MAYOR OF LONDON

TRANSPORT FOR LONDON
EVERY JOURNEY MATTERS

Agenda

Meeting: Audit and Assurance Committee

Date: Monday 10 June 2019

Time: 10.00am

Place: Committee Rooms 1&2, Palestra, 197 Blackfriars Road, London, SE1 8NJ

Members
Anne McMeel (Chair)
Dr Lynn Sloman (Vice-Chair)
Kay Carberry CBE
Dr Mee Ling Ng OBE
Dr Nelson Ogunshakin OBE

Copies of the papers and any attachments are available on tfl.gov.uk How We Are Governed.

This meeting will be open to the public, except for where exempt information is being discussed as noted on the agenda. There is access for disabled people and induction loops are available. A guide for the press and public on attending and reporting meetings of local government bodies, including the use of film, photography, social media and other means is available on www.london.gov.uk/sites/default/files/Openness-in-Meetings.pdf.

Further Information

If you have questions, would like further information about the meeting or require special facilities please contact: Sue Riley, Secretariat Officer; telephone: 020 7983 4392;.

For media enquiries please contact the TfL Press Office; telephone: 0845 604 4141; email: PressOffice@tfl.gov.uk

Howard Carter, General Counsel
Friday 31 May 2019

Agenda
Audit and Assurance Committee
Monday 10 June 2019

1 Apologies for Absence and Chair's Announcements

2 Declarations of Interests

General Counsel

Members are reminded that any interests in a matter under discussion must be declared at the start of the meeting, or at the commencement of the item of business.

Members must not take part in any discussion or decision on such a matter and, depending on the nature of the interest, may be asked to leave the room during the discussion.

3 Minutes of the Meeting of the Committee held on 14 March 2019
(Pages 1 - 6)

General Counsel

The Committee is asked to approve the minutes of the meeting of the Committee held on 14 March 2019 and authorise the Chair to sign them.

4 Matters Arising, Actions List and Chair's Actions (Pages 7 - 10)

General Counsel

The Committee is asked to note the updated actions list and the Chair's Action.

5 Annual Report 2018/19 (Pages 11 - 140)

Managing Director, Customers, Communication and Technology

The Committee is asked to note the Annual Report, comment on its contents and note the delegation to the Managing Director, Customers, Communication and Technology, the task of making any adjustments prior to submission to the Board.

6 TfL Statement of Accounts for the Year Ended 31 March 2019 (Pages 141 - 334)

Chief Finance Officer

The Committee is asked to note the draft Statement of Accounts and the delegation to the Chief Finance Officer to make any adjustments arising from the ongoing audit work prior to submission to the Board.

7 Review of Governance and the Annual Governance Statement for Year Ended 31 March 2019 (Pages 335 - 354)

General Counsel

The Committee is asked to approve the Annual Governance Statement, as set out in Appendix 1 of the paper, for signing by the Chair of TfL and the Commissioner for inclusion in the 2018/19 Annual Report and Accounts.

8 Independent Investment Programme Advisory Group Quarterly Report and Workplan (Pages 355 - 370)

Director of Risk and Assurance

The Committee is asked to note the report and approve the IIPAG workplan for 2019/20.

External Audit Items

9 EY Report to Those Charged with Governance (Pages 371 - 410)

Chief Finance Officer

The Committee is asked to note the report and the supplemental information on Part 2 of the agenda.

10 EY Letter on Independence and Objectivity (Pages 411 - 414)

Chief Finance Officer

The Committee is asked to note the report.

11 EY Report on Non-Audit Fees for Six Months Ended 31 March 2019 (Pages 415 - 418)

Chief Finance Officer

The Committee is asked to note the paper.

12 Annual Audit Fee 2019/20 (Pages 419 - 424)

Chief Finance Officer

The Committee is asked to note the paper.

Audit, Risk and Assurance Items

13 Risk and Assurance Quarter 4 Report 2018/109 (Pages 425 - 462)

Director of Risk and Assurance

The Committee is asked to note the report and the supplementary information on Part 2 of the agenda.

14 Risk and Assurance Annual Report 2018/19 (Pages 463 - 488)

Director of Risk and Assurance

The Committee is asked to note the report.

Accounting and Governance

15 Crossrail KPMG Review Update (Pages 489 - 600)

Investment Delivery Planning Director

The Committee is asked to note the paper.

16 Cyber Security Update (Pages 601 - 604)

Director of Strategy and Chief Technology Officer

The Committee is asked to note the paper and the supplementary information on Part 2 of the agenda.

17 Register of Gifts and Hospitality for Members and Senior Staff (Pages 605 - 610)

General Counsel

The Committee is asked to note the paper.

18 Legal Compliance Report (1 October 2018 - 31 March 2019) (Pages 611 - 628)

General Counsel

The Committee is asked to note the report.

19 Strategic Risk: Governance and Controls Suitability SR03 (Pages 629 - 632)

General Counsel

The Committee is asked to note the paper and the supplementary information on Part 2 of the agenda.

20 Member suggestions for future agenda discussions (Pages 633 - 636)

The Committee is asked to note the forward programme and is invited to raise any suggestions for future discussion items for the forward programme and for informal briefings.

21 Any Other Business the Chair Considers Urgent

The Chair will state the reason for urgency of any item taken.

22 Date of Next Meeting

Thursday 26 September 2019 at 10.00am.

23 Exclusion of Press and Public

The Committee is recommended to agree to exclude the press and public from the meeting, in accordance with paragraphs 3&7 of Schedule 12A to the Local

Government Act 1972 (as amended), in order to consider the following items of business.

Agenda Part 2

Papers containing supplemental confidential or exempt information not included in the related item on Part 1 of the agenda.

24 EY Report to Those Charged with Governance (Pages 637 - 648)

Exempt supplementary information relating to the item on Part 1 of the agenda.

25 Risk and Assurance Quarter 4 Report 2018/19 (Pages 649 - 658)

Exempt supplementary information relating to the item on Part 1 of the agenda.

26 Cyber Security Update (Pages 659 - 678)

Exempt supplementary information relating to the item on Part 1 of the agenda.

27 Strategic Risk Update: Governance and Controls Suitability SR03 (Pages 679 - 688)

Exempt supplementary information relating to the item on Part 1 of the agenda.

Transport for London

Minutes of the Audit and Assurance Committee

Committee Rooms 1 and 2, Ground Floor, Palestra, 197 Blackfriars Road, London, SE1 8NJ 10.00am, Thursday 14 March 2019

Members	
Anne McMeel	Chair
Dr Lynn Sloman	Vice Chair
Kay Carberry CBE	Member
Dr Mee Ling Ng	Member
Dr Nelson Ogunshakin OBE	Member (by phone for part)
Executive Committee	
Howard Carter	General Counsel
Simon Kilonback	Chief Finance Officer
Andrew Pollins	Transformation Director (Minute Reference 11/03/19)
Staff	
Simon Adams	Head of Commercial, Crossrail (Minute Reference 08/03/19)
Sarah Bradley	Statutory Chief Finance Officer and Group Financial Controller
Siwan Hayward	Director of Compliance, Policing and On-Street Services, Surface Transport (Minute Reference)
Lorraine Humphrey	Head of Project Assurance
Justin Kennedy	Project Manager, Business Change, Finance (Minute Reference 09/03/19)
Nico Lategan	Head of Enterprise Risk
Richard Mullings	Head of Fraud
Dili Origbo	Head of Internal Audit
Clive Walker	Director of Risk and Assurance
Sue Riley	Secretariat
Also In Attendance	
Karl Havers	Partner, Ernst & Young (EY)
Alison Munro	Chair of Independent Investment Programme Advisory Group

01/03/19 Apologies for Absence and Chair's Announcements

There were no apologies for absence.

The Chair welcomed Alison Munro, Chair of the Independent Investment Programme Advisory Group to her first meeting of the Committee. She also welcomed Lorraine Humphrey and Richard Mullings to their new roles.

Safety was paramount to TfL and accordingly, at the start of all meetings attended by Board Members, they would be asked to raise any safety issues relating to items on the agenda or in general. Members confirmed there were no safety matters they wished to raise other than those to be discussed in relation to items on the agenda.

02/03/19 Declarations of Interest

Members confirmed that their declarations of interests, as published on tfl.gov.uk, were up to date and there were no interests that related specifically to items on the agenda.

03/03/19 Minutes of the Meeting Held on 29 November 2018

The minutes of the meeting held 29 November 2018 were approved as a correct record and signed by the Chair.

04/03/19 Matters Arising and Actions List

The Committee noted the Actions List.

05/03/19 Independent Investment Programme Advisory Group Quarterly Update

The Chair of IIPAG presented the quarterly update. IIPAG Members had met with the Board in February 2019 and it had been agreed that a more strategic approach should be taken with detailed scrutiny of higher risk projects.

The Committee welcomed the integrated, risk based approach and progress in closing out all previous recommendations. Future IIPAG reports would include a focus on improved baseline data and resourcing of projects. IIPAG was using external expertise for information technology specialist reviews.

Members welcomed the suggestion that clearer tracking of spend over the lifetime of a project be developed.

The Committee noted the Independent Investment Programme Advisory Group Quarterly Update and the management response.

06/03/19 Risk and Assurance Quarter 3 Report 2018/19

Clive Walker introduced the Quarter 3 report of work in progress, planned and completed.

A number of minor amendments were suggested to the Enterprise Risk Management Procedure. **[Action: Nico Lategan]**

The Committee agreed that the outstanding actions in relation to controls over disclosure of personal information to external agencies be regarded as closed.

Changes to the audit plan included the cancellation of two audit reports planned for Crossrail due to changing priorities.

The Chair reported that she had been appointed as Chair of the Crossrail Audit and

Assurance Committee and that all future Crossrail Audit and Assurance reports would also be submitted to the TfL Audit and Assurance Committee, for information.

Close collaboration between TfL internal audit and Crossrail audit procedures was being encouraged to provide further assurance to TfL, while not impacting on resource demands.

Vacancies within the internal audit team were being filled but the co-sourcing arrangement had not delivered as anticipated and the contract would not be renewed at the end of the month. Lessons learnt would be applied to future arrangements.

Guidance was being developed by the Head of Enterprise Risk for staff leading on strategic risk deep dive discussions with Members, and it was agreed that the inclusion of any internal audit reports or other assurance work should be included in any deep dives.
[Action: Nico Lategan]

Members were updated on the on-going investigation into the issuing of fraudulent Oyster cards with arrests made. The control environment around Oyster card concessions was being robustly reviewed. The Oyster card refund process was also being reviewed.

Staff were also reviewing the data reported as part of the control environment trend indicators.

The Committee noted the report and the supplementary information on Part 2 of the agenda.

07/03/19 Integrated Assurance Plan 2019/20

Dili Origbo presented the Integrated Assurance Plan for 2019/20.

The Committee approved the 2019/20 Integrated Assurance Plan, subject to an update being reported to the next meeting on IIPAG's work plan, and the Internal Audit plan for Crossrail.

08/03/19 Crossrail KPMG Review Update

Simon Adams presented the overview on the KPMG governance and commercial cost reviews into Crossrail.

The Close Out report would be considered at the next TfL Board meeting, and also submitted to the Committee. Proposals on the role of Crossrail and TfL's Remuneration Committee would also be considered at the Board. **[Action: Simon Adams]**

The Committee noted the paper.

09/03/19 Crossrail Transition Update

Justin Kennedy provided the update on Crossrail transition arrangements.

Members requested future reporting on governance and operations, to provide assurance that the Elizabeth Line would be ready to become fully part of TfL's operational business and to enable a timely discussion on the transition of governance arrangements.

[Action: Howard Smith]

The Committee noted the report.

10/03/19 Register of Gifts and Hospitality for Members and Senior Staff

Howard Carter introduced the paper setting details of the gifts and hospitality declared by the Board and senior staff.

The Committee noted the report.

11/03/19 Transformation Update

Andrew Pollins presented the standing item on the Transformation Programme.

Members highlighted the importance of retaining talent for the future.

The Committee noted the paper.

12/03/19 Personal Data Disclosure to Police and other Statutory Law Enforcement Agencies (2018)

Siwan Hayward presented the annual update on the operation of TfL's policy on the disclosure of personal data to the police and other Statutory Law Enforcement Agencies.

TfL was reviewing guidance on information displayed in taxi and private hire vehicles for customers, informing them of whom they could contact if they had any concerns or complaints and an update would be circulated to Members. **[Action: Helen Chapman]**

The Committee noted the paper.

13/03/19 TfL Protective Security Update

Siwan Hayward introduced the paper updating on TfL's protective security programme and the development of a new strategic risk.

Staff were aiming to develop a stronger security culture across the organisation, and the Committee would receive regular progress reports. Security features were also being included as part of street design as well as numerous desk top exercises.

A briefing would be arranged for all Board Members on security and safety and how Board Members could contribute. **[Action: Siwan Hayward/Secretariat]**

The Committee noted the report and the supplementary information on Part 2 of the agenda.

14/03/19 Member Suggestions for Future Agenda Discussions

Howard Carter presented the forward programme. Due to the quantity of business at the next meeting the Transformation Update would be deferred. **[Action: Secretariat]**

The Committee noted the paper.

15/03/19 Any Other Business the Chair Considers Urgent

There was no urgent business.

16/03/19 Date of Next Meeting

The next scheduled meeting was due to be held on Monday 10 June 2019 at 10.00am.

17/03/18 Exclusion of Press and Public

The Committee agreed to exclude the press and public from the meeting, in accordance with paragraphs 3 & 5 of Schedule 12A to the Local Government Act 1972 (as amended), in order to consider the following item of business: Risk and Assurance Quarter 2 Report 2018/19; and TfL Protective Security Update.

The meeting closed at 12.50pm.

Chair: ______________________________

Date: ______________________________

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Audit and Assurance Committee

Date: **10 June 2019**

Item: **Actions List, Matters Arising and Chair's Action**

This paper will be considered in public.

1 Summary

1.1 This paper informs the Committee of progress against actions agreed at previous meetings and an update on any Chair's Action.

1.2 On 24 May 2019, the Chair was asked to take Chair's Action, in consultation with the Members of the Committee, to review and comment on the 2018/19 TfL Scorecard outturn review undertaken by Internal Audit. The use of Chair's Action was to enable commentary to be provided to the meeting of the Remuneration Committee on 18 June 2019. The Committee received the review report on 24 May 2019 and the Chair exercised her authority on 30 May 2019, with comments being included in the report to the Remuneration Committee.

2 Recommendation

2.1 **The Committee is asked to note the Actions List and the Chair's Action.**

List of appendices to this report:

Appendix 1 – Actions List

List of Background Papers:

Minutes of previous meetings of the Committee

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Appendix 1

Audit and Assurance Committee Actions List (reported to 10 June 2019 meeting)

Actions from last meeting

Minute No.	Item/Description	Action By	Target Date	Status/note
06/03/19	**Risk and Assurance Quarter 3 Report 2018/19** A number of minor amendments to be made to the Enterprise Risk Management Procedure. Guidance on strategic risk deep dive discussions with Members to include any internal audit reports or other assurance work, as appropriate.	Nico Lategan Nico Lategan	Following the meeting. Following the meeting.	Changes incorporated. Completed. Changes incorporated. Completed.
07/03/19	**Integrated Assurance Plan 2019/20** An update to be reported to the next meeting on IIPAG's work plan, and the Internal Audit plan for Crossrail.	Dili Origbo Lorraine Humphrey	10 June 2019 meeting.	Included in reports on agenda. Completed.
08/03/19	**Crossrail KPMG Review Update** The Close Out report to be considered at the next TfL Board meeting, and also submitted to the Committee.	Simon Adams	10 June 2019 meeting.	Report on agenda. Completed.
09/03/19	**Crossrail Transition Update** Future reporting on governance and operations to provide assurance that the Elizabeth Line would be ready to become fully part of TfL's operational business and to enable a timely discussion on the transition of governance arrangements.	Howard Smith	26 September 2019 meeting.	Scheduled on Forward Plan.

Minute No.	Item/Description	Action By	Target Date	Status/note
12/03/19	**Personal Data Disclosure to Police and other Statutory Law Enforcement Agencies (2018)** An update would be circulated to Members on the review of guidance on information displayed in taxi and private hire vehicles for customers.	Helen Chapman	Following the meeting.	Information circulated on 21 May 2019. Completed.
13/03/19	**TfL Protective Security Update** A briefing to be arranged for all Board Members on security and safety and how Board Members could contribute.	Siwan Hayward	Following the meeting.	Briefing held on 16 May 2019 and scheduled for 17 July 2019.
14/03/19	**Member Suggestions for Future Agenda Discussions** Due to the quantity of business at the next meeting the Transformation Update would be deferred.	Secretariat	March 2019	Completed. The Safety, Sustainability and Human Resources Panel is now the lead body for updates on the Transformation Programme and will refer matters to other Committees and Panels as appropriate.

Actions from previous meetings

Minute No.	Item/Description	Action By	Target Date	Status/note
84/11/18	**Cyber Security Update** A report, including a sample visualisation chart of TfL's current and target cyber security maturity and forward view, will be submitted to a future meeting.	Shashi Verma	10 June 2019 meeting.	Report on agenda. Completed.
51/09/18	**Annual Audit Letter** The definition of significant risks referred to under the Value for Money section in the Letter would be clarified in future reports.	Karl Havers (EY)	26 September 2019 meeting.	Scheduled on Forward Plan.

Audit and Assurance Committee

Date: **10 June 2019**

Item: **Annual Report 2018/19**

This paper will be considered in public

1 Summary

1.1 The purpose of this paper is to present the Annual Report to the Audit and Assurance Committee.

2 Recommendation

2.1 The Committee is asked to note the Annual Report, comment on its contents, and note the delegation to the Managing Director, Customers, Communication and Technology the task of making any adjustments prior to submission to the Board.

3 Background

3.1 The Annual Report is one of TfL's key publications and a statutory requirement under the Greater London Authority Act 1999 (as amended). Following discussion by the Committee, the report will be submitted to the meeting of the Board on 24 July 2019.

3.2 The Statement of Accounts and the Annual Governance Statement are being considered elsewhere on the agenda. Following approval, the documents will be combined to form the Annual Report and Statement of Accounts 2018/19.

List of appendices to this paper:

Appendix 1 - Annual Report

List of Background papers:

None

Contact Officer: Vernon Everitt, Managing Director, Customers, Communication and Technology
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DRAFT

Annual Review and Remuneration Report

2018/19 – Draft

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 DLR, London Overground, TfL Rail, London Trams, London River Services, London Dial-a-Ride, Victoria Coach Station, Santander Cycles and the Emirates Air Line. The quality and accessibility of these services is fundamental to Londoners' quality of life. By improving and expanding public transport, 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 open, will add 10 per cent to central London's rail capacity.

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

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

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

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

Contents

Making every journey matter

'Our work over the last 12 months continues to be aligned to the priorities of the Mayor's Transport Strategy. These key areas, covering Healthy Streets and healthy people, a good public transport experience, and new homes and jobs, have underpinned everything we have done, from launching new safety action plans to creating more step-free stations.'

Mike Brown MVO
Commissioner


Crystal Palace

Delivering for Londoners

London is the greatest city in the world and transport is its lifeblood

I know how important it is that transport is affordable and accessible. That is why I have kept TfL fares frozen and protected travel concessions throughout my term as Mayor, even as National Rail fares have continued to rise and external factors have put pressure on TfL's finances. If Londoners cannot afford to move around the city they live in, then we have failed.

My affordable fares policy has protected TfL's revenues during a period when public transport ridership has been subdued across the country. At the same time, TfL has reversed a 16-year trend of rising costs by becoming more efficient than ever in its history. This year, like every year since I was elected, TfL's like-for-like operating costs have fallen.

As TfL continues to become even more efficient, we also look to the future. Through my transport strategy, TfL is transforming London into the sustainable city its customers need. I have launched my new Ultra Low Emission Zone, mobilised an accelerated programme of investment in cycling and transformed the safety, emissions standards and efficiency of London's bus network.

'TfL is transforming London into the sustainable city it needs to become'

TfL fares have been frozen for a third year in a row, keeping travel affordable for all Londoners

‘The Elizabeth line will be the single most significant new public transport infrastructure in London for decades’

Sadiq Khan
Mayor of London

The Elizabeth line will be the single most significant new public transport infrastructure in London for decades. I was frustrated and angry at the delay announced by Crossrail Ltd in August 2018. Millions of Londoners had been looking forward to the opening of the Elizabeth line through central London at the end of 2018, and the new income from the line was core in TfL’s business planning. I have worked with the Government to agree a financing package to meet the additional capital cost and put a new leadership team in place at Crossrail Ltd. We are all now rightly focused on safely opening the Elizabeth line as quickly possible.

The new financial package for Crossrail is based on London ultimately absorbing all of the capital and revenue impact of the delay.

However, like cities across the UK, London’s core public transport network needs steady and sustained investment from central Government. I will be making the case for that investment in London as the Government embarks on its spending review in the months ahead.

Maintaining our focus

In challenging conditions, we must stay focused on safety and delivering for London

Safety remains our top priority and we have made real progress.

We published our Vision Zero action plan and this will enable major improvements to the safety of transport in London, such as our new Bus Safety Standard and transforming intimidating parts of the road network like Highbury Corner junction. We will maintain our focus on safety even as we face many other challenges.

This year has seen the delay to the opening of the Elizabeth line. This was extremely disappointing for London, for us, and our finances. We are also facing national economic conditions that have put pressure on our passenger revenues at the same time as responding to the removal of approximately £700m per annum of direct operating grant from the Government.

The delay to Crossrail has required us to negotiate a deal with the Government for more than £2bn of financing to complete the project, which is on top of provision we have made in our Business Plan for £600m of lost fare revenues. After the announcement we worked closely with Crossrail

The hard work of our people has helped us to overcome the challenges of a difficult year

'The delay to the Elizabeth line was extremely disappointing for us and for London, and had significant impacts on our finances'

‘We must focus on safety regardless of any other challenges we may face’

Mike Brown MVO
Commissioner

Ltd and the Government to understand when the project will be completed and agree how the financial impacts of the delay can be managed. Crossrail Ltd’s new team has now confirmed their revised new scheduled opening window and we will work with them to safely begin running Elizabeth line services for passengers in keeping with this new schedule.

We have let a contract to deliver a new fleet of Piccadilly line trains. Five further London Underground stations have been made step-free, including completing the major upgrade of Victoria station. And we have begun to operate trains under automatic control on the first part of the Hammersmith & City line, before the roll out of that digital system across a further 40 per cent of the London Underground network. As part of our central role in supporting London’s growth, we have submitted several major planning applications for new housing and commercial developments and brought more than 3,000 homes to market, exceeding the Mayor’s target for half of them to be affordable.

None of this delivery would have been possible without our great people both in our organisation and throughout our supply chain. This has been a difficult year but we have overcome the challenges through much hard work and dedication. I look forward to us continuing to work together to keep London moving, working and growing.

Our financial performance

Delivering our plan for financial sustainability while managing challenging conditions

We successfully delivered a net cost of operations that is one third of what it was in 2015/16, once the operating grant we used to receive from Government is taken into account.

We have achieved this despite the delay to the opening of the Elizabeth line and continuing pressure on our ridership from the subdued economic conditions we are seeing across the UK. This strong performance for 2018/19 keeps us on track to deliver the targets in our five-year Business Plan and to achieve a surplus in net cost of operations by 2022/23.

Significant challenges remain. Economic projections are uncertain and growth – and therefore our ridership – is likely to remain subdued given the forecast from the Office of National Statistics, Bank of England, Experian Economics, GLA Economics and the HM Treasury summary of Independent forecasts.

We have made good progress with delivering our savings programme but our plans for future savings are not without risk.

We also need certainty over our long term capital funding beyond 2020/21 so that we can maintain our core transport infrastructure and ensure that the city remains productive.

The Government has indicated it will carry out a spending review later this year. As businesses and stakeholders point out, steady investment in infrastructure must be sustained if London is to continue growing, attracting jobs, talent and new housing.

Simon Kilonback
Chief Finance Officer

'The strong performance for 2018/19 keeps us on track to deliver the targets in our five-year Business Plan and to achieve a surplus in net cost of operations by 2022/23'

Cutting our costs

We reduced our net cost of operations to one third of what it was three years ago

We have maintained a firm grip on our costs despite a challenging climate. We are managing our cost base, including maintenance savings and contract renegotiations.

The headline result for 2018/19 is that we have reduced our net cost of operations to £494m, compared to £1,516m in 2015/16 (excluding operating grant).

Like-for-like operating costs fell by 0.6 per cent, from £5,657m in 2017/18 to £5,621m.

We continue to work with our trade unions as we seek to drive efficiencies and reduce back and middle office costs by 30 per cent. We have already delivered significant savings, including reducing headcount by 12 per cent in the last three years and the size of our non-permanent workforce by 61 per cent since December 2015.

At the end of 2018/19, staff costs were £31m better than budget. This has contributed to a reduction in our year-on-year, like-for-like operating costs for the third consecutive year.

Tube ridership was better than budget

66%
reduction in net cost of operations since 2015/16

£479m
better net cost of operations than budget

13%
reduction in headcount since 2015/16

Increasing revenues

We continue to look for further opportunities to generate long-term revenue

We generate and receive more than £10bn of income and funding each year, which is used to run day-to-day operations and maintain and enhance our services.

Passenger income increased by four per cent to £4,822m. This was mainly on the London Underground network where the 1.4bn journeys made over the year were 2.4 per cent better than budget and two per cent up on the previous year.

In 2018/19, bus passenger income was £11m lower than our budget for the year, where the 2.2bn bus journeys were 1.2 per cent lower than the previous year. We continue to observe subdued demand on our bus network.

London Overground journeys were within 0.2 per cent of budget, with 189.5 million passengers over the year. Journeys on the DLR increased by 1.9 per cent to 122 million in 2018/19, or 1.3 per cent higher than budget.

Demand has been lower than expected on London trams with ridership of 29m journeys over the year, which is 3.9 per cent below budget and 1.3 per cent lower than the previous year.

Commercial development income increased by 3.6 per cent as both advertising and property income increased. This is 1.5 per cent below budget mainly because of missed Crossrail advertising opportunities.

We have established a consulting arm that is already pursuing opportunities both within the UK and overseas. Over time this is expected to generate significant recurring revenue.

Cash balances have improved this year, largely through large asset sales and asset recycling transactions. We have ended the year £257m ahead of budget.

4%
increase in passenger income compared to 2017/18

3.6%
increase in commercial income compared to 2017/18

Bus passenger demand within
1%
of forecast

The delay to Crossrail

We have agreed financing with Government to enable the opening of the Elizabeth line

A deal was agreed in December to ensure the Elizabeth line can open to passengers as quickly as possible.

Following the announcement by Crossrail Ltd that the central section of the Elizabeth line would be delayed, we commissioned KPMG to conduct independent reviews into Crossrail Ltd's financing and governance arrangements.

This indicated that the likely capital cost of the delay could be in the region of between £1.6bn and £2bn, including a £300m funding contribution already announced in July 2018.

In December, we confirmed a new financing deal with the Government to help deliver the final stages of the Crossrail project.

This agreement will see the Greater London Authority (GLA) borrow up to £1.3bn from the DfT, and repaying this from the existing Business Rate Supplement and Mayoral Community Infrastructure Levy.

We announced a finance deal to deliver Crossrail

The GLA will also contribute £100m, taking its total contribution to £1.4bn. This will be provided as a grant to us for the Crossrail project.

We also agreed a contingency arrangement with the Government in the form of a loan facility from the DfT of up to £750m, should the higher end of the estimate be realised.

Crossrail Ltd announced in April 2019 that the central section will open during a six-month window with a midpoint at the end of 2020, and that they expect the capital costs to complete the central section to be delivered within the agreed funding package.

> 'Crossrail Ltd's announcement of the delay to the Elizabeth line is extremely disappointing, but it is important not to lose sight of the huge benefits the line will bring'

Mark Wild
Crossrail Ltd's new Chief Executive

TfL Scorecard

Our scorecard provides a benchmark for our achievements throughout 2018/19

The TfL Scorecard is designed to reflect the key policy objectives of the Mayor's Transport Strategy and is structured in four equally-weighted quadrants aligned to our organisational priorities.

We did not meet our target to reduce the number of people killed and seriously injured on London's transport network. On public transport we met our targets to reduce the number of deaths and injuries.

We met all other Safety and Operations targets. This includes delivering significant time savings for pedestrians, cyclists and bus users by improving the timings of traffic signals, and bringing the total number of Euro VI compliant buses to nearly 7,000 vehicles. This will greatly improve London's air quality and has ensured that all buses operating in central London are compliant with the Ultra Low Emission Zone.

Over the last year we have improved the performance of London Underground and bus services, and increased the customer care score from 46 to 49 per cent. We exceeded our affordable housing target by 12 per cent.

Walking, cycling and public transport journey numbers all increased. This partially meets our target, but there has been an increase in motor traffic that we need to address as we move towards the aim in the Mayor's Transport Strategy for 80 per cent of journeys to be on foot, by cycle or using public transport by 2041.

We delivered 81 per cent of our investment milestones. The milestones not met included selecting a preferred bidder for the Silvertown Tunnel, which was delayed when the Government's decision on the Development Consent Order for the project came later than we had expected. The target of opening the central section of the Elizabeth line in 2018 was not met.

We want our workforce to be fully representative of London's population. This measure improved but the targets were not fully met, either for senior leadership or our workforce as a whole, owing to our current low level of recruitment and continuing change in our organisation.

The annual Viewpoint survey measures total staff engagement and, through the inclusion index, how fair and inclusive our organisational culture is. Total staff engagement and the inclusion index both remained steady at 56 per cent and 43 per cent respectively. This ends a period of decline in recent years, but did not meet the targets we had set to increase both measures.

In a difficult financial climate we have met our financial targets, which supports the longer-term objective to achieve a surplus in net cost of operations by 2022/23.

Long-term objectives	2018/19 scorecard	Full year[1]		
Outcome	**Measure**	**Actual**	**Target**	
Healthy Streets and healthy people (18%)				
London's transport system will be safe and secure	Reduction in people killed or seriously injured on the roads from 2005-09 baseline (%)[2]	36.5	45.4	Safety and operations (25%)
	Reduction in people killed or seriously injured on roads from 2005-09 baseline (incidents involving buses) (%)[2]	58.9	55.6	
	Injuries on the public transport network	11,279	11,683	
London's streets will be used more efficiently and have less traffic	Operational improvements to sustainable travel	16,985	15,000	
London's streets will be clean and green	Number of London buses that are Euro VI compliant	6,950	6,050	
More people will travel actively in London	Healthy Streets scheme assessment (%)	11	10	
A good public transport experience (17%)				
Journeys by public transport will be fast and reliable	Tube excess journey time (minutes)	4.49	4.50	
	Average bus speeds (mph)	9.3	9.2	
Public transport will be accessible to all	Additional time to make step-free journeys (minutes)	9.1	9.0	Customers (25%)
Journeys by public transport will be pleasant	Customer satisfaction (percentage of Londoners who agree we care about our customers)	49	49	

1. These results are subject to approval by the Chair of the Audit and Assurance Committee.
2. Measured in calendar years (year to date is January to Dec 2018). These are provisional estimates and may be subject to change.

Long-term objectives	2018/19 scorecard	Full year[1]	
Outcome	**Measure**	**Actual**	**Target**
New homes and jobs (2.5%)			
Transport investment will unlock the delivery of new homes and jobs	The percentage of affordable houses we take to market in the year (%)	62	50
Mode share (5%)			
80% of journeys will be made by sustainable modes in 2041	Improve sustainable mode share: movement of 4 elements compared to 2017/18: a. Increase in cycling in Central London zone b. Increase in public transport journeys c. Increase in walking d. Decrease in traffic index	3 of 4	4 of 4
	Cycling (% increase to 2014 Baseline)	Increase	Increase
	Passenger journeys (millions)	Increase	Increase
	Traffic index	Increase	Decrease
	Walking	Increase	Increase

Customers (continued)

Long-term objectives	2018/19 scorecard	Full year[1]		
Outcome	**Measure**	**Actual**	**Target**	
All MTS themes (7.5%)				Customers (continued)
All Mayor's Transport Strategy outcomes	Deliver key investment milestones (%)	81	90	
	Open Elizabeth line central section	Delayed	Deliver in P10	
People (25%)				People (25%)
A capable and engaged workforce representative of London	Workforce representativeness – all staff (%) – director/band 5 (%)	 69.9 37.8	 70.7 46.6	
	Inclusion index (%)	43	46	
	Total engagement (%)	56	57	
Financial (25%)				Financial (25%)
We are prudent and cover our costs	Net operating surplus (£m)	358	12	
	Investment programme (£m)	1,633	2,138	

Year at a glance

April 2018
Priority seats

Priority Seating Week, marking the one-year anniversary of the Please offer me a seat campaign.

May 2018
Risk Up campaign

Reminding motorists that when the speed goes up, so does the risk of death and serious injury.

June 2018
Safer junctions

Work to transform Highbury Corner, one of the most intimidating junctions in London, gets under way.

July 2018

Vision Zero action plan

Action plan sets out how we will eliminate deaths and serious injuries from the transport network.

August 2018

Crossrail announcement

Crossrail Ltd announced the delay to the opening of the Elizabeth line.

September 2018
Hopper fare

The Hopper fare celebrates its second anniversary, with more than 220 million journeys.

October 2018
Cycling improvements

Three new Quietways, adding 15km to the network of safer, less busy routes.

November 2018
Cleaner air

The first Ultra Low Emission Zone (ULEZ) signs installed across London as part of a major awareness campaign.

December 2018
Cycling action plan

Action plan sets out how we will improve the quality of cycling infrastructure.

January 2019
London Overground

Manufacturer Bombardier announces that delivery of new London Overground trains would be delayed.

February 2019
Greener taxis

An additional £24m fund to help black cab drivers convert to electric vehicles, taking the total fund to £42m.

March 2019
Access All Areas

Second Access All Areas event, showcasing the latest in accessible transport, design and services.

Operational performance measures

Buses	2014/15	2015/16	2016/17	2017/18	2018/19
Passenger journeys (millions)	2,385	2,314	2,262	2,247	**2,220**
Kilometres operated (millions)	489	492	495	490	**480**
Schedule operated (%)	97.1	97.2	97.4	98.1	**98.1**
Excess wait time (high frequency routes) (minutes)	1.1	1.2	1.1	1.0	**1.0**
Customer satisfaction (score)	85	86	86	86	**85**

TfL road network	2014/15	2015/16	2016/17	2017/18	2018/19
Journey time reliability (am)	88.3	87.8	88.0	88.7	**88.9**
Traffic flow – major roads weekdays*	95.9	95.2	95.1	94.8	**96.0**
Customer satisfaction (score)	74	74	70	70	**71**
Resolution time for serious and severe disruption (unplanned) per event (hours)	2.0	1.9	1.9	1.7	**1.6**
Hours of serious and severe disruption (planned)	931	1,404	506	445	**346**

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

London Underground	2014/15	2015/16	2016/17	2017/18	2018/19
Passenger journeys (millions)	**1,305**	**1,349**	1,378	1,357	**1,384**
Kilometres operated (millions)	**80.3**	**82.5**	83.7	84.4	**85.0**
Schedule operated (%)*	**97.6**	**97.0**	96.9	96.6	**96.8**
Excess journey time (weighted) (minutes)*	**4.6**	**4.6**	4.7	4.6	**4.6**
Customer satisfaction (score)	**84**	**85**	85	85	**84**
Lost customer hours (millions)*	**22.7**	**26.5**	26.1	23.9	**24.6**

* Includes industrial action

DLR	2014/15	2015/16	2016/17	2017/18	2018/19
Passenger journeys (millions)	110.2	117.0	122.3	119.6	**121.8**
Kilometres operated (millions)	5.8	6.0	6.0	6.1	**6.1**
Planned kilometres delivered (%)	99.3	98.5	99.0	98.4	**99.0**
Customer satisfaction (score)	89	89	89	87	**87**

Operational performance measures

Continued

London Trams	2014/15	2015/16	2016/17	2017/18	2018/19
Passenger journeys (millions)	30.7	27.0	29.5	29.1	**28.7**
Kilometres operated (millions)	3.0	3.0	3.2	3.3	**3.2**
Planned kilometres delivered (%)	97.9	99.0	97.1	98.6	**98.4**
Customer satisfaction (score)	89	90	90	91	**90**

London Overground	2014/15	2015/16	2016/17	2017/18	2018/19
Passenger journeys (millions)	139.9	185.2	188.8	190.1	**189.6**
Kilometres operated (millions)	7.8	10.5	10.8	11.0	**11.7**
Planned kilometres delivered (%)	95.2	94.4	94.4	98.4	**95.9**
Customer satisfaction (score)	83	84	84	83	**83**

Emirates Air Line	2014/15	2015/16	2016/17	2017/18	2018/19
Passenger numbers (millions)	1.5	1.5	1.5	1.4	**1.3**
Customer satisfaction (score)	93	93	93	93	**92**
Availability (per cent)	96.3	94.4	98.7	97.6	**97.7**

TfL Rail	2014/15	2015/16	2016/17	2017/18	2018/19
Passenger journeys (millions)	na	40.1	47.8	45.3	**55**
Customer satisfaction (score)	na	83	83	83	**84**

London River Services	2014/15	2015/16	2016/17	2017/18	2018/19
Passenger services (including Woolwich Ferry) (thousands)	10,023	10,301	10,620	10,017	**9,757**

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

London Dial-a-Ride	2014/15	2015/16	2016/17	2017/18	2018/19
Customer satisfaction (score)	92	92	91	92	**89**
Trip requests scheduled	90	90	89	91	**90**

Cycle Hire	2014/15	2015/16	2016/17	2017/18	2018/19
Cycle hires (millions)	10.1	9.9	10.5	10.4	**10.9**

Safety and security

'Safety is core in everything we do. We launched our Vision Zero action plan, outlining our ambition to eliminate all deaths and serious injuries from the transport network. We continue to improve safety on London Trams, following the tragic overturning of a tram in Sandilands in 2016, and have worked to tackle hate crimes and sexual assaults.'

Jill Collis
Director of Health,
Safety and Environment

Safety and security – a year of delivery

Following the tragic overturning of a tram at Sandilands in 2016, we continue to improve safety on the London Trams network. In May 2018, we began a tender process for the new automatic braking system that will slow a tram to a stop if it exceeds speed limits at critical locations.

Our speed reduction campaign engaged drivers and motorcyclists in a series of messages highlighting the risks both groups face. We also continued our work to reduce the number of slips, trips and falls on the Underground with a series of posters and safety announcements at stations.

Work began to improve Highbury Corner junction in June to improve safety for cyclists, pedestrians and other road users.

The Vision Zero action plan was launched in July. It proposed reduced speed limits and improving the junctions with the highest risk to make them safer. This work, along with targeting behaviours that contribute to the most collisions, changes to the London Bus fleet and improved post-collision learning, form the basis of the action plan.

We continued to work with the British Transport Police to increase awareness of hate crimes, encourage more people to report their experiences and to support National Hate Crime Awareness week in October.

Our world-leading Bus Safety Standard launched in October at a Bus Safety Summit. A range of measures, including speed-limiting technology, anti-slip precautions, reversing cameras and blind spot mirrors aim to reduce the number of people killed or seriously injured on or by a London bus.

In November, supporting the International Day for the Elimination of Violence Against Women, we encouraged people to report unwanted sexual behaviour on our network. And in December, we ran our annual Safer Travel at Night campaign to increase awareness of the dangers of using unlicensed minicabs.

We launched the final consultation for the Direct Vision Standard for heavy goods vehicles in January 2019. This will use a Safety Permit scheme and make sure that vehicles are retrofitted with a safe system to continue to drive on London's roads.

May 2018:

Tender process for the new automatic braking system for trams

Risk Up safer speed campaign is launched

June 2018:

Work begins on improving Highbury Corner junction

July 2018:

Vision Zero action plan published

October 2018:

Bus Safety Standard launched

November 2018:

Report It to Stop It campaign continues

December 2018:

Safer Travel at Night campaign

January 2019:

Final consultation for the Direct Vision Standard

We have continued to improve safety and security for customers and staff

We took part in more than

250

engagement projects for Hate Crime Awareness week

Our goal is that, by 2041, there will be

Zero

deaths or serious injuries on our transport network

During a two-week period we dealt with

519

cycling offences, such as jumping red lights

Operation Vision Zero dealt with

4,758

road danger offences over a two-week period in November

A pedestrian hit by a vehicle travelling at

20mph

is five times more likely to survive than being hit at 30mph

The number of hate crime reports rose by

2%

from the previous year as we encourage victims to speak out

There have been more than

1,500

arrests made since our Report It to Stop It campaign launched

Towards Vision Zero

Working with partners to eliminate deaths and serious injuries on London's streets by 2041

In July 2018, we launched the Vision Zero action plan, to reduce the number of people killed or seriously injured on London's streets and public transport network to zero by 2041. London joins some of the biggest cities in the world, such as New York, in implementing the Vision Zero approach.

The Vision Zero action plan changes the approach to road danger, challenging the view that death and serious injury on London's streets is an inevitable part of living in a busy modern city.

Proposals include reduced speed limits and fast-tracking improvements to the highest-risk junctions, which we identified as part of the Safer Junctions programme.

To successfully achieve Vision Zero, we will continue to work closely with London's boroughs, police and other partners.

Visit tfl.gov.uk/vision-zero to read the action plan in full

The road danger reduction targets are:

By 2022

65%▼ fewer people killed or seriously injured against 2005-09 levels

70%▼ fewer people killed or seriously injured in, or by, London buses against 2005-09 levels

By 2030

70%▼ fewer people killed or seriously injured against 2010-14 levels

0 people killed in, or by, London buses

The Sarah Hope Line

The Sarah Hope Line provides support for people affected by injury and other life-changing events involving public transport.

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

In 2018/19, the Sarah Hope Line team managed 594 calls relating to events on board buses, trams and the Tube. We continue to promote the service and presented to the Metropolitan Police Family Liaison Officers, and met with surgical and trauma care specialists and the London Air Ambulance Service.

Vision Zero: measures towards safer streets

Safe streets

Vision Zero supports the Safer Junctions programme, which prioritises safety improvements on the junctions where the most people are killed or seriously injured. Of the 73 junctions identified in the programme, 21 have already been improved.

Safe vehicles

Our world-leading Bus Safety programme aims to reduce the number of people killed or seriously injured on our buses by 70 per cent by 2022. As part of this, we will develop the safest possible buses, incorporating the latest safety technology. We work in partnership with the Metropolitan Police Service and national Confidential Incident Reporting Analysis System.

Safe speeds

Vision Zero proposes to reduce speeds on the our roads within the Congestion Charging zone to 20mph by May 2020 and change street design to encourage people to drive at an appropriate speed.

70%

of London's roads are proposed to be set at 20mph by 2022

Safe behaviours

Of the factors contributing to a collision in London, 93 per cent are due to a limited number of behaviours. These are inappropriate speeds, risky manoeuvres, distraction, drink or drug driving and vehicle or driver non-compliance. The Vision Zero action plan proposes new campaigns to engage people on the most risky behaviours and increase awareness of the impact they can have.

Post-collision learning

Understanding the causes of collisions will help us to prevent them from happening again. The police provide us with vital information about how serious collisions occurred so we can identify risks. Our Sarah Hope Line helps anyone injured or affected by a serious or life-changing incident involving our services.

Taking no risks

We launched a campaign in May 2018 to remind motorists to consider their speed, which was aimed at reducing the number of deaths and serious injuries on London roads. The key message was that when the speed goes up, the risk goes up and focused on driving at an appropriate speed for the road and the conditions. This includes driving in built-up areas, driving in poor weather, or at night.

Innovative safety equipment

In October 2018, we published a new Bus Safety Standard at a special summit. The plans form part of our overall Vision Zero ambition and detail the requirements that all bus operators will need to adopt up to 2024. The first milestone will be that all new London buses must include speed-limiting technology, audible alerts for passengers, slip reduction measures such as high-grip flooring, more blindspot mirrors and reversing cameras, and warning pedal indicators for drivers. Our bus operators also trialled innovative safety equipment, including fatigue detection devices, acceleration limiters and new training apps.

Making London Trams safer

Work to improve safety on the London Trams network continued, following the tragic overturning of a tram in Sandilands in November 2016. In May 2018, we began the tender process for a new automatic braking system. The system brings a moving tram to a controlled stop if it exceeds the speed limit at a designated location and alerts the control centre.

This forms part of a wider trams improvement programme that has already seen the introduction of a permanent speed reduction across the tram network, more speed monitoring, enhanced signage at significant bends, and the installation of a driver protection device that alerts if it detects any incidence of fatigue, distraction or speeding.

70kph

is the maximum speed a tram can travel, 10kph lower than it was in 2016

Taking direct action on HGVs

We launched the final consultation on our Direct Vision Standard proposals in January 2019. The world-first approach will tackle road danger by eliminating blind spots from heavy goods vehicles. The standard, and associated Safety Permit for vehicles that have retrofitted a safe system, will help reduce road danger for vulnerable road users, such as cyclists and pedestrians. Our consultation asked people for their views on the process for obtaining a Direct Vision star rating, the safe system requirements, and the enforcement and appeals process.

The Mayor Sadiq Khan (centre) helped launch the Direct Vision Standard

Highbury Corner improvements

In June 2018, work began on transforming Highbury Corner junction, which has one of the poorest safety records in London. The changes are designed to improve safety for cyclists, pedestrians and other road users. These include removing the 1960s roundabout and replacing it with two-way roads, with segregated cycle lanes on the remaining three sides. There will also be a new public space.

Clear guidance on roadworks

We published a guide to safe practice for roadworks in February 2019. The Temporary Traffic Management handbook gives companies clear guidance and ideas on how to keep people safe around works, particularly cyclists, pedestrians and motorcyclists. It sets out good practice to anyone involved with roadworks and other construction operations.

'Hate crime has no place in any civilised society. We encourage all passengers to stand together and report any hate crime that they witness or experience. Public transport must be a place where everyone feels safe and we all stand up against bigotry and for minority communities who may fear victimisation. This is why we are working closely with the police to tackle hate crime and support offenders being caught and brought to justice'

Siwan Hayward
Director of Compliance, Policing and On-Street Operations

Standing together to tackle hate crime

More than 250 joint engagement projects took place across London as part of National Hate Crime Awareness Week in October 2018. We worked with the British Transport Police, Metropolitan Police and City of London Police to raise awareness and encourage people to report instances of hate crimes so that action can be taken. We visited Camden People First disability group, St John's Wood United Synagogue and Victoria station.

Report it stop it

In November 2018, we marked the International Day for the Elimination of Violence Against Women by encouraging reporting of unwanted sexual behaviour. This builds on our Report It to Stop It campaign, and since its launch in 2015, there has been a 65 per cent increase in reports, as people feel confident that action will be taken against offenders.

Tackling knife crime

Together with the Metropolitan Police Service, we approved the moving of 100 police officers from the Roads and Transport Policing Command to the Violent Crime Task Force. These officers support work such as stop and search, knife arches, metal detector wands and Automatic Number Plate Recognition.

Safer Travel at Night

Getting our customers home safely over the Christmas period

We ran our annual Safer Travel at Night campaign in December 2018, to remind customers of the dangers of using unlicensed minicabs. Working alongside the Metropolitan Police Service and City of London Police, our Taxi and Private Hire Compliance team engaged with revellers in the lead up to the Christmas season. They highlighted the rules for booking a private hire vehicle or hailing a black taxi, as well as encouraging people to report incidents to us or the police. We also spoke directly with minicab operators to remind them of their responsibilities towards passenger safety.

Suicide prevention

Our bespoke training has helped double the number of suicide interventions on the Tube. The training programme enables staff to identify vulnerable passengers and provides advice on how to deal with situations. It was launched in November 2017, with a further rollout in August 2018.

Reducing injuries on the Underground

Most injuries on the Underground involve slips, trips and falls on escalators and stairs. We introduced an Escalator Excellence Award scheme, starting with the 10 stations that had the most accidents. This includes new signs, a new poster campaign and better announcements. The scheme is now in place in all Tube stations that have escalators. A Stairs Excellence Scheme has also been introduced at 36 stations to target falls on stairs. We also moved the platform edge on more than 90 platforms to reduce the gap between the train and the platform and improved the cameras on a number of platforms to give the operator a better view.

Delivering the Mayor's Transport Strategy

Our work in 2018/19 has been aligned to the themes of the Mayor's Transport Strategy

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

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

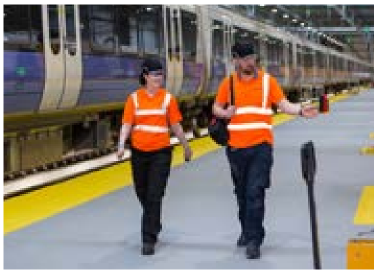
Healthy Streets and healthy people

Investment will focus on reducing traffic and prioritising walking, cycling and public transport use. This will enable Londoners to live active, healthy lives and help create a city that works well for its residents and visitors.

A good public transport experience

The right investment will ensure public transport is an attractive option. Having the right services where people need them, reducing crowding and keeping fares affordable will minimise car dependency.

New homes and jobs



Transport improvements are vital to the creation of new homes and jobs. Our investment will help to create communities where amenities are within walking and cycling distance and public transport is available for longer journeys.

The challenge

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

The vision

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

Healthy Streets and healthy people

'We launched our Walking and Cycling action plans, which outline our strategy for achieving the Mayor's ambition for 80 per cent of journeys to be made by walking, cycling or public transport by 2041. We have also taken action to clean up London's toxic air, including the Ultra Low Emission Zone and Low Emission Bus Zones.'

Gareth Powell
Managing Director,
Surface Transport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Healthy Streets and healthy people – a year of delivery

In July 2018, we launched our Walking action plan, which sets our ambition to make London the most walkable city in the world: the ultimate goal is to have an extra one million walking trips taking place by 2024.

September saw Cycleway 6 extended, with a new 2.5km route between Farringdon and King's Cross, and London went car-free for the day with around 50 streets encouraged to ditch the car and play, meet, walk and cycle.

In November, we launched a further five Low Emission Bus Zones, meaning that there are now seven in place altogether. November also saw the arrival of our first batch of 90 green Dial-a-Ride vehicles. These will give older customers and people with disabilities the freedom to make journeys across London in vehicles that meet stringent air quality standards. In the same month, Santander Cycles customers were able to use contactless payments for the first time and work started to transform Old Street Roundabout to create a safer environment.

Following on from the publication of the Walking action plan, in December we launched our Cycling action plan, the aim of which is to see the number of cycling journeys double in the next six years. Santander Cycles enjoyed a record-breaking year, with more than 10.5 million journeys made. December saw us present certificates to London schools, celebrating their work in championing active and safe travel as part of our STARS (Sustainable Travel: Active, Responsible, Safe) programme.

In February 2019 a ban on junk food advertising came into force.

An extra £24m funding was made available to London's black cab drivers to help them switch to electric vehicles. In March, we launched the Freight action plan, which sets out ambitions to reduce road danger, and help clean up London's air. We announced 11 new successful bids in our multi-million pound Liveable Neighbourhoods programme.

In April, we launched the Ultra Low Emission Zone, the world's toughest emission standard, operating 24 hours a day, seven days a week, in central London.

July 2018
Walking action plan launched

September 2018
Cycleway 6 extended

November 2018
Five new Low Emission Bus Zones, taking the total to seven

December 2018
Cycling action plan

Santander Cycles record year

STARS programme champions active and safe travel in schools

February 2019
Junk food advertising ban

March 2019
Freight action plan

11 new Liveable Neighbourhoods

April 2019
The Ultra Low Emission Zone launches

Making London's streets healthier

Ahead of the launch, there were

300

Ultra Low Emission Zone signs installed across London

In 2018, there were more than

10.5 million

Santander Cycles hires, a record number in a year

We are working with more than

12,000

schools in London as part of our STARS programme

There has been a rise of around

10%

in goods vehicle movements in London since 2010

There is a daily average of

400,000

bus and tram journeys made using the Hopper fare

We have successfully launched more than

15km

of new Quietway cycle routes on less busy streets

Walking action plan

We described our ambitions for making London the most walkable city in the world

The plan, which was launched by London's Walking and Cycling Commissioner Will Norman in December 2018, sets out how we will create a city where walking, for those that can, is the most obvious, enjoyable and attractive means of travel for short trips.

Our ultimate goal is to make London the most walkable city in the world, with an extra one million walking trips taking place every day by 2024. This is in line with the Mayor's aim of increasing the number of people who walk, cycle or use public transport from the current rate of 63 per cent to 80 per cent.

While walking is an easy and affordable way for people to integrate more physical activity into their daily lives, research shows that too many are put off because of concerns about road danger or worries about their fitness levels.

The plan aims to address these barriers by improving public spaces with more walking routes and pedestrian crossings, prioritising walking in new infrastructure schemes, promoting walking in schools, and rolling out innovative traffic signal technology that makes it easier for people to cross roads.

Visit tfl.gov.uk/corporate/about-tfl/the-mayors-transport-strategy to read the action plan in full

'Whether you are popping to the shop or the station, we're investing record amounts to make walking the safest, easiest and most enjoyable way to get around'

Will Norman
Walking and Cycling Commissioner

Our Healthy Streets Approach promotes safe and sustainable travel, such as walking and cycling

The Walking action plan sets out how we can boost walking in London, leading a culture change and promoting its health benefits to all

Understanding walking in London

The Walking action plan is underpinned by what we knew about walking in London. Through research carried out in 2018, we set out eight barriers that inhibit Londoners from walking. These are: not having enough time to walk; too much traffic (and fast traffic); concerns over personal security; having other ways of travelling that work better; streets are not pedestrian friendly; not being fit enough; road danger concerns; and having a disability.

The action plan

There are four main areas to the Walking action plan. The first, building and managing streets for people walking, expands on our research that suggests people will walk more if there are cleaner, more attractive streets. The second, planning and designing for walking, can be achieved if streets and places are better designed, with slower traffic and accessible walking routes. The third is integrating walking with public transport; and the fourth, leading a culture change, means addressing the barriers to walking on streets and promoting the health benefits, particularly to schools and parents.

A new approach to support walking

The Walking action plan committed to new targets to increase levels of walking, with specific ambitions for different parts of London.

In central London, we aim to create attractive places to improve the experience of walking, decluttering pavements and promoting walking as an alternative to crowded public transport and private vehicle use.

In inner London, we will bring change by creating opportunities for new walking trips, particularly to and from town centres; improving walking access to local high streets and services, to key transport hubs and strategic interchanges; improving interchange between inner London bus services and walking trips; and targeting inner London trips to school.

The Walking action plan will contribute to the outer London vision by identifying opportunities for new walking trips, improving walking access to town centres and transport interchanges, reducing the impact of traffic, and targeting trips to school, with a focus on reducing car use.

Cleaning the air we breathe

The Ultra Low Emission Zone (ULEZ) is helping tackle London's toxic air

We ran an extensive awareness campaign ahead of the launch of the ULEZ, the world's toughest emissions standard, to ensure that drivers were aware of the changes and could register their vehicles and check their status. In November, the first of more than 300 signs were installed at the same location as the existing Congestion Charging zone signs, warning drivers that they are about to enter the ULEZ. We also sent more than 3.3 million emails and contacted registered Congestion Charge users whose vehicles did not meet the new standards. Drivers could also use an online tool to see if their vehicle complied with the standard, with 3.2 million checks being made in lead up to the launch.

The ULEZ will help reduce exhaust nitrogen oxide and particulate matter emissions, helping to improve air quality and make central London a safer and more pleasant place. These positive effects will be especially beneficial to the young, older people and those who have respiratory problems, as well as residents of high pollution areas. The majority of traffic entering the ULEZ will be from outside the zone, which means the benefits of cleaner, greener vehicles will be experienced across London.

Air pollution costs London up to

£3.7bn

every year

The central London Ultra Low Emission Zone is set to reduce polluting emissions by

45%

London goes car-free for the day

Londoners were encouraged to play, meet, walk, cycle and enjoy their streets in September 2018 as part of World Car Free Day. Around 50 streets, from Hackney to Ealing, were encouraged to ditch the car and reclaim the streets from traffic. Car-free streets also help people to feel safer and have a benefit on air quality. We supported London Play, a charity that works to help children play by closing roads to traffic during certain times. The activity formed part of our wider work to make communities greener and healthier places to live, work and go to school.

Play Streets were set up across

15

boroughs in Greater London

Green black cabs

London's black cabs were helped to become greener in February 2019 with an extra £24m being made available to help drivers make the switch to electric vehicles. This more than doubled the existing funding available.

