–
Kay Carberry CBE	4 (5)	–	2 (2)	1 (1)	–	–	3 (3)
Prof Greg Clark CBE	4 (5)	–	–	–	2 (2)	1 (2)	–
Baroness Grey-Thompson DBE	6 (6)	–	–	1 (1)	–	2 (2)	2 (4)
Bronwen Handyside	4 (4)	–	–	–	1 (2)	–	3 (3)
Ron Kalifa	4 (5)	3 (3)	–	1 (1)	2 (2)	–	–
Michael Liebreich	6 (6)	6 (6)	–	–	–	–	4 (4)
Dr Alice Maynard CBE	5 (5)	–	–	–	2 (2)	2 (2)	–
Anne McMeel	4 (5)	2 (3)	2 (2)	–	–	2 (2)	–
Dr Mee Ling Ng OBE	5 (5)	–	2 (2)	–	–	1 (2)	2 (3)
Dr Nelson Ogunshakin OBE	5 (5)	–	1 (2)	–	2 (2)	1 (2)	–
Dr Nina Skorupska CBE	4 (5)	3 (3)	–	–	2 (2)	–	2 (3)
Dr Lynn Sloman	5 (5)	–	2 (2)	–	2 (2)	2 (2)	–
Ben Story	4 (5)	3 (3)	–	1 (1)	1 (2)	–	–

Notes: This attendance list covers the year 1 April 2016 to 31 March 2017. Following the election of a new Mayor in May 2016, the membership of the Board changed from May to October 2016 and the decision-making structure changed from 22 September 2016.

The Board now comprises 15 Members: Sadiq Khan and Valerie Shawcross CBE were appointed in May 2016, Baroness Grey-Thompson DBE and Michael Liebreich had their appointments renewed and so have served throughout the year. The other members were appointed from 5 September 2016, with the exception of Bronwen Handyside who was appointed from 12 October 2016.

The figures in the table show for each member the number of meetings attended against the number of meetings that were held while they were appointed to that Committee or Panel.

TfL members' meeting attendance 2016/17

Former members

Board member	Board	Finance and Policy Committee	Audit and Assurance Committee	Remuneration Committee	Rail and Underground Panel	Surface Transport Panel	Safety, Accessibility and Sustainability Panel
Boris Johnson	–	–	–	–	–	–	–
Peter Anderson	–	1 (1)	–	–	–	–	–
Sir John Armitt	1 (1)	1 (3)	–	–	–	–	–
Sir Brendan Barber	1 (1)	–	–	–	–	–	1 (1)
Richard Barnes	–	–	1 (1)	–	–	–	–
Charles Belcher	–	–	1 (1)	–	–	–	–
Roger Burnley	–	1 (1)	1 (1)	–	–	–	–
Brian Cooke	–	1 (1)	1 (1)	–	–	–	–
Angela Knight CBE	1 (1)	2 (3)	–	–	–	–	–
Eva Lindholm	–	1 (3)	–	–	–	–	–
Daniel Moylan	–	1 (1)	–	–	–	–	–
Keith Williams	–	–	1 (1)	–	–	–	–
Steve Wright MBE	–	–	1 (1)	–	–	–	–

Notes: Of these former members: Daniel Moylan left the Board on 12 May 2016; Richard Barnes, Charles Belcher, Brian Cooke, Bob Oddy and Steve Wright MBE left the Board on 19 June 2016; and following interim reappointments, Sir John Armitt, Sir Brendan Barber, Angela Knight CBE, Eva Lindholm and Keith Williams left the Board on 4 September 2016.

The figures in the table show for each member the number of meetings attended against the number of meetings that were held while they were appointed to that Committee or Panel.

Committee and panel arrangements were revised in September 2016.

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September 2017

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