More than 1,000 taxi drivers are set to benefit from £10,000 payments as part of the enhanced trade-in fund

The first batch of 90 new, green Dial-a-Ride vehicles arrived in November 2018. These new vehicles are helping older customers and people with disabilities to travel in London

Cycling action plan

In December 2018, we unveiled plans to make cycling easier and safer for everyone

The Cycling action plan sets out how we will improve the infrastructure to make cycling more accessible, while helping to address London's poor air quality. The plan will see cycling journeys double over the next six years, through measures such as new routes and quality standards.

Work on routes between Tottenham Hale and Camden, and Hackney and the Isle of Dogs is due to begin this year following consultations, as well as a number of other major routes being constructed from Tower Bridge to Greenwich and Olympia to Brentford. These new routes will need to meet six strict new quality standards, including volumes and speed of traffic, numbers of heavy goods vehicles and collision risks at junctions.

Visit tfl.gov.uk/corporate/about-tfl/the-mayors-transport-strategy to read the action plan in full

We are encouraging more people to take to two wheels as a way to travel sustainably around London

'I'm delighted to be announcing some of the major new work that will start on cycle routes across London next year, and in introducing new quality standards for cycle routes, I'm determined to ensure every Londoner feels comfortable and safe getting on a bike, whatever their age, experience or background'

Sadiq Khan
Mayor of London

Understanding cycling in London, bringing an evidence driven approach, and delivering the action plan itself are key to enabling more people to cycle

Understanding cycling in London

Achieving the vision of making London the world's best big city for cycling is dependent on four things: analysing the growth of cycling, finding out who is cycling in London, identifying what stops people from cycling and what is the potential for even more cycling. The number of Londoners cycling has more than doubled since 2000.

Our research also showed that almost half of Londoners are put off cycling by the fear of collisions, many feel they are too unfit or old, and some simply feel public transport is more convenient for them. Every day, there are more than eight million trips made by car, taxi, Tube and bus that could potentially be switched to cycling instead.

An evidence-driven approach to cycling

Using an evidence-led methodology to plan for cycling, based on our new cycling model and analytical tools, focusing on unlocking the enormous potential for cycling in London, our targets are to: double the number of cycle trips made every day in London; and expand the cycle network, increasing the proportion of Londoners living within 400 metres of the London-wide cycle network.

Delivering the plan

Our target in this plan is to enable 1.3 million cycle journeys to be made every day by 2024. This will be supported by the £2.3bn funding for Healthy Streets included in our latest Business Plan. This investment underwrites many of the actions in the plan; every action will need the input, involvement and enthusiasm of all our partners.

We need to work collectively to achieve the vision of this plan, and we must all embody the step-change in ambition that it heralds. Action and commitment will be needed from all of our partners across the Capital.

By delivering the Cycling action plan, we will not only be helping increase the number of people who enjoy the benefits of cycling, but also set the foundations for London's future success.

While our long-term vision is for 2041, the time to press ahead with action on cycling is now, and the Cycling action plan marks an ambitious change in the planning and delivery of cycling initiatives.

Cycling numbers on the rise

Santander Cycles enjoyed a record-breaking year in 2018, with more than 10.5 million journeys being made using the scheme for the first time. There were more than 35,000 hires on Christmas Day alone, with riders cycling the equivalent of 65 return trips to the Moon through the course of the year. The daily average was also the highest ever, with 29,500 hires every day. The number of hires made through the Santander Cycles app also increased in 2018, growing by 26 per cent compared to 2017.

Easier payment to pedal

Santander Cycles customers were able to use contactless payments to hire the bikes in November 2018 when we modernised all 775 terminals to accept the payment method. This made it even quicker and easier to hire a bike, removing five stages of the payment process for turn up and go riders. To mark the announcement, we offered people free 24-hour access to Santander Cycles, by using a promotional code.

77 million

Santander Cycles journeys since the scheme launched in 2010

Extending our cycling network

Cycleway 6 was extended in September 2018, with a new 2.5km route between Farringdon and King's Cross being officially opened by the Mayor. The extension means the new Cycleway connects Elephant and Castle all the way up to King's Cross, passing through key transport hubs such as Blackfriars and Farringdon stations. It brought the total length of the route, which was delivered in partnership with Islington and Camden councils, to 5km. The route was also made safer, as it includes segregated cycle lanes on Farringdon Road and new pedestrian crossings.

Low emission buses

We launched five more Low Emission Bus Zones in November 2018, bringing the total number to seven. Only buses that meet the cleanest emissions standards are allowed to travel on the routes, which are in some of the most polluted hotspots. The announcement is a key milestone for completing a total of 12 routes, with the remaining five scheduled to launch ahead of schedule in 2019.

Five new zones:

- **Camberwell to New Cross**
- **Wandsworth to St John Hill**
- **High Road Haringey to Green Lanes**
- **A12 Eastern Avenue to Homerton Road**
- **Edgware Road Kilburn to Maida Vale**

Existing zones:

- **Putney High Street**
- **Brixton Road**

Liveable neighbourhoods

In March 2019, we announced 11 new schemes that will receive funding through our Liveable Neighbourhoods programme. The funding, which increased to £53.4m this year from £33m in November 2017, will be used to transform areas with new walking and cycling infrastructure, pedestrian crossings and public spaces. Liveable Neighbourhoods is part of the Mayor's £2.3bn overall investment to create Healthy Streets.

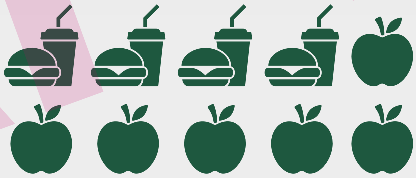
The latest borough projects that will receive funding are:

- **Shortlands, Bromley**
- **Holborn, Camden**
- **Old Town, Croydon**
- **Enfield Town, Enfield**
- **South Chiswick, Hounslow**
- **Brixton, Lambeth**
- **Freemasons Road, Newham**
- **South Bermondsey, Southwark**
- **Bow, Tower Hamlets**
- **Ilford, Redbridge**
- **City Cluster, City of London**

Promoting a healthy appetite

A ban on advertising junk food on our network came into force in February 2019. The ground-breaking measure is designed to help tackle child obesity and means food and drink brands, restaurants, takeaways and delivery services will only be able to promote healthier products. The ban followed a public consultation that found 82 per cent of Londoners supported a junk food ban, which was also backed by public health experts. It covers food and non-alcoholic drinks that are high in fat, sugar and salt.

40%
of children aged between 10-11 in London are overweight or obese



Teaching a valuable lesson

In December 2018, 28 schools from across London were celebrated for their work in championing active and safe travel. As part of our Sustainable Travel: Active, Responsible, Safe (STARS) schools programme, the highest performing schools we presented with certificates from the Mayor at City Hall as part of a special ceremony. The STARS programme is now in its twelfth year, with accreditation growing from 180 schools in 2007 to 1,465 in 2018. Schools are judged on their success in changing travel behaviour, with each school awarded a Bronze, Silver or Gold accreditation. In 2018, 686 schools were awarded a Gold accreditation - more than ever before.

686
STARS schools achieved the Gold award

1,465
schools participating in our STARS programme

Old Street Roundabout

Work started in November 2018 to transform Old Street Roundabout to create an environment that is safer for cycling and walking. The project will see the northwest arm of the roundabout close permanently to traffic, which will create a major new public space with better pedestrian and cyclist access to Old Street station. Traffic will operate in a two-way flow through the redesigned junction, with fully segregated cycle lanes and cycle-only traffic signals. We worked closely with councils and contractors to ensure the work could start ahead of time after the Mayor announced in August that he wanted the project brought forward.

Each year, there are more than

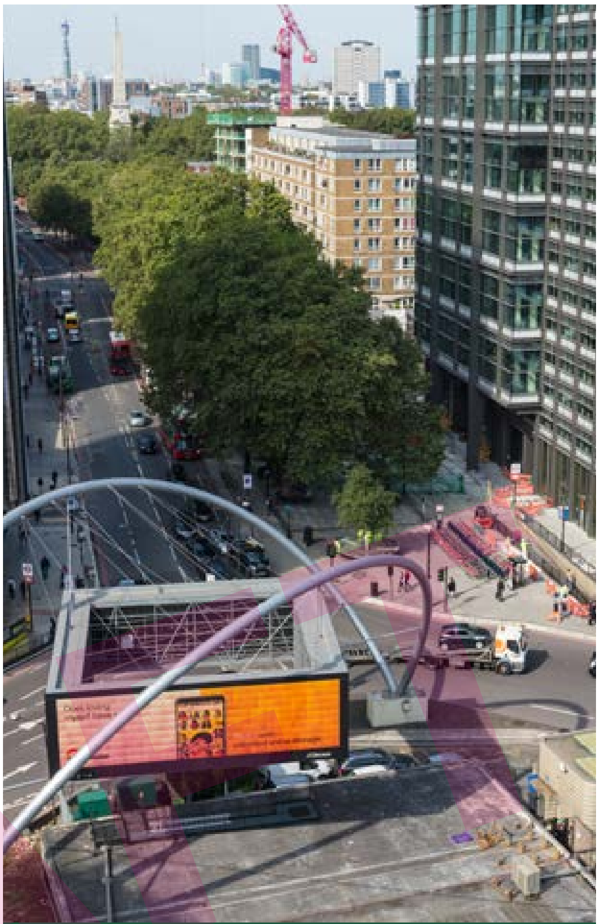
2,000

people killed or seriously injured on our streets

In recent years, we have improved

27

unsafe junctions across London



Old Street Roundabout will be transformed

Encouraging more women to cycle

New research published in September 2018 explained the barriers that prevent more women from cycling. While cycling has grown faster than any other form of travel over the past ten years, with more than 730,000 bike journeys every day, only 10 per cent of women in London cycle regularly. The research, announced as part of the Women in Cycling Conference, described the reasons why women choose not to cycle, which include the fear of being involved in a collision, concerns around traffic and not feeling confident. The conference saw more than 120 participants review progress towards removing these barriers. Together with the boroughs, we run a number of initiatives, such as cycle training and Cycling Grants London, which supports community groups through training sessions and guided rides.

4%

increase since 2016 in the number of women who regularly cycle

Freight action plan

How we will work with the industry to make London's deliveries safer and more sustainable

Launched in March 2019, the Freight and Servicing action plan sets out to transform how deliveries are made in the Capital, reducing road danger and helping to clean up London's toxic air. Lorries and vans currently account for around one fifth of road traffic in London and about one third in central London during the morning peak hours.

The plan describes how the industry can work together to meet the freight needs of London, while reducing the number of lorries and vans entering central London during the morning peak by 10 per cent by 2026.

A key part of the plan includes offering more click and collect points at Tube stations.

A tender was launched to bid for space in our stations and open more parcel lockers across the transport network. We will make land available for micro-distribution centres in key locations to support sustainable last mile deliveries, and work with businesses to encourage them to offer 'green' delivery slots where shoppers can choose a time when drivers are already in their area.

Visit tfl.gov.uk/corporate/about-tfl/the-mayors-transport-strategy to read the action plan in full

'As London continues to grow, we need to keep freight moving while tackling toxic air, congestion and reducing danger to vulnerable road users'

Alex Williams
Director of City Planning

The movements of goods vehicles in the Capital have increased by around 20 per cent since 2010

A good public transport experience

'We entered the third year of the Mayor's freeze on fares for our services, which will help the average household save around £200 by 2020. We have also worked to ensure our network becomes increasingly inclusive for all our customers, with five more Tube stations becoming step-free through 2018/19.'

Vernon Everitt
Managing Director, Customers, Communication and Technology


FINCHLEY CENTRAL

A good public transport experience – a year of delivery

In April 2018, we marked the first anniversary of the Please offer me a seat campaign by launching our first Priority Seating Week. This was designed to make it easier to travel for people with conditions that may not be immediately obvious.

In June, we updated the TfL app to enable customers using contactless payment cards to view their journey history and check payments.

In July, London Trams went cashless. The old ticket machines, which did not accept Oyster cards, were removed following extensive consultation. Also in July, we added information on pay as you go journeys to our Journey Planner and open data feed.

We teamed up with Time Out magazine through the summer to encourage people to get out and explore London using cheaper off-peak services. The Wonderful World of Off-Peak campaign highlighted the benefits of travelling outside peak hours.

In August, we published the research on the economic impact of the Night Tube. The report coincided with the second anniversary of the 24-hour weekend Underground service and showed that there were almost 17 million journeys made in the first two years and that the Night Tube was projected to £1.4bn to the economy in the next ten years.

The DLR Discovery tours, which ran between August and September, offered customers the chance to take a guided tour through east London, from Tower Gateway to the Cutty Sark.

The Hopper fare celebrated its second anniversary in September and in November, the Mayor announced that fares would remain frozen on TfL services for the third year in a row.

We signed a contract with Siemens Mobility Limited in November to design and build 94 new generation Tube trains for the Piccadilly line and a new hi-vis vest for Tube staff featuring the words 'Here to help', was launched in February 2019.

In March, we showcased the latest in accessible travel at our Access All Areas event at ExCeL London, with more than 2,000 people attending, and many more viewing the live stream.

April 2018
- Priority Seating Week launched

June 2018
- TfL app updated

July 2018
- Trams go cashless
- Journey Planner updated

August 2018
- Wonderful World of Off-Peak
- Economic impact of Night Tube
- DLR Discovery

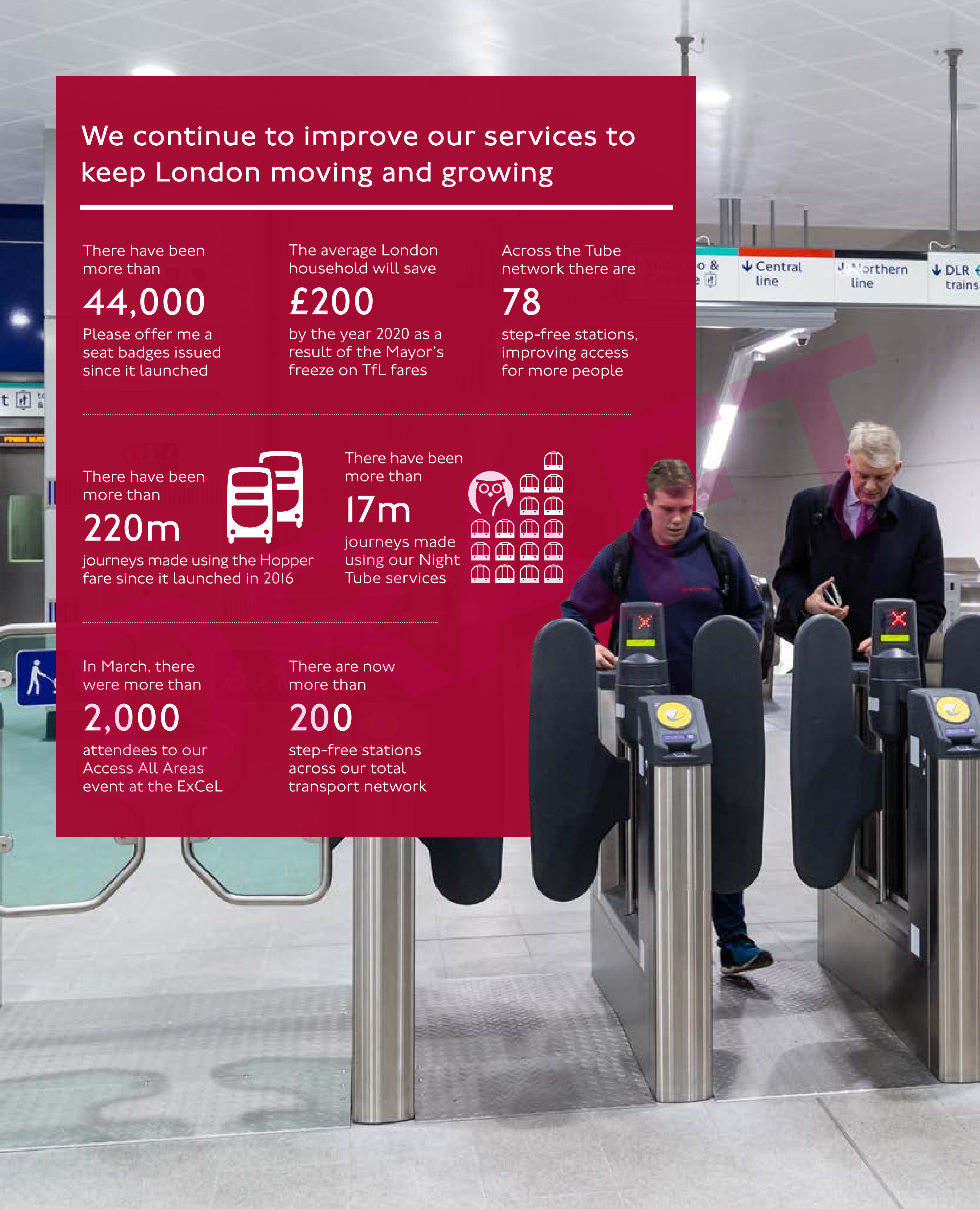
September 2018
- Hopper fare anniversary

November 2018
- Fares frozen
- Siemens Mobility contract signed

January 2019
- Winners of Women We See

February 2019
- Launch of 'Here to help' vest

March 2019
- Access All Areas



We continue to improve our services to keep London moving and growing

There have been more than **44,000** Please offer me a seat badges issued since it launched

The average London household will save **£200** by the year 2020 as a result of the Mayor's freeze on TfL fares

Across the Tube network there are **78** step-free stations, improving access for more people

There have been more than **220m** journeys made using the Hopper fare since it launched in 2016

There have been more than **17m** journeys made using our Night Tube services

In March, there were more than **2,000** attendees to our Access All Areas event at the ExCeL

There are now more than **200** step-free stations across our total transport network

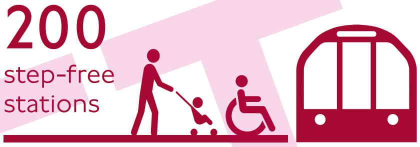
Access for all

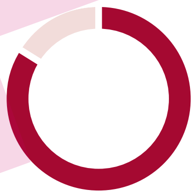
The wealth of disabled people's talents can only be harnessed through good accessible transport

In March 2019, we ran our second Access All Areas accessible transport event at the ExCeL. This brought together customers, transport leaders and technology experts to discuss the future of accessible travel and demonstrate the latest innovations. As well as the exhibition, where guests could learn about the latest developments and discover the different options that are already available, there were also keynote speakers and a series of workshops.

There are more than 200 step-free stations, including 58 London Overground stations, six TfL Rail stations and all DLR stations and Tram stops. When the Elizabeth line fully opens, all 41 stations will be step-free from street to platform.

There are more than **200** step-free stations



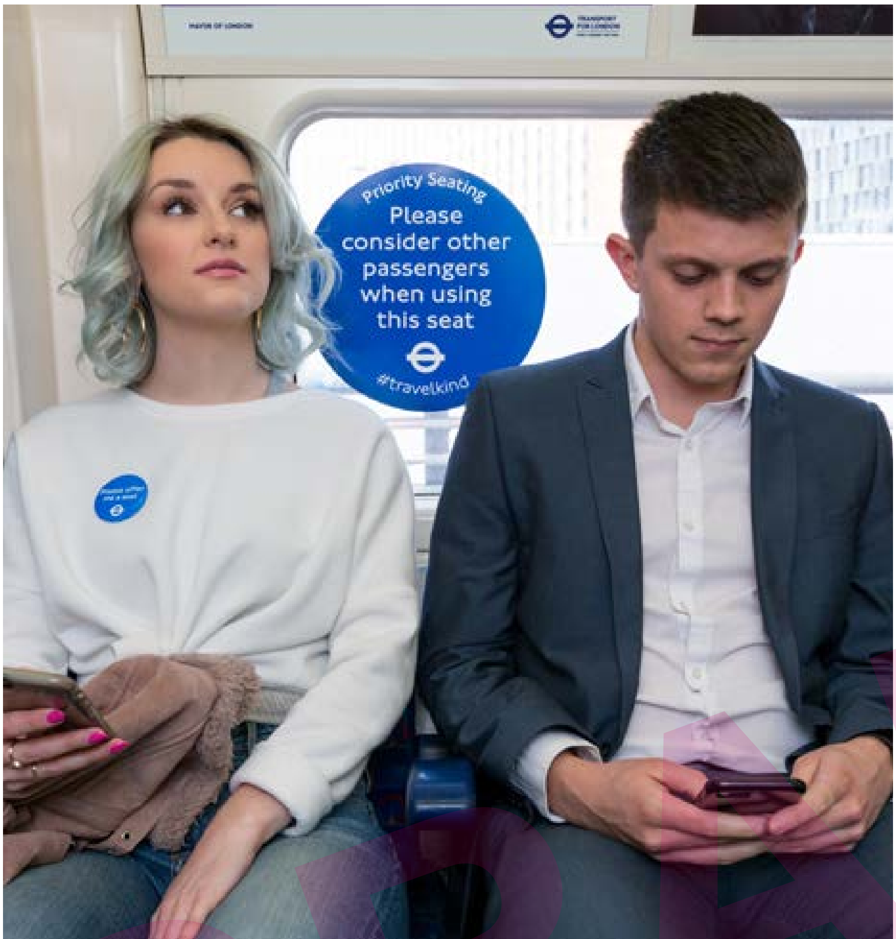


84% of disabled Londoners say their disability limits their ability to travel

Around 2,000 people attended Access All Areas, while many more joined through social media

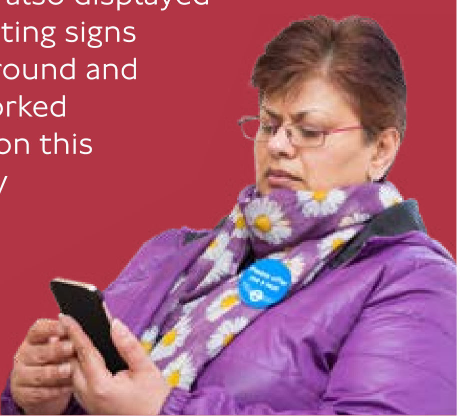
'Bringing together the best and most innovative examples of accessible transport gave customers and professionals the chance to share feedback and learn from each other'

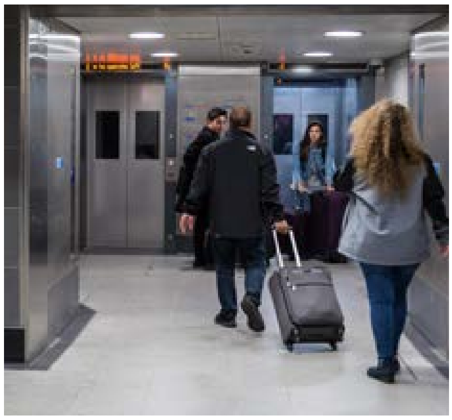
Christopher Nicola
Partnerships Lead, Information, Design and Partnerships



Making it easier to get a seat

We launched a Priority Seating Week to mark the first anniversary of the Please offer me a seat badge in April 2018. The campaign aimed to make travelling easier for people with a range of conditions whose needs may not be immediately obvious. We displayed posters across the network that included pregnant women and people with visible and invisible conditions, sharing their experiences and highlighting the difference it makes to be able to get a seat. We also displayed newly designed priority seating signs on selected London Overground and Underground trains. We worked with various organisations on this campaign, including Anxiety UK, Epilepsy Society, Lupus UK, Cancer on Board and the Thomas Pocklington Trust.





Record number of step-free stations

We made five more London Underground stations step-free in 2018/19, improving access for older customers, disabled people or those with luggage or buggies. This brought the total number of step-free stations to 78. These stations were:

MAY	Buckhurst Hill
OCT	Victoria
NOV	Newbury Park
JAN	Finsbury Park
MAR	South Woodford

What a wonderful world

We launched a major advertising campaign in the summer to encourage Londoners and visitors to explore the Capital through the 'Wonderful World of Off-Peak' travel. We partnered with Time Out on the campaign, which highlighted the benefits of travelling in the off-peak times, and produced a series of cultural maps, showing the attractions close to public transport stations. These included museums, galleries and street art. We also ran promotional features in Time Out.

Hopper fare success

The Hopper fare celebrated its second anniversary in September 2018, when it was revealed that more than 220 million Hopper journeys had been taken since it launched in 2016. The fare enables people to make as many bus and tram trips as they like within an hour of first touching in for just £1.50.

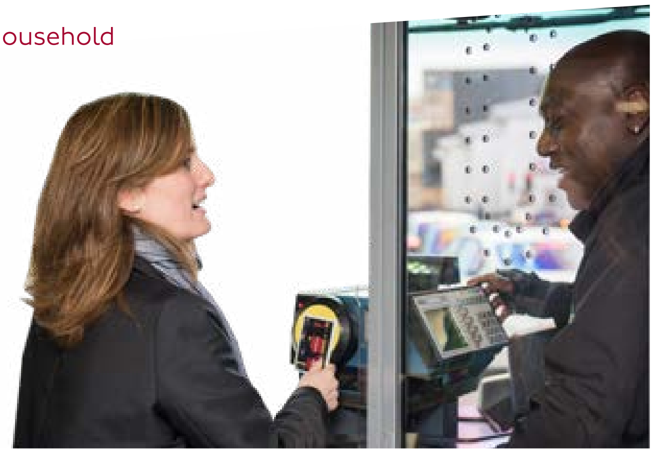
Fares freeze keeps travel affordable

Fares on TfL services were frozen for the third year running. The move was announced by the Mayor in November 2018 as part of his four-year freeze promise. The move keeps the cost of bus and tram fares the same as in 2016, while Tube, DLR, the Emirates Air Line and rail services where TfL fares apply are all frozen, as is the cost of hiring a Santander Cycles bike.

The average household will save

£200

by 2020 as a result of our fares freeze



Improvements to surface transport

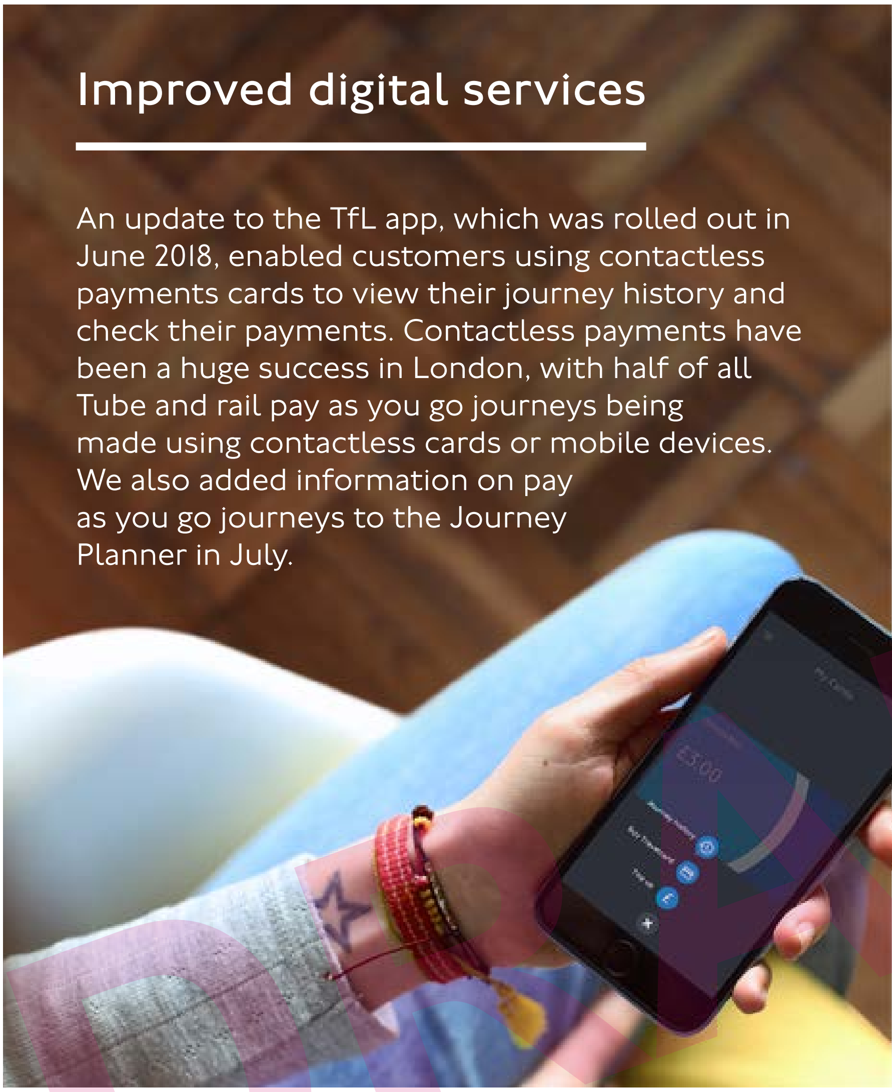
The performance of the bus network continues at an all-time high. In the past three years we have seen improvements made on excess waiting time and bus reliability, while bus speeds are also stabilising. This has been achieved through effective operation of our roads, including managing disruption, resolving issues and retiming traffic light timings.

We have saved more than 16,900 customer hours per day for people choosing sustainable modes of travel, as a result of changes made to almost 800 traffic signals.

Based on the rolling 12-month average, daily central London cycle flow is at the highest it has ever been and we have seen record hires using Santander Cycles, with more than 10.9 million hires during 2018/19.

'We have been working hard to improve journey times on the TfL road network. Our buses are more reliable than ever and more people are choosing sustainable and active ways to travel. We will continue to make our network safer and more productive as we seek to grow services in outer London'

Gareth Powell
Managing Director, Surface Transport



Improved digital services

An update to the TfL app, which was rolled out in June 2018, enabled customers using contactless payments cards to view their journey history and check their payments. Contactless payments have been a huge success in London, with half of all Tube and rail pay as you go journeys being made using contactless cards or mobile devices. We also added information on pay as you go journeys to the Journey Planner in July.

Cashless trams

London Trams went cashless in July 2018, with ticket machines being removed and more validator points installed. The ticket machines, which were 18 years old and did not enable customers to top up their Oyster cards, were removed following an extensive public engagement process.

Delayed delivery of new London Overground trains

We were left frustrated by the delayed delivery of new electric Class 710 trains for the Gospel Oak to Barking line of the London Overground. The new trains were due to be in service in 2018, but in January we announced contingency plans to run a mixed fleet on the line after manufacturer Bombardier Transportation revealed that further testing and software updates were needed before the fleet could be released for driver testing.

We ran a number of modified electric trains on the line, alongside the current fleet of diesel trains, which has had its lease extended twice since summer 2018. However, services were affected, with trains running every 30 minutes on weekdays on the line.

Together with the Mayor and Deputy Mayor, we continue to press Bombardier to deliver a fully operational fleet as soon as possible. We also announced that customers on the affected line would receive a month's free travel once the new trains are introduced.

Advertising success

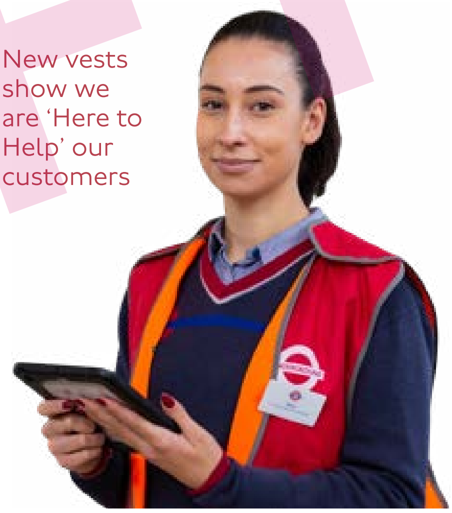
Together with City Hall, we announced the winner of the Women We See competition in January 2019, which was launched to encourage advertisers to create more positive and inclusive campaigns. Holland & Barrett's 'Me. No. Pause' campaign scooped the top award, while Mothercare was runner-up with its adverts depicting mothers.

The Me. No. Pause campaign from Holland & Barrett won the top prize of £500,00 worth of advertising space

Here to help

A new modern vest for our London Underground staff, which was unveiled in February 2019, made them easier to spot. The reversible tabards pair the standard orange hi-vis with a red vest that features a 'Here to Help' message on the back. They were launched following recommendations by London TravelWatch on how we could improve customer service.

New vests show we are 'Here to Help' our customers



Discover the DLR

Londoners and visitors were given the chance to enjoy a new experience in east London in August and September 2018 as part of the DLR Discovery tours. The initiative, which we ran in partnership with KeolisAmey Docklands, enabled ticket holders to take a guided tour from Tower Gateway to Cutty Sark.

DLR customers were given the chance to discover east London's secrets

Boost to the night economy

Research published on the second anniversary of the Night Tube showed that the service has been an even bigger success than first anticipated. Demand for the Night Tube grew from 7.8 million customers in its first year to 8.7 million in 2017/18. There were almost 17 million journeys made in the first two years of the Night Tube, well above the 14 million we originally forecast. A report from London First and EY, published in August, showed that Night Tube services are projected to contribute £1.54bn to London's economy over the next 10 years, double the initial projections made before its launch.

The Night Tube supports more than

3,900

jobs in many sectors across London

Journeys made at night have been cut by around

20 minutes

as a result of our Night Tube services

New Tube trains on track

In November 2018, we signed a contract with Siemens Mobility Ltd to design and build 94 new generation Tube trains for the Piccadilly line, which will replace the existing 1970s fleet. These state-of-the-art trains will feature wider doors and longer, walk-through carriages. They will also be fully air-conditioned and feature in-train information systems. The first of the new trains are estimated to be in service from 2024.

The new Piccadilly line trains will enable up to 27 trains-per-hour to operate at peak times by the end of 2026. This is a train every 135 seconds at the busiest times.

Record performance on London Underground

The number of journeys made on the London Underground increased again, with 1.4 billion journeys taking place over the year. During the first week of December 2018, we had our busiest ever week, with Friday 7 December seeing a record ridership of 5.043 million journeys on that day alone. We ran 85 million km, the most service we have ever run for our passengers, and reduced the amount of time it took customers to complete their journeys across our network.

'A record number of customers travelled on the Tube this year. We have worked hard to ensure journeys are safe, reliable, and comfortable and the results from this year are hugely encouraging. There are more accessible stations than ever before and this number will continue to rise over the coming years as we continue our step-free programme'

Nigel Holness
Managing Director, London Underground

New jobs and homes

'Our developments and projects continue to support the creation of new homes and jobs across London. In the past year, we have brought a number of sites to market to build new, affordable homes and supported small business tenants on our estate. We have also embarked on another successful apprenticeship programme.'

Graeme Craig
Director of Commercial Development


London Underground
Strike action affecting Central and Waterloo & City lines
Friday 5 October

New homes and jobs – a year of delivery

In June 2018, London Community Land Trust was chosen to deliver flagship community-led housing on two sites brought forward by us as part of the Mayor's work to boost small builders in the Capital, and to increase the supply of new, genuinely affordable homes.

Following this, in August 2018 we announced that we were bringing three car parks in the London Borough of Harrow to market. The car parks at Canons Park, Rayners Lane and Stanmore Tube stations support the creation of at least 400 homes, of which 100 per cent will be affordable.

October saw a partnership between us and Pocket Living to provide 100 per cent genuinely affordable homes for first-time buyers at a number of its sites.

Also in October, we teamed up with StreetDots – an online trading platform – to enable small businesses to trade at transport hubs. Vendors can book pitches at several locations, including Hammersmith and North Greenwich, which can be booked for just a few hours at a time.

In 2018, the Federation of Small Businesses called on landowners in London to publicly show their commitment to small businesses and proactively support them, so that they can flourish in the Capital. We were the first landlord to respond to this call, publishing our Statement of Support for Small Businesses in December 2018.

The same month, the green light was given to us to build hundreds of new homes, working with Barratt London. The Blackhorse Road development in the borough of Waltham Forest is a 1.8 acre site that will deliver around 350 homes, half of which will be at social rent levels or available for shared ownership.

With the turn of the year, in January 2019, our Steps into Work programme kicked off once more, with us offering 12 people with mild to moderate learning disabilities and those on the autistic spectrum a combination of vocational study and work placements. The course covers everything from customer service to IT and teaches the skills needed for employment.

June 2018

London Community Land Trust was chosen to deliver housing on two sites

August 2018

Three car parks in Harrow bought to market to deliver 400 new homes

October 2018

Pocket Living to provide affordable homes

StreetDots to enable small businesses to trade at transport hubs

December 2018

Statement of Support for Small Businesses

Green light given to build new homes at Blackhorse Road

January 2019:

We kicked off our Steps into Work programme

Our transport services will support the development and growth of London

We partnered with Pocket Living to build
125
one-bedroom homes on our land, to be sold at a discount

Of all the homes we brought to market
50%
have been social rented or genuinely affordable since 2016

In total, we will create around
300
jobs through our Blackhorse Road development project

In our commercial estate, more than
90%
of our tenants are made up of small businesses

In total, we manage around
2,000
commercial units, supporting a range of different businesses

With our Steps into Work programme
12
people were offered vocational study and work placements

Delivering new homes

We have released a number of sites that will be used for building new affordable homes

Our plan to release land for the development of new homes continued in 2018/19. In June 2018, the Mayor announced that London Community Land Trust would develop two of our sites at Cable Street in Tower Hamlets and Christchurch Road in Lambeth. These sites will deliver around 70 new homes, all of which will be affordable. The sites also form part of the Mayor's Small Sites, Small Builders initiative, which supports builders that deliver fewer than 100 homes.

In August 2018, we announced that we will bring three car parks at Canons Park, Rayners Lane and Stanmore Tube stations to market. These Harrow sites will support the creation of at least 400 homes, all of which will be affordable. They will be built alongside retail, commercial and leisure spaces, as well as improved pedestrian and cycling connections in the area.

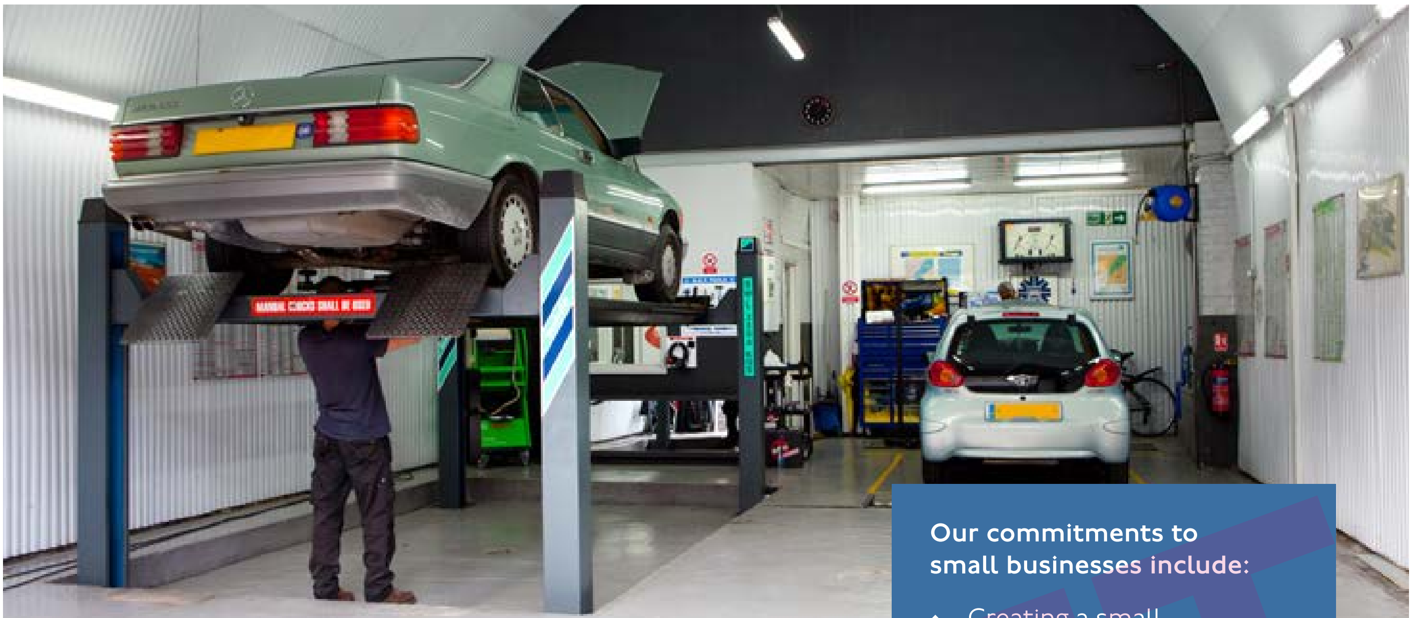
400
new, affordable homes will be created at three sites in Harrow

We have brought sites to market that could deliver almost
5,000
new homes since 2016

'Blackhorse Point will provide the housing that the borough and London need, while generating revenue to reinvest back into the transport network'

Graeme Craig
Director of Commercial Development

We got the go ahead to build 350 new homes at Blackhorse Road



Support for small businesses

Our Statement of Support for small businesses set out a commitment to small and medium sized enterprises and underlined our understanding that they are drivers of growth in London. Published ahead of Small Business Saturday on 1 December 2018, the document explained how we can enable small businesses to thrive, and stressed the importance of the landlord-tenant relationship.

Our commitments to small businesses include:

- Creating a small business policy
- Simplify our leases
- Be open and transparent
- Ensure each tenant has a dedicated property manager
- Encourage and help tenants to seek guidance and support
- Survey tenants' satisfaction annually

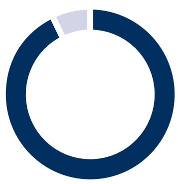
Saving the high streets

We published a report in November 2018 that showed how improvements to walking and cycling facilities can boost the high street. The research showed that people who walk, cycle or use public transport spend 40 per cent more in their local shops than those driving cars. The report assessed the impact of improvements, such as widened footpaths and new public squares in areas such as Bromley, Hornchurch, Clapham, Woolwich and Walworth Road.

Town centre improvements led to a

93%

increase in footfall on high streets



Taking positive steps

We welcomed the latest intake onto our Steps into Work programme in January. Working alongside Barnet and Southgate College and employment specialist Remploy, we offered placements to people with mild to moderate learning disabilities and those on the autistic spectrum. The 12-month programme involves a combination of vocational study and work placements, in everything from customer service to IT, with a curriculum designed to teach the skills for employment.

We offered 12 placements as part of the 2018/19 Steps into Work programme

'Steps into Work gives people the chance to experience work, who otherwise may struggle to take the first steps into employment'

Imran Hussain
Skills and Employment Advisor

Pocket living

In October 2018, we announced a partnership with Pocket Living to provide genuinely affordable homes for first-time buyers at a number of our sites. The agreement will see Pocket Living build around 125 one-bedroom homes, subject to planning, on our land, which will then be sold at a discount. The homes will be prioritised to people who already live or work in the borough and are first-time buyers.

StreetDots partnerships

We announced a new partnership in October 2018 with online street trading platform StreetDots, giving small businesses the chance to trade at transport hubs across London. The project enables customers to buy street food and coffee from mobile retailers. There are pitches, or dots, at several locations, including North Greenwich and Hammersmith, which can be booked for a few hours at a time. The partnership aims to make it easier for traders to find a pitch, while also introducing customers to new brands.

Barking Riverside extension

In December 2018, we awarded a contract to a joint venture of Morgan Sindall Construction & Infrastructure and VolkerFitzpatrick to extend the London Overground to Barking Riverside. The 4.5km extension between Gospel Oak and Barking is an essential part of the development, which will become one of London's most significant housing developments. Train services should start from late 2021.

The extension will support up to

10,800

new homes

Our people

'We continue to develop our workforce to ensure it is representative of the city we serve. We showcased women in transport for a celebration of International Women's Day and supported campaigns such as Pride in London and Poppy Day.'

Tricia Wright
Chief People
Officer

Our people – a year of delivery

In April 2018 we launched a Diversity and Inclusion dashboard, building on our Gender Pay Gap and Ethnicity Pay Gap reports to build a more complete picture of the experiences of our employees. We are working to reduce the imbalance of gender and ethnicity in our workforce to become more representative of London.

Our Poems on the Underground programme showcased poems for significant events. This included a collection of Caribbean verses in June to mark the 70th anniversary of Windrush and the commemoration of the centenary of the First World War in November.

In July, we supported our LGBTQ+ staff and customers by updating our rainbow roundels with the hashtag #EveryLoveMatters and in September we celebrated the 50th anniversary of the opening of the Victoria line.

In November 2018, we worked with Royal British Legion to commemorate Poppy Day by decorating a series of buses, trams, DLR trains and some Santander Cycles with poppies, as well as displaying poppy roundels at Tube and Overground stations.

In the New Year's and Birthday Honours, the Queen recognised our staff by making our Head of Media, Victoria Harrison-Cook an MBE for services to diversity in public relations and Sam Mullins, Director at London Transport Museum an OBE. Alan Johnson, a Programme Manager, was awarded a BEM.

In January 2019, we celebrated 150 years of the District line, with information at stations displaying the history of the service.

International Women's Day 2019 in March was marked by a series of posters showing women doing a range of jobs within the transport industry. Victoria station was also staffed by an all-female team for the morning.

We continue towards our Business Plan commitment of further reducing our back and middle office costs over the next three years by 30 per cent. This is critical to achieving a net operating surplus by 2022/23.

April 2018
Diversity and Inclusion dashboard

June 2018
We supported our LGBTQ+ staff during Pride

September 2018
50th anniversary of the opening of the Victoria line

November 2018
We supported Poppy Day through a number of initiatives

December 2018
Victoria Harrison-Cook receives an MBE for services to diversity in public relations

January 2019
We celebrated 150 years of the District line

March 2019
International Women's Day 2019 is marked by a series of posters at Victoria station

Our people work to ensure London has the transport service it needs

Of our total workforce, we have **26.4%** who identify as black, Asian or minority ethnic

Almost a quarter of our workforce **23.5%** are women, and we continue to work to increase this figure

In June, we celebrated the **70th** anniversary of the Windrush with a series of poems

In September, we celebrated **50 years** of the Victoria line, which first ran from Walthamstow Central

The District line celebrated its **150** year anniversary in January 2019 with a series of events

Celebrating diversity

Striving to make our workforce more representative of the city we serve

Our Gender Pay Gap and Ethnicity Pay Gap reports set out how we are working to close the gap between the salaries of men and women, and black, Asian or minority ethnic (BAME) and white staff. This includes using our Scorecard to set targets that can be regularly monitored throughout the year. In April 2018, we launched our first Diversity and Inclusion dashboard, which provides further data and insight and gives a more complete picture of employees and their experiences. We have also taken steps to help women and people from BAME communities to access senior, higher paid roles and have widened access to mentors and coaches.

We have worked to ensure women and BAME colleagues are given the opportunity to access senior roles

Steps in the right direction

We feel it is important to reduce the imbalance of gender and ethnicity in our workforce. However, the results of our pay gap reports highlight that there is still work to do to become fairer and more representative of London.

More women have joined us over the last 12 months and we have improved the proportion of women in senior roles by 11.5 per cent. However, we recognise that our gender pay gap is heavily influenced by the fact that women tend to hold roles in the lower pay grades and there are simply not enough women in senior positions.

Our analysis of our operations shows that women are more likely to be employed in the lower paid grades. This has a significant impact on our overall median gender pay levels. For example, the median male operational salary is around £47,000 compared to the median female operational salary of around £38,000.

Women at the forefront

We celebrated International Women's Day in March 2019 by showcasing some of the women that help us to keep London moving. We created a series of posters that showed inspirational women doing a range of jobs in the transport industry, including customer service assistants, project managers, engineers and apprentices. There was also an all-female team staffing Victoria station throughout the morning.

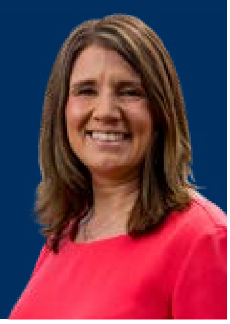
Celebrating with Pride

We showed our support for the LGBTQ+ community as part of Pride in London in July 2018 by transforming the transport network with the colours of the Pride and Trans flags. Our rainbow roundels were updated with the hashtag #EveryLoveMatters. We also decorated benches at Shoreditch High Street station in the rainbow and trans colours.

We produced a roundel in the trans colours of pink, blue and white

Recognising our people

Our staff were recognised in the Queen's New Year's and Birthday Honours this year. Head of Media in our Press Office Victoria Harrison-Cook received an MBE for her services to diversity in public relations. Sam Mullins, Director at London Transport Museum, received an OBE in the New Year, while Programme Manager Alan Johnson was recognised with a BEM.



Victoria Harrison-Cook received an MBE this year

A fitting floral tribute

We teamed up with celebrities including Shane Richie, Lesley Joseph and Jo Brand to support Poppy Day in November 2018. The celebrities recorded announcements for the Underground to encourage customers to give generously to the British Legion campaign. We also decorated roundels with poppies, which were displayed at ten Tube stations and four Overground stations, while buses, trams, the DLR and even a number of Santander Cycles were covered in specially designed poppy vinyls.

Poems on the Underground

Our Poems on the Underground programme celebrated a number of significant events throughout the year. These included a new range of Caribbean verses, launched in June 2018 to mark the 70th anniversary of Windrush and featuring poems by Jamaica's Poet Laureate Lorna Goodison. We also commemorated the centenary of the First World War in November 2018 with a series of poems that pay homage to those affected by conflict.

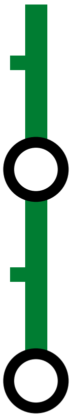
The poetry scheme was launched in

1986

to showcase work to a wider audience

Tube anniversaries

In January 2019, we marked the 150th anniversary of the District line. We produced heritage displays and leaflets telling the history of the line, which initially consisted of just five stations but now has 60, which is more than any other line on the Underground. We also announced plans for steam train rides along the line later in the year. We also celebrated 50 years of the Victoria line in September. The first train left Walthamstow Central station on Sunday 1 September 1968.



220m
journeys taken on the District line every year

The District line celebrated 150 years in January

Keeping our people safe

We continue to focus on staff safety and wellbeing and in March 2019, we held a Peer Support Network Conference at City Hall to recognise staff volunteers who provide mental health support to colleagues. Working closely with Occupational Health, our peer support volunteers help deliver our health and wellbeing strategy across the organisation.

In the same month, we held a summit on workplace violence and aggression. Unfortunately too many colleagues still experience aggression and violence while they are doing their jobs. At the summit, we brought together staff, operators and other key stakeholders from across the organisation, to discuss the issues faced by colleagues and generate ideas for tackling the problem.

Our next apprentices

We began our search for our next apprentices in January, with more than 130 places on offer across a range of schemes. The apprenticeships cover everything from engineering to project management, including two new schemes, one in building services and another in vehicle maintenance. A number of the schemes, including Civil Engineering and Commercial Property, also offer the chance to study for a degree as part of the apprenticeship.

Since 2009

8,750

apprenticeships have been created by us, Crossrail, our suppliers and the London Transport Museum

'I considered going to university, but my apprenticeship gave me the opportunity to study for the same degree while gaining experience in the workplace'

Leah Rawlins
General Management apprentice

Reducing our costs

We continue to make significant changes to how we run our organisation. This is part of our programme to identify more efficient ways of working and deliver our Business Plan commitment of reducing our back and middle office costs over the next three years by 30 per cent. This is critical to achieving a surplus in net cost of operations by 2022/23.

In 2018/19, like-for-like operating costs reduced for the third consecutive year. Total operating costs were £345m lower than budget.

Significant change has enabled us to remove duplication, reduce management layers and streamline teams. In 2018/19, we worked with the trade unions to review 20 more business areas and 2,100 roles. This has contributed to an overall reduction in the number of posts by 1,176.

We have been looking to improve end-to-end processes and identify further structural integration opportunities across the organisation.

We have made significant progress by removing duplication, reducing management layers and streamlining teams

We have created a single Business Services function, bringing together operational activity from Finance and Human Resources. This will enable us to streamline common processes, identify other ways to deliver a better service at reduced cost and standardise reporting.

We will continue to scrutinise all of our activities to identify opportunities to cut operating costs. This includes continuing to modernise the London Underground, driving greater efficiency from our supply chain and reviewing and re-tendering bus contracts.

We have cut costs by reducing the overall number of posts by 1,176

Remuneration Report

Introduction

My role is to ensure that TfL has an appropriate remuneration policy to recruit and retain senior employees with the capability and experience to lead the organisation and deliver the Mayor's objectives.

This Annual Report sets out what TfL has delivered over the last year, alongside vital work to turn around a long-standing net cost of operations deficit and so establish a sustainable financial position. The challenges around this have been very significant. There has been a subdued economy, which has put pressure on demand for TfL services. The organisation is adjusting to the removal of the Government operating grant, which provided around £700m per annum, while the delay to the opening of the Elizabeth line was a serious blow given the impact on capital expenditure and operating revenues. It is essential that we can attract and retain the right leadership to see the organisation through this critical period, while keeping London moving, working and growing.

TfL's organisational change programme is central to reducing cost and raising more revenue to hit the target of achieving a surplus on net cost of operations by 2022/23. The team has materially beaten its financial targets and delivered another year of reduced like-for-like operating costs. Savings in previous years have focused on reducing and simplifying the organisation's senior management and reducing costs at an individual divisional level. The number of senior managers who earned more than £100,000, including one-off payments, has fallen by 17 per cent this year.

The next phase of savings will come from delivering efficiencies, including reducing the cost of back and middle offices by 30 per cent. We expect to see further one-off implementation costs as the management team take these costs out over the next year. We will be working with them to deliver the programme as efficiently as possible.

The committee is charged with setting a policy that enables TfL to compete in a global market to secure the right talent, while delivering value for money. We feel we have an appropriate and balanced approach to rewarding senior staff that meets that goal.

Ben Story
Chair, TfL Remuneration Committee

Governance

Remuneration Committee members

Ben Story (Chair)
Kay Carberry CBE (Vice Chair)
Heidi Alexander*
Ron Kalifa OBE

* Heidi Alexander was appointed to the Remuneration Committee from 26 July 2018

Members who left during the year

Baroness Grey-Thompson DBE left TfL on 2 September 2018

Valerie Shawcross CBE stood down on 25 July 2018

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's full terms of reference are published on the TfL website and essentially involve the review and setting of the remuneration of the Commissioner, Managing Directors, General Counsel, Chief Finance Officer and other direct reports of the Commissioner. The Committee also helps to review the remuneration strategies for the entire senior manager group, particularly regarding performance related pay.

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 independent 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 has been re-formed as a Remuneration and Nominations Committee. It operates to its own contractually agreed remuneration principles and framework, rather than the TfL remuneration framework. The recent review by KPMG of Crossrail's governance recommended that TfL and

DfT, as co-sponsors, should agree changes to the procedures around and oversight of remuneration of senior Crossrail staff, which is currently being considered.

Dates of meetings during 2018/19

While Committee members met informally on several occasions during the year, it met formally on three occasions: 13 June 2018, 7 November 2018 and 23 January 2019.

Activities of the Remuneration Committee during 2018/19

In June 2018, the Committee reviewed overall performance against the TfL and individual scorecard areas for 2017/18. Final performance awards for the most senior employees were also agreed.

During 2018/19, the Committee reviewed our pay gap analysis, with a particular focus on gender and ethnicity. While further material progress is required to ensure TfL is truly representative of the city it serves, overall good progress is being made in creating a more diverse organisation. The most recent data for 2017/18 shows that more women have joined TfL, and we have improved the proportion of women in senior roles by 11.5 per cent. There has also been an overall increase in the number of black, Asian and minority ethnic employees.

At the November meeting, the committee reviewed our approach to talent through succession planning, workforce planning and senior appointments and how we proposed to improve the diversity and inclusivity of senior talent.

The Committee also commissioned a new remuneration benchmarking report, which will be available later in 2019. The roles covered have been expanded to include directors who also sit on the TfL Executive Committee.

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

The TfL Scorecard is approved by the TfL Board each year and details our key priorities, providing an objective method for tracking performance. We use 20 measures, which have been developed to provide a clear link between the long-term vision of the Mayor's Transport Strategy, our five-year Business Plan and our annual Budget.

The measures keep us focused on the overall objective for 80 per cent of journeys to be made by walking, cycling or public transport by 2041 and are aligned with the three key themes of the Mayor's Transport Strategy:

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

These are also grouped into four key areas of Safety and operations, Customers, People, and Financial, with each carrying an equal weighting of 25 per cent.

Policy

Board remuneration

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

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

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

The remuneration for each member for the year ended 31 March 2019 is shown in appendix 5.

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

General remuneration

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

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

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

Executive remuneration

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

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

Component	Purpose	Operation	Maximum
Benefits	To provide a competitive total reward package that supports attraction, retention and motivation.	The Commissioner, Managing Directors, General Counsel and Chief Finance Officer receive the same core benefits as all other TfL employees. The only enhancements are full family cover for private medical benefit and an annual health assessment (which is available to all TfL Directors). Membership of the TfL Pension Fund, a 'defined benefit' scheme which provides for a pension payable from age 65, based on 1/60th of pensionable salary for each year of service or, if invited and eligible, similar benefits provided on an unfunded basis. Some legacy arrangements apply for certain employees whereby an employer contribution of 10 per cent of salary is paid to either a defined contribution arrangement or as cash supplement at a discounted amount.	Pensionable salary is capped at £160,800 from 6 April 2018 for members who joined after 31 May 1989.

The remuneration received by the Commissioner, Managing Directors, General Counsel and Chief Finance Officer for 2018/19 are shown on pages 22 and 23.

Performance related pay

The TfL Group scorecard below shows the performance targets for 2018/19, aligned to our 2018/19 Budget. The scorecard is balanced against four areas with each area receiving a 25 per cent weighting, reflecting their equal importance to our delivery for London. The table shows the measures used to determine any performance related pay.

Outcome	Measure	2018/19 Target	Category
Healthy Streets and healthy people (18%)			Safety and operations (25%)
London's transport system will be safe and secure	Reduction in people killed or seriously injured on the roads from 2005-09 baseline (%)	45.4	
	Reduction in people killed or seriously injured on roads from 2005-09 baseline – incidents involving buses (%)	55.6	
	Injuries on the public transport network	11,683	
London's streets will be used more efficiently and have less traffic	Operational improvements to sustainable travel	15,000	
London's streets will be clean and green	Number of London buses that are Euro VI compliant	6,050	
More Londoners will travel actively	Healthy Streets scheme assessment	Average 10% uplift	
A good public transport experience (17%)			
Journeys by public transport will be fast and reliable	Tube excess journey time (minutes)	4.50	
	Average bus speeds (mph)	9.2	
Public transport will be accessible to all	Additional time to make step-free journeys (minutes)	9	Customers (25%)
Journeys by public transport will be pleasant	Customer satisfaction – percentage of Londoners who agree we care about our customers (%)	49	

Outcome	Measure	2018/19 Target	Category
New homes and jobs (2.5%)			Customers (continued)
Transport investment will unlock the delivery of new homes and jobs	The percentage of housing units we take to market in year that are affordable (%)	50	
Mode share (5%)			
80% of journeys will be made by sustainable modes in 2041	Sustainable mode share improvement	4 out of 4 elements improve	
All Mayor's Transport Strategy themes (7.5%)			
All Mayor's Transport Strategy outcomes	Deliver key investment milestones (%)	90	
	Open Elizabeth line central section on time	Dec 2018	
People (25%)			People (25%)
A capable and engaged workforce representative of London	Workforce representativeness – all staff (%) – director/band 5 (%)	 70.7 46.6	
	Inclusion index (%)	46	
	Total engagement (%)	57	
Financial (25%)			Financial (25%)
We are prudent and cover our costs	Net operating surplus (£m)	12	
	Investment programme (£m)	2,138	

Severance policy

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

Depending on circumstances, voluntary severance terms for employees may include 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.

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

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

Other severance arrangements

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

Remuneration

Benchmarking of Senior Executive's pay

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

The Committee uses two primary pay comparator groups. The benchmark is calculated on the basis of a 60:40 split between a Listed Companies Group, consisting of large transport and infrastructure companies and a Publicly Accountable Group, consisting of companies accountable to the UK public, owned or overseen by the government. Benchmarking was last done in 2016. A new report has been commissioned and will be available in 2019.

Listed Companies Group

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

Publicly Accountable Group

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

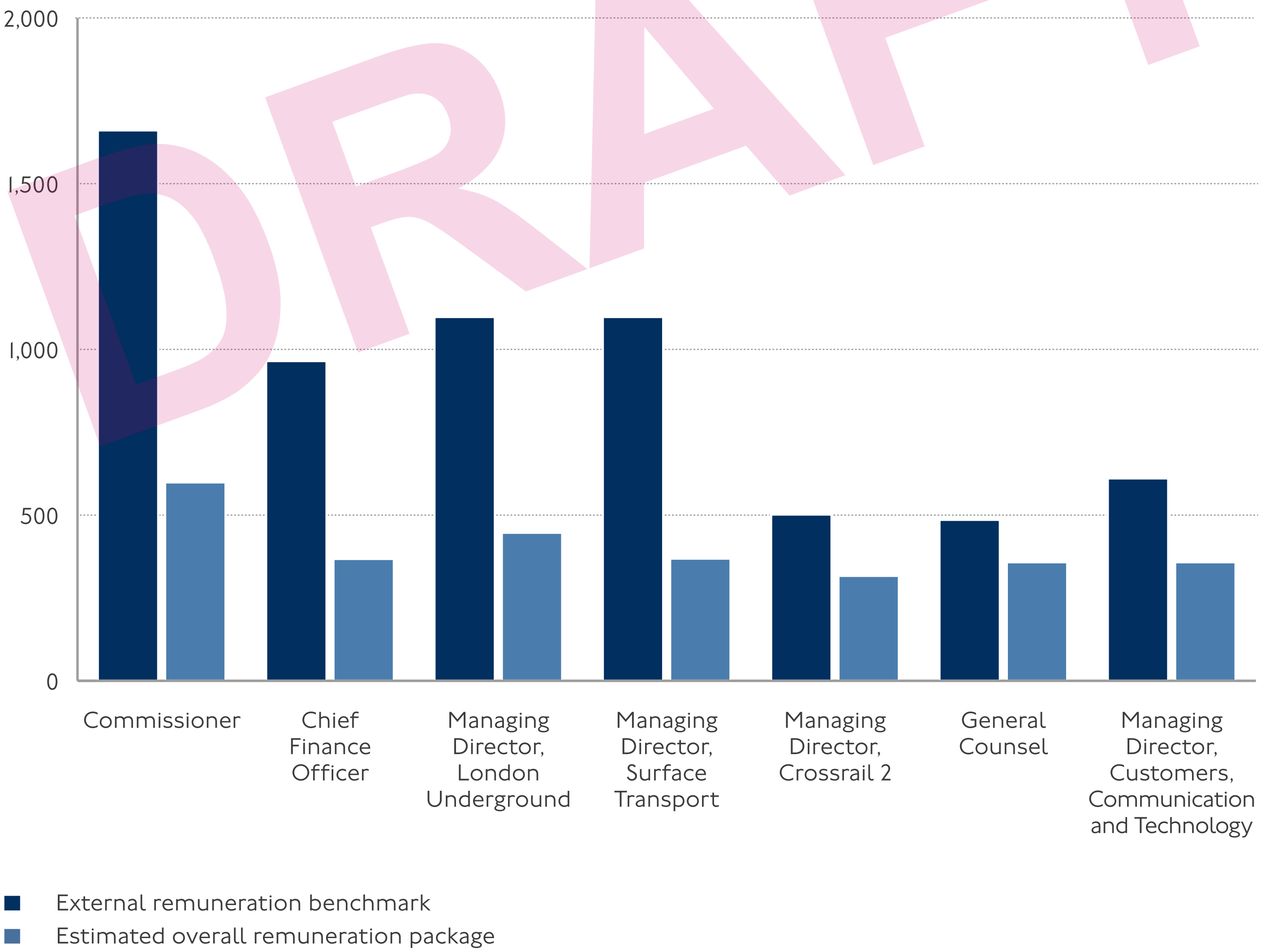
To enable a like-for-like comparison with the peer group, we have adjusted the remuneration of our senior executives to align it with the definitions provided by New Bridge Street.

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

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

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

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



Comparison of senior executive pay to rest of TfL

The base salary of the Commissioner in 2018/19 was £355,944. This compares with the median base salary of £50,611 and the lowest base salary (excluding apprentices) of £19,950. The ratio between the Commissioner's salary and median base salary is 7.0:1 and the ratio to the lowest base salary is 17.8:1.

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

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

Note: employees' remuneration is consistent with the definition on pages 7 and 8 and includes salaries, fees, performance related pay, benefits in kind, lump sums and termination payments. It excludes employer pension contributions and employer national insurance contributions paid, and is based on remuneration received by employees during the relevant year.

Summary of employee information

Total headcount (including agency staff) reduced by 1,176 people, from 28,456 on 31 March 2018 to 27,280 on 31 March 2019. The average headcount (permanent and fixed-term contract) has reduced by 622 since last year and the average number of agency staff has reduced by 385.

Total remuneration costs fell by three per cent compared to 2017/18, despite inflation linked pay increases for some employees.

Year	Average headcount*	Total remuneration costs (£m)*
2014/15	26,090	1,803.6
2015/16	27,501	1,942.0
2016/17	27,131	1,963.9
2017/18	26,994	2,250.6
2018/19	26,372	2,176.8

* From statutory accounts

Note: average headcount and total remuneration costs include permanent, and fixed-term contract (FTC). Total remuneration costs include non-cash pension charges of £613.0m in 2018/19 (2017/18 £594.4m). Group employee costs and average employee numbers for 2014/15 have been restated to exclude the costs of British Transport Police Authority staff and officers working on the London Underground. Costs of these individuals have been reclassified as non-employee costs within other service expenditure.

Other employees' remuneration (including Crossrail)

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

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

The remuneration disclosure is also affected by the Crossrail project. The number of employees of Crossrail Limited receiving total remuneration of £50,000 or more decreased from 292 in 2017/18 to 240 in 2018/19. The corresponding figures for those receiving total remuneration of more than £100,000 per year decreased from 53 in 2017/18 to 47 in 2018/19.

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

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

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

In 2018/19, 171 people earned a total remuneration of more than £100,000 during the course of the financial year and had a base salary of £100,000 or more per year, compared with 169 in 2017/18. Nine of these people have since left the organisation, of which only one has been replaced.

Overtime was worked by specialist engineers and highly skilled technical engineers, 80 of whom earn a base salary of less than £100,000 per year, but the overtime they earned took their total remuneration above the threshold, compared with 71 in 2017/18. Many of these people are technical specialists working to upgrade the power systems on the Tube network and specialist engineers working overnight and at weekends on major projects, such as installing new signalling on the Circle, District, Hammersmith & City and Metropolitan lines.

A total of 117 people (compared with 224 in 2017/18) who were on a base salary of less than £100,000 per year, received a one-off voluntary severance payment that took their total remuneration above this threshold. This is largely due to people leaving as part of our transformation programme, which is reducing management layers and eliminating duplication in order to improve efficiency and deliver recurring savings.

Therefore, the total number of TfL staff (excluding Crossrail) who received total remuneration of more than £100,000 per year, including severance payments and overtime, was 468 in 2018/19 compared with 564 in 2017/18 – a reduction of 17 per cent.

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

	2018/19	2017/18
Base salary more than £100k	171	169
Base salary between £80k and £100k	100	100
	271	**269**
Voluntary severance payments taking earnings over £100k	117	224
Level of overtime worked taking earnings over £100k	80	71
Total TfL	**468**	**564**
Crossrail	47	53
Total (including Crossrail)	**515**	**617**

Appendices

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

Employees' remuneration

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

*Information subject to audit

Remuneration (£)	Group 2019 number**	Group 2018 number	Corporation 2019 number***	Corporation 2018 number
50,000 - 54,999	4,427	5,245	846	713
55,000 - 59,999	3,616	2,582	636	615
60,000 - 64,999	1,802	1,723	509	481
65,000 - 69,999	1,427	1,370	435	390
70,000 - 74,999	967	963	321	283
75,000 - 79,999	759	721	242	223
80,000 - 84,999	564	510	167	156
85,000 - 89,999	379	336	127	115
90,000 - 94,999	243	223	83	74
95,000 - 99,999	186	146	65	56
100,000 - 104,999	121	119	57	49
105,000 - 109,999	64	68	27	33
110,000 - 114,999	49	67	23	35
115,000 - 119,999	45	51	27	30

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*Information subject to audit

Remuneration (£)	Group 2019 number**	Group 2018 number	Corporation 2019 number***	Corporation 2018 number
120,000 - 124,999	35	34	17	19
125,000 - 129,999	33	31	22	23
130,000 - 134,999	17	36	10	25
135,000 - 139,999	9	23	6	12
140,000 - 144,999	15	18	10	12
145,000 - 149,999	18	16	11	8
150,000 - 154,999	9	7	4	6
155,000 - 159,999	11	11	8	7
160,000 - 164,999	4	6	2	2
165,000 - 169,999	5	14	2	10
170,000 - 174,999	9	7	2	4
175,000 - 179,999	5	14	4	6
180,000 - 184,999	1	10	1	6
185,000 - 189,999	7	10	4	3
190,000 - 194,999	9	3	6	3
195,000 - 199,999	4	9	3	5
200,000 - 204,999	4	3	2	2
205,000 - 209,999	5	6	3	3
210,000 - 214,999	3	5	2	-
215,000 - 219,999	1	4	1	1
220,000 - 224,999	2	3	1	-
225,000 - 229,999	2	3	-	1
230,000 - 234,999	1	2	1	1
235,000 - 239,999	1	3	1	1
240,000 - 244,999	1	1	1	1

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*Information subject to audit

Remuneration (£)	Group 2019 number**	Group 2018 number	Corporation 2019 number***	Corporation 2018 number
245,000 - 249,999	3	1	1	1
250,000 - 254,999	-	2	-	-
255,000 - 259,999	2	-	1	-
260,000 - 264,999	2	4	-	2
265,000 - 269,999	2	1	1	1
270,000 - 274,999	1	1	1	1
275,000 - 279,999	-	2	-	2
280,000 - 284,999	-	2	-	-
285,000 - 289,999	-	2	-	1
290,000 - 294,999	1	2	-	-
295,000 - 299,999	1	1	-	-
300,000 - 304,999	1	1	1	1
305,000 - 309,999	2	1	1	-
310,000 - 314,999	1	2	-	1
315,000 - 319,999	2	1	1	-
325,000 - 329,999	-	2	-	1
330,000 - 334,999	1	-	1	-
355,000 - 359,999	2	-	2	-
360,000 - 364,999	-	1	-	-
365,000 - 369,999	-	2	-	-
370,000 - 374,999	-	1	-	1
390,000 - 394,999	-	1	-	-
400,000 - 404,999	1	-	-	-
415,000 - 419,999	1	-	-	-

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*Information subject to audit

Remuneration (£)	Group 2019 number**	Group 2018 number	Corporation 2019 number***	Corporation 2018 number
435,000 - 439,999	-	1	-	-
475,000 - 479,999	1	-	1	-
505,000 - 509,999	1	-	1	-
640,000 - 644,999	-	1	-	1
705,000 - 709,999	-	1	-	-
Total	**14,885**	**14,436**	**3,701**	**3,427**

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Remuneration for senior employees

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

Disclosure is made for each financial year under various categories and set out in the tables from page 22.

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.

2: Named employees receiving a base annual salary in excess of £150,000 at 31 March 2019*

*Information subject to audit

Name	Notes	Salary (including fees and allowances) 2018/19 (£)	Performance related pay (PRP) for 2017/18 paid in the year 2018/19 (£)	Compensation for loss of employment 2018/19 (£)
TfL employees including subsidiary companies but excluding Crossrail				
Mike Brown MVO, Commissioner	a	*372,506	133,586	-
Howard Carter, General Counsel	b	*255,697	57,090	-
Michèle Dix, Managing Director, Crossrail 2	c	*169,056	40,498	-
Vernon Everitt, Managing Director, Customers, Communication and Technology	d	243,485	57,875	-
Nigel Holness, Managing Director, London Underground	e	282,722	36,185	-
Simon Kilonback, Chief Finance Officer	f	*273,180	44,712	-
Gareth Powell, Managing Director, Surface Transport	g	*305,649	50,648	-
Sarah Bradley, Group Financial Controller		163,579	15,176	-
George Clark, Director of TfL Engineering	h	165,000	27,770	-
Andrea Clarke, TfL Legal Director		165,369	28,675	-
Jean Cockerill, Director of Business Partnering and Employee Relations		157,403	26,877	-
Tanya Coff, Divisional Finance Director, London Underground		162,000	28,091	-
Graeme Craig, Director of Commercial Development		185,000	24,069	-

Benefits in kind 2018/19 (£)	Total remuneration excluding pension contributions 2018/19 (£)	Employer's contribution to pension 2018/19** (£)	Salary (including fees and allowances) 2017/18 (£)	PRP for 2016/17 paid in the year 2017/18 (£)	Total remuneration excluding pension 2017/18*** (£)
2,209	508,301	–	*372,845	–	374,959
2,186	314,973	–	*255,797	51,407	309,319
1,706	211,260	–	*169,056	31,363	202,070
2,186	303,546	–	243,812	55,761	301,688
16,385	335,293	9,545	227,267	65,388	294,306
2,175	320,067	–	*232,297	28,098	262,046
2,186	358,483	9,382	*277,417	34,413	313,611
769	179,524	34,225	157,516	9,650	167,910
1,706	194,476	42,158	147,452	19,071	168,174
1,706	195,750	40,688	161,518	26,656	189,825
769	185,049	38,057	156,540	25,560	182,844
1,706	191,797	39,839	162,000	17,426	181,087
1,706	210,775	41,061	185,000	30,266	216,917

*Information subject to audit

Name	Notes	Salary (including fees and allowances) 2018/19 (£)	Performance related pay (PRP) for 2017/18 paid in the year 2018/19 (£)	Compensation for loss of employment 2018/19 (£)
Patrick Doig, Divisional Finance Director, Surface Transport	i	159,611	27,744	–
Stephen Field, Director of Compensation and Benefits	j	*190,349	65,345	–
Lester Hampson, Property Development Director		177,216	113,750	–
Michael Hardaker, Director of Network Extensions	k	42,026	–	–
Stuart Harvey, Major Projects Director		*277,136	77,240	–
Chris Hobden, Head of Four Lines Modernisation	l	141,950	14,400	–
David Hughes, TfL Investment Delivery Planning Director	m	182,275	40,970	–
Anthony King, Divisional Finance Director, Major Projects Directorate	n	190,079	–	–
Chris MacLeod, Customer Director		*207,456	28,611	–
Peter McNaught, Asset Operations Director		162,756	26,928	–
Helen Murphy, Director of TfL Consulting and International Operations	o	124,523	–	–
Andrew Pollins, Transformation Director		222,428	25,970	–
Caroline Sheridan, Renewals and Enhancements Director, London Underground	p	163,080	8,126	–
Paul Thomas, Head of Transport Systems, Deep Tube Upgrade Programme	q	172,458	5,100	–
Shashi Verma, Director of Strategy and Chief Technology Officer	r	233,983	34,160	–
Alex Williams, Director of City Planning		206,019	26,928	–
Brian Woodhead, Customer Service Director		*232,013	63,660	–

Benefits in kind 2018/19 (£)	Total remuneration excluding pension contributions 2018/19 (£)	Employer's contribution to pension 2018/19** (£)	Salary (including fees and allowances) 2017/18 (£)	PRP for 2016/17 paid in the year 2017/18 (£)	Total remuneration excluding pension 2017/18*** (£)
1,706	189,061	39,335	149,973	24,654	176,278
1,706	257,400	-	*190,666	75,233	267,550
1,706	292,672	41,061	177,157	129,063	307,871
498	42,524	9,455	-	-	-
1,706	356,082	-	*265,036	51,340	318,027
1,706	158,056	30,585	130,542	19,200	151,393
1,706	224,951	40,595	182,364	31,755	215,770
1,706	191,785	8,937	42,885	-	43,288
-	236,067	-	*206,620	30,228	236,848
1,706	191,390	39,335	162,674	23,472	187,797
1,406	125,929	30,541	-	-	-
1,706	250,104	41,061	222,788	25,217	249,656
40	171,246	39,335	55,585	-	55,585
1,706	179,264	41,061	171,920	5,950	179,772
769	268,912	51,978	205,397	36,090	242,231
-	232,947	-	203,818	23,240	227,058
1,706	297,379	-	*230,786	59,700	292,137

*Information subject to audit

Name	Notes	Salary (including fees and allowances) 2018/19 (£)	Performance related pay (PRP) for 2017/18 paid in the year 2018/19 (£)	Compensation for loss of employment 2018/19 (£)
Tricia Wright, Chief People Officer	s	*236,005	35,640	-
David Wylie, Chief Procurement Officer		171,058	25,500	-
Ken Youngman, Divisional Finance Director, Commercial Development	t	169,895	-	-
Crossrail current office holders/employees				
Tony Meggs, Non-Executive Chairman	u	46,209	-	-
Nick Raynsford, Non-Executive Deputy Chairman	v	10,544	-	-
Mark Wild, Chief Executive	w	333,669	69,312	-
Chris Sexton, Deputy Chief Executive		274,045	29,486	-
Jeremy Bates, Head of Assurance		168,123	17,056	-
Susan Beadles, Head of Legal Services and Company Secretary		140,143	17,063	-
Chris Binns, Chief Engineer		175,636	18,135	-
Paul Grammer, Commercial Director		243,200	18,323	-
David Hendry, Chief Finance Officer	x	90,810	-	-
Howard Smith, Chief Operating Officer	y	*182,803	64,453	-
Andy Weber, Delivery Construction Manager		137,009	6,032	-
Former Employees				
Justin Brand, Commercial Revenue Director	z	103,151	39,000	100,612
Steve White, Operations Director, Sub-Surface Lines	aa	*88,666	90,000	-
Sir Terry Morgan, Non-Executive Chairman, Crossrail	ab	170,243	-	-

Benefits in kind 2018/19 (£)	Total remuneration excluding pension contributions 2018/19 (£)	Employer's contribution to pension 2018/19** (£)	Salary (including fees and allowances) 2017/18 (£)	PRP for 2016/17 paid in the year 2017/18 (£)	Total remuneration excluding pension 2017/18*** (£)
769	272,414	–	*236,225	35,966	272,935
1,706	198,264	41,061	171,027	10,000	182,678
1,706	171,601	14,895	41,430	–	41,834
–	46,209	–	–	–	–
–	10,544	–	–	–	–
1,956	404,937	41,061	284,425	42,880	328,956
1,706	305,237	30,051	230,707	30,057	262,415
1,706	186,885	30,051	163,488	21,669	186,808
1,706	158,912	20,064	106,419	7,187	115,257
1,706	195,477	17,564	170,980	23,039	195,670
1,706	263,229	–	238,147	89,900	329,698
–	90,810	–	–	–	–
1,706	248,962	–	*183,075	29,173	213,899
769	143,810	13,850	128,512	7,246	136,502
530	243,293	25,292	150,000	69,000	219,744
726	179,392	–	*207,639	24,606	233,896
1,160	171,403	–	250,000	–	251,651

*Information subject to audit

Name	Notes	Salary (including fees and allowances) 2018/19 (£)	Performance related pay (PRP) for 2017/18 paid in the year 2018/19 (£)	Compensation for loss of employment 2018/19 (£)
Mathew Duncan, Finance Director, Crossrail	ac	154,252	38,924	125,281
Mark Fell, Legal Services Director and Company Secretary, Crossrail	ad	67,016	16,101	173,979
Richard Palczynski, Programme Controls Director, Crossrail	ae	101,173	15,128	73,484
Valerie Todd, Talent and Resources Director, Crossrail	af	*6,361	28,390	444,378
Matthew White, Surface Director, Crossrail	ag	149,730	15,424	144,964
Simon Wright, Chief Executive, Crossrail	ah	362,301	54,055	4,000

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

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

*** total remuneration for 2017/18 also includes benefits in kind as reported in last year's Statement of Accounts

a salary sacrificed for pension of £8,035 (2017/18 £7,708)

b salary sacrificed for pension of £8,035 (2017/18 £7,708)

c salary sacrificed for pension of £22,000 (2017/18 £22,000). Paid for providing services four days per week

d salary sacrificed for pension of £8,035 (2017/18 £7,708)

e changed role in 2018/19, formerly Director of Network Operations. Benefits in kind includes reimbursement of travel expenses

f changed role in 2018/19, formerly interim Chief Finance Officer

g changed role in 2017/18. Salary sacrificed for Cycle to Work scheme of £462 (2017/18 £nil)

h took on increased responsibility during 2017/18

i salary sacrificed for Cycle to Work scheme of £389 (2017/18 £nil)

j salary sacrificed for pension of £8,012 (2017/18 £7,708) PRP disclosed includes retention

Benefits in kind 2018/19 (£)	Total remuneration excluding pension contributions 2018/19 (£)	Employer's contribution to pension 2018/19** (£)	Salary (including fees and allowances) 2017/18 (£)	PRP for 2016/17 paid in the year 2017/18 (£)	Total remuneration excluding pension 2017/18*** (£)
1,043	319,500	-	247,016	112,376	361,043
571	257,667	-	199,573	21,179	222,403
470	190,255	10,117	161,635	10,222	172,601
54	479,183	-	*258,277	39,498	299,891
1,562	311,680	30,051	156,943	19,713	178,307
1,706	422,062	-	328,873	105,568	436,092

payment of £35,000

k entered service 7 January 2019

l took on increased responsibility during 2018/19

m salary sacrificed for childcare vouchers of £nil (2017/18 £112)

n entered service 2 January 2018

o entered service 4 June 2018

p entered service 27 November 2017

q salary sacrificed for Cycle to Work scheme of £nil (2017/18 £462)

r salary sacrificed for pension of £8,012 (2017/18 £7,708)

s entered service 2 January 2018

t took on increased responsibility during 2018/19

u entered service 14 January 2019. Paid for providing services two days per week

v entered service 14 January 2019. Paid for providing services five days per month

w role at Crossrail started 19 November 2018. Formerly Managing Director, London Underground, PRP received in 2017/18 relates to that role. Salary sacrificed for Cycle to Work scheme of £77 (2017/18 £923)

x entered service 29 October 2018

y salary sacrificed for pension of £8,012 (2017/18 £7,684)

z left service 7 December 2018

aa left service 2 September 2018

ab left service 4 December 2018

ac left service 9 November 2018

ad left service 31 July 2018

ae left service 9 November 2018

af secondment to Crossrail ended 31 March 2018. Left service 9 April 2018

ag left service 28 February 2019

ah left service 31 March 2019

3: Severance payments*

We have also published the number and cost of compulsory and voluntary severance termination packages agreed during the year. This is fully in line with the Code. Our policy on severance is found on page 11.

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

*Information subject to audit

	Group 2019 (number)	Group 2019 (£m)	Corporation 2019 (number)	Corporation 2019 (£m)
Non-compulsory exit packages (£)				
0-20,000	86	1.1	24	0.4
20,001-40,000	98	2.9	34	1.0
40,001-60,000	86	4.2	47	2.3
60,001-80,000	59	4.1	35	2.5
80,001-100,000	48	4.3	25	2.2
100,001-150,000	67	8.1	30	3.6
150,001-200,000	22	3.6	13	2.1
200,001-250,000	4	0.9	1	0.2
250,001-300,000	4	1.1	-	-
300,001-350,000	-	-	-	-
350,001-400,000	-	-	-	-
400,001-450,000	1	0.4	1	0.4
Total non-compulsory exit packages	**475**	**30.7**	**210**	**14.7**
Compulsory exit packages				
0-20,000	-	-	-	-
Total	**475**	**30.7**	**210**	**14.7**

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

4: Representation of equalities groups at different pay levels as at 31 March 2019* **

* 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	
	No	%	No	%	No	%	No	%
Ethnicity								
Black, Asian and minority ethnic	4	80	650	41	2,143	39	1,579	31
White	1	20	559	36	2,339	38	2,714	54
Not stated	–	0	360	23	1,605	26	733	15
Total	5		1,569		6,087		5,026	
Gender								
Female	2	40	582	37	2,103	35	1,289	26
Male	3	60	985	63	3,979	65	3,737	74
Other	–	0	2	0	5	0	–	0
Total	5		1,569		6,087		5,026	
Disabled / Not disabled								
Disabled	–	0	62	4	156	3	91	2
Not disabled	4	80	920	59	3,169	52	2,417	48
Not stated	1	20	587	37	2,762	45	2,518	50
Total	5		1,569		6,087		5,026	

£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	%
2,703	31	597	22	209	17	46	11	12	8	12	7
4,862	56	1,724	63	836	68	293	72	116	73	136	82
1,159	13	409	15	180	15	68	17	30	19	19	11
8,724		**2,730**		**1,225**		**407**		**158**		**167**	
1,462	17	425	16	188	15	70	17	34	22	44	26
7,256	83	2,305	84	1,037	85	337	83	123	78	124	74
6	0	–	0	–	0	–	0	–	0	–	0
8,724		**2,730**		**1,225**		**407**		**158**		**167**	
151	2	64	2	24	2	12	3	2	1	3	2
4,211	48	1,274	47	557	45	192	47	94	60	115	69
4,362	50	1,392	51	644	53	203	50	62	39	49	29
8,724		**2,730**		**1,225**		**407**		**158**		**167**	

5: Board remuneration*

*Information subject to audit

	For the year ended 31/03/19 (£)
Current Board Member	
Sadiq Khan	Not remunerated by TfL
Heidi Alexander	Not remunerated by TfL
Kay Carberry CBE	20,000
Prof Greg Clark CBE	19,000
Bronwen Handyside	18,000
Ron Kalifa OBE	20,000
Dr Alice Maynard CBE	18,000
Anne McMeel	20,000
Dr Mee Ling Ng OBE	20,000
Dr Nelson Ogunshakin OBE	19,000
Mark Phillips*	3,452
Valerie Shawcross CBE**	14,597
Dr Nina Skorupska CBE	19,000
Dr Lynn Sloman	19,000
Ben Story	20,000
Members who have left during the year	
Baroness Grey-Thompson DBE***	8,068
Michael Liebreich***	8,068

* Mark Phillips was appointed to the Board on 21 January 2019

** Valerie Shawcross CBE was Deputy Mayor and Deputy Chair of TfL until 8 June 2018. She has been a member of the Board throughout 2018/19, but her position was only eligible for remuneration from 9 June after she stood down as Deputy Mayor

*** Left TfL on 2 September 2018

6: Trade union facility time*

*Information subject to audit

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

Within TfL the following trade unions are represented:

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

As at 31 March 2019, TfL had 828 members of staff who are elected as union representatives. These employees spent the following amount of their working hours on facility time:

Time (%)	Number of employees
0	-
1-50	680
51-99	113
100	35
Total	**828**

We allow representatives paid time off to carry out union duties and meeting these costs represents 0.4 per cent of our total wage bill.

Total cost of facility time (£m)	7.9
Total remuneration costs for all TfL employees (£m)	2,176.8
Percentage of pay bill spent on facility time (%)	0.4

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

TfL Executive Committee Members 2018/19

Mike Brown MVO
Commissioner

Howard Carter
General Counsel

Michèle Dix
Managing Director Crossrail 2

Vernon Everitt
Managing Director Customers, Communication and Technology

Graeme Craig
Director of Commercial Development

Stuart Harvey
Major Projects Director

Andrew Pollins
Transformation Director

Shashi Verma
Director of Strategy and Chief Technology Officer

Nigel Holness
Managing Director
London Underground

Simon Kilonback
Chief Finance
Officer

Gareth Powell
Managing Director
Surface Transport

Staynton Brown
Director of Diversity
and Inclusion

Alex Williams
Director of
City Planning

Tricia Wright
Chief People
Officer

TfL Board Members 2018/19

Sadiq Khan
Chair

Heidi Alexander[1]
Deputy Chair

Kay Carberry CBE

Professor Greg Clark CBE

Baroness Grey-Thompson DBE[2]

Bronwen Handyside

Ron Kalifa OBE

Michael Liebreich[3]

Dr Alice Maynard CBE

Anne McMeel

Dr Mee Ling Ng OBE

Dr Nelson Ogunshakin OBE

Mark Phillips[4]

Valerie Shawcross CBE[5]

Dr Nina Skorupska CBE

Dr Lynn Sloman

Ben Story

1 Heidi Alexander was appointed to TfL on 11 June 2018 and as Deputy Chair from 13 July 2018
2 Baroness Grey-Thompson DBE left TfL on 2 September 2018
3 Michael Liebreich left TfL on 2 September 2018
4 Mark Phillips was appointed to TfL on 21 January 2019
5 Valerie Shawcross CBE was Deputy Chair of TfL until 8 June 2018

Crossrail Limited Board Members 2018/19

Tony Meggs
Chair

Nick Raynsford
Deputy Chair

Mark Wild
Chief Executive

Chris Sexton
Deputy Chief Executive

David Hendry
Chief Finance Officer

Sarah Atkins

Phil Gaffney

Anne McMeel

Dr Nelson Ogunshakin OBE

Andy Pitt

Membership of TfL committees and panels

Members of TfL

Sadiq Khan – Chair
Heidi Alexander[1] – Deputy Chair
Kay Carberry CBE[2]
Prof Greg Clark CBE
Baroness Grey-Thompson DBE[3]
Bronwen Handyside
Ron Kalifa OBE
Michael Liebreich[4]
Dr Alice Maynard CBE
Anne McMeel
Dr Mee Ling Ng OBE
Dr Nelson Ogunshakin OBE
Mark Phillips[5]
Valerie Shawcross CBE[6]
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[2]
Dr Mee Ling Ng OBE
Dr Nelson Ogunshakin OBE

Finance Committee

Ron Kalifa OBE – Chair
Ben Story – Vice Chair
Heidi Alexander[1]
Prof Greg Clark CBE
Michael Liebreich[4]
Anne McMeel
Valerie Shawcross CBE[6]
Dr Nina Skorupska

1 Heidi Alexander was appointed to TfL on 11 June 2018 and as Deputy Chair from 13 July 2018. She was appointed to the Finance Committee, Programmes and Investment Committee and Remuneration Committee from 26 July 2018

2 Kay Carberry was appointed as Chair of the Safety, Sustainability and Human Resources Panel from 26 July 2018

3 Baroness Grey-Thompson DBE left TfL on 2 September 2018

4 Michael Liebreich left TfL on 2 September 2018. He was the Chair of the Safety, Sustainability and Human Resources Panel until 25 July 2018

5 Mark Phillips was appointed to TfL on 21 January 2019. He was appointed to the Programmes and Investment Committee and the Safety, Sustainability and Human Resources Panel from 1 February 2019

6 Valerie Shawcross CBE was Deputy Chair of TfL until 8 June 2018. She stood down from the Finance Committee and Remuneration Committee on 25 July 2018 and was appointed to the Customer Service and Operational Performance Panel and the Safety, Sustainability and Human Resources Panel from 26 July 2018

Panels

Programmes and Investment Committee

Prof Greg Clark CBE – Chair
Dr Nelson Ogunshakin OBE – Vice Chair
Heidi Alexander[1]
Bronwen Handyside
Ron Kalifa OBE
Dr Alice Maynard CBE
Mark Phillips[5]
Dr Nina Skorupska CBE
Dr Lynn Sloman
Ben Story

Remuneration Committee

Ben Story – Chair
Kay Carberry CBE[2] – Vice Chair
Heidi Alexander[1]
Baroness Grey-Thompson DBE[3]
Ron Kalifa OBE
Valerie Shawcross CBE[6]

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[3]
Bronwen Handyside
Anne McMeel
Dr Nelson Ogunshakin OBE
Valerie Shawcross CBE[6]
Dr Lynn Sloman

Safety, Sustainability and Human Resources Panel

Michael Liebreich[4] – Chair
Kay Carberry CBE[2] – Chair
Dr Nina Skorupska CBE – Vice Chair
Baroness Grey-Thompson DBE[3]
Bronwen Handyside
Dr Mee Ling Ng OBE
Mark Phillips[5]
Valerie Shawcross CBE[6]

TfL Members Attendance 2018/19

Member	Board	Audit and Assurance Committee	Customer Service and Operational Performance Panel
Sadiq Khan	6 (7)		
Heidi Alexander	6 (6)		
Kay Carberry CBE	7 (7)	4 (4)	
Prof Greg Clark CBE	5 (7)		
Baroness Grey-Thompson DBE	2 (2)		0 (1)
Bronwen Handyside	6 (7)		4 (4)
Ron Kalifa OBE	4 (7)		
Michael Liebreich	2 (2)		
Dr Alice Maynard CBE	7 (7)		4 (4)
Anne McMeel	6 (6*)	4 (4)	4 (4)
Dr Mee Ling Ng OBE	7 (7)	3 (4)	3 (4)
Dr Nelson Ogunshakin OBE	6 (6*)	2 (4)	0 (4)
Mark Phillips	2 (2)		
Valerie Shawcross CBE	7 (7)		3 (3)
Dr Nina Skorupska CBE	7 (7)		
Dr Lynn Sloman	7 (7)	4 (4)	4 (4)
Ben Story	4 (7)		

* The available number of meetings for Anne McMeel (Board and Finance Committee) and Dr Nelson Ogunshakin OBE (Board) were reduced as additional meetings were held to exclusively discuss matters relating to negotiations with Government on potential funding settlements for Crossrail Limited. As TfL nominated members of the Crossrail Limited Board, both had declared interests and were therefore prohibited from attending.

Finance Committee	Programmes and Investment Committee	Remuneration Committee	Safety, Sustainability and Human Resources Panel
5 (6)	2 (3)	2 (3)	
		3 (3)	4 (4)
5 (6)	5 (5)		
		1 (1)	1 (1)
			3 (4)
6 (6)	2 (5)	3 (3)	
1 (1)			1 (1)
	4 (5)		
3 (5*)			
			3 (4)
	3 (5)		
	0 (1)		1 (1)
1 (1)		0 (1)	3 (3)
6 (6)	2 (5)		4 (4)
	5 (5)		
5 (6)	4 (5)	3 (3)	

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May 2019

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Audit and Assurance Committee

Date: **10 June 2019**

Item: **TfL Statement of Accounts for the Year Ended 31 March 2019**

This paper will be considered in public

1 Summary

1.1 This paper presents the draft TfL Group Statement of Accounts for the year ended 31 March 2019 to the Committee for consideration. The current draft of the Statement of Accounts is attached to this paper and will be presented to the TfL Board for approval on 24 July 2019.

2 Recommendation

2.1 The Committee is asked to:

(a) note the draft Statement of Accounts and the delegation to the Statutory Chief Finance Officer to make any adjustments arising from the ongoing audit work prior to submission to the Board. Any material adjustments arising will be reported to the next meeting of the Committee;

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

(i) Woolwich Arsenal Rail Enterprises Limited;
(ii) City Airport Rail Enterprises Limited;
(iii) London Underground Limited;
(iv) LUL Nominee BCV Limited;
(v) LUL Nominee SSL Limited;
(vi) Docklands Light Railway Limited;
(vii) Tube Lines Limited;
(viii) Rail for London Limited;
(ix) Rail for London (Infrastructure) Limited
(x) Tramtrack Croydon Limited;
(xi) London Buses Limited;
(xii) London Bus Services Limited;
(xiii) London River Services Limited;
(xiv) Transport for London Finance Limited;
(xv) TTL Properties Limited;
(xvi) TTL Earls Court Properties Limited; and
(xvii) Victoria Coach Station Limited

(xviii) TTL Blackhorse Road Properties Limited;
(xix) TTL Landmark Court Properties Limited;
(xx) TTL Kidbrooke Properties Limited; and
(xxi) TTL Southwark Road Properties Limited.

(c) recommend that the Board confirm its approval in respect of the provision of a guarantee from Transport Trading Limited to the following subsidiary company with effect from the financial period ended 31 March 2019:

(i) TTL South Kensington Properties Limited.

(d) note that, as a result of the application of IFRS 9 Financial Instruments, our auditors, Ernst & Young LLP, have requested that letters of financial support previously provided by Transport for London in respect of the liabilities of its subsidiaries be re-signed annually by TfL's Chief Finance Officer. TfL Board approval for the issue of such letters was granted when the subsidiaries were first established or acquired. The template for the letter to be signed is included in Appendix 2.

3 Background

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

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

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

3.4 After the conclusion of the 30 working day period, the Statutory Chief Finance Officer again certifies the Statement of Accounts, and following this re-certification the Statement of Accounts will be considered and approved by the Board.

3.5 The Statement of Accounts was certified by the Statutory Chief Finance Officer on 31 May and published on TfL's website together with the Annual Governance

Statement on that day. Appropriate notices have been placed on TfL's website, and media briefings have been offered. The period for exercise of public rights consequently commenced on 3 June and will conclude on 12 July. Following the conclusion of the period it is planned that the Board should consider the accounts at the Board meeting on 24 July 2019.

3.6 The period for exercise of public rights includes rights of objection and questioning as well as inspection. Should any questions or objections be raised, these will be reported to the Committee at its next meeting.

4 Results for the Year

4.1 For the third successive year, operating costs have reduced on a like-for-like basis, after adjusting for one-off items and the increased costs of the Elizabeth line. This reduction in operating costs has offset inflationary pressures.

4.2 There are significant differences in the basis of preparation of the Group Comprehensive Income Statement compared with management reports (see section 11) and the Income Statement shows a surplus on the provision of services after tax of £659m.The favourable movement against 2017/18 is due primarily to a combination of higher grant income, reflecting unbudgeted receipts from the DfT and the GLA in relation to the Crossrail project, lower depreciation (non-cash), higher revenues and gains from the disposal of investment properties during the year.

4.3 As at 31 March 2019, the Group has usable reserves of £1,627m, down from £1,790m at 31 March 2018, but above the budgeted level of £1,122m. The £672m of brought forward reserves as at 1 April 2018, which represented funding for the Crossrail project that had been received but not yet spent and which was held within the "unapplied capital grants account" was fully utilised during the year; as was additional grant funding of £300m injected by Crossrail's joint sponsors during 2018/19 following the announcement, in August 2018, of a delay in delivery of the line. In December 2018, the Mayor of London and the Government agreed a financial package to cover the remaining funding required to complete the project. The GLA will borrow up to £1.3bn from the Department for Transport (DfT) and will itself fund an additional £100m cash contribution, which it will provide as capital grant to TfL for the Crossrail project.

4.4 Earmarked reserves of £1,457m represent the majority of the Group's usable reserve balance as at 31 March 2019. They arise because the Group has received funding in advance of incurring costs and completing projects. Central government funding, previously received in the form of General and Investment Grant from the DfT has now been replaced by a share of Business Rates Retention income retained by the GLA. This is receivable in line with the schedule previously agreed with the DfT and is allocated to the Investment Programme to fund the delivery of a number of strategically important projects to specified milestones, details of which are set out in Annex B of the 2017 Funding Agreement letter from the Department for Transport.

4.5 Earmarked reserves increased by £508m during 2018/19, primarily due to the refinancing of Elizabeth line rolling stock, which generated a cash receipt for the

Group of £533m, and thus reduced the requirement for cash funding from the Corporation during the year. Earmarked reserves form part of the overall funding pot for the Investment Programme and are allocated in TfL's Business Plan to be spent on delivering investment projects to improve transport in London, including not only Crossrail, but also the Northern line and Barking Riverside extensions, the Deep Tube Upgrade, and major station upgrades. Since these sums are fully allocated to transport improvements as part of the Investment Programme, they are not available to spend on additional projects.

4.6 The residual General Fund balance at 31 March 2019 was £150m (2017/18 £150m). A balance of around £150m is maintained to cover risks that may arise, and is determined to be the minimum level appropriate given the scale of the Group's operations.

5 Accounting Policies

5.1 The 2018/19 Code introduced two substantial new financial reporting standards:-

IFRS 9 Financial Instruments (IFRS 9)

5.2 This standard supersedes IAS 39 Financial instruments: Recognition and Measurement and provides guidance on three areas: a) the classification and measurement of financial assets and financial liabilities b) impairment methodology and c) hedge accounting.

5.3 The changes in respect of classification and measurement have not had an impact on TfL's financial instruments during the year or as at 31 March 2019.

5.4 In respect of impairment methodology, IFRS 9 requires a probability based, forward looking, expected credit losses model, as opposed to the current standard which requires a provision to be recorded only when there is evidence of likely impairment. Application of the standard has not resulted in a material increase in the level of impairment provisions recorded. However internal processes surrounding the identification and documentation of credit loss impairments have been updated to comply with the new requirements.

5.5 In respect of hedge accounting, IFRS 9 strives to align the accounting impacts of a hedging strategy with the economic risks being managed. Hedge documentation and testing focus on the economic relationship upheld by the hedging strategy and introduces greater flexibility to the types of transactions eligible for hedge accounting treatment, specifically broadening the types of instruments that qualify as hedging instruments. For TfL, all its hedging relationships that qualified for hedge accounting under IAS 39 also qualify for hedge accounting under IFRS 9. The application of the new requirements has had no impact on the results and financial position of the Group for the current or prior year.

IFRS 15 Revenue from contracts with customers (IFRS 15)

5.6 IFRS 15 replaced IAS 18 Revenue. The standard establishes a single comprehensive model for entities to use in accounting for revenue arising from contract with customers. The core principle of the 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 15 focuses on transfer of control as opposed to transfer of risks and rewards under IAS 18.

5.7 The introduction of the new standard has resulted in some additional disclosures in the financial statements, but has had no material impact on the amount or nature of revenues reported.

5.8 With the exception of the above no other changes to the Code have had an impact on the financial statements.

5.9 The Code for 2019/20 has deferred adoption of IFRS 16 Leases for 12 months until the year beginning 1 April 2020. The Transport Trading Limited (TTL) Group (TfL's group of trading subsidiaries), however, reports under full IFRS, and will apply the requirements of IFRS 16 from 1 April 2019. The TTL Group financial statements for the year ended 31 March 2019 will therefore include disclosures of the estimated impact of implementing this new standard. The impact will include recognition of significant new "right-of-use" assets and liabilities on the balance sheet and a changed profile of charges to the profit and loss account as operating lease expenses are replaced by depreciation and lease interest charges. Disclosures quantifying the impact are currently being finalised and reviewed by our auditors, but the likely impact on the transitional balance sheet as at 1 April 2019 for the TTL Group will be to recognise an additional £1.40-1.46bn of right-of-use assets in addition to related lease liabilities of the same amount. The equivalent gross up of assets and liabilities for the TfL Group as at 1 April 2019 would be approximately £1.86-£1.91bn.

6 Remuneration Disclosure

6.1 The requirements for producing the various elements of remuneration disclosure are unchanged from earlier years. To aid understanding, the required disclosures are made in an extended Remuneration Report, presented outside the financial statements in the front section of the Annual Report. Audited sections have been clearly identified and are cross-referenced in the notes to the financial statements.

7 Disclosure of Pension Fund Deficit

7.1 The Group balance sheet includes the deficit on the Public Sector section of the TfL Pension Fund, TfL's share of the deficit on the Local Government Pension Scheme, the deficit on the Crossrail Section of the Railways Pension Scheme, and the liability in respect of unfunded pension obligations, all calculated in accordance with IAS 19 Employment Benefits. The total deficit on TfL's defined benefit pension schemes calculated in accordance with IAS 19 has increased from £4.7bn in the prior year to £5.4bn.

7.2 The main reasons for the increase are the change in the financial assumptions adopted (primarily the fall in bond yields over the year, as well as a rise in expected price inflation) and adverse member experience in the Public Sector section (compared to the assumptions made). These have both served to increase the value placed on the liabilities. In addition, the value of the benefits accrued by active members over the year was more than the contributions paid.

7.3 These factors have been partially offset by the return on assets being higher than expected (based on last year's discount rate) and the adoption of the latest model for mortality rate improvements, which produces lower life expectancies than the model adopted last year.

7.4 The IAS 19 basis of valuation is different to that used by the Fund Actuary in the triennial valuations which determine the level of contributions that TfL is required to make to the TfL Pension Fund. The last such valuation was at 31 March 2018 and revealed a deficit of £603m for the Public Sector section. Employer's contributions for 2018/19 for the Public Sector section were 31 per cent of pensionable pay. For the period from 1 April 2019 until 31 March 2020 employer contributions will fall to 26.9 per cent. Then from 1 April 2020 until 31 March 2026 employer contributions will rise to 33.3 per cent, comprising the future service contributions of 26.9 per cent, plus additional deficit recovery repayments at 6.4 per cent of pensionable pay.

7.5 The difference between the funding valuation and the IAS 19 valuation is due to the different rules applying to the two valuation bases, particularly the different discount rate. The discount rate for the IAS 19 valuation is required to be based on AA corporate bond yields, but the discount rate for the funding valuation is based on expected returns on the Scheme's assets. There are also differences in the other assumptions, where the pension fund Trustees are required to adopt "prudent" assumptions whereas IAS 19 requires "best estimate". In the reconciliation below the most significant items in the £1.0bn "best estimates " adjustment figure are the effect of allowing for lower RPI inflation and lower real salary growth assumptions for IAS 19, as well as the impact of allowing for a less prudent mortality assumption for IAS19.

Public Sector Section	£bn
Deficit on funding basis (estimated at 31 March 2019)	(1.0)
Lower discount rate used for IAS 19 valuation	(5.2)
Impact of "best estimate" assumptions rather than "prudent"	1.0
Deficit at 31 March 2019 under IAS 19	(5.2)

7.6 The Code requires that IAS 19 does not impact on Council Tax rates. The income and expenditure account therefore includes an appropriation from or to the Pensions Reserve. The result of these entries is that the pension deficit is not charged to the General Fund, and is instead charged to a separate reserve, and only the actual contributions paid to the pension funds impact on the General Fund.

8 Borrowings

8.1 Incremental direct borrowing for the year was £728m, taking the nominal value of TfL’s total borrowing at 31 March 2019 to £11.2 bn. £500m incremental debt for 2018/19 was originally agreed in the 2017 Funding Agreement from the Secretary of State for Transport. This was subsequently increased by £320m for £300m of borrowings deferred from 2017/18; and £20m brought forward from 2020/21. Of this revised total incremental debt limit of £820m agreed for the year, £92m was utilised in the form of a net increase in other financing liabilities.

8.2 Of the new direct borrowings drawn down in the year, £200m related to drawdowns under facilities with the European Investment Bank. £150m related to drawdowns under an Export Development Canada loan facility due in 2028, and £575m related to seven tranches drawn down from the Public Works Loan Board (PWLB).

8.3 Offsetting these, £197m of Commercial Paper and scheduled PWLB and EIB repayments were made in the year.

9 Derivatives and Hedging

9.1 TfL, through a wholly owned subsidiary, holds a portfolio of derivatives to hedge interest rates on its issued and future borrowings. As at 31 March 2019, the Group had in place interest rate swaps to fix the interest rate on £375m of floating rate borrowings currently in issue. The Group also held £207.9m of interest rate swaps to hedge the interest rate risk in respect of rolling stock leases.

9.2 At 31 March 2019, the Group held forward foreign exchange derivative contracts in Euros, Canadian Dollars, Swiss Francs, Swedish Krona and Chinese Yuan Renminbi and call options in Euros and Canadian Dollars to hedge planned foreign currency capital expenditure payments with a net nominal value of £187m.

9.3 TfL has adopted hedge accounting for the above derivatives. The effect of this is that movements in the fair value of the derivatives are initially deferred in reserves rather than flowing through the income and expenditure statement. Gains or losses ultimately realised on derivatives are subsequently recognised in the income statement as the hedged items are recognised. In 2018/19 this resulted in the recognition as a financing expense of £8.6m previously deferred in respect of gilt locks, as net losses incurred in previous years were released over the terms of the debt issuances to which they related.

9.4 The Group also invested in approved counterparties in Euros, employing foreign currency swaps and forwards to swap these investments back into Sterling as a matter of course. Hedge accounting was not applied to these derivatives as, at the Group level, unrealised fair value movements on the derivatives net off with the unrealised exchange rate gains or losses resulting from the retranslation of the foreign currency investments themselves within the Surplus on the Provision of Services.

10 Property Valuations

10.1 2018/19 saw a small net increase in property valuations, with investment properties (including those classified as 'assets held for sale') seeing a total net increase in fair value of £5m. This primarily reflected valuation increases at Bond Street Station and Gloucester Road Arcade (from higher rentals and turnover rents). Car parks and storage sites previously held at depreciated cost value as infrastructure assets within property, plant and equipment, were revalued up to £20m during the year before being reclassified as investment properties, then transferred to assets held for sale. All valuations were undertaken by external professionally qualified valuers in accordance with the appropriate sections of the Red Book, RICS Valuation – Global Standards 2017 published by the Royal Institute of Chartered Surveyors and are compliant with International Valuation Standards.

10.2 The Group share of loss after tax of associated undertakings of £94.5m reflected our 37 per cent share of a decrease, as at 31 March 2019, in the valuation of the Earls Court site held by Earls Court Partnership Limited. The valuation at 31 March was independently obtained by TfL and resulted in a 10.2% decrease from the 31 December 2018 valuation included by Capco in their own group financial statements.

10.3 All revenue raised from property transactions is reinvested in the transport network. However, the valuation gains on property are unrealised and therefore do not represent resources available to TfL.

11 Reconciliation between the Quarterly Performance Report and Profit and Loss

11.1 The net cost of operations as reported in the Quarterly Performance Report for 2018/19 was £(494)m. The surplus on provision of services before tax in the Group Comprehensive Income and Expenditure Statement was £657m. Some of the differences relate to items not included in the Quarterly Performance Report but which are required to be included in the Income and Expenditure Statement, and other differences arise from differing treatment of items explained below and summarised in the table in 11.4.

11.2 Items not included in net cost of operations in the Quarterly Performance Report but included in the Income and Expenditure Statement comprise:

(a) gains and losses on the disposal of fixed assets;

(b) valuation gains and losses on the revaluation of investment property; and

(c) share of gains or loses from associated undertakings.

11.3 Items where the treatment is different:

(a) Depreciation, amortisation and impairment charges are not included in the Quarterly Performance Report. Instead the Operating Account includes a line item for “capital renewals” which represents the proportion of capital expenditure during the year that has been invested in renewing, rather than enhancing or expanding, existing transport infrastructure.

(b) The capital repayments relating to certain PFI contracts are included in operating costs within the Quarterly Performance Report but are not included in the surplus on provision of services; and the cost of retirement benefits in the Quarterly Performance Report is based on cash flows rather than the IAS 19 service cost and financing cost.

(c) Borrowing costs capitalised into the cost of construction of property, plant and equipment are shown within financing costs in net cost of operations in the Quarterly Performance Report, but as capital additions in the Statement of Accounts.

(d) All grant income, whether capital or revenue in nature, is required to be included in the Income and Expenditure Statement, whereas in the Quarterly Performance Report only revenue grants are included in the Operating Account, with capital grants being included separately in the Capital Account.

11.4 Reconciliation from the Operating Account as included in the Quarterly Performance Report to the Income and Expenditure Statement as included in the financial statements.

	£m
Net cost of operations as reported in the Quarterly Performance Report	**(494)**
Depreciation and amortisation	(1,064)
Capital grant income	1,966
Valuation gains on investment property	5
Capital repayments on PFI	30
Pensions differences	(328)
Loss on disposal of property, plant & equipment	(33)
Gain on disposal of investment properties	132
Capitalisation of interest	104
Share of loss of associated undertaking	(95)
Other	36
Less: capital renewals	398
Surplus on provision of services before tax in the Accounts	**657**

12 Audit Opinion

12.1 Under the Local Audit and Accountability Act 2014, TfL's auditors, Ernst & Young LLP are required to opine on the following:

(a) whether the financial statements, in their opinion, give a true and fair view of the financial position of the Transport for London Corporation and Group as at 31 March 2019 and of its expenditure and income for the year then ended

(b) whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting the United Kingdom 2018/19; and

(c) whether they are satisfied that, in all significant respects, Transport for London has put in place proper arrangement to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

12.2 Ernst & Young's update in respect of audit progress in relation to the above is not covered by this paper, but is addressed elsewhere in the Audit & Assurance Committee agenda.

13 Subsidiary Companies Audit Exemption

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

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

13.3 For the year ended 31 March 2019, the majority of TTL's subsidiaries will again claim exemption from audit.

List of appendices to this report:

Appendix 1 – Draft Statement of Accounts
Appendix 2 – Template for annual letter of support from TfL to its subsidiary companies

List of Background Papers:

None

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Appendix 1

DRAFT

Transport for London

Annual Report and Financial Statements
Year ended 31 March 2019

The status of the Statement of Accounts is unaudited, and the Statement of Accounts as published for the purposes of the exercise of public rights may be subject to change prior to the conclusion of audit.

I confirm that this Statement of Accounts presents a true and fair view of:

(i) the financial position of Transport for London at the end of the financial year to which it relates; and

(ii) Transport for London's income and expenditure for the financial year ended 31 March 2019

Sarah Bradley
Group Financial Controller and Statutory Chief Finance Officer

31 May 2019

Contents

Narrative Report and Financial Review

Highlights

More than 27m journeys are made across London every day, from local walks to deliveries and cycle trips, to the daily commute. Our purpose is to connect Londoners and all our communities by keeping London moving, working and growing, to make life in our city better. We achieve this through the provision of a safe and reliable, integrated transport network that promotes healthy living. In delivering this, our aim is to cost less and grow our revenues so that we continue to be financially sustainable and able to support Londoners far into the future.

In 2018/19, TfL faced some real financial challenges with the loss of the operating grant from central government, a subdued national economy, and the delay to the opening of the Elizabeth line. Despite these obstacles we continued to make good progress against our long-term objective of turning an operating deficit into a surplus. As set out in the paragraphs below on our uses of funding, it is the third successive year we have reduced like-for-like operating costs. Our gross revenues have also grown year-on-year as we started to see small recoveries in passenger demand following the declines experienced in 2016/17 and 2017/18.

A key priority for management during the year has been to understand and develop plans for addressing the delay, first announced in August 2018 by Crossrail Ltd, that the programme could not be delivered on time and that it would not be in a position to open the central section through London in December 2018 as originally planned. In October 2018, additional funding to the project of £300m was provided by the Sponsors (the Department for Transport (DfT) and TfL). And in December 2018 the Mayor of London and the Government agreed a financial package to cover the remaining funding required to complete the project.

A new leadership team for Crossrail Ltd was put in place during the financial year, as well as a new governance structure. This team has been working on developing a robust and realistic new plan to deliver the project. In April 2019, Crossrail Ltd announced that services are now planned to be introduced, excluding Bond Street station, which is still significantly delayed, on the central section of the railway at some point between October 2020 and March 2021.

Elsewhere in the Group, our investment programme has continued to deliver safety, reliability and capacity improvements across the network as we maintain, enhance and extend services across London. Major projects included infrastructure, signalling and station upgrades on the London Underground and the extension of the Northern line to Battersea Power Station. During the year, a number of delivery milestones were achieved:

- In Quarter 3, the major stations improvement project saw the opening of the new Bloomberg entrance at Bank station, and in March 2019, the first breakthrough was made between the new entrance on Cannon Street and the newly constructed Northern line tunnel

Narrative Report and Financial Review (continued)

- At Victoria station all passenger-facing facilities were opened in the year. The overall completion of the station, surrounding buildings and urban realm is planned for mid-2019
- On the Four Lines Modernisation project, commissioning of the first area to run in passenger service using the new automatic train control signalling system was successfully completed on 17 March 2019
- In February 2019, bidders submitted their final technical, commercial and financial proposals in relation to the construction of the Silvertown Tunnel. The contract will be awarded later this year

Financial performance

In 2018/19 we reduced our like-for-like operating costs for the third year running, offsetting inflationary pressures - something that TfL has never achieved before. This has been managed through the organisation concentrating on its cost base, including maintenance savings, contract renegotiations and recruitment controls. Overall, operating costs increased only slightly, from £7,512m to £7,561m, reflecting the incremental costs of preparations for the opening of the Elizabeth line and additional services on TfL Rail.

This focus on cost control has combined with a 5.1 per cent increase in gross income to give a net cost of services for the year of £1,905m, 10.5 per cent better than 2017/18's total of £2,129m.

The rise in gross income from £5,382m to £5,656m reflected an improvement in fares income, driven primarily by increased demand on London Underground. Other areas of the business saw weaker volume increases. Other operating income (which includes all non-passenger derived sources of income, including rents and advertising) saw an 8.7 per cent rise, primarily a result of one off receipts related to the delayed delivery of rolling stock.

Net financing costs of £327m were significantly below the prior year figure of £418m, reflecting an increase in the level of gains recognised in relation to the disposal of investment properties. Increases in loan and lease interest payable were offset by a reduction in the net interest payable on the Group's defined benefit obligation.

Grant income, at £3,016m, was £539m above 2017/18 levels, primarily due to additional Crossrail funding received from the DfT and the Greater London Authority (GLA); whilst the share of losses from our associated undertakings increased from £63m in 2017/18 to £95m in 2018/19.

Narrative Report and Financial Review (continued)

These combined to give an overall surplus on the provision of services after tax for the year of £659m – a significant improvement on the prior year deficit of £176m. After reserves transfers this translated to a below budget fall in usable reserves from £1,790m as at 31 March 2018 to £1,627m at 31 March 2019.

The level of capital works undertaken fell during the year to £3,467m, 3.9 per cent below the prior year total of £3,606m. As well as £398m of capital spend on renewals works, this included new investment of £1,389m on the Crossrail project, whose completion has now been delayed. Other significant projects progressed in the year included the Four Lines Modernisation project, the Northern line Extension, major station improvement works, and the Deep Tube upgrade.

Funding sources

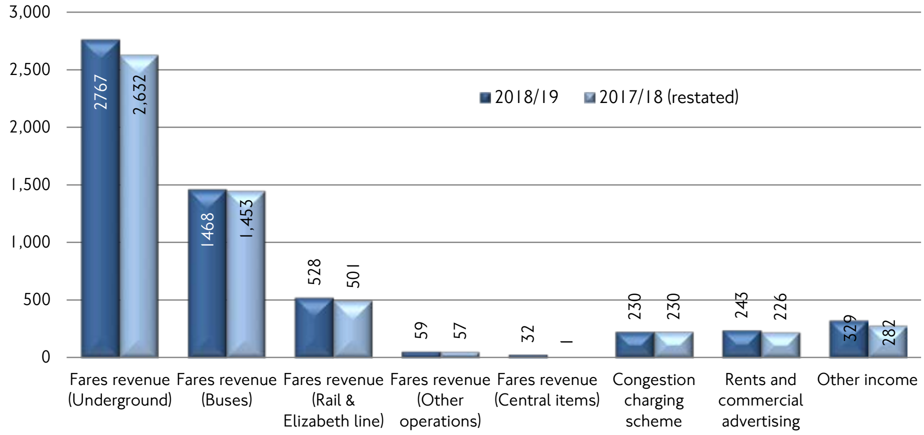
TfL's activities are funded from six main sources:

- Passenger income and income from the Congestion Charging scheme
- A proportion of London's business rates
- Central government funding in relation to the Crossrail project
- 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 on TfL's estate, including advertising and property rental and development
- 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.

Gross income

Gross income breakdown by type (£m)



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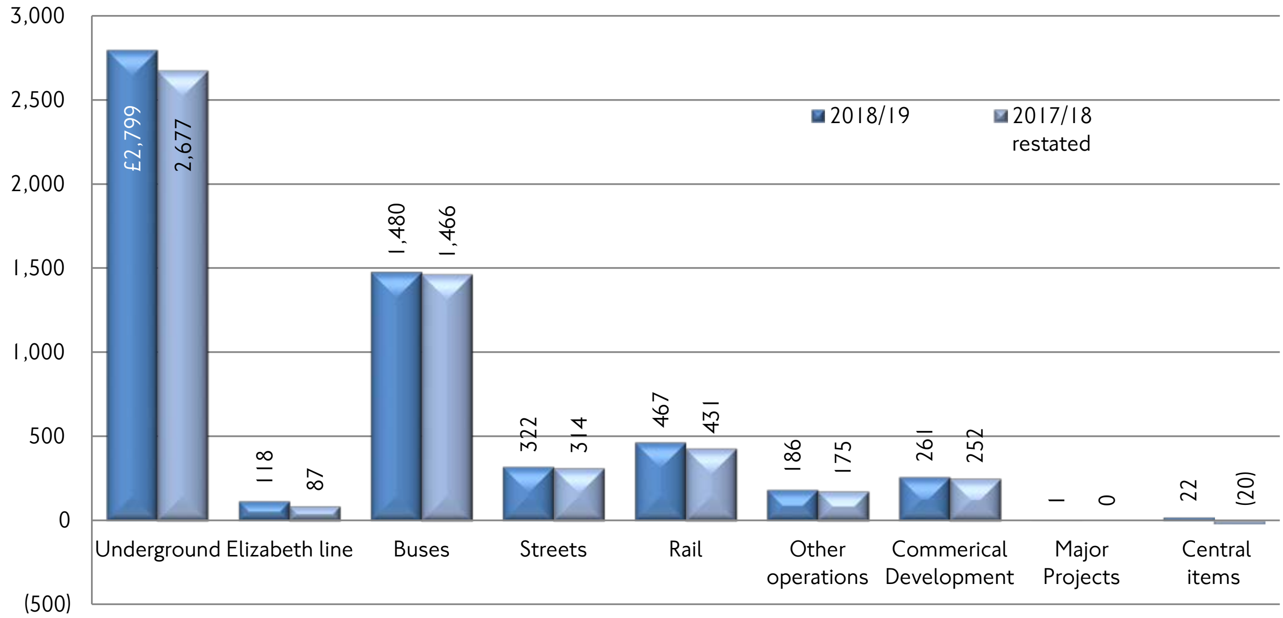
Narrative Report and Financial Review (continued)

Total gross income increased by 5.1 per cent from £5,382m in 2017/18 to £5,656m in 2018/19, largely owing to increased passenger volumes on the Underground combined with small revenue increases across all other areas.

TfL's primary source of gross income comes from passenger fares income which represents 85.8 per cent of all revenue generated. TfL fares decisions are taken annually by the Mayor whose decision for 2019 was to again freeze fares in line with his policy for his four year term. As with previous years, Travelcard increases and associated caps are set in agreement with the train operating companies under fares regulations set by the government. These increased on average by 3.1 per cent from 1 January 2019 – slightly below the 3.2 per cent annual increase in the Retail Prices Index in the benchmark month of July 2018.

Total gross income by operating division (£m)



* Figures for 2017/18 have been restated to align with a revised internal management structure

Total gross income for the Underground was £2,799m, £122m (or 4.6 per cent) above 2017/18 levels, reflecting an improvement in customer demand. Passenger journey volumes increased from 1,357m in 2017/18 to 1,384m in 2018/19 – a 2.0 per cent rise. Friday 7 December, 2018 saw the busiest day ever on the Tube, with 5.03m passengers. However, we remain cautious given the uncertain economic outlook as a result of Brexit. The rise in passenger income was also partly due to the increase in average fares for National Rail in January 2019, which had an impact on a proportion of TfL tickets.

Narrative Report and Financial Review (continued)

Gross income for the Elizabeth line and Rail divisions increased by 12.9 per cent from £518m in 2017/18 to £585m in 2018/19. Of this increase, £27m was attributable to higher fares income, particularly from the Elizabeth line (which currently operates as TfL Rail), from the DLR and from London Overground. Combined passenger volumes for these areas increased from 353m journeys in 2017/18 to 367m in 2018/19.

On the Elizabeth line, an £18m increase in passenger income was primarily a reflection of the commencement of the new Paddington to Heathrow service in May 2018. The line as a whole carried 55 million people, an increase of 22 per cent over the previous year. Customer satisfaction increased by 1 per cent to 84 per cent. The Public Performance Measure (PPM) was 94.5 per cent for the year, which secured TfL Rail third place in the national PPM league.

London Overground's operational performance and customer satisfaction were affected by the delayed introduction of the new LOTRAIN fleet. The reduced existing fleet has impacted on availability on the Gospel Oak to Barking branch, through more maintenance being required and reduced reliability. However, a successful service regulation trial for services out from and to Liverpool Street recently has seen performance on these lines improve considerably. Once introduced in early 2019/20, the new state-of-the-art electric trains will provide customers with increased capacity and feature walk-through carriages, air conditioning, live network information screens and improved reliability. The new, cleaner, electric trains will also improve air quality for people living and working along the route.

Still within the Rail division, fares revenue on Trams fell by £1m from £24m in 2017/18 to £23m in 2018/19, reflecting a 1.4 per cent fall in passenger volumes as a result of closures due to a fire in a warehouse adjacent to the tramway, and to an Industrial Relations dispute in March 2019.

Other operating income for the Rail and Elizabeth line divisions, meanwhile, rose from £17m in 2017/18 to £57m in 2018/19, due to one- off contractual receipts relating to the delayed delivery of new London Overground trains, combined with increased third party contributions and ticket sales commission on the Elizabeth line.

In the Buses division, total network income rose to £1,480m, 1.0 per cent above the prior year total of £1,466m. This was generated by an improved average yield per passenger journey, as fares increased by 1.0 per cent, which more than offset a year-on-year decline in passenger journeys of 27m. The fall in passenger journeys was primarily seen in off-peak travel.

Narrative Report and Financial Review (continued)

Streets' operating income, at £322m, was 2.5 per cent above 2017/18 levels due to increased enforcement, compliance and cost recoveries. Although headline Congestion Charging income was in line with the prior year at £230m (2017/18 £230m), this reflected higher enforcement income offset by reduced underlying Congestion Charging revenues as lower volumes of charge-paying vehicles entered the zone. The decrease in volume of vehicles can be seen as a positive move towards achieving the Mayor's Transport Strategy objective to reduce Londoners' dependency on cars in favour of increased walking, cycling and public transport use.

Commercial Development income increased by 3.6 per cent to £261m. This reflected an increase in commercial advertising receipts from £152m in 2017/18 to £156m in 2018/19, driven by increased digital investment, combined with higher property income from the rental portfolio, which increased from £74m in 2017/18 to £87m in 2018/19.

Income from Other operations (which comprises a broad range of activities including taxi licencing, Dial-a-Ride services, London River Services, cycle hire and the Victoria Coach Station), rose by 6.3% from £175m in 2017/18 to £186m in 2018/19. Within this total, passenger income remained fairly static at £59m, compared to the 2017/18 total of £57m. Other operating income, however, rose by £9m – reflecting increases in general fees and student photocard commissions.

Government grants and other funding

The main source of grant income for 2018/19 was funding received from the Greater London Authority (GLA) as part of local authority devolved arrangements. The Mayor retains a share of London's business rates and then allocates a proportion of this to TfL as a resource grant. Other sources of grant income include specific capital grants from the Department for Transport (DfT) and the GLA for the Crossrail project and other projects, such as the Northern Line Extension. 2018/19 was the first year that TfL received no General resource grant funding for operations from central Government.

The total of resource and capital grants receivable by TfL in 2018/19 amounted to £3,016m (2017/18 £2,477m).

Prudential borrowing

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

Narrative Report and Financial Review (continued)

Movement in borrowing £m	
Opening borrowing at 1 April 2018 per the accounts	10,416
European Investment Bank (EIB) loans - £200m due in 2038	200
Export Development Canada (EDC) loans - £150m due in 2028	150
Public Works Loan Board (PWLB) loans – seven tranches borrowed totalling £575m due between 2051-2060	575
Repayment of Commercial Paper at maturity and scheduled repayments on PWLB and EIB loans	(197)
Fair value movements, issue premia/discounts and fee adjustments	1
Closing borrowing at 31 March 2019 per the accounts	11,145

The Authorised limit for direct borrowings for the Corporation set by the Mayor for 2018/19 was £12,382.1m.

At 31 March 2019, TfL had two committed facilities with EDC that were not fully drawn. Funds under these facilities will be drawn down in multiple tranches over the next two years.

Uses of funding

Gross expenditure

Gross expenditure, which includes day-to-day operating costs as reported to management and Central statutory reporting items (including depreciation and amortisation) increased by 0.7 per cent from £7,512m in 2017/18 to £7,561m in 2018/19. Excluding these Central items, expenditure increased by 1.2 per cent from £6,249m to £6,326m.

However, within the overall increase in 2018/19, for the third year in a row we again realised savings against the budget and reduced like-for-like operating costs, offsetting both the loss of central government revenue grant and the impact of inflation.

Narrative Report and Financial Review (continued)

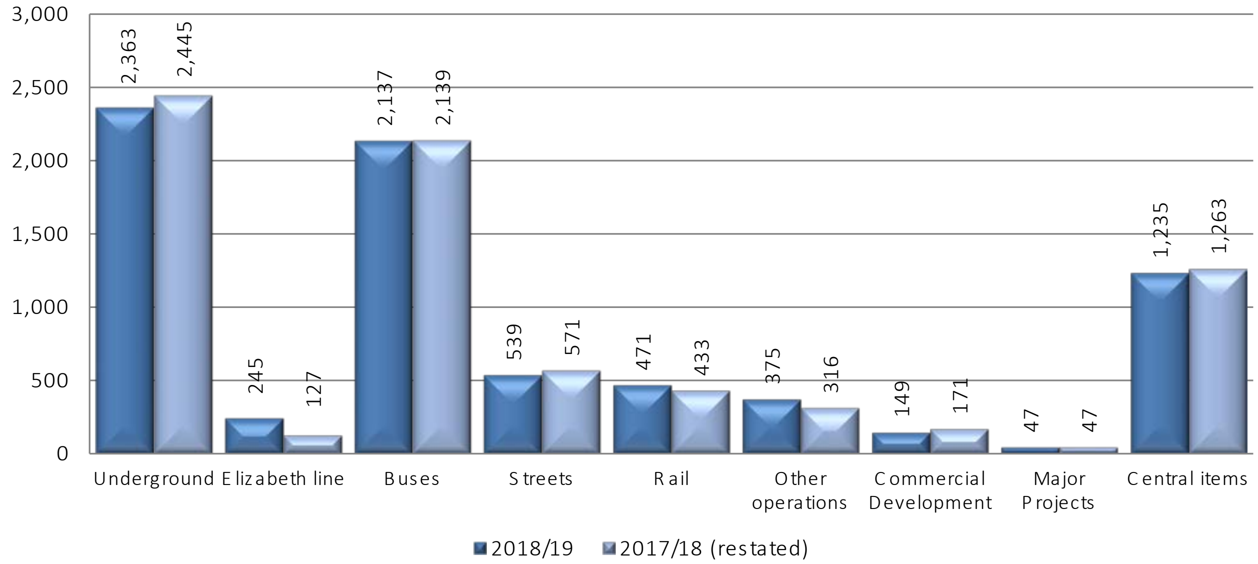
Year-on-year costs of operations £m

	2019	2018
Cost of operations per internal management reports	**(6,326)**	**(6,249)**
Adjust for one-off items incurred	135	138
Adjust for investment programme operating costs included in operating expenditure	333	336
Adjust for Elizabeth line operating cost increases	237	118
Cost of operations (like-for-like basis)	**(5,621)**	**(5,657)**
Year-on-year savings	**36**	

Cost reduction initiatives are continuing as we work towards a target of turning deficit on the net cost of operations into a surplus by 2022/23. The year saw a further reduction in management layers, a streamlining of operations and reduced staff headcount numbers (including a reduced number of non-permanent labour).

One-off items in 2018/19 included costs relating to TfL's restructuring programme and a £70m pension recovery plan payment. In 2017/18, one-off items included £68m related to TfL's transformation programme, £23m of costs relating to the Metropolitan line extension project, and a £48m pension recovery plan payment.

Gross expenditure by operating division £m



* Figures for 2017/18 have been restated to align with a revised internal management structure

Narrative Report and Financial Review (continued)

On the Underground, costs fell by £82m (3.4 per cent) in the year. We continued our modernisation programme of change, lowering our cost of operating, improving performance and making London Underground a better place to work, all whilst maintaining a safe and reliable network. As a result of the changes we are making, some functions also moved across directorates and companies within the TfL Group as new teams and reporting lines are formed.

Within the Elizabeth line division, operating costs were £118m higher than 2017/18 as preparations were made for the opening of the central tunnel section of the line. The increase also reflected additional costs for operating the new Paddington to Heathrow service.

In the Buses division, operating costs are targeted to be maintained broadly flat year on year. Operating costs for 2018/19 fell marginally from £2,139m in 2017/18 to £2,137m as increases due to the annual contract price inflation (average of 2.5 per cent) within the bus operators' contracts and the costs of roll out of cleaner vehicles were offset by a reshaping of the bus network and other smaller cost reductions.

Streets' operating costs saw a 5.6 per cent reduction from £571m in 2017/18 to £539 million in 2018/19, primarily as a result of lower staff costs following our transformation programme. Expenditure on Borough LIP schemes, which prioritise health and wellbeing, with an overall objective of delivering a transport system where everyone can travel safely by the healthiest and most resource and space-efficient modes, increased by £9m.

In the Rail division, 2018/19 operating costs on the DLR and for London Trams were held at 2017/18 levels. However, overall costs increased from £433m to £471m owing to the delay in delivery of the new London Overground trains. These additional costs were offset by contractor compensation receipts recognised within other income.

The costs of Other operations increased 18.7 per cent from £316m to £375m in 2018/19. As well as costs in respect of London Dial-a-Ride, London River Services, London Taxi and Private Hire, Santander Cycles, the Victoria Coach Station and the Emirates Air Lines, spend in this category also included the costs of the Crossrail 2 project team and the Group Planning team.

In the Commercial Development division, operating costs fell from £171m in 2017/18 to £149m, due to office maintenance expenditure being tightly controlled. A number of one-off cash refunds were also received during 2018/19.

Narrative Report and Financial Review (continued)

Operating costs within Central items reduced from £1,263m in 2017/18 to £1,235m in 2018/19. These costs represent items not included in internal management reporting. The most significant line item within this balance comprises depreciation, amortisation and impairment charges recognised in relation to property, plant and equipment and intangible assets. The total of these charges fell from £1,110m in 2017/18 to £1,064m in 2018/19. The Central items category also absorbs the difference between the accounting methodologies used in the statutory versus the management accounts for the treatment of defined benefit pension schemes. The cost of such retirement benefits in internal management reporting is based on cash flows rather than the current service cost of benefits accrued in the year.

Net interest and finance charges

Gross financing and investment expenditure for the year was £475m, £12m below the prior year.

Within this overall total, interest payable on direct borrowings increased by 6.4 per cent from £389m to £414m. This increase reflected a full year of interest costs on borrowings of £619m raised in 2017/18 coupled with the impact of the increase in borrowings during the 2018/19 year of £728m. As at 31 March 2018, TfL had a nominal £10.447bn of borrowings, of which approximately £0.8bn was short-term borrowing under the Commercial Paper programme. The weighted average interest rate was 3.63 per cent and the borrowings had a weighted average remaining life to maturity of 19.2 years. As at 31 March 2019, the nominal value of borrowings outstanding had increased to £11.175bn, of which £0.7bn was short-term Commercial Paper. The weighted average interest rate was 3.59 per cent and the borrowings had a weighted average life to maturity of 19.4 years.

Interest payable on borrowings was offset, to a degree, by the amount of interest capitalised into the cost of qualifying property, plant and equipment. Interest capitalised in 2018/19 totalled £104m (£94m in 2017/18). Interest payable on finance leases, including contingent rentals in respect of Private Finance Initiatives, fell from £52m in 2017/18 to £46m in 2018/19, reflecting reductions in interest payable on existing leases as the remaining capital balance of the liabilities continued to be paid down.

The Group's net interest expense in respect of its defined benefit pension scheme obligations decreased from £138m in 2017/18 to £113m in 2018/19.

Gross financing and investment income totalled £149m, an increase of £80m from 2017/18. This was primarily due to an increase in gains realised on the disposal of investment properties from £19m in 2017/18 to £132m in 2018/19, as a result of the disposal of Crossrail over-station development sites during the year. Interest receivable on finance leases held in respect of advertising assets rose from £0.6m in 2017/18 to £2.3m in 2018/19 reflecting TfL's increased investment in new technology. Similarly, investment returns on cash and other investment balances rose during the year, from £8m in the prior year to £10m in 2018/19, despite lower average cash balances, due to higher rates of return achieved.

Narrative Report and Financial Review (continued)

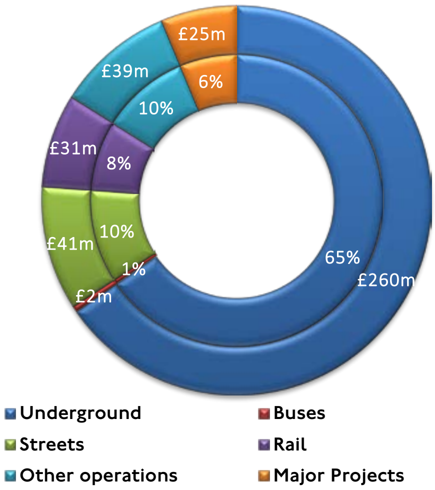
Set against these increases was a reduction in the gain recognised from the revaluation of investment properties (a £5m gain in 2018/19 compared to a £42m gain in 2017/18).

Capital expenditure

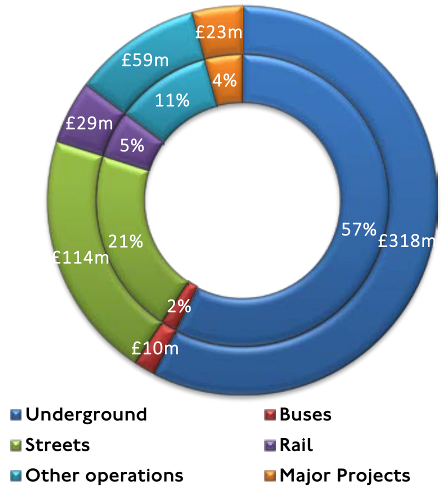
Capital expenditure by business area, excluding Crossrail (£m)

Total capital expenditure for the year, including Crossrail spend, was £3,467m (2017/18 £3,606m). Non-Crossrail related expenditure totalled £2,078m (2017/18 £2,076m). Within this total £398m was spent on capital renewals (2017/18 £553m) and £1,680m (2017/18 £1,523m) was spent on new capital investment.

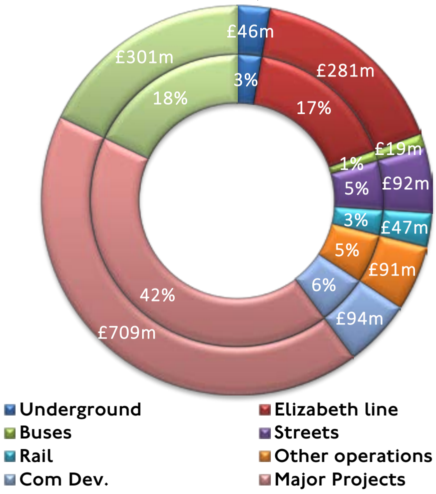
Capital Renewals 2018/19: £398m



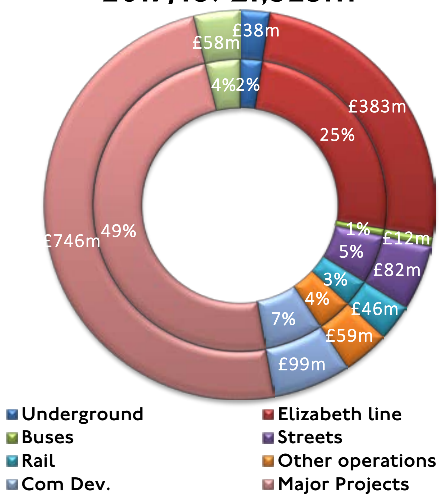
Capital Renewals 2017/18: £553m



New Capital Investment 2018/19: £1,680m



New Capital Investment 2017/18: £1,523m



Figures for 2017/18 in the charts above have been restated to align with a revised internal management structure

Narrative Report and Financial Review (continued)

On the Underground capital expenditure totalled £306m, down from £356m in 2017/18. This included £46m of new capital investment in addition to £260m of renewals spend.

Fifteen stations will become step-free by spring 2020 as part of the Mayor's funding for step-free access. Having upgraded Victoria, Finsbury Park, Buckhurst Hill and Newbury Park during the year, we also delivered step-free access at South Woodford in March 2019, significantly ahead of our originally published date.

On 16 February, we achieved our target for this financial year to install 7.5km of new track across the underground network, helping to improve reliability, reduce maintenance costs and increase capacity.

On the Jubilee line, 44 refurbished trains out of 63 trains are back in service. The refurbishments include a wheelchair area, new flooring, refreshed interior (including grab-poles and handles) and new sealing to the roof and windows.

We have completed the concept design for the South Kensington station capacity upgrade project and we plan to appoint a design and build contractor by summer 2019 to deliver the works.

We continue the redevelopment and upgrade of Tottenham Hale station. Superstructure works are progressing, but the programme is dependent on securing possessions of the track to complete the superstructure.

On the Elizabeth line, capital investment expenditure of £281m was incurred. This consisted mainly of Class 345 rolling stock production and step free access station improvement works. In March 2019, the new Class 345 rolling stock fleet was sold and leased back from 345 Rail Leasing - a consortium between Equitix Investment Management Ltd, NatWest and SMBC Leasing.

In preparation for the commencement of the Elizabeth line services, step free access works were completed on four Eastern stations; Manor Park, Maryland, Forest Gate and Seven Kings. Additionally, main dynamic testing commenced this year with the full electrification of the central section tunnel and the operation of Class 345 test trains. The new TfL Rail Paddington to Reading service is planned to commence in December 2019.

Total capital expenditure within the Buses division of £21m in 2018/19 is comparable to the £22m spend in 2017/18. The nature of capital expenditure changed year on year as we increased our programme to fit a selective catalytic reduction system to the exhaust of London buses to reduce emission of nitrogen oxides.

Narrative Report and Financial Review (continued)

Within the Streets division, £133m was spent in the year on capital projects. We have paused our programme of proactive capital renewals on highways assets, resulting in a drop in renewals expenditure from £114m in 2017/18 to £41m in 2018/19. New capital investment has increased, however, from £82m in 2017/18 to £92m in 2018/19 in support of our Healthy Streets approach to city planning. Projects such as Old Street roundabout and Highbury Corner have seen significant progress, ensuring these two key locations become safer places to walk and cycle. We planned to deliver more but, due to the decisions and actions of Westminster City Council, were unable to realise our ambitions of pedestrianising Oxford Street, and starting work on our Cycle Superhighway in Swiss Cottage.

Capital expenditure in the Rail division totalled £78m in 2018/19. New capital investment, at £47m, continued at previous years' levels with several station enhancements due for completion in 2019/20.

We have made significant progress on the RAIB Sandilands recommendations for London Trams and have completed some of the most vital. Some of the recommendations set out by the RAIB require the implementation of new systems and technology not seen on the UK's trams before, and so significant designing, testing and procurement, including seeking out innovative manufacturers who can transform tram safety, has been needed.

Capital expenditure of £130m for the year in Other operations comprised £91m of new capital investment in addition to £39m of renewals expenditure. Within the spend on renewals, the payment terminals for Santander Cycles have been upgraded to accept contactless payment for the first time, which will make hiring quicker for customers.

New investment spend, meanwhile, included expenditure on infrastructure in relation to the roll out of the Ultra Low Emission Zone.

Within the Commercial Development division, capital investment at £94m did not change significantly from the prior year level. The main driver was continued investment in digital media assets to improve the advertising estate, which will protect and grow revenue streams into the future. The remaining expenditure was on the property estate, split between expenditure to generate capital receipts from disposing of various property assets during the year (mainly Crossrail Over-Station Development sites), plus investment to generate additional homes for London as part of the Mayor's Strategy for housing.

The Major Projects Directorate is responsible for our largest and most complex projects. It handles line upgrades, the Deep Tube Upgrade, network extensions and major station upgrades and capacity improvements. Capital expenditure in the directorate totalled £734m in 2018/19, including £709m of new capital investment.

Narrative Report and Financial Review (continued)

As part of the Four Lines Modernisation programme, we have already introduced 192 new S-stock trains on the network and significant progress was made in 2018/19 to complete the associated depots, stations, sidings and signal modifications. Commissioning of the first Signalling Migration Area between Hammersmith and Latimer Road was completed on the weekend of 16/17 March, 2019.

This year we completed the platform works at Nine Elms station and the first engineering train on the Northern Line Extension (NLE) ran on our newly installed rails. Installation of all running track in the tunnel sections across the NLE is also now complete, enabling deliveries by engineering train to be made deeper into the extension, and the installation of conductor rail is underway. The final piece of track – the diamond crossing in the Battersea Crossover box – will be installed by June 2019.

In November 2018, we signed a £1.5bn contract with Siemens to design and build a new fleet of Piccadilly line trains after the High Court lifted a temporary restriction that had put the procurement on hold. Siemens have developed a draft Piccadilly line rolling stock concept design and are now working towards the delivery of all train related Interface Control Documents by Quarter 1 of 2019/20.

At Bank Station, the new Bloomberg entrance for the Waterloo & City line opened to customers on 30 November, with formal opening taking place on 12 December 2018. In March 2019, the first breakthrough between the new entrance on Cannon Street and the newly constructed Northern line tunnel was made. The breakthrough will make further constructions work easier, helping to ensure the hugely important upgrade is delivered by 2022. Tunnelling works for the new lift shaft continue, delivering step-free access to the Northern line and improved step-free access to the DLR in 2022.

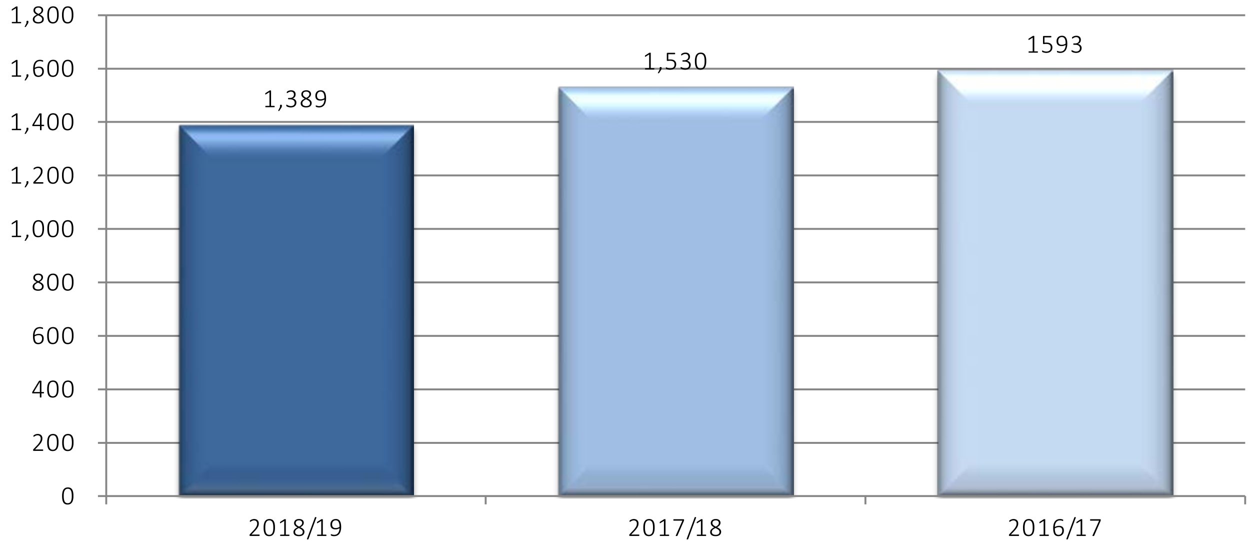
The Main Works Contract for the Barking Riverside Extension was awarded in December 2018 to a joint venture bid from Morgan Sindall and VolkerFitzpatrick. Early overhead line equipment works were procured separately and completed over Christmas 2018, to enable subsequent possessions of Network Rail infrastructure by the Main Works Contractor.

On 11 December, 2018, our Programmes and Investment Committee granted authority to procure 43 DLR trains to increase capacity on the network and to replace approximately 60 per cent of the existing fleet (33 trains) and for the associated enabling works. Tenders to replace the rolling stock were received and technical evaluations have been carried out. A tender for the design and build of the sub-station modifications has been issued. We remain on track to commence Beckton depot enabling works in the summer of 2019.

On the Silvertown Tunnel, the bidders submitted their final technical, commercial and financial proposals in February 2019. We have been concluding the evaluation process in preparation for obtaining authority through the TfL governance process to approve the selection of the preferred bidder in the summer and award the contract later in the year.

Narrative Report and Financial Review (continued)

Crossrail capital expenditure (£m)



During the year, £1,389m was spent on the Crossrail project. On 30 August 2018 Crossrail Ltd, a subsidiary of the TfL Group, formally notified its Sponsors (the Department for Transport ("DfT") and Transport for London) of the very disappointing news that there was insufficient time remaining to introduce Stage 3 Elizabeth line services through the central section in December 2018. This followed the decision taken at the Crossrail Ltd Board on 29 August that additional time was needed to complete the fit-out of the tunnels in parallel with the integration and testing of railway systems and software packages in the signalling, rolling stock and system contracts. Without this it was not possible to introduce a safe and reliable railway for passenger service in December. The leadership team in place at that time developed a revised strategy that supported an Elizabeth line opening in autumn 2019 and a new forecast of cost to complete the project.

Subsequent to that analysis, in late autumn 2018, it became apparent that the cost to complete had been underestimated, as had the level of project integration required. The state of completion of the stations had also been overestimated. The Sponsors commissioned an independent review by KPMG which was published in January 2019.

Additional funding of £300m, announced in July 2018, was paid by the Sponsors in October 2018, £150m from the DfT and £150m from TfL. In December 2018, the Mayor of London and the Government agreed a financial package to cover the remaining funding required to complete the project. The Greater London Authority ("GLA") will borrow up to £1.3bn from the DfT. The GLA will also provide a £100m cash contribution, taking its total contribution to £1.4bn which it will provide as a grant to TfL for the Crossrail project. A contingency arrangement has also been agreed between TfL and the Government. This will be in the form of a loan facility from the DfT of up to £750m, should there be a requirement for further funding.

Narrative Report and Financial Review (continued)

A new leadership team has been put in place during the financial year, as well as a new governance structure. In addition, resources in critical areas required to complete the project have been recruited following the demobilisation of staff. These teams have been working rapidly and intensively to develop a robust and realistic plan to deliver the rest of the project. This high-level plan was published on 25 April 2019 and the leadership team is now underpinning that plan with a 10,000+ line detailed Delivery Control Schedule.

Cash and investments

Total cash, cash equivalents and investments with maturities greater than three months held by the Group at 31 March 2019 amounted to £1,882m, down from £1,932m as at 31 March 2018. The average yield from TfL's cash investments for 2018/19 was 0.69 per cent, up from 0.33 per cent in 2017/18. The low investment yield reflects the low interest rates environment and the conservative nature of TfL's investment strategy. Earmarked reserves for TfL's future investment programme, including the Crossrail project, at 31 March 2019 amount to £1,457m.

Treasury risk management

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

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

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, as well as its financing activities (financial costs and investment returns on cash balances). TfL's objective under the 2018/19 borrowing strategy was to manage its borrowings in a manner that is affordable, sustainable and prudent, and combines value for money, flexibility, security of access to funds, and diversity of funding sources. TfL's investment strategy continues to reflect a low risk appetite consistent with the good stewardship of public funds and prioritises security and liquidity over yield.

Narrative Report and Financial Review (continued)

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 2018/19, TfL continued to follow a conservative investment strategy, investing in: the UK Government and its executive agency, the UK Debt Management Office (DMO); selected financial institutions with high (investment grade) credit ratings; selected supranational or sub-sovereign agencies; selected Money Market Funds; highly rated corporates; and other highly rated sovereign governments. In addition to Sterling investments, TfL had investments in Euros, which were swapped back into Sterling as a matter of course. The amounts that can be invested with the UK Government and the UK DMO were not limited, while amounts invested with other institutions were based on their credit rating. The minimum rating was P-2/A-2. Credit ratings are obtained from the three main rating agencies and are kept under constant review.

Funding and liquidity

To ensure continuity of affordable funding, borrowing maturities are spread over a range of dates that broadly equate to the lives of assets purchased with the proceeds of borrowing. The maturity profile of borrowing outstanding at 31 March 2019 is set out in Note 32 to the accounts. Diverse sources of funding are available to TfL, including the capital markets, loans from financial institutions and direct access to the UK DMO via the Public Works Loan Board (PWLB). 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 approved parameters of a minimum of 75 per cent fixed rate on outstanding borrowings. The proportion of fixed rate borrowings (including Commercial Paper swapped to fixed rate through the use of interest rate derivatives) at the year end was 97.5 per cent; the remaining 2.5 per cent constituted unhedged Commercial Paper borrowing which, although it has fixed rates of interest, in practice behaves more like floating rate debt if used on a rolling basis.

Narrative Report and Financial Review (continued)

Pensions

As at 31 March 2019, 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 by £1,266m. This was offset to a degree by an increase in the fair value of the assets recorded, which rose by £612m. 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 £612m to £5,189m.

The total deficit recognised in respect of all funded and unfunded pension arrangements at 31 March 2019 amounted to £5,371m (2017/18 £4,707m).

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

Prospects and outlook

In December 2018, TfL published an updated Business Plan for the next five years to 2023/24, which set out a comprehensive programme of investment across London to deliver safe and reliable transport services. This will continue to deliver the Mayor's Transport Strategy for active, affordable, efficient and sustainable travel.

The Business Plan also announced the next stage of our organisational change and our challenge to achieve a surplus on the net cost of operations (as reported to management in our Quarterly Performance Reports) by 2022/23, a year later than previously planned. We have reflected the impact of the delay to the opening of the Elizabeth line and maintained a cautious view on passenger demand in the context of a very uncertain economic environment. The latest economic forecasts predict sluggish growth as businesses and households hold off investing and consumption until the uncertainty of the UK's exit from the European Union shifts.

There are four main factors affecting the outlook over the next five years:

- Adapting to the loss of an average £700m per annum of revenue grant from central Government, which used to offset the operating cost of day-to-day services
- A subdued national economy
- The delay in the completion of the Elizabeth line construction as announced by Crossrail Limited
- The absence of funding from central government for the maintenance of London's strategic road network

Narrative Report and Financial Review (continued)

We have been preparing for all possible outcomes relating to the UK leaving the European Union. Although such an event would pose challenges for us, as for many other organisations, we are confident the mitigation plans we have been developing would enable us to continue to serve our customers in all scenarios. Our income is highly dependent on public transport ridership, which is itself dependent to some degree on economic performance, including the number of jobs in central London.

We generate more than £10 billion of income and funding a year, which we use to run day-to-day operations and invest in assets to maintain and enhance the network. We continue to look for further opportunities to generate long-term revenue by using our skills and assets as well as our property and advertising estates. By broadening our sources of funding we can continue to reinvest in the transport network.

We have no certainty of capital funding beyond 2020/21, which poses a challenge when planning the pipeline of investment required by London and we will continue to work with stakeholders to secure the necessary funding. We will also continue our successful programme of reducing like-for-like operating costs and work to grow our business to create new revenue streams.

These cost savings and additional sources of revenue will allow us to keep investing in the new infrastructure London needs to support its growth and remain the economic engine of the UK. Our goal is to continue to deliver a world-leading public transport network that provides value for money and gets people to their destination safely and quickly.

In August 2018, our subsidiary, Crossrail Limited, announced that the Elizabeth line would be delayed. This has specific capital funding and revenue impacts on the TfL Group. Crossrail Limited requires additional capital funding to complete much of the railway infrastructure, including the final fit-out of the tunnels and the construction of the stations in the central section. The Mayor and the Government have agreed a financing package to cover these additional costs and a loan facility to TfL from the Department for Transport to provide further contingency if needed. This package will see London pay for the additional costs in full over time. We will continue to work on the remaining infrastructure works and testing to deliver the new railway. Safety and reliability remain our key priorities as we progress towards completing this hugely complex project and being able to fully open the line.

So as to ensure we are able to meet the future transport demands of Londoners, the following projects and initiatives are in progress:

- Following the completion of tunnelling work in 2017, track is now being laid in both tunnels of the Northern Line Extension. The extension from Battersea Power Station to Kennington via Nine Elms will bring the surrounding area to within 15 minutes of the City and is expected to open in 2021. Work on the new stations at Battersea and Nine Elms is also progressing well, enabling the regeneration of Vauxhall, Nine Elms and Battersea areas and supporting around 25,000 jobs and more than 20,000 new homes

Narrative Report and Financial Review (continued)

- Work is well under way to install step-free access across the network, and by 2020 we will have 15 more stations step-free
- Main construction works will start in 2019 on the Barking Riverside extension of the London Overground between Gospel Oak and Barking. This will support the largest housing development in east London and provide a sustainable alternative to car travel in the area. Train services are expected to start in late 2021
- Following the introduction of 192 new, larger, walk-through trains across the Circle, District, Hammersmith & City and Metropolitan lines, we are in the process of replacing and improving outdated signalling, power and depot assets. The first sections of the new signalling system go live later in 2019 and capacity on these lines will increase by 33 per cent once the upgrade is complete in 2023
- In 2019, work to increase capacity on the Piccadilly line will continue, progressing the design of new trains to enable the fleet to enter service from 2024
- The upgrade to Bank station, used by more than 400,000 people a day, will improve access, circulation and interchange, increasing capacity by 45 per cent. Construction of a new escalator tunnel to the DLR will begin in 2019/20 and new platforms, station entrances as well as step-free access will be complete by 2022.
- In May 2018, the Secretary of State granted approval for a Silvertown Tunnel linking the Greenwich Peninsula and the Royal Docks. This will improve the reliability of the Blackwall Tunnel crossing, increase the resilience of the road network in east London and improve cross-river bus links. Construction is expected to begin in 2019/20, with the new crossing open in 2025
- In 2019, the contract for the design and build of 43 new full-length, walk-through DLR trains will be placed. These trains are expected to start entering service in 2023 and will increase total capacity on the DLR network by around 30 per cent
- In addition to the existing seven Cycleways routes, subject to consultation, construction is planned to begin on eight major routes by the end of 2019. By 2020, more than 100km of additional new, high quality, protected, cycle infrastructure will have been delivered, or be under construction
- By 2020 we will deliver more Safer Junctions, increasing the total delivered from 21 to 41, which supports the Vision Zero ambition. Also supporting this ambition is the planned introduction of a 20mph speed limit within the Congestion Charge zone in 2020

Narrative Report and Financial Review (continued)

- By April 2019, all our buses operating in central London will meet the ultra-clean Euro VI engine emissions standards. We will reduce bus emissions by introducing new buses with the cleanest engines and by upgrading the engines of buses already in the fleet, working towards all buses being zero emission at tailpipe by 2037. By the end of 2019/20, we will have implemented 12 Low Emission Bus Zones and all buses across London will meet the ULEZ standard by October 2020 at the latest
- In April 2019, the Ultra Low Emission Zone (ULEZ) was launched in central London; a key initiative to ensure we improve air quality in London. From 2021 this will be expanded to the North and South Circular roads. Also supporting our clean air strategy, we are investing in technology to deliver charging of electric vehicles. By 2020, 300 rapid charging points will be installed across London
- Station upgrades are happening across the network, Bond Street was completed in 2018, Victoria will be completed in 2019 and Finsbury Park the following year. The Elephant and Castle station upgrade, which is due to complete in 2024, will support the area's transformation and the planned delivery of 5,000 new homes and 5,000 new jobs

In order to achieve a surplus on our operating activities, we will continue our huge programme to reduce costs, increase revenue and become more efficient, while maintaining safety, frontline services and vital investment. Savings have already been achieved in our operating model, reducing and relocating head office accommodation based on our three-hub office strategy. Other activities to deliver cost reduction include:

- further reducing our back and middle office costs across the organisation over the next three years, achieving 30 per cent cost savings
- Modernising London Underground maintenance, driving greater efficiency from our supply chain
- Reviewing and re-tendering bus contracts
- Reshaping the bus network within inner London and refocusing the network in outer London to meet growing demand

Growing our commercial income is another key part of our plan to achieve an operating surplus by 2022/23. A more diverse range of income also supports financial security. We will use our assets to generate long-term revenues, doing more to leverage our position as one of London's largest landowners. We plan to further develop our property, retail, advertising, telecoms and consultancy businesses to continue to deliver ongoing income streams. Some of these plans include:

Narrative Report and Financial Review (continued)

- Continuing the development of 320 acres of land for housing and commercial space. By March 2021 we will have started on property development sites that will support 10,000 new homes, shops and workspaces
- Ongoing modernisation of our digital advertising infrastructure, which will see the number of digital assets across our estates double by the time we finish the programme in 2020
- Investing in the future by building a solid foundation for a new applied solutions function. We will operate across the three pillars of advisory, intellectual property, operations and maintenance contracts
- We have started to deliver significant improvements to the digital infrastructure of London, and will substantially improve London's connectivity by bringing 4G and 5G to the London Underground whilst, at the same time, delivering a new revenue stream.

Key risks

The TfL Board has overall accountability for risk management and setting TfL's risk tolerance and appetite levels. Progress of management of all key risks is presented to TfL's committees and panels. Here, members of the Board have an opportunity to scrutinise, challenge or provide recommendations as appropriate.

Accepting that risk is an inherent part of conducting our business, our Enterprise Risk Management Framework and associated risk processes are designed to ensure risks to delivering the Mayor's Transport Strategy and our Corporate Strategy are identified, fully understood and managed in line with the Board's level of risk tolerance and appetite. Emerging strategic risks can be escalated to, identified and/or discussed at periodic Executive Committee meetings.

The Executive Committee reviews and discusses strategic risks periodically, and a full assessment of each strategic risk is carried out quarterly. The Audit and Assurance Committee is updated on key risk management activities every quarter and reviews the effectiveness of the risk process at least annually. The key strategic risks we are currently managing and the strategic objectives to which they relate include:

Mayor's Transport Strategy: Healthy Streets and healthy people

- Safety systems, policies or procedures might be inadequate or not complied with, resulting in loss of life, poor health or serious injury to customers and staff
- TfL's activities could impact on the environment affecting the health and wellbeing of people

Narrative Report and Financial Review (continued)

- Catastrophic events, including natural events, accidents or deliberate actions could overwhelm our ability to respond
- A significant security threat could adversely impact our customers, staff, assets, operations or financial performance

Mayor's Transport Strategy: New homes and jobs

- Externally driven events may result in commercial income streams not being able to meet revenue targets
- Economic factors and changes in people's travel behaviours may lead to TfL networks being unable to respond to changing demand
- Internal or external events may impact projects resulting in an inability to achieve the associated benefits
- Opening of the Elizabeth Line may be further delayed

Mayor's Transport Strategy: A good public transport experience

- A significant technology failure could result in interruption to operational activity or key business systems A significant cyber security incident could result in loss of personal data, financial loss or interruption to operations or key business systems
- Asset failures and increased congestion may affect our ability to meet operational targets which could result in less reliable services for customers and other users
- Events related to the environment, such as the risk of extreme weather due to climate change could result in significant disruption

Corporate Strategy: People and Stakeholders

- We may fail to attract and retain the skills and critical capabilities required
- Governance structures at TfL may not provide enough support to meet the changing demands faced by the organisation
- Changes in external stakeholder requirements may affect the best value delivery of TfL's strategic goals
- Delivery of large scale business transformation could have a negative impact on TfL's ability to effectively meet Mayoral and business priorities

Narrative Report and Financial Review (continued)

Corporate Strategy: Finance

- A challenging macro-economic environment and unexpected loss of income may affect our ability to deliver our services and invest affordably
- Technological or market developments may outpace our ability to adapt, leading to an inability to deliver the expectations of stakeholders

Brexit risk

There is considerable uncertainty surrounding the UK's withdrawal from the European Union. As a local transport authority, TfL is relatively isolated from many common Brexit-related issues. Our largest financial exposure is to macro-economic shifts, including any economic contractions that may result from a disruptive Brexit outcome. Our income is highly dependent on public transport ridership, which is itself dependent to some degree on economic performance including the number of jobs in central London. Any Brexit outcome that has a significant impact on this is likely to lead to a reduction in our revenue. We monitor trends in ridership closely and hold financial reserves to allow us to manage fluctuations in our revenue. We would implement any necessary changes to our financial plans resulting from such an outcome through our normal financial planning processes.

More short-term risks include potential disruptions to operations and commercial contracts, exposure to financial risks (foreign exchange and interest rates) and the wellbeing of our people. Our Brexit Working Group, with representatives from across all of TfL's activities, has developed and is implementing significant mitigation plans to enable us to continue to serve our customers in all scenarios. This includes a command and control structure that would be implemented in the event of a No Deal Brexit, working with other bodies across London and the South East. Many Brexit-related risks are key risks we are managing. They include:

- **Operations**

  We are preparing an operational plan and are working closely with partners to manage any disruptions related to Brexit. We are working with the London Resilience Forum and our operators to ensure sufficient resources are in place to maintain our services regardless of the outcome. This includes maintaining sufficient levels of stock of critical spares to enable uninterrupted maintenance activities.

- **Commercial and finance**

  We source relatively few goods directly from the EU, but we are managing supply chain risks, including sub-contractors, to ensure contracts can continue. Where necessary, we are hedging to reduce exchange rate risk and placing orders for critical supplies at fixed prices. We are working with lenders to manage interest rate risks and seeking to increase certainty by fixing borrowing rates in advance.

Narrative Report and Financial Review (continued)

- **People**

  We are supporting our non-UK EU citizen staff by providing guidance on applying for Settled Status. We are engaging through our Human Resources team and internal communications.

We are committed to improving the way strategic risks are identified, managed and reported, and we will continue to provide input to the Audit and Assurance Committee and other committees and panels as appropriate.

External audit

Appointment, re-appointment and assessment of effectiveness

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

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

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

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

- qualification;
- expertise and resources;
- effectiveness; and
- independence

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

Narrative Report and Financial Review (continued)

Non-audit services

Under guidance issued by Financial Reporting Council and the National Audit Office total fees for non-audit services (including audit-related services) to the audited entity and its controlled entities in any one year should not exceed 70 per cent of the total fee for all audit work carried out in respect of the audited entity under the Code for that year.

Under TfL's policy on external audit services, Ernst & Young is required to report to the Committee every six months on fees billed for non-audit services. During 2018/19, the non-audit services provided by Ernst & Young were in respect of audit-related services provided in relation to the use of grant monies received and for procedures relating to regulation 4 of the Railway Safety Levy Regulations 2006. Total non-audit fees for the TfL Group represented 2.5 per cent of the total audit fees paid in respect of the combined audit for the Transport for London and Transport Trading Limited Groups, and 20 per cent of the audit fee of the Corporation as a single entity for 2018/19.

Accounting statements

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

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

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

Under the GLA Act 1999, the Corporation is treated as a Local Authority for accounting purposes and the Statement of Accounts, which includes the individual financial statements of the Corporation, has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (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.

Narrative Report and Financial Review (continued)

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

The Statement of Accounts comprises:

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

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

Purposes of major schedules within the financial statements

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

Comprehensive Income and Expenditure Statement

This statement shows both the revenue received and the costs incurred in the year of providing services, in accordance with generally accepted accounting practices. Other comprehensive 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'.

Narrative Report and Financial Review (continued)

The Cash Flow Statement

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

Movement in Reserves Statement

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

Expenditure and Funding Analysis

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

Statement of Responsibilities for the Accounts

The Corporation is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers (the Statutory Chief Finance Officer) has responsibility for the administration of those affairs

- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets

- Approve the Statement of Accounts

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

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

- Selected suitable accounting policies and then applied them consistently

- Made judgements and estimates that were reasonable and prudent

- Complied with the Code

- Kept proper accounting records which were up to date

- Taken reasonable steps for the prevention and detection of fraud and other irregularities

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Corporation and Group at the accounting date and of the income and expenditure for the year ended 31 March 2019.

Sarah Bradley

Group Financial Controller and Statutory Chief Finance Officer

2019

Group Comprehensive Income and Expenditure Statement

Year ended 31 March	Note	Gross income 2019 £m	Gross expenditure 2019 £m	Net income/ (expenditure) 2019 £m	Gross income 2018 restated £m*	Gross expenditure 2018 restated £m*	Net income/ (expenditure) 2018 restated £m*
Operating segment							
Underground		**2,799.0**	**(2,363.0)**	**436.0**	2,677.0	(2,445.0)	232.0
Elizabeth line		**118.0**	**(245.0)**	**(127.0)**	87.0	(127.0)	(40.0)
Buses		**1,480.0**	**(2,137.0)**	**(657.0)**	1,466.0	(2,139.0)	(673.0)
Streets		**322.0**	**(539.0)**	**(217.0)**	314.0	(571.0)	(257.0)
Rail		**467.0**	**(471.0)**	**(4.0)**	431.0	(433.0)	(2.0)
Other operations		**186.0**	**(375.0)**	**(189.0)**	175.0	(316.0)	(141.0)
Commercial Development		**261.0**	**(149.0)**	**112.0**	252.0	(171.0)	81.0
Major Projects		**1.0**	**(47.0)**	**(46.0)**	-	(47.0)	(47.0)
Net cost of operations per internal management reports	2	**5,634.0**	**(6,326.0)**	**(692.0)**	5,402.0	(6,249.0)	(847.0)
Central items	2	**22.2**	**(1,234.9)**	**(1,212.7)**	(19.6)	(1,262.5)	(1,282.1)
Net cost of services	2	**5,656.2**	**(7,560.9)**	**(1,904.7)**	5,382.4	(7,511.5)	(2,129.1)
Other net operating expenditure	6			**(32.5)**			(47.3)
Financing and investment income	7			**148.8**			69.1
Financing and investment expenditure	8			**(475.3)**			(486.7)
Grant income	9			**3,015.5**			2,476.9
Group share of loss after tax of associated undertakings	15			**(94.5)**			(62.7)
Surplus/(deficit) on the provision of services before tax				**657.3**			(179.8)
Taxation income	10			**2.0**			3.5
Surplus/(deficit) on the provision of services after tax				**659.3**			(176.3)

Group Comprehensive Income and Expenditure Statement (continued)

Year ended 31 March	Note	Gross income 2019 £m	Gross expenditure 2019 £m	Net income/ (expenditure) 2019 £m	Gross income 2018 £m	Gross expenditure 2018 £m	Net income/ (expenditure) 2018 £m
Surplus/(deficit) on the provision of services after tax				**659.3**			(176.3)
Other comprehensive income and expenditure							
Items that will not be subsequently reclassified to profit or loss							
Surplus on the revaluation of property, plant and equipment **	12			**59.9**			20.3
Net remeasurement (loss)/gain on defined benefit pension schemes **	33			**(336.7)**			1,007.4
				(276.8)			1,027.7
Items that may be subsequently reclassified to profit or loss							
Movement in the fair value of derivative financial instruments **	36			**0.6**			15.5
Derivative fair value loss recycled to income and expenditure **	36			**8.6**			8.2
				9.2			23.7
				(267.6)			1,051.4
Total comprehensive income and expenditure				**391.7**			875.1

* Figures for 2017/18 have been restated to show the split of net cost of services by revised internal management operating segment (see note 2). Depreciation and amortisation is no longer included in performance reports to internal management.

** There is no tax effect of these items on other comprehensive income and expenditure in the years ended 31 March 2019 or 2018 (note 10).

Group Balance Sheet

	Note	31 March 2019 £m	31 March 2018 £m
Long-term assets			
Intangible assets	11	**112.6**	118.2
Property, plant and equipment	12	**40,815.2**	39,274.0
Investment property	13	**492.0**	537.2
Equity accounted investment in associated undertakings	15	**233.5**	319.0
Derivative financial instruments	27	**6.8**	11.7
Long-term finance lease receivables	16	**39.4**	17.4
Long-term debtors	18	**112.6**	27.7
		41,812.1	40,305.2
Current assets			
Inventories	17	**61.0**	64.2
Short-term debtors	18	**697.0**	560.6
Assets held for sale	19	**122.4**	83.2
Short-term derivative financial instruments	27	**11.8**	5.9
Short-term finance lease receivables	16	**12.8**	8.2
Short-term investments	20	**215.9**	692.3
Cash and cash equivalents	21	**1,665.8**	1,239.5
		2,786.7	2,653.9
Current liabilities			
Short-term creditors	22	**(2,167.2)**	(2,348.6)
Short-term current tax liability		**(0.1)**	-
Short-term borrowings and overdrafts	23	**(745.9)**	(846.2)
Short-term finance lease liabilities	24	**(70.3)**	(69.9)
Short-term derivative financial instruments	27	**(3.0)**	(1.5)
Short-term provisions	28	**(345.9)**	(334.1)
		(3,332.4)	(3,600.3)

Group Balance Sheet (continued)

	Note	31 March 2019 £m	31 March 2018 £m
Long-term liabilities			
Long-term creditors	22	**(61.5)**	(65.7)
Long-term borrowings	23	**(10,398.7)**	(9,569.4)
Long-term finance lease liabilities	24	**(348.2)**	(418.2)
Other long-term financing liabilities	26	**(132.7)**	-
Long-term derivative financial instruments	27	**(46.5)**	(52.0)
Long-term provisions	28	**(54.6)**	(84.3)
Retirement benefit obligation	33	**(5,370.6)**	(4,707.3)
		(16,412.8)	(14,896.9)
Net assets		**24,853.6**	24,461.9
Reserves			
Usable reserves		**1,627.0**	1,789.5
Unusable reserves	36	**23,226.6**	22,672.4
Total reserves		**24,853.6**	24,461.9

The Expenditure and Funding Analysis on page 54 and the notes on pages 56 to 190 form part of these financial statements. These financial statements were approved by the Board on [ ] July 2019 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 2017		150.0	1,062.6	**1,212.6**	18.0	629.9	**1,860.5**	21,726.3	**23,586.8**
Movement in reserves during 2017/18									
Deficit on the provision of services after tax		(53.9)	-	**(53.9)**	-	-	**(53.9)**	(122.4)	**(176.3)**
Other comprehensive income and expenditure		-	-	**-**	-	-	**-**	1,051.4	**1,051.4**
Total comprehensive income and expenditure		(53.9)	-	**(53.9)**	-	-	**(53.9)**	929.0	**875.1**
Adjustments between accounting basis and funding basis under regulations	37	(60.1)	-	**(60.1)**	1.4	41.6	**(17.1)**	17.1	**-**
Net (decrease)/increase before transfer to/from earmarked reserves		(114.0)	-	**(114.0)**	1.4	41.6	**(71.0)**	946.1	**875.1**
Transfer to/from earmarked reserves		114.0	(114.0)	**-**	-	-	**-**	-	**-**
(Decrease)/increase in 2017/18		-	(114.0)	**(114.0)**	1.4	41.6	**(71.0)**	946.1	**875.1**
Balance at 31 March 2018		**150.0**	**948.6**	**1,098.6**	**19.4**	**671.5**	**1,789.5**	**22,672.4**	**24,461.9**
Movement in reserves during 2018/19									
Surplus on the provision of services after tax		946.0	-	**946.0**	-	-	**946.0**	(286.7)	**659.3**
Other comprehensive income and expenditure		-	-	**-**	-	-	**-**	(267.6)	**(267.6)**
Total comprehensive income and expenditure		946.0	-	**946.0**	-	-	**946.0**	(554.3)	**391.7**
Adjustments between accounting basis and funding basis under regulations	37	(438.1)	-	**(438.1)**	1.1	(671.5)	**(1,108.5)**	1,108.5	**-**
Net increase/(decrease) before transfer to/from earmarked reserves		507.9	-	**507.9**	1.1	(671.5)	**(162.5)**	554.2	**391.7**
Transfer to/from earmarked reserves		(507.9)	507.9	**-**	-	-	**-**	-	**-**
Increase/(decrease) in 2018/19		-	507.9	**507.9**	1.1	(671.5)	**(162.5)**	554.2	**391.7**
Balance at 31 March 2019		**150.0**	**1,456.5**	**1,606.5**	**20.5**	**-**	**1,627.0**	**23,226.6**	**24,853.6**

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	2019 £m	2018 £m
Surplus/(deficit) on the provision of services after tax		**659.3**	(176.3)
Adjustments to surplus/deficit after tax for non-cash movements	34 a	**412.1**	936.0
Net cash flows from operating activities		**1,071.4**	759.7
Investing activities	34 b	**(943.7)**	(748.9)
Financing activities	34 c	**298.6**	291.9
Increase in net cash and cash equivalents in the year		**426.3**	302.7
Net cash and cash equivalents at the start of the year		**1,239.5**	936.8
Net cash and cash equivalents at the end of the year	21	**1,665.8**	1,239.5

Corporation Comprehensive Income and Expenditure Statement

Year ended 31 March	Note	2019 £m	2018 £m
Highways and Transport Services			
Gross income		**377.4**	388.8
Gross expenditure	3	**(1,361.2)**	(1,322.5)
Net cost of services *		**(983.8)**	(933.7)
Other net operating expenditure	6	**(7.2)**	(1.8)
Financing and investment income	7	**470.0**	356.5
Financing and investment expenditure	8	**(522.8)**	(515.6)
Grant income	9	**2,907.6**	2,440.2
Grant funding of subsidiaries		**(917.8)**	(1,399.5)
Surplus/(deficit) on the provision of services		**946.0**	(53.9)
Other comprehensive income and expenditure			
Items that will not be subsequently reclassified to profit or loss			
Surplus on the revaluation of property, plant and equipment	12	**19.8**	-
Net remeasurement (loss)/gain on defined benefit pension schemes	33	**(335.7)**	998.4
		(315.9)	998.4
Total comprehensive income and expenditure		**630.1**	944.5

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

Corporation Balance Sheet

	Note	31 March 2019 £m	31 March 2018 £m
Long-term assets			
Intangible assets	11	**78.3**	79.2
Property, plant and equipment	12	**4,047.6**	3,941.3
Investment property	13	**6.8**	11.0
Investments in subsidiaries	14	**10,322.5**	8,762.5
Long-term debtors	18	**10,517.6**	9,992.4
		24,972.8	22,786.4
Current assets			
Short-term debtors	18	**616.7**	884.5
Assets held for sale	19	**23.4**	-
Short-term investments	20	**203.0**	669.8
Cash and cash equivalents	21	**1,504.6**	1,102.4
		2,347.7	2,656.7
Current liabilities			
Short-term creditors	22	**(535.7)**	(666.8)
Short-term borrowings	23	**(745.9)**	(846.1)
Short-term finance lease liabilities	24	**(11.0)**	(10.8)
Short-term provisions	28	**(127.8)**	(124.5)
		(1,420.4)	(1,648.2)

Corporation Balance Sheet (continued)

	Note	31 March 2019 £m	31 March 2018 £m
Long-term liabilities			
Long-term creditors	22	**(18.7)**	(16.9)
Long-term borrowings	23	**(10,404.5)**	(9,576.0)
Long-term finance lease liabilities	24	**(120.3)**	(131.3)
Long-term provisions	28	**(21.4)**	(25.1)
Retirement benefit obligation	33	**(5,340.7)**	(4,681.2)
		(15,905.6)	(14,430.5)
Net assets		**9,994.5**	9,364.4
Reserves			
Usable reserves		**1,627.0**	1,789.5
Unusable reserves	36	**8,367.5**	7,574.9
Total reserves		**9,994.5**	9,364.4

The notes on pages 56 to 190 form part of these financial statements.

These financial statements were approved by the Board on [ ] July 2019 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 2017		150.0	1,062.6	**1,212.6**	18.0	629.9	**1,860.5**	6,559.4	**8,419.9**
Movement in reserves during 2017/18									
Deficit on the provision of services		(53.9)	-	**(53.9)**	-	-	**(53.9)**	-	**(53.9)**
Other comprehensive income and expenditure		-	-	**-**	-	-	**-**	998.4	**998.4**
Total comprehensive income and expenditure		(53.9)	-	**(53.9)**	-	-	**(53.9)**	998.4	**944.5**
Adjustments between accounting basis and funding basis under regulations	37	(60.1)	-	**(60.1)**	1.4	41.6	**(17.1)**	17.1	**-**
Net (decrease)/increase before transfer to/from earmarked reserves		(114.0)	-	**(114.0)**	1.4	41.6	**(71.0)**	1,015.5	**944.5**
Transfer to/from earmarked reserves		114.0	(114.0)	**-**	-	-	**-**	-	**-**
(Decrease)/increase in 2017/18		-	(114.0)	**(114.0)**	1.4	41.6	**(71.0)**	1,015.5	**944.5**
Balance at 31 March 2018		**150.0**	**948.6**	**1,098.6**	**19.4**	**671.5**	**1,789.5**	**7,574.9**	**9,364.4**
Movement in reserves during 2018/19									
Surplus on the provision of services		946.0	-	**946.0**	-	-	**946.0**	-	**946.0**
Other comprehensive income and expenditure		-	-	**-**	-	-	**-**	(315.9)	**(315.9)**
Total comprehensive income and expenditure		946.0	-	**946.0**	-	-	**946.0**	(315.9)	**630.1**
Adjustments between accounting basis and funding basis under regulations	37	(438.1)	-	**(438.1)**	1.1	(671.5)	**(1,108.5)**	1,108.5	**-**
Net increase/(decrease) before transfers to/from earmarked reserves		507.9	-	**507.9**	1.1	(671.5)	**(162.5)**	792.6	**630.1**
Transfer to/from earmarked reserves		(507.9)	507.9	**-**	-	-	**-**	-	**-**
Increase/(decrease) in 2018/19		-	507.9	**507.9**	1.1	(671.5)	**(162.5)**	792.6	**630.1**
Balance at 31 March 2019		**150.0**	**1,456.5**	**1,606.5**	**20.5**	**-**	**1,627.0**	**8,367.5**	**9,994.5**

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	2019 £m	2018 £m
Surplus/(deficit) on the provision of services		**946.0**	(53.9)
Adjustments to surplus/deficit after tax for non-cash movements	34 a	**(197.6)**	(38.6)
Net cash flows from operating activities		**748.4**	(92.5)
Investing activities	34 b	**(660.1)**	66.1
Financing activities	34 c	**313.9**	320.4
Increase in net cash and cash equivalents in the year		**402.2**	294.0
Net cash and cash equivalents at the start of the year		**1,102.4**	808.4
Net cash and cash equivalents at the end of the year	21	**1,504.6**	1,102.4

Expenditure and Funding Analysis

For the year ended 31 March 2019	Net expenditure chargeable to the General Fund £m	Adjustments between accounting basis and funding basis under regulations (note 37) £m	Total per the Corporation Comprehensive Income and Expenditure Statement £m	Surplus on the provision of services after tax in subsidiaries (note 36) £m	Total per the Group Comprehensive Income and Expenditure Statement £m
Net cost of services					
Underground	(237.0)	-	(237.0)	673.0	436.0
Elizabeth line	(27.0)	-	(27.0)	(100.0)	(127.0)
Buses	(33.0)	-	(33.0)	(624.0)	(657.0)
Streets	(195.1)	1.1	(194.0)	(23.0)	(217.0)
Rail	(17.0)	-	(17.0)	13.0	(4.0)
Other operations	(230.0)	-	(230.0)	41.0	(189.0)
Commercial Development	(3.0)	-	(3.0)	115.0	112.0
Major Projects	(29.0)	-	(29.0)	(17.0)	(46.0)
Central items	322.8	(536.6)	(213.8)	(998.9)	(1,212.7)
Net cost of services	(448.3)	(535.5)	(983.8)	(920.9)	(1,904.7)
Other net operating expenditure	-	(7.2)	(7.2)	(25.3)	(32.5)
Financing and investment income	372.0	98.0	470.0	(321.2)	148.8
Financing and investment expenditure	(410.0)	(112.8)	(522.8)	47.5	(475.3)
Grant income	1,190.9	798.9	1,989.8	1,025.7	3,015.5
Group share of loss after tax of associated undertakings	-	-	-	(94.5)	(94.5)
Surplus on the provision of services before tax	704.6	241.4	946.0	(288.7)	657.3
Taxation income	-	-	-	2.0	2.0
Surplus on the provision of services after tax	704.6	241.4	946.0	(286.7)	659.3
Employer's pension contributions and direct payments to pensioners payable in the year	(166.3)	166.3	-		
Minimum Revenue provision	(18.7)	18.7	-		
Amortisation of premium on financing	(11.7)	11.7	-		
Net increase in 2018/19	507.9	438.1	946.0		
Balance of General Fund and Earmarked Reserves at 1 April 2018	1,098.6				
Balance of General Fund and Earmarked Reserves at 31 March 2019	1,606.5				

Expenditure and Funding Analysis (continued)

For the year ended 31 March 2018 (restated)	Net expenditure chargeable to the General Fund £m	Adjustments between accounting basis and funding basis under regulations (note 37) £m	Total per the Corporation Comprehensive Income and Expenditure Statement £m	Surplus on the provision of services after tax in subsidiaries (note 36) £m	Total per the Group Comprehensive Income and Expenditure Statement £m
Net cost of services					
Underground	(288.0)	-	(288.0)	520.0	232.0
Elizabeth line	(7.0)	-	(7.0)	(33.0)	(40.0)
Buses	(43.0)	-	(43.0)	(630.0)	(673.0)
Rail	(18.0)	-	(18.0)	16.0	(2.0)
Streets	(234.4)	1.4	(233.0)	(25.0)	(258.0)
Commercial Development	(4.0)	-	(4.0)	85.0	81.0
Major Projects	(31.0)	-	(31.0)	(17.0)	(48.0)
Other operations	(160.0)		(160.0)	21.0	(139.0)
Central items	354.8	(504.5)	(149.7)	(1,131.4)	(1,281.1)
Net cost of services	(430.6)	(503.1)	(933.7)	(1,194.4)	(2,128.1)
Other net operating expenditure	-	(1.8)	(1.8)	(45.5)	(47.3)
Financing and investment income	340.1	16.4	356.5	(287.4)	69.1
Financing and investment expenditure	(378.4)	(137.2)	(515.6)	28.9	(486.7)
Grant income	509.1	531.6	1,040.7	1,436.2	2,476.9
Group share of loss after tax of associated undertakings	-	-	-	(62.7)	(62.7)
(Deficit)/surplus on the provision of services before tax	40.2	(94.1)	(53.9)	(124.9)	(178.8)
Taxation income	-	-	-	3.5	3.5
(Deficit)/surplus on the provision of services after tax	40.2	(94.1)	(53.9)	(121.4)	(175.3)
Employer's pension contributions and direct payments to pensioners payable in the year	(123.7)	123.7	-		
Minimum Revenue provision	(18.7)	18.7	-		
Amortisation of premium on financing	(11.8)	11.8	-		
Net (decrease)/increase in 2017/18	(114.0)	60.1	(53.9)		
Balance of General Fund and Earmarked Reserves at 1 April 2017	1,212.6				
Balance of General Fund and Earmarked Reserves at 31 March 2018	1,098.6				

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 2018/19 (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 2018/19 is based on International Financial Reporting Standards (IFRS) adopted by the EU (Adopted IFRS) and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements. It requires that local authorities prepare their financial statements in accordance with the International Accounting Standards Board (IASB) 'Framework for the Preparation and Presentation of Financial Statements' as interpreted by the Code.

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

Capital grants and contributions

Capital grants and contributions are recognised immediately in the Comprehensive Income and Expenditure Statement once there is reasonable assurance that all conditions relating to those grants have been met. Under Adopted IFRS capital grants and contributions are recorded as deferred income and recognised in the Comprehensive Income and Expenditure Statement over the useful life of the asset.

FRS 102 The Financial Reporting Standard: Heritage assets

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

Accounting Policies (continued)

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.

IFRS 16 Leases

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

In December 2018, CIPFA/LASAAC announced its plans to delay implementation of IFRS 16 in the Code until 1 April 2020. The Group will therefore adopt IFRS 16 from 1 April 2020. The impact of adopting IFRS 16 will be disclosed in the financial statements for the year ending 31 March 2020.

b) Basis of preparation

The accounts are made up to 31 March 2019. 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 asset and financial instrument.

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.

Accounting Policies (continued)

c) Basis of consolidation

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

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

The Group incorporates its share of the profits or losses and its share of the net assets of associated undertakings using the equity accounting method. Associate undertakings are those where the Group is considered to have the power to significantly influence, but not control, the financial and operating policies of the investee.

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

d) Going concern

The financial statements have been prepared on a going concern basis as it is considered by the Board that TfL will continue in operational existence for the foreseeable future and meet its liabilities as they fall due for payment. Under the Greater London Authority Act 1999, TfL has a legal requirement to produce a financially balanced Budget each year. As at 31 March 2019, the Group had usable reserves totalling £1,627.0m.

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:

- IFRS 9 Financial Instruments (as revised in 2014) (mandatory for years beginning on or after 1 January 2018). IFRS 9 (as revised in 2014) supersedes 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 are now measured at either amortised cost or fair value as set out in ah) Financial instruments. The standard also contains requirements for the classification and measurement of financial liabilities and derecognition requirements. TfL has applied the new standard from 1 April 2018, but the application has had no impact on balances previously reported in these financial statements.

With respect to impairment methodology, the revised model reflects expected credit losses as opposed to the incurred credit losses recognised under IAS 39. As set out in ah) Financial instruments, TfL has applied the simplified approach to recognise lifetime expected credit losses for its trade receivables as permitted under IFRS 9. In relation to other financial instruments to which TfL is party, these are deemed to have low credit risk and there has not been a significant increase in credit risk since initial recognition. As such, although a loss allowance for 12 month expected credit losses has been calculated upon transition to IFRS 9, this has not had an impact on balances previously reported in TfL's financial statements.

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. In addition, the effectiveness test has been replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. In accordance with IFRS 9's transition provisions for hedge accounting, the Group has applied the hedge accounting requirements prospectively from 1 April 2018. The Group's qualifying hedging relationships in place as at 1 April 2018 also qualify for hedge accounting in accordance with IFRS 9 and were therefore regarded as continuing hedging relationships. As the critical terms of the hedging instruments match those of their corresponding hedged items, all hedging relationships continue to be effective under the new assessment requirements.

The Group has not designated any hedging relationships under IFRS 9 that would not have met the qualifying hedge accounting criteria under IAS 39. The application of the hedge accounting requirements has had no impact on the results and financial position of the Group for the current or prior year.

Accounting Policies (continued)

- IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) (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 supersedes IAS 18 Revenue, IAS 11 Construction Contracts, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue-Barter Transactions Involving Advertising Services. The core principle of the new standard is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

  TfL has applied IFRS 15 from 1 April 2018, using the modified retrospective approach. The introduction of this standard has not had a material impact on these consolidated financial statements. All revenue streams including passenger income, revenue in respect of free travel for older customers, congestion charging and commercial advertising income have been assessed. Contracts with customers and service recipients in these areas are readily identifiable, performance obligations are clear, transaction prices can be determined and allocated under existing processes, and recognition criteria are materially unchanged from the previous policies. The Group's accounting policies for its revenue streams are set out in accounting policy note i) Revenue recognition.

The Group has also applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for annual periods beginning on or after 1 January 2018. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

- IAS 40 (amendments) Transfers of Investment Property. The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred.
- Annual Improvements to IFRS Standards 2014-2016 Cycle. The amendments include amendments to IAS 28 Investments in Associates and Joint Ventures that clarify that, for qualifying entities, the option to measure investments in associates and joint ventures at Fair Value Through Profit and Loss is available separately for each associate or joint venture and that election should be made at initial recognition.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration. This IFRIC addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or liability (e.g. deferred revenue).

Accounting Policies (continued)

The 2018/19 Code for the first time also introduces the Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (issued January 2016). Its adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

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 16 Leases. Although this standard is mandatory for years beginning on or after 1 January 2019 under full IFRS, the Code has proposed deferring application for Local Authorities until years beginning on or after 1 January 2020. TfL expects to apply the standard from 1 April 2020. It intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. This standard replaces the current guidance in IAS 17 on leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting remaining substantially unchanged from the IAS 17 approach.
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (mandatory for years beginning on or after a date yet to be determined). The amendments require gains and losses resulting from transactions involving assets that do not constitute a business between an investor and its associate or joint venture to be recognised to the extent of the unrelated investors' interest in the associate or joint venture. Gains or losses from downstream transactions involving assets that constitute a business between an investor and its associate or joint venture should be recognised in full in the investor's financial statements.
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement (mandatory for years beginning on or after 1 January 2019). The amendments specify that when a pension plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period using the actuarial assumptions used to remeasure the net defined benefit liability, reflecting the benefits offered under the plan and the plan assets after that event. It is also required to determine the net interest cost for the remainder of the period using the net defined benefit liability, reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability.
- Amendments to IAS 28 Long-term interests in associates and joint ventures (mandatory for years commencing on or after 1 January 2019). The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied.

- Amendments to IFRS 9 Prepayment Features with Negative Compensation (mandatory for years commencing on or after 1 January 2019). Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.
- Annual Improvements 2015/2017 Cycle (issued in December 2017, mandatory for years commencing on or after 1 January 2019). These improvements include:
  - IFRS 3 Business Combinations. The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value.
  - IFRS 11 Joint Arrangements. Where an entity that participates in, but does not have joint control of, a joint operation obtains joint control of that joint operation, the amendments clarify that that the previously held interests in that joint operation are not remeasured.
  - IAS 12 Income Taxes. The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions that generated the distributable profits, than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income, or equity in line with where the entity originally recognised those past transactions or events.
  - IAS 23 Borrowing Costs. The amendments clarify that an entity treats any borrowing originally made to develop a qualifying asset as part of general borrowings once substantially all of the activities necessary to prepare that asset for its intended use are complete.
- IFRS 17 Insurance Contracts (mandatory for years commencing on or after 1 January 2021). IFRS 17 will replace IFRS 4 and provides an accounting model for insurance contracts that is more useful and consistent for insurers than existing standards. This standard is not applicable to the TfL Group.

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

Accounting Policies (continued)

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.

Use of judgement

Determining whether an arrangement contains a lease

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

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.

Accounting Policies (continued)

Capitalisation of assets with third party interest

In assessing situations where TfL assets are constructed on, or have significant involvement with, external third parties, judgment is exercised in determining whether substantially all the risks and rewards of ownership of the asset are held by the Group.

Use of estimates

Useful economic life of property, plant and equipment

In determining the useful economic life of property, plant and equipment management estimate the length of time that the assets will be operational. During 2017/18 the expected useful lives of items of property, plant and equipment in London Underground Ltd were reviewed, resulting in a change in some of the asset lives. More details are given in note 12.

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 33.

Financial derivative instruments

The Group uses financial derivative instruments to manage certain exposures to fluctuations in foreign currency exchange rates and interest rates. In making its assessment and judgements, the Group assesses the effectiveness of the derivatives and changes in their fair values. Note 32 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.

Provisions

Estimation techniques are employed in the calculation of the best estimate of the amount required to settle obligations, including determining how likely it is that expenditure will be required by the Group. This can be very complex, especially when there is a wide range of possible outcomes. More details are given in note 28.

Accounting Policies (continued)

Investment property

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

Office buildings

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

i) Revenue recognition

Revenue includes income generated from the provision of travel, other fees and charges, the letting of commercial advertising space and the rental of commercial properties.

Revenue is measured after the deduction of value added tax (where applicable).

Fares revenue

Revenue from annual or periodic tickets and Travelcards is recognised in the Comprehensive Income and Expenditure Statement on a straight line basis over the period of validity of the ticket or Travelcard as TfL has a stand ready obligation to provide unlimited travel over the period of validity of the ticket or Travelcard. Oyster pay as you go revenue is recognised on usage and one-day Travelcards and single tickets are recognised on the day of purchase.

Revenue received in advance and not recognised in the Comprehensive Income and Expenditure Statement is recorded in the balance sheet and held within current liabilities – contract liabilities representing creditors' receipts in advance for Travelcards, bus passes and Oyster cards.

Revenue in respect of free and reduced fare travel for older customers and disabled customers

Revenue from the London Borough Councils in respect of free travel for older and disabled customers is recognised on a straight line basis over the financial year to which the settlement relates, as TfL has a stand ready obligation to provide unlimited travel over the financial year to which the settlement relates.

Congestion charging

The standard daily congestion charge, including those paying through Auto-pay, is recognised as income on the day the eligible vehicle enters the Congestion Charge zone.

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

Road network compliance

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

Taxi licensing

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

Commercial advertising

TfL grants a concessionaire partner control over certain advertising assets to facilitate the generation of advertising income across its estate and receives income from this arrangement. This is considered a lease arrangement for accounting purposes.

Where the arrangement is viewed as an operating lease under IAS 17, revenue is recognised on a straight line basis over the term of the contract.

Where the arrangement is viewed as a finance lease (where the lease transfers substantially all the risks and rewards of ownership of the underlying asset to the third party), a lease receivable is recognised. Finance income is recognised over the term of the lease, based on a pattern reflecting a constant periodic rate of return on the lease receivable. Lease receipts are allocated between reducing the principal balance and interest income.

TfL, through its concessionaire partner, also sells advertising space to customers and receives income from such arrangements under a revenue share agreement with its concessionaire. Revenue share income is dependent upon the revenue generated by the concessionaire and is therefore contingent in nature. Such revenue is recognised in the period when it is earned.

The Group receives performance monitoring credits when certain performance standards are not met. The performance monitoring credits are recognised as revenue when they are earned.

Rental income

Rental income from operating leases of properties, ATMs and car parks is recognised on a straight line basis over the term of the lease. Rent free periods, incentives, or fixed annual increases in the lease payments are spread on a straight-line basis over the lease term. Any inflation linked annual increases in rentals are treated as contingent rents and are recognised as income when they occur.

For finance leases, where the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset to the customer, a lease receivable is recognised. Finance income is recognised over the term of the lease, based on a pattern reflecting a constant periodic rate of return on the lease receivable. Lease receipts are allocated between reducing the principal balance and interest.

Accounting Policies (continued)

Third party contributions to operating costs

Revenue from third-party contributions to operating costs is earned on services performed by TfL in conjunction with other organisations or government in relation to works such as dropping curbs, building roundabouts, installing traffic lights, installing shelters, escalators or elevators in stations, installing bus shelters, etc.

Revenue from third-party contributions is measured on the basis of progress towards completion, calculated using the proportion of costs incurred to date in relation to the total costs to be incurred on the entire project.

Cycle hire scheme revenues

Sponsorship revenue is recognised on a straight-line basis over the term of the contract as it represents an obligation to provide branding promotion to the customer during the period of the contract.

Annual memberships scheme revenue is recognised on a straight-line basis over the membership period, as it represents an obligation to provide specific numbers of membership to clients during the membership period.

Daily access fees are recognised upon providing the customer with access to the bicycles.

Museum income

Store sales

Revenue from store sales is recognised at the point of sale to the customer.

Venue hire revenue

Revenue from venue hire is recognised on the date when the space is provided to the customer.

Venue hire catering commission

Venue hire catering commission is recognised upon completion of the event based on the estimated consideration receivable from the customer.

Corporate membership scheme

Corporate membership scheme revenue is recognised on a straight line basis over the period of membership, as it represents a stand-ready obligation to provide unlimited entry during the period of membership.

Café concessionaire commission

Revenue from café concessionaire commission income is recognised over the term of the concessionaire contract and measured based on the estimated consideration receivable from the concessionaire in each period.

Ticket and photocard commission income

Revenue from ticket and photocard commission income is recognised upfront when the ticket or photocard is issued.

j) Segmental reporting

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

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

- Underground – Provision of passenger rail services on the London Underground and refurbishment and maintenance of certain parts of the rail network
- Elizabeth line – Delivery of passenger rail services on the Elizabeth line and services currently operating as TfL Rail
- Buses – Provision of bus services
- Streets – Maintenance of London's roads and cycle routes
- Rail – Provision of passenger rail services through contracted third party operators on the Docklands Light Railway, London Overground and London Trams
- Other operations – Provision of other operations, including Dial-a-Ride, London River Services, Taxi and Private Hire, Santander Cycles, Victoria Coach Station and the Emirates Air Line
- Commercial Development - Property investment and commercial advertising
- Major Projects - Delivery of TfL's largest and most complex infrastructure projects

k) Grants and other funding

The main source of grant funding is a share of Business Rate Retention received from the Greater London Authority, which is classified as a resource grant; and specific capital grants from the Department for Transport and the Greater London Authority for the Crossrail project.

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

Accounting Policies (continued)

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 2018/19 (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.

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.

Accounting Policies (continued)

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 of an asset, or other amount substituted for cost, less the expected residual value at the end of its useful economic life.

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

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

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

Tunnels and embankments	up to 120 years
Bridges and viaducts	up to 120 years
Track	up to 100 years
Road pavement	up to 40 years
Road foundations	up to 50 years
Signalling	15 to 40 years
Stations	up to 120 years
Other property	20 to 120 years
Rolling stock	30 to 50 years
Lifts and escalators	25 to 40 years
Plant and equipment	3 to 40 years
Computer equipment	3 years

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

s) Heritage assets

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

t) Investment property

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

Accounting Policies (continued)

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.

Accounting Policies (continued)

w) Assets held for sale

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

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

x) Borrowing costs

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

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

y) Provisions

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

z) Foreign currencies

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

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

aa) Leases (the Group as lessee)

Leased assets

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

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

Lease payments

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

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

Determining whether an arrangement contains a lease

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

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

ab) Leases (the Group as lessor)

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

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

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

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

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

a) The service charge

b) Repayment of the capital

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

Services received

The fair value of services received in the year is recorded under the 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.

Accounting Policies (continued)

Life cycle replacement

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

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

ad) Impairment of non-financial assets

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

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

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

ae) Employee benefits

Defined benefit plans

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

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

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

The difference between the value of the pension scheme assets and pension scheme liabilities is a surplus or a deficit. A pension scheme surplus is recognised to the extent that it is recoverable and a pension scheme deficit is recognised in full. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is reflected immediately in the balance sheet with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit obligation or asset. Defined benefit costs are categorised between; (a) Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements), (b) Net interest expense or income, and (c) Remeasurement. The Group presents the first two components in profit or loss within the surplus on the provision of services before tax. Curtailment gains and losses are accounted for as past service costs.

Multi-employer exemption

For certain defined benefit schemes, the Corporation and/or the Group is unable to identify its share of the underlying assets and defined benefit obligations of the scheme on a consistent and reasonable basis. As permitted by the multi-employer exemption in the Code, these schemes are accounted for as defined contribution schemes. Contributions are therefore charged to the Comprehensive Income and Expenditure Statement as incurred.

Group schemes under common control

The Corporation and certain of its subsidiaries are members of a Group defined benefit plan wherein risks are shared between the entities under common control. There is no contractual arrangement in place to apportion the net defined benefit cost across the member entities. Accordingly, in line with the provisions of IAS 19, the total net defined benefit obligation is recognised in the individual financial statements of the sponsoring employer, the Corporation.

Unfunded pension schemes

Ex gratia payments are made to certain employees on retirement in respect of service prior to the establishment of pension funds for those employees. Supplementary payments are made to the pensions of 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 Financial Instruments Revaluation 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 instruments within the scope of IFRS 9 Financial Instruments (IFRS9) are classified as:

- financial assets measured at amortised cost
- financial assets measured at fair value through other Comprehensive Income and Expenditure ('FVTOCI')
- financial assets measured at fair value through the Comprehensive Income and Expenditure Statement ('FVTPL')

- financial liabilities measured at amortised cost
- financial liabilities at fair value through the Comprehensive Income and Expenditure Statement ('FVTPL')

The Group determines the classification of its financial instruments at initial recognition. Financial assets may be reclassified only when the Group changes its business model for managing financial assets, at which point all affected financial assets would be reclassified. Financial liabilities are not reclassified subsequent to initial recognition.

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 whether they are financial assets or financial liabilities and whether specified criteria are met:

Financial assets are measured at amortised cost if:

- it is the objective of the Group to hold the asset in order to collect contractual cash flows; and
- the contractual terms give rise to cash flows, which are solely repayments of a principle value and interest thereon.

After initial recognition, these assets are carried at amortised cost using the effective interest rate method if the time value of money is significant. Gains and losses are recognised in the Comprehensive Income and Expenditure Statement when the asset is derecognised or a loss allowance applied, as well as through the amortisation process.

Financial assets are measured at FVTOCI if:

- assets are non-derivative and held within a business model whose objective is to realise their value through either the collection of contractual cash flows or selling of the financial assets; and
- the contractual terms of the financial asset give rise to periodic cash flows that are the payment of principal and interest.

After initial recognition, interest is taken to the Comprehensive Income and Expenditure Statement using the effective interest rate method and the assets are measured at fair value with gains or losses being recognised in Other Comprehensive Income and Expenditure (and taken to the Financial Instruments Revaluation Reserve), except for impairment gains or losses, until the investment is derecognised, or reclassified at which time the cumulative fair value gain or loss previously reported in reserves is included in the Comprehensive Income and Expenditure Statement. For equity instruments, unlike debt instruments, there is no transfer of accumulated amount in Other Comprehensive Income to the Comprehensive Income and Expenditure Statement.

Financial assets are measured at FVTPL if they are:

- derivatives
- not held as amortised cost or at FVTOCI
- financial assets that were elected to be designated as measured at FVTPL

After initial recognition, assets are carried in the balance sheet at fair value with gains or losses recognised in the Comprehensive Income and Expenditure Statement.

Financial liabilities are measured at amortised cost if they are non-derivative with limited exceptions.

After initial recognition, non-derivative financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities are measured at FVTPL if they are:

- derivatives
- other liabilities held for trading
- financial liabilities that were elected to be designated as measured at FVTPL

Loans to subsidiaries

Loans to subsidiaries are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Loans are classified as amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and investments that are readily convertible to cash without significant penalty and with an outstanding maturity, at the date of acquisition, of less than or equal to three months. Cash and cash equivalents are classified as financial assets at amortised cost.

Other investments

Short-term investments with an outstanding maturity, at the date of acquisition, greater than three months and less than or equal to a year, are classified as short-term investments on the basis that they are not readily convertible to cash without penalty. Short-term investments are classified as financial assets at amortised cost.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently classified as financial assets at amortised cost.

Accounting Policies (continued)

Finance lease receivables

Finance lease receivables are recognised initially at fair value and subsequently classified as financial assets at amortised cost.

Trade and other creditors

Trade and other creditors are recognised initially at fair value and subsequently at amortised cost using the effective interest rate method.

Interest bearing loans and borrowings

All loans and borrowings are classified as financial liabilities measured at amortised cost.

Obligations under finance leases and PFI arrangements

All obligations under finance leases and PFI arrangements are classified as financial liabilities measured at amortised cost.

Financial derivative instruments

The Group uses financial derivative instruments to manage certain exposures to fluctuations in foreign currency exchange rates and interest rates. The Group does not hold or issue derivative instruments for speculative purposes. The use of derivatives is governed by the Group's Treasury Management policies, approved by the Board.

Derivative assets and derivative liabilities are classified as FVTPL. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of the foreign currency risk of firm commitments (cash flow hedges).

The fair value of hedging derivatives is classified as a long-term asset or a long-term liability if the remaining maturity of the hedge relationship is more than 12 months and as a short-term asset or a short-term liability if the remaining maturity of the hedge relationship is less than 12 months. Derivatives not designated into an effective hedge relationship are classified as a short-term asset or a short-term liability.

Hedge accounting

In order to qualify for hedge accounting, at inception of the transaction the Group formally designates and documents the hedging relationship, which includes the Group's risk management strategy and objective for undertaking the hedge, identification of the hedging instrument, the hedged item, the ratio between the amount of hedged item and the amount of hedging instrument, the nature of the risk being hedged and how the Group assesses that the hedging instrument's is highly effective including analysis of potential sources of hedge ineffectiveness.

At the inception of the hedge relationship and prospectively on an ongoing basis, the Group assesses three criteria in determining the hedge is effective and qualifies for hedge accounting, namely:

- an economic relationship exists such that the fair value or cash flows attributable to the hedged risk will be offset by the fair value of the hedged instrument
- credit risk does not dominate changes in the value of the hedging instrument or hedged item
- the hedge ratio used for hedge accounting purposes is the same as that used for risk management purposes and is to be maintained as initially set throughout the hedge relationship

Where derivatives or portions of hedges do not qualify for hedge accounting, they are recorded at fair value through the Comprehensive Income and Expenditure Statement and any change in value is immediately recognised in the Comprehensive Income and Expenditure Statement.

Cash flow hedges

Derivative instruments are classified as cash flow hedges when they hedge the Group's exposure to variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction. Derivative instruments qualifying for treatment as cash flow hedges are principally interest rate swaps and foreign currency forward exchange contracts.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is deferred in reserves. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts deferred in reserves are recycled to profit or loss in the periods when the hedged items (the hedged asset or liability) are recognised in the Comprehensive Income and Expenditure Statement. When the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in reserves are transferred from reserves and are included in the initial measurement of the cost of the related asset or liability. For transaction-related hedged items, this will occur once the hedged transaction has taken place. For time-period related hedged items, the amount that is accumulated in reserves is amortised on a systematic and rational basis as a reclassification adjustment.

Hedge accounting is discontinued when the hedging instrument expires, is sold, terminated, exercised or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in reserves at that time remains in reserves and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in reserves is recognised immediately in profit or loss.

Fair value measurement of financial instruments

The fair value of quoted investments is determined by reference to bid prices at the close of business on the balance sheet date, within Level 1 of the fair value hierarchy as defined within IFRS 13.

Where there is no active market, fair value is determined using valuation techniques. These include using recent arm's length transactions; reference to the current market value of another instrument which is substantially the same; and discounted cash flow analysis and pricing models.

In the absence of quoted market prices, derivatives are valued by using quoted forward prices for the underlying commodity/currency and discounted using quoted interest rates (both as at the close of business on the balance sheet date). Hence, derivatives are within Level 2 of the fair value hierarchy as defined within IFRS 13.

Impairment of financial assets

At each reporting date, the Group assesses whether the credit risk on a significant financial asset measured at amortised cost or FVTOCI has increased significantly since initial recognition and subsequently measures an expected credit loss allowance for that financial instrument.

The expected loss allowance is a measurement based on the probability of default over the lifetime of the contract for trade receivables, lease receivables or contract assets in scope of IFRS 15. For other financial assets, the allowance is based on the probability of default occurring in 12 months providing credit risk is assessed as low.

The expected credit loss is based on a forward looking probability-weighted measure considering reasonable and supportable information on past events, current conditions and the time value of money. Where financial assets are determined to have shared risk characteristics they are assessed collectively, otherwise, they are reviewed on an individual basis.

No loss allowance for expected credit loss is recognised on a financial asset where the counterparty is central government or a local authority and where relevant statutory provisions prevent default. Expected credit loss allowances are recognised in the Comprehensive Income and Expenditure Statement.

Accounting Policies (continued)

Embedded derivatives

Derivatives that are embedded in other financial instruments or other host contracts are treated as separate derivatives when:

- the host contract is a financial liability or an asset not within the scope of IFRS 9 and;
- the derivative's risks and characteristics are not closely related to those of the host contract
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the host contracts are not carried at fair value

In such cases, an embedded derivative is separated from its host contract and accounted for as a derivative carried on the balance sheet at fair value from inception of the host contract. Unrealised changes in fair value are recognised as gains/losses within the Comprehensive Income and Expenditure Statement during the period in which they arise.

1. Gross income

a) Group gross income

Year ended 31 March	2019 £m	% of total	2018 £m	% of total
Passenger income	**4,533.7**	**80.2**	4,319.4	80.3
Revenue in respect of free travel for older and disabled customers	**320.3**	**5.7**	325.0	6.0
Congestion Charging	**229.9**	**4.1**	229.8	4.3
Charges to London Boroughs and Local Authorities	**12.9**	**0.2**	12.5	0.2
Charges to transport operators	**10.0**	**0.2**	11.8	0.2
Road Network compliance income	**56.8**	**1.0**	49.2	0.9
Commercial advertising receipts	**156.0**	**2.8**	152.1	2.8
Rents receivable	**86.7**	**1.5**	73.8	1.4
Contributions from third parties to operating costs	**73.4**	**1.3**	59.4	1.1
Taxi licensing	**32.9**	**0.6**	27.0	0.5
Ticket and photocard commission income	**30.5**	**0.5**	24.9	0.5
ATM and car parking income	**19.3**	**0.3**	18.1	0.3
Museum income	**9.4**	**0.2**	8.9	0.2
Training and specialist services	**2.0**	**0.1**	4.3	0.1
Cycle hire scheme	**11.7**	**0.2**	11.1	0.2
Other	**70.7**	**1.1**	55.1	1.0
	5,656.2	**100.0**	5,382.4	100.0

1. Gross income (continued)

b) Corporation gross income

Year ended 31 March	2019 £m	% of total	2018 £m	% of total
Congestion Charging	**229.9**	**60.9**	229.8	59.1
Charges to London Boroughs and Local Authorities	**11.8**	**3.1**	11.6	3.0
Road Network compliance income	**56.8**	**15.1**	49.2	12.7
Commercial advertising receipts	**6.0**	**1.6**	6.3	1.6
Rents receivable	**1.5**	**0.4**	1.6	0.4
Contributions from third parties to operating costs	**1.8**	**0.5**	25.8	6.7
Taxi licensing	**32.9**	**8.7**	27.0	6.9
Other	**36.7**	**9.7**	37.5	9.6
	377.4	**100.0**	388.8	100.0

c) Congestion Charging

Year ended 31 March	Group and Corporation 2019 £m	Group and Corporation 2018 £m
Income	**229.9**	229.8
Toll facilities and traffic management	**(66.5)**	(57.5)
	163.4	172.3
Administration, support services and depreciation	**(16.7)**	(16.4)
Net income from Congestion Charging	**146.7**	155.9

Net income from the Congestion Charge is spent on improving transport in line with the Mayor's Transport Strategy.

1. Gross income (continued)

d) Street works

Year ended 31 March	**Group and Corporation 2019 £m**	Group and Corporation 2018 £m
Income	**7.8**	6.1
Allowable operating costs of managing the lane rental scheme	**(2.2)**	(1.9)
Application of Street Works Reserve to projects reducing the adverse effects caused by street works	**(4.2)**	(2.4)
Net income recognised within net cost of services	**1.4**	1.8
Allowable capital costs of managing the lane rental scheme	**(0.3)**	(0.4)
Net income for the year transferred to the Street Works Reserve	**1.1**	1.4

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 2019

	Underground £m	Elizabeth line £m	Buses £m	Streets £m	Rail £m	Other operations £m	Commercial Development £m	Major Projects £m	Total per internal management reports £m	Central items £m	Total £m
Passenger income	2,767.0	101.0	1,468.0	-	427.0	59.0	-	-	4,822.0	32.0	4,854.0
Other operating income	32.0	17.0	12.0	322.0	40.0	127.0	261.0	1.0	812.0	(9.8)	802.2
Gross income	2,799.0	118.0	1,480.0	322.0	467.0	186.0	261.0	1.0	5,634.0	22.2	5,656.2
Direct operating cost	(2,058.0)	(237.0)	(2,109.0)	(475.0)	(454.0)	(335.0)	(136.0)	(12.0)	(5,816.0)	(1,234.9)	(7,050.9)
Indirect operating cost	(305.0)	(8.0)	(28.0)	(64.0)	(17.0)	(40.0)	(13.0)	(35.0)	(510.0)	-	(510.0)
Gross expenditure	(2,363.0)	(245.0)	(2,137.0)	(539.0)	(471.0)	(375.0)	(149.0)	(47.0)	(6,326.0)	(1,234.9)	(7,560.9)
Net cost of services	436.0	(127.0)	(657.0)	(217.0)	(4.0)	(189.0)	112.0	(46.0)	(692.0)	(1,212.7)	(1,904.7)

2. Segmental analysis (continued)

Year ended 31 March 2018 (restated *)

	Underground £m	Elizabeth line £m	Buses £m	Streets £m	Rail £m	Other operations £m	Commercial Development £m	Major Projects £m	Total per internal management reports £m	Central items £m	Total £m
Passenger income	2,632.0	83.0	1,453.0	–	418.0	57.0	–	–	4,643.0	1.4	4,644.4
Other operating income	45.0	4.0	13.0	314.0	13.0	118.0	252.0	–	759.0	(21.0)	738.0
Gross income	2,677.0	87.0	1,466.0	314.0	431.0	175.0	252.0	–	5,402.0	(19.6)	5,382.4
Direct operating cost	(2,134.0)	(118.0)	(2,104.0)	(501.0)	(413.0)	(273.0)	(156.0)	(11.0)	(5,710.0)	(1,262.5)	(6,972.5)
Indirect operating cost	(311.0)	(9.0)	(35.0)	(70.0)	(20.0)	(43.0)	(15.0)	(36.0)	(539.0)	–	(539.0)
Gross expenditure	(2,445.0)	(127.0)	(2,139.0)	(571.0)	(433.0)	(316.0)	(171.0)	(47.0)	(6,249.0)	(1,262.5)	(7,511.5)
Net cost of services per the Funding and Expenditure Analysis	232.0	(40.0)	(673.0)	(257.0)	(2.0)	(141.0)	81.0	(47.0)	(847.0)	(1,282.1)	(2,129.1)

* Prior year figures have been restated to reflect the fact that depreciation and amortisation are no longer included in internal management reports, and the Elizabeth line, and Major Projects have been reported to management as separate operating divisions. The recognition of these new operating divisions has also had a consequential impact on the historically reported allocation of indirect costs between divisions.

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2. Segmental analysis (continued)

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

- The cost of retirement benefits in the management reports is based on cash flows rather than the current service costs of benefits accrued in the year.
- The capital elements (i.e. capital repayment and financing costs) relating to certain PFI contracts are included in the management reports in net operating expenditure but are not included in net cost of services in the Comprehensive Income and Expenditure Statement.
- Depreciation, amortisation and impairment charges are not included in the segmental analysis.
- 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 2019

	Note	Gross income £m	Gross expenditure £m	Net cost of services £m
Net cost of services per internal management reports		5,634.0	(6,326.0)	(692.0)
Central items:				
Amounts included in the Comprehensive Income and Expenditure Statement not reported in management reports				
Pension service costs	33	-	(621.2)	(621.2)
Depreciation	3	-	(1,020.8)	(1,020.8)
Amortisation of software intangibles	3	-	(43.6)	(43.6)
Other Central items		22.2	13.2	35.4
		22.2	(1,672.4)	(1,650.2)
Amounts included in management reports not reported in the Comprehensive Income and Expenditure Statement				
Capital and interest payments under the PFI schemes		-	30.4	30.4
Pension payments charged to operating costs		-	407.1	407.1
		-	437.5	437.5
Net cost of services per the Comprehensive Income and Expenditure Statement		5,656.2	(7,560.9)	(1,904.7)

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 2018 (restated)

	Note	Gross income £m	Gross expenditure £m	Net cost of services £m
Net cost of services per internal management reports		5,402.0	(6,249.0)	(847.0)
Central items:				
Amounts included in the Comprehensive Income and Expenditure Statement not reported in management accounts				
Pension service costs	33	-	(599.8)	(599.8)
Depreciation	3	-	(1,042.6)	(1,042.6)
Amortisation of software intangibles	3	-	(67.5)	(67.5)
Other Central items		(19.6)	30.3	10.7
		(19.6)	(1,679.6)	(1,699.2)
Amounts included in management reports not reported in the Comprehensive Income and Expenditure Statement				
Capital and interest payments under the PFI schemes		-	42.6	42.6
Pension payments charged to operating costs		-	374.5	374.5
		-	417.1	417.1
Net cost of services per the Comprehensive Income and Expenditure Statement		5,382.4	(7,511.5)	(2,129.1)

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:

Year ended 31 March	Note	Group 2019 £m	Group 2018 £m	Corporation 2019 £m	Corporation 2018 £m
Staff costs:					
Wages and salaries *		**1,402.0**	1,494.4	**377.4**	324.8
Social security costs		**161.8**	161.8	**45.4**	33.2
Pension costs	33	**613.0**	594.4	**366.6**	326.6
		2,176.8	2,250.6	**789.4**	684.5
Other service expenditure **		**4,319.7**	4,150.8	**415.2**	468.3
Depreciation	12	**1,020.8**	1,042.6	**126.1**	127.7
Amortisation of software intangibles	11	**43.6**	67.5	**30.5**	42.0
		7,560.9	7,511.5	**1,361.2**	1,322.5

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

** Included in the Corporation's other service expenditure is £161.9m (2017/18 £183.4m) relating to financial assistance to London Boroughs and other third parties (see note 40 for detailed analysis). Other service expenditure also includes payments made under operating leases for the year of £90.3m for the Group (2017/18 £96.3m) and of £23.5m (2017/18 £26.9m) for the Corporation.

The average number of persons employed in the year was:

Year ended 31 March	Group 2019 Number	Group 2018 Number	Corporation 2019 Number	Corporation 2018 Number
Permanent staff (including fixed term contracts)	**26,372**	26,994	**7,419**	5,704
Agency staff	**1,350**	1,735	**624**	621
	27,722	28,729	**8,043**	6,325

4. External audit fees

External audit fees are made up as follows:

Year ended 31 March	Group 2019 £m	Group 2018 £m	Corporation 2019 £m	Corporation 2018 £m
Auditor's remuneration:				
for statutory audit services	**1.0**	0.9	**0.2**	0.2
for non-audit services *	**-**	-	**-**	-
	1.0	0.9	**0.2**	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 XX to XX of the Annual Report and Financial Statements.

6. Other operating expenditure

Year ended 31 March	Group 2019 £m	Group 2018 £m	Corporation 2019 £m	Corporation 2018 £m
Net loss on disposal of property, plant and equipment	(32.5)	(46.7)	(7.2)	(1.2)
Net loss on disposal of intangibles	-	(0.6)	-	(0.6)
Total other operating expenditure	**(32.5)**	(47.3)	**(7.2)**	(1.8)

7. Financing and investment income

Year ended 31 March	Note	Group 2019 £m	Group 2018 £m	Corporation 2019 £m	Corporation 2018 £m
Interest income on bank deposits and other investments		9.8	7.5	9.4	7.3
Interest income on loans to subsidiaries		-	-	362.6	332.8
Change in fair value of investment properties (including those classified as held for sale)	13, 19	4.9	41.7	1.5	0.6
Net gain on disposal of investment properties		131.5	19.0	96.5	15.8
Interest receivable on finance lease receivables		2.3	0.6	-	-
Other investment income		0.3	0.3	-	-
		148.8	69.1	470.0	356.5

8. Financing and investment expenditure

Year ended 31 March	Note	Group 2019 £m	Group 2018 £m	Corporation 2019 £m	Corporation 2018 £m
Interest payable on loans and derivatives		**414.4**	389.0	**393.0**	361.2
Interest payable on finance lease liabilities		**30.7**	35.4	**6.2**	6.8
Contingent rentals on PFI contracts		**15.5**	16.8	**9.9**	9.3
Net interest on defined benefit obligation	33	**113.4**	138.0	**112.8**	137.2
Other financing and investment expenditure		**5.0**	1.8	**0.9**	1.1
		579.0	581.0	**522.8**	515.6
Less: amounts capitalised into qualifying assets	12	**(103.7)**	(94.3)	**-**	-
		475.3	486.7	**522.8**	515.6

9. Grant income

Year ended 31 March	Group 2019 £m	Group 2018 £m	Corporation 2019 £m	Corporation 2018 £m
Non ring-fenced resource grant from the DfT used to fund operations	**27.1**	255.1	**27.1**	255.1
Non ring-fenced Business Rates Retention from the GLA used to fund operations	**1,704.0**	1,036.5	**1,704.0**	1,036.5
Other revenue grant received	**93.8**	50.8	**93.8**	50.8
Council tax precept	**6.0**	6.0	**6.0**	6.0
Total grants allocated to revenue	**1,830.9**	1,348.4	**1,830.9**	1,348.4
Ring-fenced grant from the DfT used to fund capital expenditure relating to Crossrail	**150.0**	-	**150.0**	-
Ring-fenced grant from the GLA used to fund capital expenditure relating to Crossrail	**365.0**	-	**365.0**	-
Non ring-fenced Business Rates Retention from the GLA used to fund capital	**219.1**	777.8	**219.1**	777.8
Community Infrastructure Levy used to fund capital expenditure	**117.1**	100.4	**117.1**	100.4
Other capital grants and contributions received	**333.4**	250.3	**225.5**	213.6
Total grants allocated to capital	**1,184.6**	1,128.5	**1,076.7**	1,091.8
Total grants	**3,015.5**	2,476.9	**2,907.6**	2,440.2

Allocation of capital grants

Year ended 31 March	Note	Group 2019 £m	Group 2018 £m	Corporation 2019 £m	Corporation 2018 £m
Capital grant funding of subsidiaries		**-**	-	**277.8**	560.2
Applied capital grants	36	**1,856.1**	1,086.9	**1,470.4**	490.0
Transfer (from)/to unapplied capital grants	37	**(671.5)**	41.6	**(671.5)**	41.6
Total capital grants		**1,184.6**	1,128.5	**1,076.7**	1,091.8

10. Taxation

TfL Corporation is exempt from Corporation Tax but its subsidiaries are assessable individually to taxation in accordance with current tax legislation. All companies, with the exception of Crossrail Limited, are able to claim group relief.

a) Corporation Tax

The Group tax income for the year, based on the rate of Corporation Tax of 19 per cent (2017/18 19 per cent) comprised:

Year ended 31 March	**Group 2019 £m**	Group 2018 £m
UK Corporation Tax - current year charge	**0.1**	-
UK Corporation Tax - adjustments in respect of prior years	**(2.1)**	(3.5)
Total tax income for the year	**(2.0)**	(3.5)

Reconciliation of tax income

Year ended 31 March	**Group 2019 £m**	Group 2018 £m
Surplus/(deficit) on the provision of services before tax	**657.3**	(179.8)
Surplus/deficit on the provision of services before tax multiplied by standard rate of Corporation Tax in the UK of 19% (2017/18 19%)	**124.9**	(34.2)
Effects of:		
Non-taxable income / non-deductible expenses	**118.9**	44.8
Permanent difference in TfL Corporation	**(179.7)**	10.2
Amount charged to current tax for which no deferred tax was recognised	**(62.5)**	(16.1)
Utilisation of tax losses carried forward for which no deferred tax was recognised	**(1.0)**	(5.7)
Overseas earnings	**(0.5)**	1.0
Adjustments in respect of prior years	**(2.1)**	(3.5)
Total tax income for the year	**(2.0)**	(3.5)

10. Taxation (continued)

b) Unrecognised deferred tax assets

The Group has a potential net deferred tax asset of £1,613.6m (2018 £1,467.3m) in respect of the following items:

	Group 2019 £m	Group 2018 £m
Deductible temporary differences	722.6	1,467.3
Tax losses	891.0	-
Unrecognised deferred tax asset	**1,613.6**	1,467.3

No net deferred tax asset has been recognised as it is not considered probable that there will be sufficient future taxable profits available against which the unused tax credits can be utilised. The tax losses and the deductible temporary differences do not expire under current tax legislation.

The net deferred tax asset excludes any amounts connected to the pension deficit.

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

Deferred tax assets have been recognised to the extent of the deferred tax liabilities as at the balance sheet date. Their movements during the year were in respect of the following items:

For the year ended 31 March 2019	Balance at 1 April 2018 £m	Movement in year £m	Balance at 31 March 2019 £m
Deferred tax assets			
Property, plant and equipment (net of losses)	80.0	(2.8)	77.2
Derivative financial instruments	19.0	(1.7)	17.3
Total	99.0	(4.5)	94.5
Deferred tax liabilities			
Investment properties	(84.9)	7.0	(77.9)
Assets held for sale	(14.1)	(2.5)	(16.6)
Total	(99.0)	4.5	(94.5)
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 2018	Balance at 1 April 2017 £m	Movement in period £m	Balance at 31 March 2018 £m
Deferred tax assets			
Property, plant and equipment	57.2	22.8	80.0
Derivative financial instruments	23.2	(4.2)	19.0
Total	80.4	18.6	99.0
Deferred tax liabilities			
Investment properties	(78.1)	(6.8)	(84.9)
Assets held for sale	(2.3)	(11.8)	(14.1)
Total	(80.4)	(18.6)	(99.0)
Net deferred tax asset/(liability)	-	-	-

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

- The deferred tax liability arising on investment properties, including those classified as assets held for sale, has reduced due to the revaluation movements recognised in financing and investment income and disposals 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 is the deferred tax movement on revaluation gains recognised in Other Comprehensive Income
- The deferred tax asset arising in respect of derivative financial instruments has reduced during 2018/19 due to movement in the fair value of derivatives

On 18 November 2015 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 2019 have been calculated at the enacted rate of 17 per cent.

No deferred tax asset has been recognised on the Corporation's pension deficit of £5,340.7m 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 2019, 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 2017		458.5	2.9	349.2	810.6
Additions		23.7	1.1	-	24.8
Acquisitions		-	-	2.6	2.6
Net transfers from property, plant and equipment	12	19.0	(0.2)	-	18.8
Disposals		(44.7)	-	-	(44.7)
At 31 March 2018		456.5	3.8	351.8	812.1
Additions		**-**	**38.0**	**-**	**38.0**
Transfers between asset classes		**39.1**	**(39.1)**	**-**	**-**
Disposals		**(3.2)**	**-**	**-**	**(3.2)**
At 31 March 2019		**492.4**	**2.7**	**351.8**	**846.9**
Amortisation and impairment					
At 1 April 2017		321.3	-	349.2	670.5
Amortisation charge for the year	3	67.5	-	-	67.5
Disposals		(44.1)	-	-	(44.1)
At 31 March 2018		344.7	-	349.2	693.9
Amortisation charge for the year	3	**43.6**	**-**	**-**	**43.6**
Disposals		**(3.2)**	**-**	**-**	**(3.2)**
At 31 March 2019		**385.1**	**-**	**349.2**	**734.3**
Net book value at 31 March 2019		**107.3**	**2.7**	**2.6**	**112.6**
Net book value at 31 March 2018		111.8	3.8	2.6	118.2

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 2017		276.6	0.2	276.8
Additions		16.3	0.2	16.5
Net transfers from property, plant and equipment	12	5.8	-	5.8
Transfers between asset classes		0.1	(0.1)	-
Disposals		(7.7)	-	(7.7)
At 31 March 2018		291.1	0.3	291.4
Additions		**-**	**29.6**	**29.6**
Transfers between asset classes		**29.0**	**(29.0)**	**-**
At 31 March 2019		**320.1**	**0.9**	**321.0**
Amortisation and impairment				
At 1 April 2017		177.4	-	177.4
Amortisation charge for the year	3	42.0	-	42.0
Disposals		(7.2)	-	(7.2)
At 31 March 2018		212.2	-	212.2
Amortisation charge for the year	3	**30.5**	**-**	**30.5**
At 31 March 2019		**242.7**	**-**	**242.7**
Net book value at 31 March 2019		**77.4**	**0.9**	**78.3**
Net book value at 31 March 2018		78.9	0.3	79.2

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 2019 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 2018		**32,604.2**	**5,495.6**	**1,917.6**	**15,964.1**	**55,981.5**
Additions		**0.8**	**6.2**	**7.3**	**3,353.0**	**3,367.3**
Disposals		**(2.6)**	**(377.9)**	**(9.5)**	**(416.0)**	**(806.0)**
Write offs		**-**	**-**	**-**	**(45.9)**	**(45.9)**
Transfers to investment properties	13	**(36.4)**	**-**	**-**	**-**	**(36.4)**
Transfers between asset classes		**1,005.1**	**287.1**	**119.1**	**(1,411.3)**	**-**
Revaluation		**37.1**	**-**	**-**	**-**	**37.1**
At 31 March 2019		**33,608.2**	**5,411.0**	**2,034.5**	**17,443.9**	**58,497.6**
Depreciation						
At 1 April 2018		**13,154.6**	**2,233.8**	**1,319.1**	**-**	**16,707.5**
Depreciation charge for the year	3	**775.4**	**135.9**	**109.5**	**-**	**1,020.8**
Disposals		**(2.5)**	**(11.1)**	**(9.5)**	**-**	**(23.1)**
Revaluation		**(22.8)**	**-**	**-**	**-**	**(22.8)**
At 31 March 2019		**13,904.7**	**2,358.6**	**1,419.1**	**-**	**17,682.4**
Net book value at 31 March 2019		**19,703.5**	**3,052.4**	**615.4**	**17,443.9**	**40,815.2**
Net book value at 31 March 2018		19,449.6	3,261.8	598.5	15,964.1	39,274.0

12. Property, plant and equipment (continued)

b) Group property, plant and equipment at 31 March 2018 comprised the following elements:

	Note	Infrastructure and office buildings £m	Rolling stock £m	Plant and equipment £m	Assets under construction £m	Total £m
Cost or valuation						
At 1 April 2017		31,613.1	5,243.8	1,863.6	13,838.8	52,559.3
Additions		124.2	105.7	30.6	3,292.7	3,553.2
Transfers to intangible assets	11	(10.4)	-	-	(8.4)	(18.8)
Disposals		(28.9)	-	(14.9)	-	(43.8)
Write offs		(73.6)	-	-	-	(73.6)
Transfers to investment properties	13	(1.0)	-	-	-	(1.0)
Transfers between asset classes		974.6	146.1	38.3	(1,159.0)	-
Revaluation		6.2	-	-	-	6.2
At 31 March 2018		32,604.2	5,495.6	1,917.6	15,964.1	55,981.5
Depreciation						
At 1 April 2017		12,407.0	2,095.7	1,217.7	-	15,720.4
Depreciation charge for the year	3	788.5	138.1	116.0	-	1,042.6
Disposals		(26.0)	-	(14.6)	-	(40.6)
Transfers to investment properties		(0.8)	-	-	-	(0.8)
Revaluation		(14.1)	-	-	-	(14.1)
At 31 March 2018		13,154.6	2,233.8	1,319.1	-	16,707.5

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 £103.7m (2018 £94.3m). The cumulative borrowing costs capitalised are £609.9m (2018 £506.2m). Borrowings are capitalised at the rate of interest directly incurred on the specific borrowings taken out to fund the asset in question.

At 31 March 2019, the Group had capital commitments which are contracted for but not provided for in the financial statements amounting to £2,231.2m (2018 £2,034.4m).

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	**976.6**	**45.3**	**16.7**	**1,038.6**
Other leased assets	**-**	**407.7**	**0.4**	**408.1**
	976.6	**453.0**	**17.1**	**1,446.7**
Depreciation				
PFI assets	**511.5**	**43.7**	**16.7**	**571.9**
Other leased assets	**-**	**180.8**	**0.1**	**180.9**
	511.5	**224.5**	**16.8**	**752.8**
Net book value at 31 March 2019	**465.1**	**228.5**	**0.3**	**693.9**
Net book value at 31 March 2018	505.0	242.7	-	747.7

d) Depreciation charge

The total depreciation charge for the Group for the year comprised:

Year ended 31 March	2019 £m	2018 £m
Depreciation of owned assets	**966.6**	960.1
Depreciation of assets held under PFI	**42.2**	70.6
Depreciation of assets held under other leases	**12.0**	11.9
Total depreciation	**1,020.8**	1,042.6

12. Property, plant and equipment (continued)

e) Group office buildings

The fair value of office buildings at 31 March 2019 has been arrived at on the basis of a valuation carried out at that date by Cushman & Wakefield, a property valuation company not connected with the Group, and by chartered surveyors working for TfL. Values are calculated under level 3 of the fair value hierarchy using a discounted cash flow approach and are based on current rental income plus anticipated uplifts at the next rent review, lease expiry or break option, taking into consideration lease incentives. Uplifts and the discount rate are derived from rates implied by recent market transactions on similar properties. In estimating fair value, the highest and best use of the properties is assumed to be their current use. There were no transfers of properties in or out of level 3 of the fair value hierarchy during the year (2017/18 none).

Properties are valued in accordance with the Red Book, RICS Valuation – Global Standards 2017 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 2019 was £321.7m (2018 £318.3m) and the depreciated historic cost value was £31.3m (2018 £32.2m). A related revaluation gain for the year of £59.9m (2017/18 a gain of £20.3m) has been recognised within Other Comprehensive Income and Expenditure.

f) Group and Corporation heritage assets

Property, plant and equipment includes a number of assets of importance to the history of London transport which are classified as heritage assets in accordance with the Code. These comprise transport-related objects and material, (including vehicles, posters and photographs), held to advance the preservation, conservation and education objects of London Transport Museum. The collection consists of over 400,000 items and is housed at the Museum's sites in Covent Garden and Acton.

These assets are primarily former operational assets of the TfL Group whose legal title is retained by the Corporation or another of its operating subsidiaries. Due to the diverse nature of the assets held and the lack of comparable market values, the cost of obtaining a valuation of TfL's heritage assets is such that it would not be commensurate with the benefits provided to users of the financial statements. The assets therefore remain recorded in the accounts at historical cost less accumulated depreciation. The collections have been externally valued for insurance purposes only. Management do not consider these insurance valuations to be necessarily indicative of open market fair value and hence have not incorporated the insurance values into the financial statements. As at 31 March 2019, the latest available insurance value for the collection was £37.5m (2018 £36.2m). The net book value of these assets at 31 March 2019 was £nil (2018 £nil).

12 Property, plant and equipment (continued)

g) Corporation property, plant and equipment at 31 March 2019 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 2018		**5,149.5**	**204.0**	**1,068.8**	**6,422.3**
Additions		**-**	**-**	**239.6**	**239.6**
Transfers to investment properties	13	**(19.8)**	**-**	**-**	**(19.8)**
Transfers between asset classes		**146.8**	**24.7**	**(171.5)**	**-**
Write offs		**(7.2)**	**-**	**-**	**(7.2)**
Revaluation		**19.8**	**-**	**-**	**19.8**
At 31 March 2019		**5,289.1**	**228.7**	**1,136.9**	**6,654.7**
Depreciation					
At 1 April 2018		**2,327.6**	**153.4**	**-**	**2,481.0**
Depreciation charge for the year	3	**111.6**	**14.5**	**-**	**126.1**
At 31 March 2019		**2,439.2**	**167.9**	**-**	**2,607.1**
Net book value at 31 March 2019		**2,849.9**	**60.8**	**1,136.9**	**4,047.6**
Net book value at 31 March 2018		2,821.9	50.6	1,068.8	3,941.3

12 Property, plant and equipment (continued)

h) Corporation property, plant and equipment at 31 March 2018 comprised the following elements:

	Note	Infrastructure and office buildings £m	Plant and equipment £m	Assets under construction £m	Total £m
Cost or valuation					
At 1 April 2017		4,990.5	200.9	991.8	6,183.2
Additions		76.0	0.9	169.2	246.1
Transfers to intangible assets	11	-	-	(5.8)	(5.8)
Transfers between asset classes		84.2	2.2	(86.4)	-
Disposals		(1.2)	-	-	(1.2)
At 31 March 2018		5,149.5	204.0	1,068.8	6,422.3
Depreciation					
At 1 April 2017		2,220.3	133.0	-	2,353.3
Depreciation charge for the year	3	107.3	20.4	-	127.7
At 31 March 2018		2,327.6	153.4	-	2,481.0

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 (2018 £nil). The cumulative borrowing costs capitalised are also £nil (2018 £nil).

At 31 March 2019, the Corporation had capital commitments which are contracted for but not provided for in the financial statements amounting to £86.3m (2018 £65.3m).

12. Property, plant and equipment (continued)

i) Corporation PFI assets, and other leased assets

The net book value above includes the amounts in the table below in respect of PFI assets:

	Infrastructure and office buildings £m	Plant and equipment £m	Total £m
Gross cost			
PFI assets	**209.1**	**16.7**	**225.8**
Depreciation			
PFI assets	**91.0**	**16.7**	**107.7**
Net book value at 31 March 2019	**118.1**	**-**	**118.1**
Net book value at 31 March 2018	120.8	-	120.8

j) Depreciation charge

The total depreciation charge for the Corporation comprised:

Year ended 31 March	2019 £m	2018 £m
Depreciation of owned assets	**123.4**	125.1
Depreciation of assets held under PFI	**2.7**	2.6
Total depreciation	**126.1**	127.7

k) Corporation office buildings and other infrastructure assets held at valuation

During the year, the Corporation transferred a car park that had previously been classified as operational infrastructure and held at a depreciated net book value of £nil, into investment properties. In accordance with the provisions of IAS 40 Investment Property, the asset was revalued to its fair market value of £19.8m immediately prior to transfer. The resultant revaluation gain was recognised in the revaluation reserve.

The Corporation held no office buildings and no other property, plant or equipment at valuation at any point during the year (2017/18 none).

13. Investment properties

	Note	Group £m	Corporation £m
Valuation			
At 1 April 2017		558.0	10.8
Additions		0.4	-
Acquired through business combinations		11.5	-
Transfers to assets held for sale		(72.9)	-
Transfers from property, plant and equipment		0.2	-
Disposals		(1.0)	(0.4)
Fair value adjustments	7	41.0	0.6
At 31 March 2018		537.2	11.0
Additions		**52.5**	**52.3**
Transfers to assets held for sale	19	**(38.5)**	**(23.4)**
Transfers from property, plant and equipment	12	**36.4**	**19.8**
Disposals		**(99.8)**	**(54.4)**
Fair value adjustments	7	**4.2**	**1.5**
At 31 March 2019		**492.0**	**6.8**

The fair value of the Group's investment properties at 31 March 2019 has been arrived at on the basis of valuations at that date by Cushman & Wakefield, a property valuation company not connected with the Group, and by chartered surveyors working for TfL. Values are calculated under level 3 of the fair value hierarchy using a discounted cash flow approach and are based on current rental income plus anticipated uplifts at the next rent review, lease expiry or break option, taking into consideration lease incentives. Uplifts and the discount rate are derived from rates implied by recent market transactions on similar properties. In estimating fair value, the highest and best use of the properties is assumed to be their current use. There were no transfers of properties in or out of level 3 of the fair value hierarchy during the year (2017/18 none).

Properties are valued in accordance with the Red Book, RICS Valuation – Global Standards 2017 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

Cost	Corporation 2019 £m	Corporation 2018 £m
At 1 April	**8,762.5**	8,562.5
Investments in year	**1,560.0**	200.0
At 31 March	**10,322.5**	8,762.5

During the year, the Corporation increased its investment in the ordinary share capital of Transport Trading Limited (TTL) by £1,560.0m (2017/18 £200.0m). TTL subsequently increased its investment in the ordinary share capital of Crossrail Limited by the same amount.

14. Investments in subsidiaries (continued)

The Group's subsidiaries are:

Subsidiaries	**Principal activity**
City Airport Rail Enterprises Limited	Dormant company
Crossrail 2 Limited	Dormant company
Crossrail Limited	Construction of Crossrail infrastructure
Docklands Light Railway Limited	Passenger transport by rail
London Bus Services Limited	Passenger transport by bus
London Buses Limited	Dial-a-Ride services
London Dial-a-Ride Limited	Dormant company
London River Services Limited	Pier operator
London Transport Insurance (Guernsey) Limited	Insurance
London Transport Museum (Trading) Limited	Trading company
London Transport Museum Limited	Charitable company
London Underground Limited	Passenger transport by underground train
LUL Nominee BCV Limited	Maintenance of underground lines
LUL Nominee SSL Limited	Maintenance of underground lines
Rail for London Limited	Passenger transport by rail
Rail for London (Infrastructure) Limited	Maintenance of overground rail lines
TfL Trustee Company Limited	Pension Fund Trustee
Tramtrack Croydon Limited	Passenger transport by train
Transport for London Finance Limited	Manages financial risk of the Group
Transport Trading Limited	Holding company
TTL Blackhorse Road Properties Limited	Dormant company
TTL Earls Court Properties Limited	Holding company
TTL Kidbrooke Properties Limited	Holding company
TTL Landmark Court Properties Limited	Dormant company
TTL Properties Limited	Holding company
TTL Southwark Properties Limited	Property investment
TTL South Kensington Properties Limited *	Property investment
Tube Lines Limited	Maintenance of underground lines
Tube Lines Pension Scheme Trustees Limited	Pension Fund Trustee
Victoria Coach Station Limited	Coach station
Woolwich Arsenal Rail Enterprises Limited	Dormant company

The Group holds 100 per cent of the share capital of all subsidiaries. All companies with the exception of London Transport Insurance (Guernsey) Limited are registered in England and Wales; and their financial statements are lodged at Companies House and also at the Charity Commission for the London Transport Museum Limited. London Transport Insurance (Guernsey) Limited is registered in Guernsey.

*Incorporated during the year

15. Investment in associated undertakings

a) Earls Court Partnership Limited

The Group holds a 37 per cent holding in the ownership and voting rights of Earls Court Partnership Limited (ECP), a property development company incorporated in England and Wales. Through its voting rights and representation on the Board of Directors of ECP, the Group has significant influence but not control over the relevant activities of ECP. The Group's investment is therefore accounted for using the equity method in these consolidated accounts.

In early 2015, ECP commenced trading and, on 2 April 2015, the Group granted a 999 year lease over land at Earl's Court into ECP. During 2015/16 the Group invested share capital and non-interest bearing loans totalling £447.1m into ECP. The loan notes are non-interest bearing and have no fixed repayment date. They have therefore been treated in these financial statements as an investment in the equity of ECP. During 2017/18 the Group invested an additional £1.3m in loan notes of ECP, and in 2018/19 a further £8.2m was invested.

The financial year end of ECP is 31 December. For the purposes of applying the equity method of accounting, the financial statements of ECP for the year ended 31 December 2018 have been used, and appropriate adjustments made for the effects of significant transactions between that date and 31 March 2019. On 31 March 2019, TfL obtained an independent valuation of the underlying Investment and Development Property assets of ECP. As a result, an additional share of loss of £27.7m has been reflected in these financial statements.

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

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

At 31 March	Group 2019 £m	Group 2018 £m
Current assets	**8.8**	5.7
Long-term assets	**731.2**	890.5
Current liabilities	**(5.7)**	(8.4)
Long-term liabilities	**(65.8)**	(61.4)

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

At 31 March	Group 2019 £m	Group 2018 £m
Net assets at 100%	**668.5**	826.4
Percentage held by the TfL Group	**37%**	37%
TfL Group share of net assets as at 31 December	**247.3**	305.8
Revaluation adjustment as at 31 March 2019	**(27.7)**	-
Investment in equity loan notes between 31 December and 31 March	**1.0**	1.1
Carrying amount of the Group's equity interest in Earls Court Partnership Limited	**220.6**	306.9

15. Investment in associated undertakings (continued)

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

Year ended 31 March	Group 2019 £m	Group 2018 £m
Group share of loss from continuing operations	**(94.5)**	(62.7)
Group share of other comprehensive income	**-**	-
Total Group share of comprehensive income and expenditure for the year	**(94.5)**	(62.7)

b) Kidbrooke Partnership LLP

In 2017/18 the Group acquired a 49 per cent holding in the members' interest of Kidbrooke Partnership LLP (KP LLP), a property development partnership, for a cash consideration of £12.1m. The investment was purchased through a newly incorporated subsidiary of the Group, TTL Kidbrooke Properties Limited. Through its voting rights and representation on the Board of Members, the Group has significant influence but not control over the relevant activities of KP LLP. The Group's investment is therefore accounted for using the equity method in these consolidated accounts.

In late January 2018, KP LLP commenced trading and the Group granted a 299 year lease over the land lying to the South East of Kidbrooke Park Road to KP LLP for a consideration of £17.0m. The financial year end of KP LLP is 31 March.

During 2018/19, the Group invested a further £0.8m in equity of KP LLP.

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

15. Investment in associated undertakings (continued)

Balance sheet of Kidbrooke Partnership LLP at the 100 per cent level

	Group 2019 £m	Group 2018 £m
Current assets	**0.6**	24.8
Long-term assets	**25.9**	-
Current liabilities	**(0.2)**	-
Long-term liabilities	**-**	-

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

	Group 2019 £m	Group 2018 £m
Net assets at 100%	**26.3**	24.8
Percentage held by the TfL Group	**49%**	49%
Carrying amount of the Group's equity interest in Kidbrooke Properties LLP	**12.9**	12.1

KP LLP has recognised neither a profit nor loss in the year to 31 March 2019 (or in the period to 31 March 2018). There is therefore no impact on Group consolidated profits relating to the associate.

16. Finance lease receivables

Group finance lease receivables

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

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

As at 31 March	2019 £m	2018 £m
Principal outstanding		
Short-term	**12.8**	8.2
Long-term	**39.4**	17.4
	52.2	25.6

17. Inventories

As at 31 March	**Group 2019 £m**	Group 2018 £m
Raw materials and consumables	**60.4**	63.3
Goods held for resale	**0.6**	0.9
	61.0	64.2

There is no material difference between the balance sheet value of Group inventories and their net realisable value. The Corporation had no inventories as 31 March 2019 or 31 March 2018.

The movement on inventories was as follows:

	Group £m
Balance at 1 April 2017	71.7
Purchases in the year	73.2
Recognised as an expense in the year:	
Consumed in the year	(80.0)
Goods sold in the year	(1.5)
Net write backs in the year	0.8
Balance at 31 March 2018	64.2
Purchases in the year	**68.6**
Recognised as an expense in the year:	
Consumed in the year	**(63.3)**
Goods sold in the year	**(1.7)**
Net write offs in the year	**(6.8)**
Balance at 31 March 2019	**61.0**

18. Debtors

At 31 March	Group 2019 £m	Group 2018 £m
Short-term		
Trade debtors	**155.2**	125.3
Capital debtors	**16.6**	10.2
Other debtors	**133.6**	54.2
Other tax and social security	**58.0**	92.1
Grant debtors	**89.4**	69.4
Interest debtors	**0.5**	0.7
Contract assets: accrued income	**133.4**	97.8
Prepayments for goods and services	**110.3**	110.9
	697.0	560.6
Long-term		
Other debtors	**63.5**	10.3
Prepayments for goods and services	**49.1**	17.4
	112.6	27.7

Trade debtors are non-interest bearing and are generally paid within 28 days.

As at 31 March 2019, £293.2m (2018 £256.0m) was recognised as a provision for expected credit losses on trade and other debtors (see note 32).

Contract asset balances represent accrued income recognised where balances have not yet been invoiced to the customer. Upon completion of the terms of the contract and agreement with the customer/third party contributor, the amounts recognised as contract assets are reclassified to trade debtors.

18. Debtors (continued)

At 31 March	Corporation 2019 £m	Corporation 2018 £m
Short-term		
Trade debtors	**28.4**	30.3
Amounts due from subsidiary companies	**407.6**	674.4
Capital debtors	**10.0**	10.2
Other debtors	**3.9**	5.0
Other tax and social security	**9.7**	11.9
Grant debtors	**77.5**	66.2
Interest debtors	**0.2**	0.6
Contract assets: accrued income	**56.0**	66.2
Prepayments for goods and services	**23.4**	19.7
	616.7	884.5
Long-term		
Loans made to subsidiary companies	**10,451.3**	9,988.0
Other debtors	**63.5**	0.2
Prepayments for goods and services	**2.8**	4.2
	10,517.6	9,992.4

Trade debtors are non-interest bearing and are generally paid within 28 days. In 2019, £285.7m (2018 £251.0m) was recognised as a provision for expected credit losses on trade debtors (see note 32).

Contract assets balances represent accrued income recognised where balances have not yet been invoiced to the customer. Upon completion of the terms of the contract, the amounts recognised as contract assets are reclassified to trade debtors.

Long-term loans made to subsidiary companies 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 2019 was 3.8 per cent (2018 3.9 per cent).

19. Assets held for sale

	Note	Group £m	Corporation £m
Balance at 1 April 2017		15.0	1.5
Assets newly classified as held for sale:			
Investment properties		72.9	-
Revaluation gains		0.7	-
Disposals:			
Investment properties		(5.4)	(1.5)
Balance at 31 March 2018		83.2	-
Assets newly classified as held for sale:			
Investment properties	13	**38.5**	**23.4**
Revaluation gains	7	**0.7**	**-**
Balance at 31 March 2019		**122.4**	**23.4**

As at 31 March 2019, certain development sites and surplus land were being actively marketed for sale. Disposals are expected to complete within the next 12 months, or, where agreements to sell have already been put in place, in line with the timing of those agreements.

20. Other investments

At 31 March	**Group 2019 £m**	Group 2018 £m
Short-term		
Investments held at amortised cost	**215.9**	692.3

At 31 March	**Corporation 2019 £m**	Corporation 2018 £m
Short-term		
Investments held at amortised cost	**203.0**	669.8

Short-term investments relate to investments in UK Treasury bills, other Sovereign bills, deposits with UK clearing banks, and repurchase agreement investments with a maturity of greater than three but less than twelve months.

21. Cash and cash equivalents

At 31 March	Group 2019 £m	Group 2018 £m
Cash at bank	181.4	167.3
Short term investments with maturity less than three months	1,456.0	1,045.6
Cash in hand and in transit	28.4	26.6
	1,665.8	1,239.5

At 31 March	Corporation 2019 £m	Corporation 2018 £m
Cash at bank	48.6	56.8
Short term investments with maturity less than three months	1,456.0	1,045.6
	1,504.6	1,102.4

Short term investments are largely comprised of money market funds. These are classified as cash and cash equivalents as they have a maturity of less than three months.

22. Creditors

a) Group creditors at 31 March comprised:

	Group 2019 £m	Group 2018 £m
Short-term		
Trade creditors	**134.8**	132.2
Accrued interest	**193.2**	187.3
Capital works	**575.5**	818.8
Retentions on capital contracts	**11.5**	4.8
Capital grants received in advance	**12.6**	36.5
Wages and salaries	**97.5**	94.5
Other taxation and social security creditors	**149.0**	43.8
Contract liabilities: receipts in advance for Travelcards, bus passes and Oyster cards	**394.5**	402.3
Contract liabilities representing other deferred income	**61.9**	63.1
Accruals and other payables	**536.7**	565.3
	2,167.2	2,348.6
Long-term		
Trade creditors	**0.2**	0.2
Capital grants received in advance	**2.5**	4.0
Retentions on capital contracts	**3.7**	17.2
Contract liabilities representing other deferred income	**48.0**	36.7
Accruals and other payables	**7.1**	7.6
	61.5	65.7

22. Creditors (continued)

The level of outstanding long-term and short-term contract liabilities as at 31 March 2019 was broadly consistent with the prior year. The remaining performance obligations expected to be met in more than one year relate to:

i. license revenue and funding received from developers for improvements to bus services, which together total £19.1m, of which £14.3m relates to obligations that are to be satisfied within 2 to 3 years, and £4.8m within five years.
ii. lease incentives received in respect of head office buildings of £21.5m that are expected to be released within 18 to 24 years.
iii. maintenance income of £5.3m, expected to be released over 30 years.
iv. other miscellaneous contracts, together totalling £2.1m

Set out below is the amount of revenue recognised by the Group during the year from:

Year ended 31 March	Group 2019 £m
Amounts included in contract liabilities at 1 April	369.5
Performance obligations satisfied in previous years	-

22. Creditors (continued)

b) Corporation creditors at 31 March comprised:

At 31 March	Corporation 2019 £m	Corporation 2018 £m
Short-term		
Trade creditors	**54.0**	46.5
Accrued interest	**190.8**	184.3
Capital works	**61.4**	71.7
Capital grants received in advance	**9.5**	36.5
Amounts due to subsidiary companies	**10.9**	71.9
Wages and salaries	**24.3**	20.4
Other taxation and social security creditors	**1.9**	1.6
Contract liabilities representing other deferred income	**14.1**	19.0
Accruals and other payables	**168.8**	214.9
	535.7	666.8
Long-term		
Capital grants received in advance	**2.5**	4.0
Contract liabilities representing other deferred income	**16.2**	12.9
	18.7	16.9

The total long term and short term contract liabilities balances are broadly consistent with the prior year. The significant balance in 2019 of remaining performance obligations expected to be recognised in more than one year relates to license revenue totalling £9.6m, of which £8.3m is expected to be satisfied within 3 years and £1.3m within 5 years. Maintenance income of £5.3m is expected to be released over 30 years. Balances relating to other miscellaneous contracts totalled £1.3m.

Set out below is the amount of revenue recognised during the year from:

Year ended 31 March	Corporation 2019 £m
Amounts included in contract liabilities at 1 April	**14.7**
Performance obligations satisfied in previous years	**-**

23. Borrowings and overdrafts

At 31 March	Group 2019 £m	Group 2018 £m
Short-term		
Borrowings	**745.9**	846.1
Bank overdraft	**-**	0.1
	745.9	846.2
Long-term		
Borrowings	**10,398.7**	9,569.4

At 31 March	Corporation 2019 £m	Corporation 2018 £m
Short-term		
Borrowings	**745.9**	846.1
Long-term		
Borrowings	**10,404.5**	9,576.0

Further information about the maturity and interest rate profiles of the Group and Corporation's borrowings is provided in note 32 (Funding and financial risk management).

We have a number of loan facilities with the European Investment Bank (EIB) and Export Development Canada (EDC). In addition we have direct access to the UK Debt Management Office (DMO) via the Public Works Loan Board (PWLB). Borrowing from these sources has contributed to the financing of a range of projects during the year. Further, we utilised our £2bn Commercial Paper programme throughout the year to manage our liquidity requirements.

A total of £575m was borrowed from the PWLB and £350m was drawn under our EIB and EDC facilities, at fixed interest rates, during the year. Under our EDC facilities, a further £100m was fixed in April 2019 for drawdown in 2019/20 and £100m remains available for drawdown in the next two years. These borrowings are expected to form part of our incremental borrowing agreed with Government and have not been recognised as a liability in these financial statements in accordance with IFRS 9 Financial Instruments.

23. Borrowings and overdrafts (continued)

Changes in liabilities arising from financing activities

	Group 2019 £m	Group 2018 £m
Balance at 1 April		
Current	**916.1**	1,182.4
Non-current	**9,987.5**	9,177.7
	10,903.6	10,360.1
Borrowings drawn down	**924.2**	961.3
Additions to other financing liabilities	**141.1**	-
Repayment of borrowings	**(196.7)**	(342.8)
Repayment of finance leases	**(78.0)**	(76.8)
Repayment of other financing liabilities	**(8.4)**	-
Other movements *	**1.6**	1.8
At 31 March	**11,687.4**	10,903.6
Current	**816.2**	916.1
Non-current	**10,879.6**	9,987.5
	11,695.8	10,903.6

	Corporation 2019 £m	Corporation 2018 £m
Balance at 1 April		
Current	**856.9**	1,117.1
Non-current	**9,707.3**	8,838.9
	10,564.2	9,956.0
Additions	**924.2**	961.3
Repayment of borrowings	**(196.7)**	(342.8)
Repayment of finance leases	**(10.8)**	(11.4)
Other movements *	**0.8**	1.1
At 31 March	**11,281.7**	10,564.2
Current	**756.9**	856.9
Non-current	**10,524.8**	9,707.3
	11,281.7	10,564.2

* Other movements are non-cash and relate to the unwind of discounts and fees.

24. Finance lease liabilities

a) Group finance lease liabilities

The Group holds a proportion of its property, plant and equipment under finance lease arrangements as outlined in note 12.

Finance lease liabilities on the balance sheet are calculated as the present value of minimum lease payments outstanding.

	Minimum lease payments £m	Interest £m	Principal (present value of minimum lease payments) £m
At 31 March 2019			
Not later than one year	**96.5**	**(26.2)**	**70.3**
Later than one year but not later than two years	**53.1**	**(21.7)**	**31.4**
Later than two years but not later than five years	**149.7**	**(52.6)**	**97.1**
Later than five years	**264.1**	**(44.4)**	**219.7**
	563.4	**(144.9)**	**418.5**
At 31 March 2018			
Not later than one year	100.5	(30.6)	69.9
Later than one year but not later than two years	96.4	(26.2)	70.2
Later than two years but not later than five years	150.4	(58.9)	91.5
Later than five years	316.3	(59.8)	256.5
	663.6	(175.5)	488.1

At 31 March	2019 £m	2018 £m
Principal outstanding		
Short-term	**70.3**	69.9
Long-term	**348.2**	418.2
	418.5	488.1

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 2019			
Not later than one year	**16.7**	**(5.7)**	**11.0**
Later than one year but not later than two years	**14.2**	**(5.2)**	**9.0**
Later than two years but not later than five years	**47.7**	**(13.2)**	**34.5**
Later than five years	**86.8**	**(10.0)**	**76.8**
	165.4	**(34.1)**	**131.3**
At 31 March 2018			
Not later than one year	17.0	(6.2)	10.8
Later than one year but not later than two years	16.7	(5.7)	11.0
Later than two years but not later than five years	43.7	(14.5)	29.2
Later than five years	104.9	(13.8)	91.1
	182.3	(40.2)	142.1

	2019 £m	2018 £m
Principal outstanding		
Short-term	**11.0**	10.8
Long-term	**120.3**	131.3
	131.3	142.1

25. Private finance initiative contracts

Private Finance Initiative contracts

The Group is party to the following PFI arrangements where the Group controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement. These arrangements are treated as service concession arrangements and, as stipulated by the Code, are accounted for in accordance with IFRIC 12 Service Concession Arrangements.

The Group therefore recognises PFI assets as items of plant, property and equipment together with a liability to pay for them (see note 12 for details of PFI assets). The fair values of services received under the contract are recorded as operating expenses.

The unitary charge is apportioned between the repayment of the liability, financing costs and charges for services. The service is recognised as an expense in net operating costs and the finance costs are charged to financial expenses in the Comprehensive Income and Expenditure Statement.

Contract	Contract dates	Description
TfL		
A13 Thames Gateway contract	2000 to 2030	Design and construction of improvements to the A13 infrastructure (including communication and traffic signals systems) and ongoing maintenance and operation of the A13 between Butcher Row and Wennington. The contract requires TfL to make an annual unitary payment, charged monthly and calculated according to the service provided by the concession company and the payment mechanisms defined in the contract.

25. Private finance initiative contracts (continued)

Contract	Contract dates	Description
London Underground Limited (LU)		
Connect	1999 to November 2019	Design, installation, management and maintenance of an integrated digital radio system. The contract requires LU to make an annual unitary payment which is adjusted for indexation and performance as specified in the contract.
British Transport Police (London Underground)	1999 to 2021 with a voluntary break option on provision of 12 months' written notice	Provision and ongoing management and maintenance of operational infrastructure to support efficient policing of the Jubilee Line Extension and the delivery of the long-term policing strategy for LU. The contract requires LU to make a base annual unitary payment which is adjusted for indexation and performance as specified in the contract.
Docklands Light Railway Limited (DLR)		
Greenwich	1996 to 2021	Design, construction and ongoing maintenance of the Greenwich extension to the Docklands Light Railway. The contract requires DLR to make payments, which are charged monthly and adjusted for any penalties relating to adverse performance against output measures describing all relevant aspects of the contract.

25. Private finance initiative contracts (continued)

PFI finance lease liabilities

The following PFI finance lease liabilities are included within total finance lease liabilities in note 24.

	Group 2019 £m	Group 2018 £m	**Corporation 2019 £m**	Corporation 2018 £m
At 1 April	**234.9**	292.5	**142.1**	152.6
Payments	**(67.1)**	(72.8)	**(17.0)**	(17.1)
Interest	**11.9**	15.2	**6.2**	6.6
At 31 March	**179.7**	234.9	**131.3**	142.1

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 2019				
Less than 1 year	**8.7**	**54.2**	**66.9**	**129.8**
Between 2 and 5 years	**18.8**	**48.7**	**137.3**	**204.8**
Between 6 and 10 years	**9.7**	**71.7**	**149.9**	**231.3**
Between 11 and 15 years	**0.2**	**5.1**	**23.4**	**28.7**
	37.4	**179.7**	**377.5**	**594.6**
At 31 March 2018				
Less than 1 year	11.9	55.3	71.0	138.2
Between 2 and 5 years	23.5	88.6	174.0	286.1
Between 6 and 10 years	13.1	78.4	156.2	247.7
Between 11 and 15 years	0.8	12.6	47.3	60.7
	49.3	234.9	448.5	732.7

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 2019				
Less than 1 year	**5.7**	**11.1**	**22.4**	**39.2**
Between 2 and 5 years	**18.5**	**43.5**	**112.3**	**174.3**
Between 6 and 10 years	**9.7**	**71.7**	**149.9**	**231.3**
Between 11 and 15 years	**0.2**	**5.0**	**23.4**	**28.6**
	34.1	**131.3**	**308.0**	**473.4**
At 31 March 2018				
Less than 1 year	6.2	10.8	19.9	36.9
Between 2 and 5 years	20.2	40.3	104.5	165.0
Between 6 and 10 years	13.1	78.4	156.2	247.7
Between 11 and 15 years	0.8	12.6	47.3	60.7
	40.3	142.1	327.9	510.3

26. Other financing liabilities

Group other financing liabilities at 31 March comprised:

	Group 2019 £m	Group 2018 £m
Long-term		
Deferred capital payments	**132.7**	-

Other financing liabilities comprise deferred capital payments in respect of the acquisition of property, plant and equipment. Gross payments with a nominal value of £159.7m fall due over the period to March 2033. These have been discounted back at an effective rate of interest of 2.5 per cent to the present value recorded in the table above.

27. Derivative financial instruments

Group cash flow hedges

At 31 March	Fair value 2019 £m	Notional amount 2019 £m	Fair value 2018 £m	Notional amount 2018 £m
Long-term assets				
Interest rate swaps	**2.7**	**96.0**	7.0	96.0
Foreign currency forward contracts	**4.1**	**49.6**	4.7	126.2
	6.8	**145.6**	11.7	222.2
Current assets				
Foreign currency forward contracts	**7.8**	**272.4**	5.9	510.4
Foreign currency options	**4.0**	**299.0**	-	-
	11.8	**571.4**	5.9	510.4
Current liabilities				
Interest rate swaps	**1.2**	**150.0**	0.7	100.0
Foreign currency forward contracts	**1.8**	**220.9**	0.8	94.9
	3.0	**370.9**	1.5	194.9
Long-term liabilities				
Interest rate swaps	**43.0**	**334.9**	50.4	482.9
Foreign currency forward contracts	**3.5**	**74.4**	1.6	30.9
	46.5	**409.3**	52.0	513.8

The Corporation has not entered into any derivative financial instrument contracts.

28. Provisions

a) Group provisions

	At 1 April 2018 £m	Payments in the year £m	Charge for the year £m	Releases in the year £m	At 31 March 2019 £m
Compensation and contractual	203.4	(19.8)	135.2	(65.8)	**253.0**
Capital investment activities	81.0	(16.7)	25.8	(0.2)	**89.9**
Environmental harm	1.4	-	-	-	**1.4**
Severance and other	132.6	(36.5)	7.0	(46.9)	**56.2**
	418.4	(73.0)	168.0	(112.9)	**400.5**

At 31 March	2019 £m	2018 £m
Due		
Short-term	**345.9**	334.1
Long-term	**54.6**	84.3
	400.5	418.4

b) Corporation provisions

	At 1 April 2018 £m	Payments in the year £m	Charge for the year £m	Releases in the year £m	At 31 March 2019 £m
Compensation and contractual	22.6	(4.4)	19.5	(0.2)	**37.5**
Capital investment activities	81.0	(16.7)	25.8	(0.2)	**89.9**
Severance and other	45.9	(20.6)	32.2	(35.7)	**21.8**
	149.5	(41.7)	77.5	(36.1)	**149.2**

At 31 March	2019 £m	2018 £m
Due		
Short-term	**127.8**	124.4
Long-term	**21.4**	25.1
	149.2	149.5

28. Provisions (continued)

c) Nature of provisions

Compensation and contractual

The Group has provisions for expected compensation and contractual claims that arise in respect of disputes arising in the ordinary course of business. The provisions recorded are based on management's best estimate at the balance sheet date of the likely loss to be incurred through settlement. Reflecting the inherent uncertainty with many legal proceedings and claim settlements, the timing and amount of the outflows could differ from the amount provided. Based on current estimates management expects that these amounts, which are based on known facts and take account of past experience for similar items, will be settled within the next one to five years. Where material the provision held is discounted to its present value.

Capital investment activities

Capital investment activities include compulsory purchases, claims in respect of structural damage or diminution in value of properties affected by transport schemes, and other related third party claims. Estimates are made with reference to relevant market trends. Compulsory Purchase Order provision amounts have been based on the professional estimates of lawyers and surveyors of the land acquisition, development value, disturbance, statutory interest and professional fees for both sides of the negotiation on a case by case basis. Due to the nature of these liabilities and the need to negotiate settlement amounts there is considerable uncertainty regarding when Compulsory Purchase Order cases will be settled and payments made. At present management expects these provisions to be settled within the next five years.

Environmental harm

Environmental harm relates to potential costs associated with damage to the environment as a result of actions taken in the past. Management expects this provision to be settled within the next five years.

Severance and other

Severance and other provisions include voluntary severance costs arising from reorganisations and other smaller claims. Management expects these provisions to be settled within the next year.

29. 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.

30. Guarantees

Section 160 of the Greater London Authority Act 1999 (the GLA Act) sets out the conditions under which the Corporation may give certain guarantees, indemnities or similar arrangements. Under section 161 of the GLA Act TfL is obliged to disclose in its annual report details of all guarantees etc. so given.

TfL and its subsidiaries have entered into joint and several guarantees in favour of HSBC Bank plc as security for any bank indebtedness outstanding from time to time. TfL has also separately guaranteed any liabilities owing to HSBC Bank plc by its subsidiary, Crossrail Limited.

The Corporation has given guarantees in respect of some of its subsidiary companies' contracts. The amount that could be payable under the guarantees (as described below) varies depending on a number of factors, including, inter alia, responsibility for the costs arising from an early termination of the underlying contract, which are not known before the event. For information only, the approximate maximum amounts of debt that were envisaged to be drawn by the counterparty at the signing of the agreements are disclosed below. For the avoidance of doubt, these amounts do not represent the amounts that could be payable by TfL under the guarantees but are shown here to give an indication of the relative size of each contract.

	Estimated maximum debt drawn by counterparty at start of contract £m
Agreement with 345 Rail Leasing Limited	658
Agreement with CityLink Telecommunications Ltd	502
Agreements with QW Rail Leasing Ltd	380
Agreement with London Rail Leasing Ltd	350
Agreement with Pittville Leasing Ltd	51
Agreement with Lombard North Central Plc	7
Agreement with TLD (Landmark Court) Ltd	6
Agreement with 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.

30. Guarantees (continued)

It has guaranteed London Underground Limited's payment obligations as a tenant in respect of an operating lease for the Stratford City Business District. It has also provided an indemnity to Berkeley 55 Limited in respect of future Mayoral CIL payments that Berkeley 55 Limited may be charged in relation to the fit out of the Crossrail station at Woolwich.

Unlike the agreements listed above, these contracts are not based on an initial amount of debt and so cannot be quantified in a similar manner.

TfL also acts as a guarantor in respect of all liabilities under third party derivative contracts entered into by its subsidiary, Transport for London Finance Limited. The fair value of net liabilities outstanding under derivative contracts at 31 March 2019 is £30.9m (2018 £35.9m).

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 2019 the fair value of all financial guarantees granted has been recorded as £nil (2018 £nil).

31. 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 2019					
Within one year	**51.9**	**10.8**	**2.4**	**16.4**	**81.5**
Between one and two years	**46.9**	**11.1**	**1.9**	**37.4**	**97.3**
Between two and five years	**137.4**	**13.0**	**2.6**	**128.1**	**281.1**
Later than five years	**606.0**	**21.4**	**-**	**748.5**	**1,375.9**
	842.2	**56.3**	**6.9**	**930.4**	**1,835.8**
At 31 March 2018					
Within one year	52.4	12.5	3.3	26.9	95.1
Between one and two years	44.3	11.5	2.1	42.5	100.4
Between two and five years	122.0	22.1	3.1	119.9	267.1
Later than five years	620.3	24.7	-	342.4	987.4
	839.0	70.8	8.5	531.7	1,450.0

31. 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 2019				
Within one year	**65.4**	**5.2**	**-**	**70.6**
Between one and two years	**57.1**	**5.4**	**-**	**62.5**
Between two and five years	**127.0**	**8.1**	**-**	**135.1**
Later than five years	**693.0**	**7.2**	**-**	**700.2**
	942.5	**25.9**	**-**	**968.4**
At 31 March 2018				
Within one year	64.0	9.8	-	73.8
Between one and two years	57.1	10.0	-	67.1
Between two and five years	128.6	22.8	-	151.4
Later than five years	690.7	8.9	-	699.6
	940.4	51.5	-	991.9

31. 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 2019			
Within one year	**33.4**	**0.1**	**33.5**
Between one and two years	**32.0**	**0.1**	**32.1**
Between two and five years	**95.3**	**0.1**	**95.4**
Later than five years	**395.4**	**-**	**395.4**
	556.1	**0.3**	**556.4**
At 31 March 2018			
Within one year	19.6	0.1	19.7
Between one and two years	19.1	0.1	19.2
Between two and five years	55.8	0.1	55.9
Later than five years	222.2	-	222.2
	316.7	0.3	317.0

31. 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 2019		
Within one year	**5.3**	**5.3**
Between one and two years	**4.9**	**4.9**
Between two and five years	**8.6**	**8.6**
Later than five years	**8.6**	**8.6**
	27.4	**27.4**
At 31 March 2018		
Within one year	4.8	4.8
Between one and two years	4.5	4.5
Between two and five years	9.9	9.9
Later than five years	8.4	8.4
	27.6	27.6

32. Funding and financial risk management

Introduction

TfL is a statutory corporation established under the Greater London Authority Act 1999 (the 'GLA Act'). TfL is funded by revenues (predominantly passenger income), grant and prudential borrowing. The Group's debt is issued by the statutory corporation, Transport for London, in the form of loans from the Public Works Loan Board, the European Investment Bank and Export Development Canada (export credit agency), Medium Term Notes under the £5bn TfL Euro Medium Term Note programme, and short-term Commercial Paper under the £2bn TfL Euro Commercial Paper programme.

Treasury Management

TfL has a Treasury Management Strategy which is required to be updated on at least an annual basis and is approved by the TfL Board, prior to the commencement of each financial year.

The Treasury Management Strategy for 2018/19 was prepared having regard to the Local Government Act 2003 and the Local Authorities (Capital Finance and Accounting) Regulations 2003 (as amended), the key recommendations of the Code of Practice and Cross-Sectoral Guidance Notes for Treasury Management in the Public Services (2017 Edition) (the Treasury Management Code) and the Prudential Code for Capital Finance in Local Authorities (2017 Edition) the Prudential Code), both issued by the Chartered Institute of Public Finance & Accountancy (CIPFA), as well as the key recommendations of the Statutory Guidance on Local Authority Investments (2010 Edition) issued by the former Department for Communities and Local Government (the Investment Guidance).

The Group's principal financial instruments comprise borrowings, investments, derivatives, finance lease liabilities and receivables, cash and cash equivalents. These financial instruments are used to manage funding and liquidity requirements. Other financial instruments that arise directly from the Group's operations include trade receivables and payables.

The Group monitors the risk profile of its borrowing, investment and derivative programmes against approved benchmarks and provides regular reports to the Chief Finance Officer. Semi-annual reports on overall performance against the approved strategy are considered by the Finance Committee (a committee of the TfL Board). Section 49 of the TfL Act 2008 confers upon TfL the powers to use derivative financial instruments for risk management purposes only via qualifying subsidiaries.

32. 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 this limit, the Mayor and TfL are required by regulation to have regard to the Prudential Code. In accordance with the Prudential Code and Treasury Management Code, the TfL Board annually approves a long term capital strategy and a set of indicators, for prudent and affordable borrowing, for estimates of capital expenditure, for interest rate exposures and the maturity profile of its borrowing.

TfL also agrees its maximum annual incremental borrowing capacity with Government.

Financial Risks and Risk Management

The Group is exposed to a number of financial risks in the normal course of its business operations, the key ones being:

- Credit risk
- Market risk
- Liquidity risk

Each of these risks is managed in accordance with the Group's comprehensive risk management process. The TfL Board, through its Finance Committee, 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.

32. Funding and financial risk management (continued)

(i) Trade receivables and contract assets

The Group earns the majority of its revenue through prepaid fares. Financial assets arise from: penalty charges, fare revenues not earned on a prepaid basis, commercial activities such as property rental or advertising and amounts due under contractual arrangements from partners or suppliers. The maximum exposure to credit risk at the reporting date is the carrying value disclosed in note 18.

A significant portion of the financial assets arising in the Corporation are with other Group companies. Per note 29, the Corporation has granted guarantees in respect of the obligations of its subsidiaries, mitigating credit risk attached to settlement of these intercompany financial assets.

Customer credit risk is managed by a central credit control function subject to TfL's policy, procedures and control framework. Counterparties are assessed individually for their creditworthiness at the time of entering into contracts and an internal credit rating is assigned.

At each reporting date, the Group applies the IFRS 9 simplified approach to measuring expected credit losses. This approach uses a lifetime expected loss allowance for all trade receivables and contract assets. In determining the expected loss rates, trade receivables and contract assets are considered together based on shared credit risk characteristics. Historical loss rates over the short to medium term are applied to groupings of various customer segments within trade receivables and contract assets. These rates are adjusted to reflect expectations about future credit losses. There is a rebuttable presumption that default has occurred if assets are more than 90 days past due.

The provision for doubtful debts in respect of trade receivables and contract assets for 2017/18 was £256.0m. Adoption of IFRS 9 on 1 April 2018 resulted in a loss allowance that was materially unchanged from the assessment as at 31 March 2018, calculated under IAS 39.

Despite the application of a loss allowance, these balances remain subject to enforcement activity and recoveries will be credited against the same line item as the expected credit loss within operating profit. On that basis, the loss allowance as at 31 March 2019 was determined as follows for both trade receivables and contract assets:

Age of trade and other debtors: Group

	Not overdue £m	Overdue by less than 3 months £m	Overdue by between 3 and 6 months £m	Overdue by between 6 months and 1 year £m	Overdue by more than 1 year £m	Total £m
At 31 March 2019						
Expected credit loss rate	**0.2%**	**27.1%**	**77.2%**	**92.9%**	**100.0%**	**31.1%**
Estimated total gross carrying amount at default	**621.5**	**31.0**	**19.7**	**36.5**	**234.7**	**943.4**
Expected credit loss allowance	**(1.0)**	**(8.4)**	**(15.2)**	**(33.9)**	**(234.7)**	**(293.2)**

32. Funding and financial risk management (continued)

Age of trade and other debtors: Corporation

	Not overdue £m	Overdue by less than 3 months £m	Overdue by between 3 and 6 months £m	Overdue by between 6 months and 1 year £m	Overdue by more than 1 year £m	Total £m
At 31 March 2019						
Expected credit loss rate	-	45.7%	79.5%	93.7%	100.0%	2.6%
Estimated total gross carrying amount at default	10,807.1	17.5	17.6	34.9	231.0	11,108.1
Expected credit loss allowance	-	(8.0)	(14.0)	(32.7)	(231.0)	(285.7)

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there may be no reasonable expectation of recovery include, amongst other things; failure of a debtor to engage in a repayment plan or advice from TfL's legal department.

(ii) Investments

All cash balances are invested in accordance with TfL's Treasury Management Strategy which was developed with regard to the Treasury Management Code and the Investment Guidance, and which requires a prudent approach to the investment of surplus funds with priority given to security and liquidity.

Investments are made within limits approved by the TfL Board annually. Counterparty limits are set according to the assessed risk of each counterparty and are linked to the credit rating of the institution. Exposures are monitored against these limits on a regular basis.

TfL considers the risk of the overall portfolio as well as individual investments, seeking to diversify its investments and has regard to the exposure to any one counterparty, country, industry, investment type and credit. The investment portfolio is allocated across sovereigns, government agencies, financial institutions, corporates and money market funds.

Certain banks hold collateral on TfL's account to provide security for TfL's reverse repurchase agreement investments. As at 31 March 2019, the fair value of the collateral held amounted to £270m (2018 £nil).

The centrally managed cash reserves at 31 March 2019 totalled £1,659.0m (2018 £1,715.3m).

32. 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	Minimum Credit Rating (S&P/ Moody's/ Fitch)	Weighted average days to maturity
At 31 March 2019			
UK Debt Management Office	**336.3**	**P-1/A-1+**	**49**
Other Government Agencies	**278.1**	**P-1/A-1+/F1+**	**55**
Money Market Funds	**280.0**	**AAA/AAA/AAA**	**1**
Banks (including Gilt backed repos)	**604.0**	**P-2/A-2/F1**	**28**
Corporates	**160.6**	**P-2/A-2/F2**	**42**
Total	**1,659.0**		**33**
At 31 March 2018			
UK Debt Management Office	374.2	P-1/A-1+	81
Other Government Agencies	155.4	P-1/A-1+/F1+	48
Money Market Funds	581.7	AAA/AAA/AAA	1
Banks (including Gilt backed repos)	351.2	P-1/A-1/F1	45
Corporates	252.9	P-1/A-2/F1	58
Total	1,715.4		40

All of the entity's cash and investments are considered to have low credit risk; they are highly rated by major rating agencies, have a low risk of default and the counterparties have a strong capacity to meet obligations in the near term. While low risk, these remain subject to the impairment requirements of IFRS 9 at each reporting date. The identified 12 month expected loss allowance upon adoption of IFRS 9 and at 31 March 2019 was immaterial.

32. 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 Investments, which is approved by the TfL Board. The Group spreads its exposure over a number of counterparties, and has strict policies on how much exposure can be assigned to each counterparty.

The Group's maximum credit risk exposure relating to financial derivative instruments is noted in the maturity profile of derivatives tables within the market risk section of this note. The credit risk with regard to financial derivative instruments is limited because TfL has arrangements in place with each bank wherein, should the derivative be in an asset position for TfL and the market value reaches a contractually defined threshold, TfL can call upon the bank to post collateral in cash or eligible securities. TfL only envisages using these rights in the event that the financial strength of the institution has deteriorated since the limits were approved.

(iv) Guarantees

The Corporation provides guarantees to third parties under section 160 of the GLA Act, as disclosed in note 30, which are deemed necessary for the fulfilment of its policies. The Group's policy is to recognise financial guarantees at the higher of an expected credit loss allowance and the amount initially recognised as fair value less any amortisation that has occurred to date. As at 31 March 2019, the fair value of the Corporation's financial guarantees has been assessed as £nil (2018 £nil).

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and inflation will affect the Group's income, expenditure or the value of its holdings of financial instruments. The Group, through its wholly owned subsidiary Transport for London Finance Limited, uses derivatives (hedging instruments) to reduce exposure to interest rate and foreign exchange rate movements (the hedged risks) on existing contracts and highly probable future transactions. The Group does not use derivative financial instruments for speculative purposes.

On inception, all interest rate derivatives and foreign currency derivative instruments hedging commercial contracts are designated in highly effective hedge relationships and hedge accounting is applied. If a derivative should no longer satisfy the hedging criteria in accordance with adopted IFRS 9 Financial Instruments (IFRS 9), hedge accounting ceases and the derivative is fair valued immediately through the Comprehensive Income and Expenditure Statement.

The use of derivative instruments can itself give rise to credit and market risk. Market risk is the possibility that future changes in interest rates may make a derivative more or less valuable. Since the Group uses derivatives for risk management, market risk relating to derivative instruments is principally offset by changes in the cash flows of the transactions being hedged.

For the years ended 31 March 2019 and 2018, 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.

32. Funding and financial risk management (continued)

(i) Foreign exchange risk

During 2018/19, TfL held certain short term investments denominated in Euros. The Euro denominated investments were swapped back to GBP at the Group level through the use of forward foreign exchange contracts. These contracts were not in formally designated hedging relationships for accounting purposes, as the currency gain or loss on retranslation of the investments is offset within net cost of services at the Group level by the movement in the fair value of the derivative instruments. As at 31 March 2019, the Group held foreign exchange contracts to hedge €285.7m future Euro receipts in relation to its Euro investments (2018 €514.0m). Throughout the year, the hedging strategy provided an effective offset of fair value movements due to holding foreign currency investments. The unrealised exchange net loss was £0.4m as at 31 March 2019 (2017/18 a net gain of £0.1m). These derivative instruments mature in the period to July 2019.

For 2018/19, 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 and call options whose critical terms are closely aligned to the exposure, such as notional amount, expected maturity date and currency. Hedge accounting is applied to these derivative instruments. For exposures not meeting these criteria, the exchange risk was passed on to the vendor.

Where funds were received in specific currencies in which the Group expected to have future exposures, the Treasury Management Strategy made allowances to place these funds on deposit. This gave the Group the flexibility to offer certain payments in specific foreign currencies where required.

Effects of hedge accounting

Foreign currency hedges in relation to capital expenditure

At 31 March 2019, the Group held forward foreign derivative contracts in Euros, Canadian Dollars, Swiss Francs, Swedish Krona and Chinese Yuan Renminbi and call options in Euros and Canadian Dollars. These forward contracts hedge planned foreign currency capital expenditure payments with a nominal value of £187.1m (2018 £219.5m). At 31 March 2019, these contracts had a combined net fair value of £3.5m (2018 £4.7m). At 31 March 2019, the call options were out of the money. The fair value attributable to time value of the options was £4.0m (2018 £nil). The fair value of forward contracts and the option premia were recognised in equity at 31 March 2019 and once hedged purchases occur, the subsequent realised gain or loss will be transferred to fixed asset additions as a basis adjustment.

The hedge ratio is 1:1. The economic relationship of all hedging relationships have been assessed as effective and the change in value of hedged items since 1 April 2018 has been offset by the change in value of hedging instruments.

32. Funding and financial risk management (continued)

It is expected that the hedged purchases will take place in the period to 2 January, 2024. Detail on the maturity of these contracts is disclosed later in this note.

The Group has no other material financial assets or liabilities denominated in foreign currencies, and thus has no general translation exposure to gains or losses arising from movements in exchange rates.

Sensitivity analysis on foreign exchange risk

	2019 Net nominal value £m	2019 Fair value £m	2019 Fair value after a 10% increase in GBP against other currency	2019 Fair value after a 10% decrease in GBP against other currency	2018 Net nominal value £m	2018 Fair value £m	2018 Fair value after a 10% increase in GBP against other currency	2018 Fair value after a 10% decrease in GBP against other currency
Net sell								
Euros					372.5	4.7	38.1	(36.1)
Net buy								
Euros	**91.2**	**5.6**	**18.1**	**(18.0)**				
US dollars	**-**	**-**	**-**	**-**	0.3	-	-	0.1
Canadian dollars	**96.0**	**7.3**	**0.2**	**15.4**	84.2	5.1	(3.0)	14.9
Swiss Francs	**2.8**	**(0.2)**	**(0.5)**	**0.1**	3.2	(0.3)	(0.6)	-
Swedish Krona	**26.1**	**(2.5)**	**(4.6)**	**0.2**	28.7	(1.5)	(3.9)	1.5
Chinese Yuan Renminbi	**6.4**	**0.4**	**(0.2)**	**1.2**	6.9	0.1	(0.5)	1.0
Total asset/(liability)	**n/a**	**10.6**	**13.0**	**(1.1)**	n/a	8.1	30.1	(18.6)

32. Funding and financial risk management (continued)

(ii) Interest rate risk

As at 31 March 2019, 97.5 per cent (2018 97.1 per cent) of the Group's borrowings were at fixed rates of interest after hedging. The remaining 2.5 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 rolling 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 being invested in the transport system.

The Group is also exposed to interest rate risk in respect of its investments. Investments are made in accordance with the Treasury Management Strategy, which prioritises security and liquidity over yield.

In order to achieve certainty over the cost of a portion of its planned borrowings, TfL, through its wholly owned subsidiary, Transport for London Finance Limited, employs a number of interest rate swaps and gilt locks whose critical terms are closely aligned to the interest payment schedule of both highly probable and existing borrowings. Hedge accounting is applied to these derivative instruments.

Effects of hedge accounting

Interest rate swaps

As at 31 March 2019, the Group, through its wholly owned subsidiary, Transport for London Finance Limited, held 12 interest rate swaps at a total notional value of £580.9m (2018 15 interest rate swaps at a total notional value of £678.9m). The net fair value of these contracts at 31 March 2019 was a liability of £41.5m (2018 £44.1m). The fair value is recognised in equity at 31 March 2019 and will be transferred to net financing costs within the Comprehensive Income and Expenditure Statement as the hedged interest payments occur.

The hedge ratio is 1:1. The economic relationship of all hedging relationships has been assessed as effective and the change in value of hedged items since 1 April 2018 has been offset by the change in value of hedging instruments.

It is expected that the hedged interest payments will take place in the period to December 2042. Details on the maturity of these contracts are disclosed later in this note.

32. Funding and financial risk management (continued)

Sensitivity analysis on interest rate risk

(a) Fair value sensitivity analysis for fixed interest instruments

All of the Group's non-derivative financial instruments with fixed rates of interest are accounted for at amortised cost. Fluctuations in market interest rates would therefore have no impact on the balance sheet or net income figures in respect of these items.

(b) Fair value sensitivity analysis for derivative instruments

As at 31 March 2019, the Group holds interest rate derivative contracts with a combined notional value of £580.9m (2018 £678.9m) which are designated as cash flow hedges.

An increase/(decrease) of 100 basis points in interest rates would increase/(decrease) the fair value of the derivative instruments by £34.5m/£(32.6)m (2018 £39.5m/£(35.8)m).

(iii) Inflation risk

The Group has a number of exposures to inflation including staff pay awards and passenger income. The Group has not entered into any derivative instrument to manage its exposure to inflation risk. Historically this risk has been partially offset with index linked revenues and index linked costs creating a natural hedge within the Group.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Corporation manages liquidity risk by maintaining access to a number of sources of funding which are sufficient to meet anticipated funding requirements. As long as the affordable borrowing limit set by the Mayor is not exceeded, the Corporation is able to borrow from the Public Works Loan Board, raise debt on the capital markets through both its established Medium Term Note programme and Commercial Paper programme, borrow from commercial banks or utilise its overdraft facility and, subject to meeting the relevant criteria, borrow at competitive interest rates from the European Investment Bank and Export Development Canada. There is therefore no significant risk that it will be unable to raise finance to meet its planned financial commitments.

The contractual maturities of the Group and Corporation's financial liabilities are listed later in this note.

32. Funding and financial risk management (continued)

Maturity profile of derivatives

The Group's foreign currency derivatives have the following maturities:

At 31 March	2019 Average exchange rate	2019 Fair value £m	2019 Notional amount £m	2018 Average exchange rate	2018 Fair value £m	2018 Notional amount £m
Foreign currency forward contracts						
Buy euro						
Less than one year	**0.862**	**0.1**	**102.1**	0.878	0.3	66.8
Between one and two years	**0.893**	**(0.3)**	**20.2**	0.881	0.2	10.8
Between two and five years	**0.912**	**(0.7)**	**37.4**	0.900	0.8	43.2
After 5 years	**-**	**-**	**-**	0.928	-	5.8
Sell euro						
Less than one year	**0.870**	**2.8**	**340.0**	0.886	3.4	499.1
Total euro	**0.880**	**1.9**	**499.7**	0.884	4.7	625.7
Buy US Dollars						
Less than one year	**-**	**-**	**-**	0.638	-	0.3
Total US Dollars	**-**	**-**	**-**	0.638	-	0.3
Buy Canadian Dollars						
Less than one year	**0.518**	**3.3**	**31.6**	0.513	1.7	23.1
Between one and two years	**0.515**	**2.5**	**24.4**	0.515	1.7	25.7
Between two and five years	**0.513**	**1.2**	**12.5**	0.511	1.7	35.4
Total Canadian Dollars	**0.516**	**7.0**	**68.5**	0.513	5.1	84.2

32. Funding and financial risk management (continued)

Maturity profile of derivatives (continued)

The Group's foreign currency derivatives have the following maturities:

At 31 March	2019 Average exchange rate	2019 Fair value £m	2019 Notional amount £m	2018 Average exchange rate	2018 Fair value £m	2018 Notional amount £m
Foreign currency forward contracts						
Buy Swiss Francs						
Less than one year	**0.851**	**-**	**0.5**	0.839	-	0.4
Between one and two years	**0.864**	**(0.1)**	**0.9**	0.851	(0.1)	0.5
Between two and five years	**0.885**	**(0.1)**	**1.4**	0.873	(0.2)	2.0
After five years	**-**	**-**	**-**	0.905	-	0.3
Total Swiss Francs	**0.872**	**(0.2)**	**2.8**	0.868	(0.3)	3.2
Buy Swedish Krona						
Less than one year	**0.093**	**(0.4)**	**3.6**	0.092	(0.2)	2.6
Between one and two years	**0.093**	**(0.7)**	**7.6**	0.093	(0.2)	3.6
Between two and five years	**0.093**	**(1.4)**	**14.9**	0.093	(1.0)	20.0
After five years	**-**	**-**	**-**	0.093	(0.1)	2.5
Total Swedish Krona	**0.093**	**(2.5)**	**26.1**	0.093	(1.5)	28.7
Buy Chinese Yuan Renminbi						
Less than one year	**0.106**	**0.6**	**9.1**	0.113	0.1	6.7
Between one and two years	**0.104**	**0.3**	**3.8**	0.106	0.2	6.5
Between two and five years	**0.100**	**-**	**0.4**	0.101	-	0.4
Sell Chinese Yuan Renminbi						
Less than one year	**0.106**	**(0.5)**	**6.5**	0.109	(0.2)	6.2
Between one and two years	**0.101**	**-**	**0.4**	0.103	-	0.4
Total Chinese Yuan Renminbi	**0.105**	**0.4**	**20.3**	0.106	0.1	20.3
Grand total	**n/a**	**6.6**	**617.3**	n/a	8.1	762.4

At 31 March 2019 the foreign currency call options were out of the money and as such would not be exercised. The fair value of the foreign currency call options is a net asset of £4.0m (2018 £nil). However, as no future cashflows are expected to arise these derivatives have been excluded from the maturity table.

32. Funding and financial risk management (continued)

Maturity profile of derivatives (continued)

The Group's interest rate derivatives have the following maturities:

At 31 March	2019 Average contracted fixed interest rate (%)	2019 Fair value £m	2019 Notional amount £m	2018 Average contracted fixed interest rate (%)	2018 Fair value £m	2018 Notional amount £m
Interest rate hedges						
Less than one year	**3.849**	**(1.1)**	**150.0**	3.566	(0.8)	100.0
Between one and two years	**3.548**	**(0.9)**	**25.0**	3.849	(5.4)	150.0
Between two and five years	**4.142**	**(20.7)**	**200.0**	4.024	(21.4)	200.0
After five years	**2.293**	**(18.8)**	**205.9**	2.492	(16.5)	228.9
Total	**3.385**	**(41.5)**	**580.9**	3.401	(44.1)	678.9

TfL was conferred the legal powers to enter into derivatives for the purpose of risk mitigation via qualifying subsidiaries. The Corporation does not itself have the legal powers to enter into derivative transactions. TfL has entered into these contracts for the purpose of risk management and intends to hold these contracts to maturity as hedges against the underlying transactions.

32. 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 – at 31 March 2019					
Derivatives settled gross					
Foreign exchange forward contracts:					
Amounts receivable	**302.8**	**58.0**	**65.7**	**-**	**426.5**
Amounts payable	**(296.8)**	**(56.5)**	**(66.6)**	**-**	**(419.9)**
Derivatives settled net					
Interest rate swaps	**(11.7)**	**(9.1)**	**(15.1)**	**(4.7)**	**(40.6)**
	(5.7)	**(7.6)**	**(16.0)**	**(4.7)**	**(34.0)**
Group – at 31 March 2018					
Derivatives settled gross					
Foreign exchange forward contracts:					
Amounts receivable	507.0	48.3	102.4	8.5	666.2
Amounts payable	(501.8)	(46.6)	(101.0)	(8.6)	(658.0)
Derivatives settled net					
Interest rate swaps	(15.5)	(10.2)	(18.9)	(3.6)	(48.2)
	(10.3)	(8.5)	(17.5)	(3.7)	(40.0)

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 2019, the fair value of the interest rate derivatives was a net liability of £41.5m (2018 £44.1m). The fair value of forward foreign exchange derivatives was a net asset of £6.6m (2018 a net asset of £8.1m). At 31 March 2019, the foreign currency call options were out of the money and as such would not be exercised. The fair value of the foreign currency call options at 31 March was a net asset of £4.0m (2018 £nil), however, as no future cashflows are expected to arise these derivatives are excluded from the maturity table.

32. Funding and financial risk management (continued)

Contractual maturity of financial liabilities

The following table details the Group and the Corporation's remaining contractual maturity for their non derivative financial liabilities. The table has been drawn up on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group or Corporation can be required to pay and, therefore differs from the carrying value and the fair value. The table includes both interest and principal cash flows.

	Less than one year £m	Between one and two years £m	Between two and five years £m	More than five years £m	Total £m
Group - as at 31 March 2019					
Trade and other creditors	**1,698.2**	**11.0**	**-**	**-**	**1,709.2**
Borrowings - principal	**746.9**	**113.5**	**952.1**	**9,362.8**	**11,175.3**
Borrowings - interest	**478.6**	**389.9**	**1,043.0**	**6,024.8**	**7,936.3**
Finance lease liabilities	**96.5**	**53.1**	**149.7**	**264.1**	**563.4**
Other financing liabilities	**-**	**6.9**	**38.2**	**114.6**	**159.7**
	3,020.2	**574.4**	**2,183.0**	**15,766.3**	**21,543.9**
Group - as at 31 March 2018					
Trade and other creditors	1,846.7	25.0	-	-	1,871.7
Bank overdraft	0.1	-	-	-	0.1
Borrowings - principal	846.8	96.8	936.8	8,566.6	10,447.0
Borrowings - interest	375.1	455.1	1,079.7	5,697.4	7,607.3
Finance lease liabilities	100.5	96.4	150.4	316.3	663.6
Other financing liabilities	-	-	-	-	-
	3,169.2	673.3	2,166.9	14,580.3	20,589.7
Corporation - as at 31 March 2019					
Trade and other payables	**512.1**	**-**	**-**	**-**	**512.1**
Borrowings - principal	**746.9**	**113.5**	**952.1**	**9,362.8**	**11,175.3**
Borrowings - interest	**478.6**	**389.9**	**1,043.0**	**6,024.8**	**7,936.3**
Finance lease liabilities	**16.7**	**14.2**	**47.7**	**86.8**	**165.4**
	1,754.3	**517.6**	**2,042.8**	**15,474.4**	**19,789.1**
Corporation - as at 31 March 2018					
Trade and other payables	611.3	-	-	-	611.3
Borrowings - principal	846.8	96.8	936.8	8,566.6	10,447.0
Borrowings - interest	375.1	455.1	1,079.7	5,697.4	7,607.3
Finance lease liabilities	17.0	16.7	43.7	104.9	182.3
	1,850.2	568.6	2,060.2	14,368.9	18,847.9

32. Funding and financial risk management (continued)

Fair values

In accordance with IFRS 13, the fair values of the financial assets and liabilities are calculated as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following methods and assumptions were used to estimate the fair values:

- Cash and cash equivalents – approximates to the carrying amount
- Short-term investments – approximates to the carrying amount because of the short maturity of these instruments
- Long-term investments – by reference to bid prices at the close of business on the balance sheet date, within Level 1 of the fair value hierarchy as defined within IFRS 13
- Trade and other debtors - approximates to the carrying amount
- Derivative financial instruments – In the absence of quoted market prices, derivatives are valued by using quoted forward prices for the underlying commodity/currency and discounted using quoted interest rates (both as at the close of business on the balance sheet date). Hence, derivatives are within Level 2 of the fair value hierarchy as defined within IFRS 13:
    - Forward exchange contracts – based on market data and exchange rates at the balance sheet date
    - Interest rate swaps and forward starting interest rate swaps – based on the net present value of discounted cash flows
- Trade and other creditors - approximates to the carrying amount
- Long-term borrowings – determined by calculating the discounted value of the future cash flows (redemption and interest) using appropriate discount rates, based on observable market data, in effect at the balance sheet date at Level 2 of the fair value hierarchy. Fair value approximates to the carrying amount in the case of short-term commercial paper
- Finance lease liabilities – approximates to the carrying amount
- Other financing liabilities – approximates to the carrying amount

32. 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:

At 31 March	2019 Carrying value £m	2019 Fair value £m	2018 Carrying value £m	2018 Fair value £m
Cash and cash equivalents	**1,665.8**	**1,665.8**	1,239.5	1,239.5
Short-term investments	**215.9**	**215.9**	692.3	692.3
Trade and other debtors	**650.2**	**650.2**	460.0	460.0
Finance lease receivables	**52.2**	**52.2**	25.6	25.6
Derivative financial instruments	**18.6**	**18.6**	17.6	17.6
Total financial assets	**2,602.7**	**2,602.7**	2,435.0	2,435.0
Trade and other creditors	**1,709.2**	**1,709.2**	1,871.7	1,871.7
Borrowings	**11,144.6**	**15,367.7**	10,415.6	14,443.3
Finance lease liabilities	**418.5**	**418.5**	488.1	488.1
Other financing liabilities	**132.7**	**132.7**	-	-
Derivative financial instruments	**49.5**	**49.5**	53.5	53.5
Total financial liabilities	**13,454.5**	**17,677.6**	12,828.9	16,856.6
Net financial liabilities	**(10,851.8)**	**(15,074.9)**	(10,393.9)	(14,421.6)

32. Funding and financial risk management (continued)

The fair values of financial assets and liabilities of the Corporation determined in accordance with IFRS 13, together with the carrying amounts recorded in the balance sheet are:

At 31 March	2019 Carrying value £m	2019 Fair value £m	2018 Carrying value £m	2018 Fair value £m
Cash and cash equivalents	**1,504.6**	**1,504.6**	1,102.4	1,102.4
Short-term investments	**203.0**	**203.0**	669.8	669.8
Trade and other debtors	**11,108.1**	**11,108.1**	10,853.0	10,853.0
Total financial assets	**12,815.7**	**12,815.7**	12,625.2	12,625.2
Trade and other creditors	**512.1**	**512.1**	611.3	611.3
Borrowings	**11,150.4**	**15,367.7**	10,422.1	14,443.3
Finance lease liabilities	**131.3**	**131.3**	142.1	142.1
Total financial liabilities	**11,793.8**	**16,011.1**	11,175.5	15,196.7
Net financial assets	**1,021.9**	**(3,195.4)**	1,449.7	(2,571.5)

33. Pensions

The majority of the Group's staff were members of the Public Sector Section of the TfL Pension Fund. The majority of the Group's remaining staff were members of London Pension Fund Authority Pension Fund, the Principal Civil Service Pension Scheme, the Crossrail Shared Cost Section of the Railways Pension Scheme (Crossrail Section) or the Tube Lines defined contribution scheme.

a) Amount included in net cost of services

For the year ended 31 March	Note	Group 2019 £m	Group 2018 £m	Corporation 2019 £m	Corporation 2018 £m
TfL Pension Fund		**605.4**	575.8	**369.1**	316.2
Local Government Pension Fund		**2.0**	2.8	**2.0**	2.8
Crossrail Section of the Railways Pension Scheme		**4.2**	5.6	**-**	-
Unfunded schemes provision		**9.6**	15.6	**6.2**	15.6
Total for schemes accounted for as defined benefit		**621.2**	599.8	**377.3**	334.6
Principal Civil Service Pension Scheme		**0.5**	0.5	**0.5**	0.5
Other schemes		**3.4**	6.0	**0.8**	3.3
Amounts included in net cost of services		**625.1**	606.3	**378.6**	338.4
Less: scheme expenses		**(12.1)**	(11.9)	**(12.0)**	(11.8)
Amount included in staff costs	3	**613.0**	594.4	**366.6**	326.6

33. Pensions (continued)

b) Defined benefit schemes

This section deals with those pension funds to which the Group contributes that are accounted for under IAS 19 as defined benefit schemes.

Public Sector Section of the TfL Pension Fund ('TfL Pension Fund')

The TfL Pension Fund is a final salary scheme established under trust. The Fund's Trustee is the TfL Trustee Company Limited, a wholly owned subsidiary of TfL. Under the rules of the Fund, its 18 Trustee Directors are nominated in equal numbers by TfL and on behalf of the Fund's membership.

Every three years, the TfL Pension Fund actuary makes valuations and recommends the level of contributions to be made by the participating employers to ensure the long-term solvency of the Fund. The latest available valuation of the Fund was carried out as at 31 March 2018 by the Actuary, a partner of consulting actuaries Willis Towers Watson, using the projected unit method. A revised Schedule of Contributions was agreed between the Trustee and the employers following the formal funding valuation of the Public Sector Section.

Under the valuation report, the deficit of the Fund was £603m as at 31 March 2018. Assets totalled £10,321m and the defined benefit obligation totalled £10,924m. Employer's contributions during the year remained in line with the previous year at 31.0 per cent. Employer's contributions for the period from 1 April 2019 until 31 March 2020 will represent future service contributions at the rate of 26.9 per cent. From 1 April 2020 until 31 March 2026, employer contributions will rise to 33.3 per cent, comprising the future service contributions of 26.9 per cent, plus additional deficit recovery repayments at 6.4 per cent of pensionable pay. Additional contingent payments may be made from 1 April 2020 if the funding position deteriorates. The recovery plan states that the expectation is that the funding shortfall will be eliminated by March 2026.

The underlying assets and defined benefit obligation of the TfL Pension Fund cover a number of Group entities and cannot be readily split between each undertaking. No contractual agreement is in place to allocate the total net obligation between the member entities. Thus, in accordance with IAS 19, the Corporation, as the Scheme sponsor, has recognised the total net defined benefit obligation in its own individual accounts.

A separate valuation of the TfL Pension Fund has been prepared, by actuaries at the XPS Pensions Group, for accounting purposes on an IAS 19 basis as at 31 March 2019. The assumptions used by the actuaries 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 2018. Standard mortality tables were used, adjusted to reflect the recent mortality experience of the Fund's pensioners at that date. An allowance was made for future mortality improvements based on the CMI 2018 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.

33. Pensions (continued)

b) Defined benefit schemes (continued)

London Pension Fund Authority Pension Fund ('Local Government Pension Fund')

The London Pension Authority Pension Fund is a funded multi-employer defined benefit scheme, administered by the London Pensions Fund Authority. The Corporation is able to identify its share of the assets and defined benefit obligation of the scheme and this scheme has therefore been accounted for as a defined benefit scheme under IAS 19. Employer's contributions were payable at the rate of 15.9 per cent for 2018/19 (2017/18 15.9 per cent) of pensionable pay, plus a lump sum deficit reduction payment of £1.2m (2017/18 £1.2m). The Corporation's share of the underlying assets and defined benefit obligation resulted in an IAS 19 deficit as at 31 March 2019 of £45.6m (2018 £48.2m). 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 as at 31 March 2019 has been prepared for accounting purposes on an IAS 19 basis by Barnett Waddington LLP.

Crossrail Shared Cost Section of the Railways Pension Scheme ('Crossrail Section')

On 31 October 2016 Crossrail Limited (CRL) transferred its participation in the Railways Pension Scheme from the Omnibus Section of the Railways Pension Scheme to a newly established Crossrail Section of the Railways Pension Scheme. From this date the Crossrail Section has been accounted for in these financial statements as a defined benefit pension scheme under IAS 19.

A full actuarial valuation of the Scheme was carried out at 31 December 2016. The report showed a funding surplus of £5.9m. This was translated into a continuing current employer contribution level of 20.9 per cent. A separate valuation has been prepared for accounting purposes on an IAS 19 basis as at 31 March 2019 by actuaries at the XPS Pensions Group. The Group's share of the underlying assets and defined benefit obligation resulted in a deficit, as at 31 March 2019, of £29.9m (2018 £26.1m). The discounted Crossrail Section liabilities have a duration of approximately 25 years.

The defined benefit obligation for the Crossrail Section has been calculated using the mortality assumptions adopted for the latest available funding valuation as at 31 December 2016. Standard mortality tables were used, adjusted to reflect the recent mortality experience of the Scheme's pensioners at that date. An allowance was made for future mortality improvements based on the CMI 2018 projections with a long term improvement rate of 1.25 per cent per annum.

33. Pensions (continued)

Unfunded pension costs

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

In addition, the Corporation also bears the cost of:

- ex-gratia payments which are made to certain former employees on retirement in respect of service prior to the establishment of pension funds for those employees
- supplementary pensions, which are made to certain former employees who retired prior to index linking of pensions
- pensions of London Regional Transport (LRT) former board members who did not qualify to join the TfL Pension Fund
- other unfunded defined benefit pensions accruing to certain employees

XPS Pensions Group, consulting actuaries, were instructed to report on the financial position of the unfunded pension defined benefit obligation as at 31 March 2019 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 2019 was £105.7m (2018 £97.8m), and is fully provided for in these financial statements.

33. Pensions (continued)

(b) Defined benefit schemes (continued)

Assumptions for defined benefit sections

The main actuarial assumptions used for the TfL Pension Fund, the Crossrail Shared Cost Section of the Railways Pension Scheme, the Local Government Pension Scheme (together 'the Schemes') and unfunded schemes were:

	IAS 19 valuation at 31 March 2019 %	IAS 19 valuation at 31 March 2018 %
RPI Inflation	**3.15-3.40**	3.05-3.30
CPI Inflation	**2.15-2.40**	2.05-2.30
Rate of increase in salaries	**3.15-3.90**	3.05-3.80
Rate of increase in pensions in payment and deferred pensions	**2.03-3.15**	1.95-3.08
Discount rate	**2.35-2.40**	2.45-2.55

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 £340.1m/(increase by £350.1m)
- If the expected salary growth were increased/(decreased) by 0.1 per cent, the defined benefit obligation would increase by £101.9m/(decrease by £85.9m)
- If life expectancy were increased/(decreased) by one year, the defined benefit obligation would increase by £689.0m/(decrease by £694.0m)
- If the inflation rate were 0.1 per cent higher/(lower), the defined benefit obligation would increase by £336.7m/(decrease by £257.7m)

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.

33. Pensions (continued)

c) Accounting for defined benefit schemes

The total assets in the schemes were:

At 31 March	Value 2019 £m	Value 2018 £m
Equities and alternatives	8,098.4	7,940.4
Bonds	2,435.7	2,283.6
Cash and other	467.2	155.7
Total fair value of assets	11,001.3	10,379.7

The TfL Pension Fund, the Crossrail Shared Cost Section of the Railways Pension Scheme and the Local Government Pension Scheme assets consist of the following categories, by proportion of the total assets held:

At 31 March	2019 %	2018 %
Equities	74	77
Bonds	22	22
Cash and other assets	4	1
	100	100

The unfunded pension schemes have no assets to cover their defined benefit obligation.

33. Pensions (continued)

Total pension deficit at 31 March

Group	2019 £m	2018 £m
Fair value of scheme assets	**11,001.3**	10,379.7
Actuarial valuation of defined benefit obligation	**(16,371.9)**	(15,087.0)
Deficit recognised as a liability in the balance sheet	**(5,370.6)**	(4,707.3)

Group	2019 £m	2018 £m
TfL Pension Fund	**(5,189.4)**	(4,535.2)
Local Government Pension Fund	**(45.6)**	(48.2)
Crossrail Section of the Railways Pension Scheme	**(29.9)**	(26.1)
Unfunded schemes provision	**(105.7)**	(97.8)
Deficit recognised as a liability in the balance sheet	**(5,370.6)**	(4,707.3)

Corporation	2019 £m	2018 £m
Fair value of scheme assets	**10,927.0**	10,310.1
Actuarial valuation of defined benefit obligation	**(16,267.7)**	(14,991.3)
Deficit recognised as a liability in the balance sheet	**(5,340.7)**	(4,681.2)

Corporation	2019 £m	2018 £m
TfL Pension Fund	**(5,189.4)**	(4,535.2)
Local Government Pension Fund	**(45.6)**	(48.2)
Unfunded schemes provision	**(105.7)**	(97.8)
Deficit recognised as a liability in the balance sheet	**(5,340.7)**	(4,681.2)

33. Pensions (continued)

Analysis of amounts included in the Comprehensive Income and Expenditure Statement

Analysis of amounts charged to net cost of services

Year ended 31 March	Group 2019 £m	Group 2018 £m	Corporation 2019 £m	Corporation 2018 £m
Current service cost	551.6	572.1	547.5	566.6
Less contributions paid by subsidiaries	-	-	(239.7)	(259.6)
Past service cost	57.5	15.8	57.5	15.8
Total included in staff costs	609.1	587.9	365.3	322.8
Scheme expenses	12.1	11.9	12.0	11.8
Total amount charged to net cost of services	621.2	599.8	377.3	334.6

Amounts charged to financing and investment expenditure

Year ended 31 March	Group 2019 £m	Group 2018 £m	Corporation 2019 £m	Corporation 2018 £m
Net interest expense on scheme defined benefit obligation	113.4	138.0	112.8	137.2

Amount recognised in other comprehensive income and expenditure

Year ended 31 March	Group 2019 £m	Group 2018 £m	Corporation 2019 £m	Corporation 2018 £m
Net remeasurement losses/(gains) recognised in the year	336.7	(1,007.4)	335.7	(998.4)

Analysis of scheme defined benefit obligation into amounts arising from schemes that are wholly or partly funded and wholly unfunded

At 31 March	Group 2019 £m	Group 2018 £m	Corporation 2019 £m	Corporation 2018 £m
Wholly unfunded schemes	105.7	97.8	105.7	97.8
Wholly or partly funded schemes	16,266.2	14,989.2	16,162.0	14,893.5
Total scheme defined benefit obligation	16,371.9	15,087.0	16,267.7	14,991.3

33. Pensions (continued)

Reconciliation of defined benefit obligation

	Group 2019 £m	Group 2018 £m	**Corporation 2019 £m**	Corporation 2018 £m
Actuarial value of defined benefit obligation at 1 April	**15,087.0**	15,267.5	**14,991.3**	15,170.6
Current service cost	**551.6**	572.1	**547.5**	566.6
Interest cost	**373.3**	400.6	**371.1**	398.0
Employee contributions	**53.8**	53.7	**53.3**	52.9
Remeasurement losses/(gains) on scheme liabilities:				
Net remeasurement - financial	**733.9**	(187.3)	**729.1**	(183.4)
Net remeasurement - experience	**266.5**	(396.6)	**266.5**	(393.1)
Net remeasurement - demographic	**(366.8)**	(286.0)	**(365.0)**	(284.6)
Actual benefit payments	**(384.9)**	(352.8)	**(383.6)**	(351.5)
Past service cost	**57.5**	15.8	**57.5**	15.8
Actuarial value of defined benefit obligation at 31 March	**16,371.9**	15,087.0	**16,267.7**	14,991.3

Reconciliation of fair value of the scheme assets

	Group 2019 £m	Group 2018 £m	**Corporation 2019 £m**	Corporation 2018 £m
Fair value of assets at 1 April	**10,379.7**	9,904.0	**10,310.1**	9,839.1
Expected return on assets net of expenses	**259.9**	262.6	**258.3**	260.8
Scheme expenses	**(12.1)**	(11.9)	**(12.0)**	(11.8)
Return on assets excluding interest income	**296.9**	137.6	**294.9**	137.3
Actual employer contributions	**402.8**	379.8	**161.1**	116.9
Contributions paid by subsidiaries	**-**	-	**239.7**	259.6
Employee contributions	**53.8**	53.7	**53.3**	53.0
Actual benefits paid	**(379.7)**	(346.1)	**(378.4)**	(344.8)
Fair value of assets at 31 March	**11,001.3**	10,379.7	**10,927.0**	10,310.1

33. Pensions (continued)

The expected return on scheme assets is set equal to the discount rate. The actual return on scheme assets in the year was a gain of £556.8m (2017/18 a gain of £400.3m).

Total contributions of £298.9m are expected to be made to the schemes in the year ending 31 March 2020.

d) Other pension arrangements

Principal Civil Service Pension Scheme and Alpha – Civil Servants and Others Pension Scheme

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme. From 1 April 2015 most PCSPS members switched to the new Civil Servants and Others Pension Scheme, (also known as Alpha). The Group is unable to identify its share of the underlying assets and defined benefit obligations of these schemes on a consistent and reasonable basis and, as permitted by the multi-employer exemption in IAS 19, the Group treats contributions to the PCSPS and Alpha as if they were contributions to a defined contribution plan. A full actuarial valuation was last carried out at 31 March 2012. The actuarial valuation as at 31 March 2016 is still underway. Details can be found in the Civil Service Superannuation Resource Accounts (https://www.civilservicepensionscheme.org.uk/).

During 2018/19 and 2017/18 employers' contributions represented an average of 21.1 per cent of pensionable pay. Employer contributions are reviewed every four years. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Docklands Light Railway Pension Scheme

The Docklands Light Railway Pension Scheme (DLR) is a defined benefit scheme established under trust in the UK that provides both pensions in retirement and death benefits to members. The Trustees are responsible for the operation and governance of the DLR Scheme, including making decisions regarding funding and investment strategy in conjunction with Docklands Light Railway Limited (DLR), a subsidiary of the TfL Group, as the Principal Employer of the Scheme.

Actuarial valuations are carried out every three years with the last available valuation being carried out at 31 March 2015. The actuarial valuation as at 1 April 2018 is still underway. The schedule of contributions agreed following the 31 March 2015 valuation remains in force until the new schedule of contributions is agreed between the Trustees and DLR.

Keolis Amey Docklands Limited (KAD) was awarded the franchise to operate the Docklands Light Railway from 7 December 2014 and is a Participating Employer in the DLR Scheme. Under the franchise agreement between DLR and KAD, KAD is required to pay 35.7 per cent of pensionable salaries into the DLR Scheme, the PPF levy and additional contributions if actual pensionable salary increases exceed RPI + 1.5 per cent per annum. The previous franchisee, Serco Limited, ceased paying contributions towards future benefit and accrual and expenses from 7 December 2014, and its final deficit reduction contribution to the DLR Scheme, of £8.25m, was received on 2 January 2018.

33. Pensions (continued)

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 paid £695k in July 2017 in respect of salary growth in the year to 1 April 2016.

Over the year beginning 1 April 2019 the contributions payable to the DLR Scheme are expected to be around £5.9m from KAD and £2.2m from DLR based on the schedule of contributions currently in force. The actual amounts paid may differ from this if contributions are revised once the new schedule of contributions is agreed.

The discounted DLR Scheme liabilities have a duration of approximately 25 years.

A valuation of the DLR Scheme has been prepared for accounting purposes by XPS Pensions Group on an IAS 19 basis at 31 March 2019. This valuation showed a defined benefit obligation as at 31 March 2019 of £32.1m (2018 £31.9m). 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.

Contributions totalling £3.0m were paid by DLR in 2018/19, with an additional £6.6m being paid by KAD (2017/18 £2.8m paid by DLR, £7.3m by KAD and £8.25m by Serco).

Defined contribution schemes

The Group contributes to a number of defined contribution schemes, with total contributions, including contributions to the DLR, PCSPS and Alpha schemes as outlined in the paragraphs above, amounting to £3.9m (2017/18 £6.5m).

34. Cash flow notes

a) Adjustments to net surplus/deficit for non-cash movements

	Group 2019 £m	Group 2018 £m	Corporation 2019 £m	Corporation 2018 £m
Depreciation of property, plant and equipment and amortisation of intangibles	**1,064.4**	1,110.1	**156.6**	169.7
Loss on disposal of property, plant and equipment and intangibles	**32.5**	47.3	**7.2**	1.8
Net gain on sale of investment properties	**(131.5)**	(19.0)	**(96.5)**	(15.8)
Movements in the value of investment properties	**(4.9)**	(41.7)	**(1.5)**	(0.6)
Reversal of unrealised net losses on retranslation of foreign currency investments	**0.1**	0.8	**0.1**	0.8
Reversal of fair value movements on derivatives not in hedging relationships for accounting purposes	**0.3**	(0.9)	**-**	-
Financing income	**(12.4)**	(8.4)	**(372.0)**	(340.1)
Financing expense	**475.3**	486.7	**522.8**	515.6
Capital grants received	**(1,184.6)**	(1,128.5)	**(1,076.7)**	(1,091.8)
Capital grants paid to subsidiaries	**-**	-	**277.8**	560.2
Reversal of share of losses from associated undertakings	**94.5**	62.7	**-**	-
Reversal of defined benefit pension service costs	**621.2**	599.8	**377.3**	334.6
Reversal of taxation credit	**(2.0)**	(3.5)	**-**	-
Adjustments to net surplus/deficit for non-cash movements before movements in working capital	**952.9**	1,105.4	**(204.9)**	134.4
Increase/(decrease) in creditors	**84.1**	13.2	**(97.1)**	(5.9)
(Increase)/decrease in debtors	**(195.3)**	(5.8)	**279.9**	(65.2)
Decrease in inventories	**3.2**	7.5	**-**	0.8
Increase/(decrease) in provisions	**(26.8)**	198.7	**(9.2)**	21.0
Adjustments to net surplus/deficit for non-cash movements after movements in working capital	**818.1**	1,319.0	**(31.3)**	85.1
Net cash payments for employers' contributions to defined benefit pension funds and direct payments to pensioners	**(408.0)**	(386.5)	**(166.3)**	(123.7)
Taxation received	**2.0**	3.5	**-**	-
Total adjustments to net surplus/deficit for non-cash movements	**412.1**	936.0	**(197.6)**	(38.6)

34. Cash flow notes (continued)

b) Investing activities

Year ended 31 March	Group 2019 £m	Group 2018 £m	Corporation 2019 £m	Corporation 2018 £m
Interest and other investment income received	**12.6**	7.4	**372.4**	339.8
Capital grants received	**1,139.2**	1,061.9	**1,036.9**	1,029.4
Capital grants paid to subsidiaries	**-**	-	**(277.8)**	(560.2)
Purchase of property, plant and equipment and investment property	**(3,525.9)**	(3,400.6)	**(293.1)**	(269.8)
Purchase of intangible assets	**(38.0)**	(24.7)	**(29.6)**	(16.5)
Proceeds from the sale of property, plant and equipment and intangible assets	**796.3**	30.0	**-**	-
Net sales of other investments	**476.4**	331.6	**466.8**	344.3
Repayment of interim funding to third parties in respect of the Crossrail project	**-**	1,268.2	**-**	-
Issue of loans to subsidiaries	**-**	-	**(917.4)**	(618.7)
Repayments of loans to subsidiaries	**-**	-	**454.1**	-
Finance leases granted in year	**(35.6)**	(20.6)	**-**	-
Finance leases repaid in year	**9.0**	-	**-**	-
Proceeds from sale of investment property	**231.3**	25.4	**87.6**	17.8
Investment in equity loan notes of associated undertakings	**(9.0)**	(1.4)	**-**	-
Investment in share capital of associated undertakings	**-**	(12.1)	**-**	-
Investment in share capital of subsidiaries	**-**	(1.4)	**(1,560.0)**	(200.0)
Shareholder loan repaid on acquisition of subsidiary	**-**	(12.6)	**-**	-
Net cash flows from investing activities	**(943.7)**	(748.9)	**(660.1)**	66.1

c) Financing activities

Year ended 31 March	Group 2019 £m	Group 2018 £m	Corporation 2019 £m	Corporation 2018 £m
Cash payments for reduction of the outstanding liabilities relating to finance leases and on balance sheet PFI arrangements	**(69.6)**	(76.8)	**(10.8)**	(11.4)
Cash payments for reduction of other financing liabilities	**(8.8)**	-	**-**	-
Net proceeds from new borrowing	**924.2**	961.3	**924.2**	961.3
Repayments of borrowings	**(196.7)**	(342.8)	**(196.7)**	(342.8)
Purchase of derivative option	**(4.7)**	-	**-**	-
Interest paid	**(345.8)**	(249.8)	**(402.8)**	(286.7)
Net cash flows from financing activities	**298.6**	291.9	**313.9**	320.4

35. Acquisitions

Development Securities (Southwark) Limited

On 21 March 2018, the acquisition of Development Securities (Southwark) Limited (DSSL) was completed, with 100 per cent of the shares acquired for a cash consideration of £1.4m.

DSSL owns land interests adjacent to Southwark Station including four residential flats in Styles House, one residential unit in the 'Chalet' building fronting The Cut and Algarve House (rebranded as the 'Platform' building). The TfL group purchased DSSL for the purpose of further developing this land together with land surrounding Southwark Station that is already owned by TfL. The development is subject to conclusion of a land swap agreement with London Borough of Southwark in order to create a uniform plot for a viable development site.

As part of the sale and purchase agreement, the Group was required to repay loans amounting to £12.6m which were advanced by the seller to DSSL.

In accordance with IFRS 3, adjustments are made to identifiable assets and liabilities on acquisition to reflect their fair value. As a result, the property in DSSL was reflected at a Group level at £11.5m, resulting in a downwards fair value adjustment of £0.5m. All other assets and liabilities were found to be reflective of their fair values. As part of the exercise, management reviewed DSSL's activities and concluded that there were no intangible assets to be recognised in the fair valued acquisition balance sheet.

The fair value of the net liabilities acquired was £1.2m, which resulted in goodwill of £2.6m. This premium is reflective of the potential to unlock the additional value as a result of the land swap agreement.

35. Acquisitions (continued)

The assets and liabilities acquired are set out below:

	20 March 2018 Book value £m	20 March 2018 Fair value adjustments £m	20 March 2018 Fair value total £m
Investment property	12.0	(0.5)	11.5
Trade and other payables	(12.7)	-	(12.7)
Net liabilities acquired	(0.7)	(0.5)	(1.2)
Cash consideration			(1.4)
Total consideration			(1.4)
Goodwill			2.6

Reconciliation to Group Statement of Cash Flows	Note	Group 2018 £m
Cash consideration paid for acquisition for DSSL		(1.4)
Total payments to acquire subsidiaries per Group Statement of Cash Flows	33b	(1.4)

Subsequent to the acquisition, the entity was renamed TTL Southwark Properties Limited.

In accordance with the purchase agreement, the shareholder loan was repaid immediately after acquisition. There were no post-acquisition transactions impacting the Group's consolidated profits.

36. Unusable reserves

At 31 March	2019 £m	2018 £m
Group		
Capital adjustment account	**26,481.8**	25,812.6
Pension reserve	**(5,340.7)**	(4,681.2)
Accumulated absences reserve	**(10.2)**	(7.5)
Retained earnings reserve in subsidiaries	**1,550.0**	1,066.1
Revaluation reserve	**345.1**	302.7
Hedging reserve	**(105.5)**	(115.4)
Cost of hedging reserve	**(0.7)**	-
Financial instruments adjustment account	**(159.3)**	(171.0)
Merger reserve	**466.1**	466.1
	23,226.6	22,672.4

At 31 March	2019 £m	2018 £m
Corporation		
Capital adjustment account	**13,857.9**	12,434.6
Pension reserve	**(5,340.7)**	(4,681.2)
Accumulated absences reserve	**(10.2)**	(7.5)
Revaluation reserve	**19.8**	-
Financial instruments adjustment account	**(159.3)**	(171.0)
	8,367.5	7,574.9

36. 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 2019 £m**	Group 2018 £m	**Corporation 2019 £m**	Corporation 2018 £m
Balance at 1 April		**25,812.6**	25,617.4	**12,434.6**	12,081.0
Charges for depreciation and impairment of non-current assets		**(156.6)**	(169.7)	**(156.6)**	(169.7)
Gain on disposal of investment properties		**96.5**	15.8	**96.5**	15.8
Movements in the market value of investment properties		**1.5**	0.6	**1.5**	0.6
Capital grants and contributions	9	**1,856.1**	1,086.9	**1,470.4**	490.0
Minimum revenue provision		**18.7**	18.7	**18.7**	18.7
Loss on disposal of property, plant and equipment		**(7.2)**	(1.8)	**(7.2)**	(1.8)
Adjustments between Group and Corporation financial statements	*	**(1,139.8)**	(755.3)	**-**	-
Balance at 31 March		**26,481.8**	25,812.6	**13,857.9**	12,434.6

* The adjustment between the Group financial statements and the Corporation financial statements arises due to an alignment of the accounting policies between the Group and its subsidiaries. Under the Code, capital grants are recognised in the Comprehensive Income and Expenditure Statement and are then transferred to the Capital Adjustment Account (CAA) when utilised. No amortisation of grants or disposal of grants is recognised in the Comprehensive Income and Expenditure Statement. TfL's subsidiary companies account under full EU-adopted IFRS (rather than the Code) and are required to recognise deferred capital grants on the balance sheet and recognise grant amortisation in arriving at their retained earnings. An accounting policy alignment is performed on consolidation to recognise the grant receipts in the Comprehensive Income and Expenditure Statement (from where they are then transferred to the CAA). Equally, the amortisation and grant disposals are removed from the Comprehensive Income and Expenditure Statement and are shown in the CAA so that the total CAA adjustment is equal to the deferred capital grant carried in the subsidiaries' books.

36. 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 2019 £m	Group 2018 £m	**Corporation 2019 £m**	Corporation 2018 £m
Balance at 1 April	**(4,681.2)**	(5,331.5)	**(4,681.2)**	(5,331.5)
Net remeasurement (losses)/gains on pension assets and defined benefit obligations	**(335.7)**	998.4	**(335.7)**	998.4
Reversal of charges relating to retirement benefits	**(729.8)**	(737.8)	**(490.1)**	(471.8)
Employer's pension contributions, contributions from subsidiaries and direct payments to pensioners payable in the year	**406.0**	389.7	**166.3**	123.7
Balance at 31 March	**(5,340.7)**	(4,681.2)	**(5,340.7)**	(4,681.2)

36. 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 2019 £m	Group 2018 £m	**Corporation 2019 £m**	Corporation 2018 £m
Balance at 1 April	**(7.5)**	(7.3)	**(7.5)**	(7.3)
Settlement or cancellation of accrual made at the end of the preceding year	**7.5**	7.3	**7.5**	7.3
Amounts accrued at the end of the current year	**(10.2)**	(7.5)	**(10.2)**	(7.5)
Balance at 31 March	**(10.2)**	(7.5)	**(10.2)**	(7.5)

Retained earnings reserve in subsidiaries

The retained earnings reserve in subsidiaries represents the retained earnings in the Group's subsidiary companies. These are disclosed as unusable reserves as unless and until they are paid up in dividends to the Corporation, they are not available to fund the expenditure of the Corporation.

	Group 2019 £m	Group 2019 £m
Balance at 1 April	**1,066.1**	1,009.3
Deficit on the provision of services after tax	**(286.7)**	(122.4)
Transfer of capital grants and contributions to the Capital Adjustment Account	**(385.7)**	(596.9)
Transfer of adjustments between Group and Corporation financial statements to the Capital Adjustment Account	**1,139.8**	755.3
Remeasurement (losses)/gains on defined benefit pension plan assets and liabilities	**(1.0)**	9.0
Release of revaluation reserve relating to the difference between historic cost of disposal and fair value cost of disposal	**17.5**	11.8
Balance at 31 March	**1,550.0**	1,066.1

36. Unusable reserves (continued)

Revaluation reserve

The revaluation reserve contains the accumulated gains made arising from increases in the value of property, plant and equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation
- Disposed of and the gains are transferred to retained earnings

	Note	**Group 2019 £m**	Group 2018 £m	**Corporation 2019 £m**	Corporation 2018 £m
Balance at 1 April		**302.7**	294.2	**-**	-
Revaluation of assets	12	**59.9**	20.3	**19.8**	-
Release of revaluation reserve relating to the difference between fair value depreciation and historic cost depreciation		**(17.5)**	(11.8)	**-**	-
Balance at 31 March		**345.1**	302.7	**19.8**	-

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 2019 £m	Group 2018 £m
Balance at 1 April	**(115.4)**	(139.1)
Net change in fair value of cash flow interest rate hedges	**2.6**	30.3
Net change in fair value of cash flow foreign exchange hedges	**(1.3)**	(14.8)
Recycling of interest rate fair value losses to profit and loss	**8.6**	8.2
Balance at 31 March	**(105.5)**	(115.4)

The Corporation does not have a hedging reserve as it has not entered into any derivative transactions, nor does it have legal powers to do so.

36. Unusable reserves (continued)

Cost of hedging reserve

The cost of hedging reserve holds the gain or loss on a hedging instrument arising from changes in the fair value of the time value of an option when the intrinsic value of the option has been designated in an effective hedging relationship. The gain or loss deferred in reserves is recognised in the Comprehensive Income and Expenditure Statement in the period(s) during the period when the hedged forecast transaction affects profit or loss. The ineffective portion, if any, is recognised immediately through the Comprehensive Income and Expenditure Statement.

	Group 2019 £m	Group 2018 £m
Balance at 1 April	**-**	-
Net change in fair value of cash flow foreign exchange hedges	**(0.7)**	-
Balance at 31 March	**(0.7)**	-

The Corporation does not have a cost of hedging reserve as it has not entered into any derivative transactions, nor does it have legal powers to do so.

Financial instruments adjustment account

The financial instruments adjustment account provides a balancing mechanism between the different rates at which gains and losses (such as premium on the early repayment of debt) are recognised under the Code and are required by statute to be met from the General Fund.

	Group 2019 £m	Group 2018 £m	**Corporation 2019 £m**	Corporation 2018 £m
Balance at 1 April	**(171.0)**	(182.8)	**(171.0)**	(182.8)
Release of premium	**11.7**	11.8	**11.7**	11.8
Balance at 31 March	**(159.3)**	(171.0)	**(159.3)**	(171.0)

36. 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 2019 £m	Group 2018 £m	**Corporation 2019 £m**	Corporation 2018 £m
Balance at 1 April and 31 March	**466.1**	466.1	**-**	-

37. 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.

37. Adjustments between accounting basis and funding basis under regulations (continued)

Corporation

Year ended 31 March 2019	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	156.6	(156.6)	-	-	-	-
Net gain on disposal of investment properties	7	(96.5)	(96.5)	-	-	-	-
Movements in the market value of investment properties	7	(1.5)	1.5	-	-	-	-
Capital grants and contributions	9	(1,470.4)	1,470.4	-	-	-	-
Unapplied capital grants	9	671.5	-	-	-	-	-
Loss on disposal of non-current assets	6	7.2	(7.2)	-	-	-	-
Reversal of items relating to retirement benefits		490.1	-	(490.1)	-	-	-
Transfers to/from street works reserve		(1.1)	-	-	1.1	-	-
Difference between the remuneration charged on an accruals basis and the remuneration chargeable in accordance with statutory requirements		2.7	-	-	-	-	(2.7)
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		(166.3)	-	166.3	-	-	-
Minimum Revenue provision	39	(18.7)	18.7	-	-	-	-
Amortisation of premium on financing		(11.7)	-	-	-	11.7	-
		(438.1)	1,230.3	(323.8)	1.1	11.7	(2.7)

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37. Adjustments between accounting basis and funding basis under regulations (continued)

Corporation

Year ended 31 March 2018	Note	General fund £m	Capital adjustment account £m	Pension reserve £m	Street works reserve £m	Financial instruments adjustment account £m	Accumulated absences reserve £m
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement							
Charges for depreciation, amortisation and impairment of non-current assets	3	169.7	(169.7)	-	-	-	-
Net gain on disposal of investment properties	7	(15.8)	15.8	-	-	-	-
Movements in the market value of investment properties	7	(0.6)	0.6	-	-	-	-
Capital grants and contributions	9	(490.0)	490.0	-	-	-	-
Unapplied capital grants	9	(41.6)	-	-	-	-	-
Loss on disposal of non-current assets	6	1.8	(1.8)	-	-	-	-
Reversal of items relating to retirement benefits		471.8	-	(471.8)	-	-	-
Transfers to/from street works reserve		(1.4)	-	-	1.4	-	-
Difference between the remuneration charged on an accruals basis and the remuneration chargeable in accordance with statutory requirements		0.2	-	-	-	-	(0.2)
Inclusion of items not debited or credited to the Comprehensive Income and Expenditure Statement which are required to be charged in accordance with statutory requirements							
Employer's pension contributions and direct payments to pensioners payable in the year		(123.7)	-	123.7	-	-	-
Minimum Revenue provision	39	(18.7)	18.7	-	-	-	-
Amortisation of premium on financing		(11.8)	-	-	-	11.8	-
		(60.1)	353.6	(348.1)	1.4	11.8	(0.2)

38. Sources of finance

Capital expenditure analysed by source of finance:

Year ended 31 March	Note	Corporation 2019 £m	Corporation 2018 £m
Capital expenditure			
Intangible asset additions	11	**29.6**	16.5
Property, plant and equipment additions	12	**239.6**	246.1
Investment property	13	**52.3**	-
Investments in year	14	**1,560.0**	200.0
Loans made to subsidiaries in year for capital purposes		**917.4**	618.7
Capital grants allocated to subsidiaries in year	9	**277.8**	560.2
Total capital expenditure		**3,076.7**	1,641.5
Sources of finance			
Business Rates Retention used to fund capital	9	**219.1**	777.8
Community Infrastructure Levy used to fund capital	9	**117.1**	100.4
Other third party contributions	9	**225.5**	213.6
Crossrail specific grant	9	**515.0**	-
Adjusted by amounts transferred from/(to) Capital Grants Unapplied Account	9	**671.5**	(41.6)
Prudential borrowing		**727.5**	618.7
Repayment of loans to subsidiaries		**454.1**	-
Capital receipts		**150.9**	0.9
Transfer from street works reserve		**1.1**	1.4
Net repayment of finance leases		**(10.8)**	(11.4)
Working capital		**5.7**	(18.3)
Total sources of finance		**3,076.7**	1,641.5

39. Minimum revenue provision

The Local Government and Housing Act 1989 requires a Minimum Revenue Provision (MRP) to be set aside for the redemption of external debt. As a statutory corporation regulated as if it were a local authority, TfL is required to comply with the Local Authorities Capital Finance Regulations. New regulations were approved by the Secretary of State in February 2008. TfL is required to approve an Annual MRP Statement determining the amount of MRP which it considers to be prudent.

The Ministry of Housing, Communities and Local Government issued guidance setting out four possible methods which are deemed automatically prudent, but also states that "approaches differing from those exemplified should not be ruled out… the broad aim of prudent provision is to ensure that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits."

While statutory guidance suggests four potential methods for calculating MRP it also allows for other methods and approaches to be used. Since 2016/17 TfL has applied the principles inherent in the statutory guidance on MRP, to make an annual provision in the Transport for London (the Corporation), that aims to build up a reserve on the Balance Sheet over the average useful economic life of the assets funded by borrowings in the Corporation, such that, at the end of that useful economic life, that reserve may be employed to either repay borrowings or to finance replacement capex for those assets that have reached the end of their lives. An MRP is effectively already made for borrowings passed down to the subsidiaries through TfL's existing processes for funding those entities. The MRP provision for 2018/19, 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 (2017/18 £18.7m).

40. Financial assistance

TfL may give financial assistance to any body or person in respect of expenditure incurred or to be incurred by that body or person in doing anything which, in the opinion of TfL, is conducive to the provision of safe, integrated, efficient and economic transport facilities or services to, from or within Greater London, and also to London Transport Museum Limited.

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

Year ended 31 March	Corporation 2019 £m	Corporation 2018 £m
Financial assistance to subsidiaries		
Transport Trading Limited	**291.6**	54.5
London Underground Limited	**499.0**	858.0
London Bus Services Limited	**596.1**	682.9
Docklands Light Railway Limited	**43.1**	38.0
Rail for London Limited	**327.8**	327.9
London River Services Limited	**20.5**	17.3
Tramtrack Croydon Limited	**29.7**	28.7
London Transport Museum Limited	**3.1**	4.0
Crossrail Limited	**5.5**	6.9
Rail for London (Infrastructure) Limited	**12.9**	-
London Buses Limited	**5.9**	-
	1,835.2	2,018.2

Year ended 31 March	Note	Corporation 2019 £m	Corporation 2018 £m
Financial assistance to London Boroughs and other third parties			
Local Implementation Plan		**102.6**	112.0
Crossrail Complementary Measures		**3.4**	6.4
Taxicard		**10.1**	10.3
Safety schemes		**-**	0.1
Cycling		**33.2**	30.0
Bus stop accessibility		**-**	0.4
Other		**12.6**	24.2
Total financial assistance to London Boroughs and other third parties	3	**161.9**	183.4

41. 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, members of the TfL Executive Committee (including Managing Directors, the Commissioner, the Chief Finance Officer and General Counsel), the Mayor of London and the TfL Pension Fund. In addition, central government has the potential to influence TfL by providing the statutory framework within which TfL operates and through the provision of funding in the form of grants.

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 2018/19 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 2019 £m
Greater London Authority (GLA)	7.3	(2.9)	3.7
Mayor's Office for Policing and Crime (MOPC) (formerly Metropolitan Police Authority)	0.4	-	0.1
London Legacy Development Corporation (LLDC)	1.1	-	0.3
London Fire Commissioner	0.4	-	-

41. Related parties (continued)

Board Members and Officers

Board Members, the Mayor of London, and key management (including the Commissioner and the TfL Executive Committee), are required to complete a declaration regarding any related party transactions. During the year, none of the Corporation Board, key management personnel or parties related to them have undertaken any material transactions with the Corporation or its subsidiaries (2017/18 none). Details of the remuneration of the Commissioner and all employees earning a base salary in excess of £150,000 are disclosed in the Remuneration Report (see note 5).

TfL Pension Fund

The Accounts of the TfL Pension Fund are prepared separately and are subject to a separate audit opinion. Contributions payable to the TfL Pension Fund by TfL as employer are disclosed in note 33.

Central Government

The Department for Transport (DfT) sets the permitted levels of borrowing for TfL through the spending review process. The most recent funding agreement was dated 27 March 2017 and covered permitted levels of borrowing for the period up to 31 March 2021. In addition to the borrowings set out in this agreement, the DfT made a grant of £150m towards the funding of the Crossrail project in July 2018. In December 2018 the Mayor of London and the Government agreed a further financial package to cover Crossrail overruns. The Greater London Authority (GLA) will borrow up to £1.3bn from the DfT. The GLA will repay this loan from the existing Business Rate Supplement (BRS) and Mayoral Community Infrastructure Levy (MCIL). The GLA will also provide a £100m cash contribution, taking its total contribution to £1.4bn which it will provide as a grant to TfL for the Crossrail project.

Because the final costs of the Crossrail project are yet to be confirmed, a contingency arrangement has also been agreed between TfL and the Government. This takes the form of a loan facility from the DfT of up to £750m, should the higher end of the estimate be realised.

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 40.

TfL receives income from the London Boroughs for the provision of free travel for older and disabled customers, and students. This income is set out in note 1.

TfL has borrowings outstanding from the Public Works Loan Board (PWLB), and pays interest to PWLB in respect of those borrowings.

TfL makes payments to the British Transport Police for the provision of policing services on the Underground and Overground railways.

TfL makes payments to the Metropolitan Police Service for policing services provided by the Safer Transport Command.

Transactions between the Corporation and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

42. 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 2019				
TfL Healthcare Trust	**4.9**	**3.9**	**3.1**	**(0.1)**
At 31 March 2018				
TfL Healthcare Trust	6.5	(4.9)	2.0	(0.1)

43. 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.

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Appendix 2 – Template for annual letter of support from TfL to its subsidiary companies

The Directors

<insert Company name & address>

<insert date>

Dear Sirs

<insert Company name>

The Board of Transport for London has agreed that, as a TfL Officer, I am authorised to agree and execute any documentation to be entered into by TfL in connection with the incorporation of the Company.

In line with the standard letter of financial support provided to TfL subsidiaries, and having considered the financial position of the Company, I confirm that, from the date of its acquisition as a subsidiary within the TfL Group and for as long as the Company remains a subsidiary within the TfL Group, Transport for London shall continue to provide the Company with sufficient financial means to enable it to pay all its debts as they fall due.

We will inform you as soon as reasonably practicable in the event that circumstances change in a manner such that it would or might no longer be open to us to continue to provide such financial support.

This commitment has been reaffirmed as at 31 March <insert year end>.

Yours faithfully

………………..

Chief Finance Officer, Transport for London

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Audit and Assurance Committee

Date: **10 June 2019**

Item: **Review of Governance and the Annual Governance Statement for Year Ended 31 March 2019**

This paper will be considered in public

1 Summary

1.1 This paper provides a review of compliance with the TfL Code of Governance in 2018/19 and asks the Committee to approve the Annual Governance Statement, as set out in Appendix 1, to be signed by the Chair of TfL and the Commissioner for inclusion in the 2018/19 Annual Report and Accounts. The paper also reports on progress against the 2018/19 Improvement Plan (Appendix 2) and the proposed Plan for 2019/20 (Appendix 3).

2 Recommendations

2.1 **That the Committee notes the paper and:**

(a) **approves the Annual Governance Statement, as set out in Appendix 1 of this paper, for signing by the Chair of TfL and the Commissioner, for inclusion in the 2018/19 Annual Report and Accounts; and**

(b) **notes the progress against the 2018/19 Improvement Plan, as set out in Appendix 2 of this paper and the proposed Plan for 2019/20, as set out in Appendix 3 of this paper.**

3 Background

3.1 The Accounts and Audit Regulations 2015 require that TfL's Statement of Accounts be accompanied by a Statement on Internal Control, prepared in accordance with proper practices. The guidance issued by the Chartered Institute of Public Finance and Accountancy/Society of Local Authority Chief Executives (CIPFA/SOLACE) includes a template for an Annual Governance Statement that incorporates the elements of a Statement of Internal Control and fulfils the statutory requirements.

3.2 The Audit and Assurance Committee has the delegated responsibility to monitor TfL's on-going compliance with TfL's own Code of Governance, which is based on the updated CIPFA/SOLACE Governance Framework.

4 The 2018/19 Review and the Annual Governance Statement

The 2018/19 Review

4.1 The annual review considers the degree of compliance with each undertaking in TfL's Code of Governance. The assessments for the degree of compliance with the Code of Governance's undertakings are consistently high.

4.2 The 2018/19 annual review concluded that TfL had a satisfactory level of compliance with the Code of Governance and highlighted the potential governance challenges involved in a number of anticipated changes.

The Annual Governance Statement

4.3 The Annual Governance Statement comments on the standard of governance within TfL, sets out TfL's approach to governance including internal control, identifies those areas where further work is to be undertaken and describes the monitoring process to ensure the effectiveness of the Code of Governance. The draft Annual Governance Statement is included as Appendix 1.

4.4 The Annual Governance Statement details the significant developments in relation to TfL's governance during 2018/19 and the key issues for 2019/20. The significant issues are summarised below:

(a) changes to the membership of the Board, including the appointment of a new Deputy Chair;

(b) a number of audits of governance and controls over procurement and contract management indicated the need to enhance controls for procuring supplies and services. A programme of activity to strengthen internal controls is being put in place;

(c) TfL's response to the announcement by Crossrail Limited (CRL) that the delivery of the project (and its transition to TfL) would be delayed. In addition to increased funding for the project, TfL has strengthened its oversight and the reporting of project progress. TfL has also been responding to recommendations from the independent review of CRL's governance that it jointly commissioned, and other reviews;

(d) progress in embedding the TfL HSE management system;

(e) continuing to review and refine reporting to the Board and its Committees and Panels, in particular to reflect progress against the Mayor's Transport Strategy, the Business Plan and Budget;

(f) continuing to develop TfL Scorecard metrics and reporting;

(g) a review of the Enterprise Risk Management (ERM) processes and its strategic risks and the reporting of each risk by its risk owner to the appropriate Committee or Panel at least once a year. While significant progress has been made on the ERM processes, further work is required to ensure a consistent level of risk maturity across TfL;

(h) further improvements to the quality, consistency and transparency of the finance, safety and other reporting information provided to Members and the public and continued the programme of publishing more information; and

(i) continuing to publish details of gifts and hospitality accepted by Members and the most senior staff and details of expenses of the most senior staff.

Improvement Plan

4.5 An Improvement Plan to ensure the continued improvement of TfL's governance was prepared for 2018/19. Appendix 2 provides a commentary on progress in delivering each action identified.

4.6 Appendix 3 sets out the proposed Improvement Plan for 2019/20. This takes forward recurring actions from the previous year, updated as appropriate and adds new actions arising from the following reports elsewhere on the agenda for this meeting: the Internal Audit Opinion on the overall framework of TfL's governance, risk management and internal control in the Risk and Assurance Annual Report, the Internal Audit report on TfL's compliance with the UK Corporate Governance Code and the review of the Strategic Risk on Governance and Controls Suitability (SR03).

4.7 Issues to be addressed include:

(a) concluding and implementing recommendations from the externally led Board effectiveness review that is currently underway and preparing for any changes to the Board as a result of the May 2020 Mayoral Elections;

(b) implementing actions to address issues identified in controls over arrangements for procuring supplies and services; and

(c) ensuring that the recommendations from the independent review of CRL's governance and other reviews are implemented and reviewing the proposed approach to the governance of the Crossrail 2 project to ensure lessons are learned;

(d) implementing the recommendations from a review of TfL's compliance with the new UK Corporate Governance Code, which comes into effect in 2020;

(e) ensuring that risk management is fully effective by ensuring a consistent level of risk maturity across TfL; and

(f) continuous improvement in the quality, consistency and transparency of the information provided to members and the public.

List of appendices to this report:

Appendix 1 – Annual Governance Statement
Appendix 2 – Progress Against Improvement Plan 2018/19
Appendix 3 – Improvement Plan 2019/20

List of Background Papers:

TfL Annual Governance Statement 2018
TfL Integrated Assurance Framework – Audit and Assurance Committee paper 14 March 2019

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Appendix 1

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 qualified and given personal responsibility by appointment of TfL to 'make arrangements for the proper administration of financial affairs'. This role is performed by TfL's Group Financial Controller, who reports to TfL's Chief Finance Officer (CFO) The CFO oversees TfL's broader financial management responsibilities and is a member of the Executive Committee. 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), except that the statutory CFO post holder is not a member of the Executive Committee but plays an active part in TfL strategic decision-making through:

- Involvement in all key decisions with a significant financial implication;
- Involvement with Executive Committee: Performance meetings; and
- Management responsibilities for the production of the Business Plan and statutory accounts.

The statutory CFO post holder is appointed and removed by the Board, reviews in advance of submission all papers relating to financial management for the Executive Committee, the TfL Board and its Committees, attends all Board meetings and has unrestricted access to the Commissioner.

As a functional body of the Greater London Authority (GLA), TfL is a signatory to a GLA Group Framework Agreement, which was updated in 2016. The Agreement is an overarching commitment in relation to the culture and individual behaviours of the GLA Group and contains specific corporate governance commitments. The Agreement is a commitment by all parties to be open, transparent and accountable for their actions and behaviour. It is a high level document that sets common principles that apply across the Group, with the methods of implementation left to each Functional Body to determine. TfL has in place protocols and processes that address all of the requirements of the Agreement.

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

A copy of the TfL Code of Governance is available online at tfl.gov.uk or can be obtained from the Secretariat, 55 Broadway, London, SW1H 0BD. This statement explains how TfL has complied with the Code and also meets the requirements of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

The Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values by which TfL is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables TfL to monitor the achievement of its strategic objectives and the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk and provide reasonable, although not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of TfL's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at TfL since the year ended 31 March 2001. It remains in place at the date of approval of the 2018/19 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; and
- 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; and
- 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, the Director of Risk and Assurance and the Head of Internal Audit and is responsible for the annual assurance process.

The Commissioner of TfL and the Executive Committee are responsible and accountable for the delivery of the day-to-day operations of TfL. The General Counsel has the overall responsibility for the operation of the Code and for ensuring that it is integral to the routine functioning of TfL. In addition, the Director of Risk and Assurance annually comments on the adequacy and effectiveness of the Code and the extent of TfL's compliance with it. He also carries out a benchmarking exercise comparing TfL's governance arrangements with the UK Corporate Governance Code. TfL is compliant with the UK Corporate Governance Code where this is relevant, given TfL is a corporation rather than an entity with listed shares.

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

TfL identifies and communicates its vision of its purpose and intended outcomes for citizens and service users by:

- the Mayor developing and publishing a Transport Strategy reflecting national and local priorities;
- the Budget and Business Plan reflecting the Transport Strategy and allocating resources accordingly;
- reviewing on a regular basis the implications of the Transport Strategy for its governance arrangements;
- ensuring that those making decisions are provided with information that is fit for purpose – relevant, timely and gives clear explanations of technical issues and their implications; and
- 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; and
- 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; and

- having the roles and responsibilities of Board members and senior employees clearly documented.

TfL has developed and communicates the requirements of the Code of Conduct, defining the standards of behaviour for Board members and employees by:
- ensuring it is an organisation that has a climate of openness, support and respect;
- ensuring that standards of conduct and personal behaviour expected of Board members and employees, between Board members and employees and between TfL, its partners and the community are defined and communicated through codes of conduct and protocols;
- putting in place arrangements to ensure that Board members and employees of TfL are not influenced by prejudice, bias or conflicts of interest;
- ensuring that an effective process, which includes an effective Remuneration Committee, is in place to set the terms and conditions for remuneration of the Commissioner and senior employees;
- developing and maintaining shared values including leadership values for both the organisation and employees reflecting public expectations and communicating these to Board members, employees, the community and partners;
- putting in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitoring their continuing effectiveness in practice;
- setting targets for performance in the delivery of services to ensure equality for all; and
- using its shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within TfL.

TfL reviews and updates Standing Orders, standing financial instructions, its scheme of delegation and supporting 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; and
- 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; and
- maintaining an Integrated Assurance Framework.

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

- ensuring that a senior member or employee, currently the General Counsel, is responsible for all activities being legally correct, fully documented, appropriately authorised and carried on in a planned manner;
- making a senior member or employee, currently the Group Financial Controller and Statutory Chief Finance Officer, responsible for ensuring that appropriate advice is given in all financial matters, for keeping proper financial records and accounts and for maintaining an effective system of internal financial control;
- maintaining proper records to ensure that the annual accounts show a true and fair view and that expenditure has been properly authorised and allocated in an appropriate manner;
- developing and maintaining open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based;
- putting in place arrangements to safeguard against conflicts of interest;
- ensuring that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately;
- actively recognising the limits of lawful activity placed on it but also striving to utilise its powers to the full benefit of the public; and
- observing all legal requirements placed upon it and integrating the key principles of good public law – rationality, legality and natural justice – into its procedures and decision-making processes.

TfL has made arrangements for whistle-blowing and for receiving and investigating complaints from the public by:

- ensuring that effective, transparent and accessible arrangements are in place for making, receiving and dealing with complaints; and
- ensuring that arrangements are in place for whistle-blowing to which employees and all those contracting with TfL have access including external independent reporting lines.

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

- ensuring that its Board members and employees are provided with the necessary training to perform their roles;
- ensuring that its employees are competent to perform their roles;
- ensuring that the Statutory Chief Finance Officer has the skills, resources and support necessary to perform effectively in this role and that this role is properly understood throughout TfL;
- assessing the skills required by Board members and employees and committing to develop those skills to enable roles to be carried out effectively;
- commissioning regular external reviews of Board effectiveness; and
- developing skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed.

TfL establishes clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation by:

- having in place proper arrangements designed to encourage individuals and groups from all sections of the community to engage with, contribute to, and participate in the work of TfL;
- making clear to 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; and
- having a clear policy on the types of issues it will consult on or engage with the public and service users about, including a feedback mechanism for those consultees to demonstrate what has changed as a result.

TfL incorporates good governance arrangements in respect of partnerships and other group working by:

- fostering effective delivery relationships and partnerships with other public sector agencies, the private and voluntary sectors;
- establishing appropriate arrangements to engage with all sections of the public effectively; and
- establishing appropriate arrangements to engage with interest groups such as financial institutions, businesses and voluntary groups to ensure they are able to interact with TfL on matters of mutual interest.

Review of Effectiveness

TfL has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior employees within TfL who have responsibility for the development and maintenance of the governance framework, the Risk and Assurance 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 Head of Internal Audit annually comments on the adequacy and effectiveness of the overall framework of TfL's governance, risk management and internal control; this is provided as an Internal Audit Opinion in the Risk and Assurance Annual Report submitted to the Audit and Assurance Committee.
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 2018/19, there were changes to the Board. Heidi Alexander was appointed as the new Deputy Chair, with the previous appointee, Val Shawcross CBE, remaining on the Board until 30 April 2019. Two Members left the Board at the end of their term of appointment and Mark Phillips was appointed to the Board to further strengthen the Board's knowledge and expertise. The changes maintained the positive gender and BAME representation on the Board.

A number of audits of governance and controls over procurement and contract management indicated the need to enhance controls for procuring supplies and services. A programme of activity to strengthen internal controls is being put in place.

TfL responded to the announcement by Crossrail Limited (CRL) that the delivery of the project (and its transition to TfL) would be delayed. In addition to increased funding for the project, TfL has strengthened its oversight and the reporting of project progress. TfL has also been responding to recommendations from the independent review of CRL's governance and other reviews.

TfL continued to embed the TfL HSE management system (HSEMS) during the year. TfL has continuous improvement plans in place to strengthen the maturity of compliance. The plans are revised annually.

TfL continued to review and refine its reporting to the Board and to each Committee and Panel, in particular to reflect progress against the Mayor's Transport Strategy, published in March 2018 and against the Business Plan and Budget.

The 2018/19 TfL Scorecard was approved by the Board at its meeting on 20 March 2018 and represented a further development of the new Scorecard introduced in 2017/18. The reporting of progress against Scorecard measures through the Board and Committees and Panels was enhanced during the year and reporting arrangements will continue to be developed and refined.

TfL undertook a review of its Enterprise Risk Management (ERM) processes and its strategic risks, involving Board Members and senior staff in their development. Regular reports are submitted to the Audit and Assurance Committee and each Strategic Risk has a defined owner, who is responsible for submitting a report on the risk and its management to the appropriate Committee or Panel at least once a year. While significant progress has been made on the ERM processes, further work is required to ensure a consistent level of risk maturity across TfL.

TfL further improved the quality, consistency and transparency of the finance, safety and other reporting information provided to Members and the public and continued the programme of publishing more information.

TfL continues to publish details of gifts and hospitality accepted by Members and the most senior staff and details of expenses of the most senior staff.

TfL proposes to continue to improve and develop its governance arrangements over the coming year. Issues to be addressed include:

- concluding and implementing recommendations from the externally led Board effectiveness review that is currently underway and preparing for any changes to the Board as a result of the May 2020 Mayoral Elections;
- implementing actions to address issues identified in controls over arrangements for procuring supplies and services; and
- ensuring that the recommendations from the independent review of CRL's governance and other reviews are implemented and reviewing the proposed approach to the governance of the Crossrail 2 project to ensure lessons are learned;
- implementing the recommendations from a review of TfL's compliance with the new UK Corporate Governance Code, which comes into effect in 2020;
- ensuring that risk management is fully effective by ensuring a consistent level of risk maturity across TfL;
- continuous improvement in the quality, consistency and transparency of the information provided to members and the public.

TfL is confident that the current governance processes and planned developments will enable it to meet the challenges identified.

Signed: ……...................……

Chair of TfL Board

Signed: ……...................……

Commissioner

Appendix 2

Improvement Plan 2018/19 – update on progress

Proposed Activity	Responsible Managing Director	Commentary
Conduct and implement an induction programme for the new Deputy Chair of TfL and for new Member(s) to be appointed in September 2018 and continue to develop and implement a programme of briefings and site visits for Members of the Board.	General Counsel	Completed: The new Deputy Chair was appointed in June 2018 and a further new Member was appointed in January 2019. Induction programmes were arranged for both Members, tailored to their specific roles. TfL implements a programme of briefings and site visits for Members, arising from meeting forward plans and actions lists.
Conduct and implement any recommendations from an externally led review of Board effectiveness.	General Counsel	Work in progress: The review was deferred pending the outcome of the governance review of the arrangements at Crossrail Limited. It has now commenced and will be completed by the autumn. This action will be rolled forward into the 2019/20 Improvement Plan.
Continue to implement and embed the TfL HSE management system.	MD London Underground/ Executive Committee	The HSE Management System continues to be embedded across TfL with regular reporting. A new HSE integrated function has been agreed, with a Chief HSE Officer to be appointed, who will be a member of the Commissioner's Executive Committee.

Benchmark TfL's governance against the new version of the UK Corporate Governance Code that is due to be published in 2018, and implement relevant recommendations.	General Counsel and Director of Risk and Assurance	Completed. A benchmarking exercise has been undertaken and the outcome is included elsewhere on the agenda for the Audit and Assurance Committee.
Implement the agreed actions following the review of TfL's governance arrangements in light of the new Mayor's Transport Strategy (published in March 2018).	General Counsel	Completed: During 2017/18 the Commissioner's Report to the Board was restructured to report against the draft Strategy. The Strategy was published in March 2019. Following publication, the 2018/19 TfL Scorecard, approved by the Board on 20 March 2018 was mapped against the Strategy and each of the regular quarterly reports to Committees and Panels report against themes from the strategy. Progress on implementing the Strategy is now reported to the Board annually, with the latest update provided to the meeting on 22 May 2019.
Continue to disseminate advice to new and existing statutory directors of subsidiary companies explaining their duties and responsibilities under the Companies Act 2006, particularly in light of the expected increase in the number of companies to support commercial development activity.	General Counsel	Completed. Recurring action: The appointments to TfL's subsidiary companies were reviewed in 2018. Advice is provided to directors upon appointment and ahead of meetings. The Board agreed changes to the former PPP legacy companies Tube (Lines Limited, LUL BCV Limited and LUL SSL Limited) and our property companies to simply our structure and reduce costs.

Continue with the development of a TfL wide integrated Management System.	General Counsel	Completed. Recurring action: The Management System has continued to be developed and expanded and is aligned to and supports the Transformation programme.
Continue to develop TfL's operating model and processes in accordance with agreed organisational change programmes.	Executive Committee	Completed. Recurring action: Transformation has coordinated and assured the implementation of TfL's new operating model. The programme has made significant changes to reduce unnecessary duplication and encourage more sharing of best practice and ideas. The Transformation Programme is continuing to review practices and structures to ensure they deliver value for money.
Implement TfL's new Scorecard arrangements and continue to develop effective operational and performance measurement processes.	Executive Committee	Completed. Recurring action: The 2017/18 TfL Scorecard was a step change improvement on previous Scorecards. The 2018/19 and most recent 2019/20 Scorecards have seen further developments in the process and the measurement against the targets. The Commissioner's Report to the Board provides a regular update at each meeting. The end of year Scorecard outturn is audited and then considered by the Audit and Assurance Committee.

Continue to develop TfL's proactive approach to transparency and publish an updated Transparency Strategy.	MD Customers, Communication and Technology/ General Counsel	Work in progress. Recurring action: A consultation on the strategy was conducted but the responses did not require any change to the strategy itself. Arising from the consultation responses, TfL has published new datasets and other information. TfL has released substantial amounts of information in relation to the Crossrail project, following the announcement of the delay to the project opening and is now regularly publishing CRL Board and Sponsor Board minutes.
Implement the compliance programme for the management of personal data in accordance with GDPR.	General Counsel/ Executive Committee	Completed: A compliance programme was devised and implemented. Progress was audited and appropriate management actions were implemented. TfL was largely compliant with GDPR on its implementation date of 25 May 2018. Work continues to ensure compliance.
Continue to develop TfL's Strategic Risk processes and deliver key improvements including clarification of risk responsibilities, consistent risk processes and clearer Committee/Panel oversight of key risk topics.	Chief Finance Officer/ General Counsel/ Director of Risk and Assurance / Executive Committee	Completed: TfL's strategic risks were reviewed following a joint workshop between the Board and the Executive Committee. The updated Strategic Risk Register was approved by the Audit and Assurance Committee with individual risk owners responsible for reporting on their risks at least annually to the appropriate TfL Committee or Panel. The Audit and Assurance Committee receives quarterly updates.

To appoint a new Chair to the Programme Board of Crossrail 2 and to review and agree governance arrangements for Crossrail 2 following the affordability review (expected to report summer 2018), subject to a decision to proceed to the development phase.	General Counsel/ MD Crossrail 2	Work in progress. Recurring action: Following the conclusion of the Independent Affordability Review, TfL is producing an updated Strategic Outline Business Case (SOBC) for Crossrail 2 which will be submitted to Government later this year and considered as part of the Government Spending Review in the Autumn. The SOBC will include proposals for the future governance and assurance of the project. In the interim, TfL and the Department for Transport (DfT) have nominated Senior Responsible Officers, who meet on a monthly basis. The Programme Board continues to meet regularly with representatives from DfT, GLA, CLG, HMT and IPA providing challenge to the project team alongside two independent board members.
Continue to review and adapt governance arrangements for Crossrail to effect an orderly transition of decision-making and accountability to TfL.	Executive Committee	Work in progress. Recurring action: In August 2018, CRL announced a delay to the project and additional costs. Consequently, the transition plans have been put on hold. Governance arrangements have been changed at CRL with changes to its Board and senior management team. TfL and the DfT commissioned independent reviews of the project and its governance. The recommendations from these and other reviews are being implemented.

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Appendix 3

Improvement Plan 2019/20

Proposed Activity	Responsible Managing Director
Conclude and implement any recommendations from an externally let Board Effectiveness Review and prepare for any changes to the Board arising from the 2020 Mayoral Election.	General Counsel [Rolled forward and updated]
To establish the governance and reporting processes for the new integrated HSE function.	Chief HSE Officer [New]
To continue to implement and embed the TfL HSE management system.	MD London Underground and Executive Committee [Rolled forward]
Implement relevant recommendations from the Internal Audit benchmarking review of TfL's governance against the new UK Corporate Governance Code, coming into effect in 2020.	General Counsel [Rolled forward]
Review the effectiveness of decision making to ensure that decisions are robust as possible to legal challenge.	General Counsel and Director of Legal [New]
Continue to disseminate advice to new and existing statutory directors of subsidiary companies explaining their duties and responsibilities under the Companies Act 2006, particularly in light of the expected increase in the number of companies to support commercial development activity.	General Counsel [Rolled forward]
Complete verification and input of mapping of personal data and implement plans for regular data refresh.	General Counsel [New]
Continue with the development of a TfL wide integrated Management System and update it to include policies relating to all staff.	General Counsel [Rolled forward and updated]
Establish a programme to regularly seek assurance from key suppliers that they are complying with their data protection obligations	General Counsel [New]
Continue to develop TfL's operating model and processes in accordance with agreed organisational change programmes.	Executive Committee [Rolled forward]
Continue to develop TfL's Scorecard and effective operational and performance measurement processes.	Executive Committee [Rolled forward]

Proposed Activity	Responsible Managing Director
Continue to develop TfL's proactive approach to transparency.	MD Customers, Communication and Technology and General Counsel [Rolled forward]
Continue to develop TfL's Enterprise Risk Management processes and deliver key improvements to ensure they are fully effective by ensuring a consistent level of risk maturity across the organisation.	Executive Committee [Rolled forward and updated]
Implement actions to address procurement issues identified in the Risk and Assurance Annual Report audit opinion.	Chief Finance Officer [New]
Continue to review and adapt governance arrangements for Crossrail 2.	General Counsel/ MD Crossrail 2 [Rolled forward and updated]
Continue to review and adapt governance arrangements for Crossrail, including ensuring all recommendations from the reviews of the project are implemented and to start to develop plans for an orderly transition of decision-making and accountability to TfL once the new project plan and timetable for delivery of the service has been established.	Chief Finance Officer and General Counsel [Rolled forward and updated]

Audit and Assurance Committee

Date: **10 June 2019**

Item: **Independent Investment Programme Advisory Group Quarterly Report and Workplan**

This paper will be considered in public

1 Summary

1.1 This paper presents the Independent Investment Programme Advisory Group (IIPAG) Quarterly Report for June 2019, which describes work undertaken since the last report presented to this committee on the 14 March 2019; the IIPAG workplan for 2019/20; and an update on the implementation of the recommendations made by the TC Chew review of IIPAG.

2 Recommendation

2.1 **The Committee is asked to note the report and approve the IIPAG workplan for 2019/20.**

3 IIPAG Quarterly Report

3.1 Under its Terms of Reference IIPAG are required to produce quarterly reports of its advice on strategic and systemic issues, logs of progress on actions and recommendations and the effectiveness of the first and second lines of project and programme assurance.

3.2 There are no new recommendations in the IIPAG June 2019 Quarterly Report.

3.3 The Project Assurance team continue to track progress against the recommendations made by IIPAG through the reviews of projects and sub-programmes.

3.4 The total number of recommendations has increased from 210 in January 2019 to 253 in April 2019, with a total of 43 new recommendations made. There has been an increase in the number of overdue recommendations from 11 to 31 and a small increase in the number of open recommendations from 20 to 28 in the last quarter. Seventeen IIPAG recommendations have been closed out since the last report. There are no new un-agreed IIPAG recommendations this quarter.

3.5 The Project Assurance team will continue to focus their efforts on closing overdue recommendations over the next quarter.

3.6 Figure 1, below, sets out the number of recommendations that are Closed, not yet due (or no date noted) or Overdue (from original baseline date) in the recommendations tracker maintained by Project Assurance.

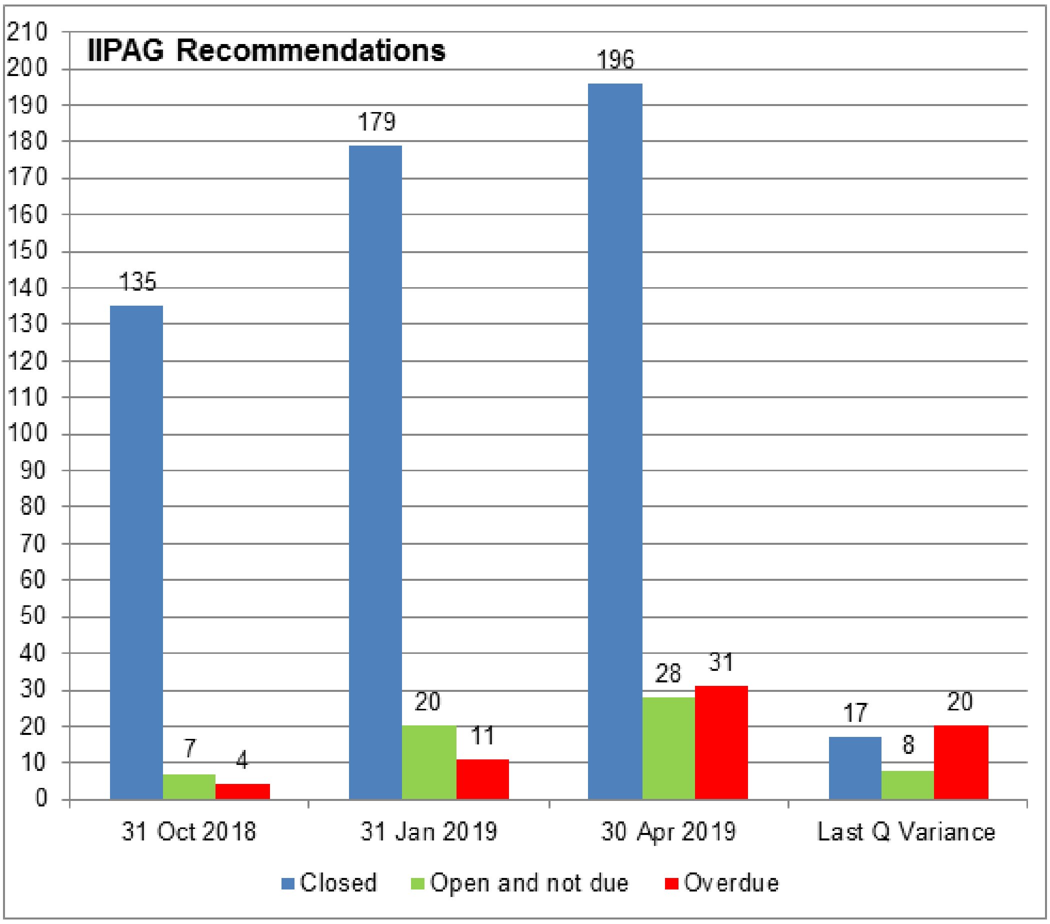

Figure 1: Status of IIPAG Recommendations

4 IIPAG Workplan 2019/20

4.1 The IIPAG Terms of Reference require that IIPAG produces an annual workplan and for this to be reviewed twice per year by the Programme and Investment Committee and the Audit and Assurance Committee.

4.2 IIPAG's workplan for 2019/20 has been developed following discussions with TfL senior management and is attached as Appendix 1 for the Committee's consideration. The workplan is affordable and keeps within the IIPAG budget. It was presented to the Programmes and Investment Committee for information on 15 May 2019.

4.3 Progress with delivery of the workplan will be reported quarterly to both Committees.

5 IIPAG Review Implementation Update

5.1 An update on the implementation of the recommendations made by the 2017 TC Chew IIPAG Review is provided as Appendix 2, as requested by this Committee on 14 March 2019.

List of appendices to this report:

Appendix 1 – 2019/20 IIPAG Workplan
Appendix 2 – IIPAG Quarterly Report (June 2019)
Appendix 3 – TC Chew IIPAG Review Recommendations

List of Background Papers:

None

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IIPAG WORKPLAN 2019/20

1. Introduction

IIPAG's role is to provide third line assurance and strategic advice in the following areas of TfL's investment programme:

- Sub-programme (SP) reviews
- Project Assurance Reviews (PARs) for individual projects over £50m, either at key gate stages or as an annual check
- On-going scrutiny of the most significant major projects such as 4LM
- One-off or continuous reviews of strategic and systemic issues, including benchmarking.

IIPAG will prepare quarterly reports and attend the Programmes and Investment Committee and the Audit and Assurance Committee, and will attend most Investment governance meetings – Investment Committee, and the London Underground and Surface Transport Investment Boards. IIPAG's budget for 2019/20 is the same as in 2018/19, at £395,000. This broadly translates into 395 days' work.

2. Sub-programme and Project Reviews

In the past IIPAG has participated in reviews of all SPs and projects over £50m, alongside the PA team. For the coming year we propose to adopt a risk based approach so that IIPAG's input is focussed more on the higher risk SPs and projects, with the lower risk SPs and projects being subjected only to second line assurance through the Project Assurance (PA) team.

With advice from PA we have reviewed the riskiness of all SPs and projects. For SPs we have also considered whether our input is most valuable at the SP level or whether in some cases it would be more valuable for us to focus just on specific projects within the SP. As a result of this consideration our approach to SP reviews in 2019/20 will be as follows.

	Number of SPs
Total number of TfL SPs including HS2 and Growth Fund	24
Number of SPs which IIPAG will review at SP level	15
Number of SPs where IIPAG will undertake project level reviews	6
Number of SPs with no IIPAG input	3

A similar risk based approach is proposed for projects within SPs. In addition IIPAG will undertake reviews of Crossrail On Station Improvement Programme and Crossrail 2 which are not currently classified as SPs. Further details of proposed IIPAG reviews are provided in Annex 1. We estimate standard reviews will consume around 155 days. In certain cases more in depth reviews may be needed, possibly requiring us to draw in external experts. We are reserving up to 45 days for deep dive work.

Risk categorisations will be kept under review, and should these change IIPAG will adapt its programme accordingly.

3. Crosscutting Reviews and Continuous Assurance

We have identified a number of areas which we consider would benefit from consideration on a more cross-cutting basis. These are:

- Benchmarking
- Business planning
- Transformation including commercial transformation
- Commercial Development assurance processes
- Project initiation
- PMO - management reporting and effectiveness of PMO
- Value for money including TfL Standards
- Effectiveness of first and second lines of defence
- Cost performance

In some of these areas (such as PMO and cost estimating) TfL is already planning or undertaking work itself, and IIPAG's role may be provision of advice and continuous assurance. In other cases IIPAG will undertake a one-off/annual review (eg benchmarking).

In addition we have discussed the Internal Audit (IA) workplan with the Head of IA, and have noted a number of IAs which we will keep close to, in order to provide input where appropriate, or to inform our own work. These are:

- Procurement governance
- Risk Management Framework
- Management information reporting suite
- City Planning estimating and forecasting process
- Cost escalation in projects
- Engineering operating model

We are allocating c100 days for cross-cutting activities. The scope and nature of this work will be refined during the year.

4. Summary of Workplan

In summary, IIPAG expects to allocate its resources as follows:

	Planned days
SP and project reviews, standard	165
Deep dive SP and project reviews	45
Cross cutting issues	100
Attendance at meetings etc	50
Currently unallocated days (contingency)	35
Total	395

INDEPENDENT INVESTMENT PROGRAMME ADVISORY GROUP

Annex 1 Standard IIPAG reviews

Sub-programme	Projects reviewed by IIPAG	Indicative Resource Estimate (days)
IIPAG Involved in Sub-Programme Reviews		
1. 4LM	4LM	10
2. Air Quality Management	ULEZ extension Pontoon	5
3. Healthy Streets	Borough Cycling (Central London Grid, Cycling Quietways, Mini Hollands) Cycling Future Routes Liveable Neighbourhoods Old Street roundabout Parliament Square Rotherhithe to Canary Wharf	30
4. LU Stations including Step Free Access programme	Asset Resilience Civils, Bridges, Structure Earth Structures Accessibility programme Elephant and Castle	10
5. Deep Tube Upgrade Programme	Piccadilly Line (PL) Rolling Stock PL Signal and Train Control PL Depots PL Operating Control System	5
6. Northern Line Extension	NLE	3
7. Silvertown Tunnel	Silvertown Tunnel	4
8. Surface Technology	IBus 2	3
9. DLR Rolling stock including depots	DLR Rolling Stock Replacement	3
10. Bakerloo Line Extension including signalling upgrade	BLE Upgrade and Extension	6
11. HS2	HS2 Euston Station works	6
12. Air Quality & Environment	ULEZ Central	3
13. Technology & Data	Emergency Services Network (ESN) Telecommunication Commercialisation	5
14. LU Lifts & Escalators	Lifts and Escalators Programme	2
15. Barking Riverside Extension	Main Works Contract	3
No IIPAG Sub-Programme review. Project reviews only.		
16. Surface Asset	Structures and Tunnels Infrastructure Programme (STIP) 2 – Rotherhithe Tunnel STIP 2 – Vauxhall Bridge	2

17. Major Stations	Bank Upgrade Holborn (Paused) Camden (Paused subject to developer agreement)	6
18. Public Transport	Sutton Link Thamesmead Link	4
19. Renewals & Enhancements Fleet	Central Line Improvement Programme Train Maintenance Unit shed	5
20. LU Signalling & Control	Review signalling strategy	2
21. LU Track Renewals	Track and Drainage Programme - review through continuous assurance	2
Other projects being reviewed by IIPAG		
22. Crossrail (TfL)	ONSIP	2
23. Crossrail 2	Crossrail 2	4
No IIPAG Involvement		
24. **TfL Growth Fund**		0
25. World Class Capacity		0
26. LU Power		0
Total		**125**

Add estimated days for report writing: 40 days
Total days on sub-programme and project reviews c 165 days

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Appendix 2

Independent Investment Programme Advisory Group – Quarterly Report (June 2019)

This paper will be considered in public

1 Summary

1.1 This is the second full quarterly report of the current IIPAG. It describes the work we have undertaken since our last report, some strategic and systemic issues that we have identified for further review, and our workplan for 2019/20.

1.2 The parallel report from TfL Project Assurance describes management progress in closing actions on IIPAG recommendations.

2 Recommendations

2.1 There are no new recommendations on systemic or cross-cutting issues at this stage.

3 IIPAG work since last Quarterly Report

3.1 This has been a relatively quiet period for IIPAG reviews. IIPAG has been involved in no sub-programme reviews and a total of 2 Project Assurance Reviews since its last report (14 March 2019). These are listed in Table 1 below:

Project Assurance Reviews
Sutton Link Silvertown Tunnel

3.2 IIPAG members regularly attend the Executive Boards which oversee the investment programme (LUX, Surface Transport Board, and Investment Committee), to develop our understanding of the programme and thematic issues, and our ability to offer advice. In addition IIPAG has received briefings on the development of the PMO function, the transformation programme and the plans for commercial transformation. We have also met with the Head of Internal Audit to discuss the internal audit workplan for 2019/20. From these and the learnings from project and sub-programme reviews we have identified some cross-cutting issues which we will consider further in the coming year (in addition to those flagged in our last report). These are:

- How well TfL forecasts and controls the costs of its investment projects, across the business

- How projects are initiated, in particular how the objectives, requirements, business case and option selection are established
- The performance of the PMO, and the quality of the processes and information it provides.

4. Work plan for 2019/20

4.1 Since our last report we have developed our workplan for 2019/2020, which has been submitted to the May PIC meeting. The workplan covers the following areas:

- Sub-programme (SP) reviews
- Project Assurance Reviews (PARs) for individual projects over £50m, either at key gate stages or as an annual check
- On-going scrutiny of the most significant major projects such as 4LM
- One-off or continuous reviews of strategic and systemic issues, including benchmarking.

4.2 In respect of sub-programme and project reviews, we have taken a risk based approach so that our efforts are focussed where they can deliver best value to the organisation. We anticipate undertaking 21 sub-programme reviews and reviewing 35-40 projects. We have worked closely with Project Assurance to ensure that our programme enhances and complements the second line assurance that they provide. Our approach will include continuous assurance as well as gate reviews.

4.3 In addition, and as required by our terms of reference, we will produce a report on TfL's benchmarking activities and the performance of the first and second lines of defence. We also anticipate providing advice and assurance on the information used for the next round of Business Planning decisions. We plan to undertake work on the cross-cutting issues we have identified in this and our previous report. In a number of cases this will take the form of continuous assessment or being involved in work already underway in TfL, rather than specific one-off reviews. The cross-cutting topics which we currently plan to review in 2019/20 are set out below, though we will keep these under review in the light of issues arising from future sub-programme and project reviews:

- Benchmarking
- Business planning
- Transformation including commercial transformation
- Commercial Development assurance processes
- Project initiation
- PMO - management reporting and effectiveness of PMO
- Value for money
- Scope and TfL Standards

- Effectiveness of first and second lines of defence
- Cost performance

List of appendices to this report:

None

List of Background Papers:

None

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IIPAG Review Action Plan update.

Action	Owner	Due Date	Current Status
Recruitment Plan. A recruitment plan will be prepared that sets out the next steps for the recruitment of the Chair, members and Pool of Experts.	Head of Project Assurance	Oct 2017	**Complete.** The recruitment of the IIPAG Chair and members is complete.
Revise Mayoral Direction. TfL will draft revised wording for a Mayoral Direction to reflect review recommendations.	General Counsel	Nov 2017	**Complete**. The revised Mayoral Direction for IIPAG was signed by the Mayor on 18 December 2017.
Appoint Relationship Sponsors. Relationship Sponsors, drawn from across the business will be appointed, initially to provide input to the IIPAG-TfL MoU. They will then provide an ongoing point of contact for IIPAG and support their area of the business in understanding the role of IIPAG.	Head of Project Assurance	Nov 2017	**Complete**. David Hughes (Director of Investment Delivery Programme), Shashi Verma (Director of Technology and Data) and Stuart Harvey (Major Projects Director) have agreed to be Relationship Sponsors.
Amend AAC and PIC Terms of Reference. Small changes to the AAC and PIC Terms of Reference are required to implement the IIPAG review recommendations	General Counsel	Nov 2017	**Complete.** The amendments were agreed by the TfL Board at its meeting on 9 November 2017.
Director of Risk and Assurance to work with IIPAG to agree how its work can be coordinated with the work of the wider Risk and Assurance Directorate.	Director of Risk and Assurance	Dec 2017	**Complete**. The IIPAG workplan sets out the ways in which IIPAG are coordinating their work with the Teams within the Risk and Assurance Directorate.
Revise Terms of Reference. IIPAG Terms of Reference to be revised to reflect review recommendations.	Head of Project Assurance	Jan 2018	**Complete**. The TfL Board approved a revised Terms of Reference for IIPAG on 30 January 2018.

Action	Owner	Due Date	Current Status
Produce TfL-IIPAG Memorandum of Understanding (MoU). To include expected ways of working and communications, timescales for written reports and responses, and clear escalation processes. The MoU will be drafted, drawing on the points raised in the review and input from IIPAG and the business. The MoU will be formally agreed by ExCo and IIPAG.	General Counsel	Feb 2018	**Ongoing**. Following the appointment of the IIPAG Chair and members, a draft Memorandum of Understanding has been produced. This is in the process of being reviewed by both IIPAG and TfL Officers before being finalised.

Audit and Assurance Committee

Date: 10 June 2019

Item: EY Report to Those Charged with Governance

This paper will be considered in public

1 Summary

1.1 To report to the Audit and Assurance Committee the key issues identified by EY during the course of their audit of the Statement of Accounts for the Transport for London Group for the year ended 31 March 2019.

1.2 Additional information is set out in the paper included on Part 2 of the agenda which contains exempt supplemental information. Subject to the decision of this Committee, this paper is exempt and is therefore not for publication to the public or press by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 in that it contains information that is commercially sensitive and likely to prejudice TfL's commercial position.

2 Recommendation

2.1 **The Committee is asked to note the report and the supplemental information on Part 2 of the agenda.**

3 Background

3.1 EY have, as required by International Auditing Standards, prepared a report for the benefit of those charged with governance. The report outlines the respective responsibilities of the auditor and TfL, and provides an overview of the status of the audit and accounting policy changes. The report also comments on judgemental areas within the accounts. EY's report is attached for the Committee's review.

List of appendices to this report:

Supplementary information is included on Part 2 of the agenda.

Appendix 1 – EY's Report to Those Charged with Governance

List of Background Papers:

None

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Appendix 1

Transport for London
Audit results report

Year ended 31 March 2019

24 May 2019

Building a better working world

Private and Confidential 24 May 2019

Transport for London
55 Broadway
London
UK SW1H 0BD

Dear Members of the Audit and Assurance Committee,

Audit results report

We are pleased to attach our audit results report for the forthcoming meeting of the Audit and Assurance Committee. This report summarises our preliminary audit conclusion in relation to Transport for London Group (TfL Group) financial position and results of operations for the year ended 31 March 2019. We will issue our final conclusion at the Audit and Assurance Committee meeting scheduled for 10 June 2019.

The audit is designed to express an opinion on the 2019 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on TfL Group accounting policies and judgments and material internal control findings.

The TfL Group and Corporation audits form part of our framework contract with Public Sector Audit Appointments Limited. We have undertaken our work in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's Code of Audit Practice, auditing standards and other professional requirements.

We are also the auditors of TfL's subsidiaries, Transport Trading Limited Group (TTL Group) and Crossrail Limited. TfL's subsidiaries are subject to the accounting requirements of the Companies Act 2006. We have undertaken our work in accordance with the requirements of UK auditing standards.

This report is intended solely for the information and use of the Audit and Assurance Committee and management. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 10 June 2019.

Yours faithfully

Karl Havers

Partner

For and on behalf of Ernst & Young LLP

Contents

The contents of this report are subject to the terms and conditions of our appointment as set out in our TTL engagement letter of 06/03/2018.

In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued “Statement of responsibilities of auditors and audited bodies”. It is available from the via the PSAA website (www.PSAA.co.uk).

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The “Terms of Appointment (updated February 2017)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit and Assurance Committee and management of TfL in accordance with our engagement letter. Our work has been undertaken so that we might state to the Audit and Assurance Committee and management of TfL those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Assurance Committee and management of TfL for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

01 Executive Summary

Executive Summary

Areas of audit focus

In our Audit Plan we identified a number of key areas of focus for our audit of the financial report of the TfL Group. This report sets out our observations and conclusions in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised within the “Areas of Audit Focus" section of this report. During out audit, we identified a further area of more detailed focus compared to the original Audit Plan, being governance arrangements relating to the procurement process. We assessed this for potential impact on the financial statements and as an additional significant risk area for our value for money conclusion.

Where applicable we have identified those matters that we consider to be key audit matters. Key audit matters are selected from the matters we communicate to you that in our opinion are of most significance to the current period audit and required significant attention in performing the audit. In accordance with ISA (UK) 701 key audit matters are included in our auditor’s report.

Audit risks / areas of focus as communicated per our audit planning report included the following:

- Management override of controls;
- Inappropriate Revenue recognition, required by ISA (UK & Ireland) 240 (Including expenditure as required by Practice Note 10);
- Inappropriate capitalisation or potential impairment of capital projects including capital accruals;
- Significant accounting estimates – including complexity of provisions;
- Complexity of accounting for TfL and TTL property portfolios; and
- Crossrail funding.

Other areas of focus identified during the course of the audit included the following:

- Judgemental assumptions impacting on TfL’s pension deficit;
- Complexity of accounting and disclosures for TfL’s borrowing and treasury management;
- Application of new accounting standards e.g. IFRS 9 and IFRS 15; and
- Governance arrangements relating to the procurement process.

We request that you review these and other matters set out in this report to ensure:

- There are no residual further considerations or matters that could impact these issues;
- You concur with the resolution of the issue; and
- There are no further significant issues you are aware of to be considered before the financial report is finalised.

There are no matters, other than those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit and Assurance Committee.

Executive Summary

Status of the audit

Our audit work in respect of the group opinion is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report:

- Pensions – EY review of actuarial reports and KPMG's audit report of investment fund/asset values and membership data;
- Fares revenue – KPMG's ISAE3402 and Agreed Upon Procedures report over contactless ticketing and Oyster pay as you go;
- Completion of the technical review of the financial statements;
- Post balance sheet events up to the date of approval of the financial statements; and
- Receipt of signed letter of representation.

On the basis of our work performed to date, we anticipate issuing an unqualified auditor's report in respect of the true and fair view on the group financial statements. However, until we have completed our outstanding procedures, it is possible that further matters requiring amendment may arise.

Audit differences

During our audit work, management has corrected the presentation of certain assets in property, plant and equipment, resulting in the reclassification of £387m of assets from fixed assets into assets under construction. Management has adjusted the financial statements for this audit difference i.e., material to the presentation and disclosures of the consolidated financial statements for the year ended 31 March 2019.

A judgemental misstatement was noted with regards to the undervaluation of an investment property by £4.8m, which is not considered material by management in the context of the total value of investment property. We also identified a difference in view on the treatment of contractual payments relating certain contract payments the impact on current year income and expenditure was £1.5m.

Value for money

Based on the work we have completed to date, we expect to issue a value for money conclusion that states that there are arrangements in place to secure economy, efficiency and effectiveness, except in relation to two areas:

- A series of weaknesses identified by management and internal audit in respect of procurement processes; and
- The governance arrangements relating to Crossrail's delivery of the Elizabeth line

Executive Summary

Whole of government accounts

- We have not yet initiated our audit for Whole of Government (WGA) requirements. We will commence our work on the WGA following approval of the financial statements in order to meet the deadline of 31 August 2019.

Audit Certificate

- The audit certificate is issued to demonstrate that the full requirements of the National Audit Office's 2015 Code of Audit Practice have been discharged for the relevant audit year. We expect to issue the audit certificate once the work on Whole of Government Accounts is complete.

Independence

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified on main audit areas, i.e. grant claims and debt issuance, we therefore confirm that EY is independent and the objectivity and independence of Karl Havers, your audit engagement partner and the audit engagement team have not been compromised.

Please refer to Section 5 for our update on Independence.

02 Areas of Audit Focus

Significant risk and key audit matter

Management override of controls, required by ISA (UK and Ireland) 240

What is the risk?

We consider the focus on the objective of EBITDA reaching a breakeven level, to be an area in which the risk of management override manifests itself.

This can be achieved by either capitalising the operational expenses or by overstating the revenue.

What judgements are we focused on?

As part of our risk assessment we consider the current objectives of TfL and areas where there might be judgement with potential for bias to present a particular result, such as reduced operating expenditure.

What did we do?

For both TfL, TTL groups and subsidiaries, we have:

- Robustly challenged management's assumptions on capitalising expenditure;
- Critically reviewed fares revenue;
- Applied professional scepticism by questioning whether management's explanations are logical, reasonable and in line with relevant historic trends supported by sufficient appropriate evidence;
- Reviewed the business rationale for unusual transactions;
- Reviewed accounting estimates for evidence of management bias;
- Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparation of the financial statements;
- Considered the effectiveness of management's controls designed to address the risk of fraud; and
- Gained an understanding on the oversight given by those charged with governance of management's processes over fraud.

What are our conclusions?

With regards to the procedures performed, we have obtained sufficient audit evidence regarding any business rationale for unusual transactions, any assumptions for the capitalisation of expenditure, and for judgements and assumptions for significant estimates.

During our testing we identified that two provisions were at the conservative end of the range, we challenged this position. Further evidence was provided by management that resulted in the reduction of one of the provisions. See further commentary in the section on provisions.

During the year weaknesses in procurement process controls were identified by management and internal audit. We completed additional testing and did not identify any material fraud.

Significant risk and key audit matter (continued)

Inappropriate Revenue recognition, required by ISA (UK & Ireland) 240

What is the risk?

TfL needs to have robust controls in place to forecast and accurately recognise and report revenue in its financial statements.

What judgements are we focused on?

Judgements and controls need to be effective to appropriately recognise revenue, these include:

- Fares revenue is recognised on a real time basis at the time of actual usage;
- Collection of payments made from sales via various sales outlet; and
- Calculation and recording of the revenue and deferred revenue based on maturity of the product for fares revenue.

What did we do?

For Fares Revenue, we have:

- Gained an understanding of the revenue process for fares revenue;
- Performed controls testing over the effectiveness of the cash collection process and sales made at various sales outlets;
- Performed testing to ensure that the Receipts in Advance "RIA" and JFT Debtor balance is correctly stated;
- Tested the appropriateness of assumptions used by management on the oyster write-back policy adopted;
- Tested transactions separately where we are not able to place reliance on the controls in place or where procedures above are not be sufficient;
- Tested the fares compensation arrangements with the TOCs resulting from the fares cap introduced in Jan 2015; and
- Reviewed the ISAE 3402 controls report and the agreed upon procedures report.

What are our conclusions?

Our planned procedures in relation to this risk are complete, except for KPMG's testing of controls over contactless ticketing and Oyster pay as you go, set out in their ISAE3402 report and agreed procedures report. This is currently outstanding and we are planning to rely on it.

We note that fares compensation due to the TOCs is the subject of ongoing discussion, in respect of certain specific areas. We understand that the final position is yet to be agreed between parties and may be determined through an arbitration process, which will take some time to complete. We have provided further detail in the private papers for the Audit and Assurance Committee meeting, due to the legal sensitivity of this matter.

There were no other matters arising from our revenue testing.

Significant risk and key audit matter (continued)

Inappropriate capitalisation or potential impairment of capital projects including capital accruals

What is the risk?

TfL, TTL groups and subsidiaries undertake multiple capital projects at any one time, which vary in size, complexity and length of time to complete. In the 2018/19 financial year, TfL's capital expenditure is £3.47 billion, of which £1.4bn relates to Crossrail.

There is a risk of improper capitalisation of cost (through improper calculation of the accruals or improper split between capital and operating expenditure). In addition there is a risk of potential impairment of projects as a result of funding constraints.

What judgements are we focused on?

Judgements and controls need to be effective, to appropriately recognise the costs from these significant projects including:

- Appropriate split of costs between capital and operating expenditure;
- Assessment of the economic useful lives of the asset where costs are capitalised; and
- Whether to recognise impairments and write-offs for assets to reflect increased risks of projects being terminated or suspended.

What did we do?

For TfL, TTL groups and subsidiaries we have:

- Reviewed 41 major capital projects (including Crossrail), based on quantitative and qualitative thresholds;
- Gained an understanding of key controls and governance surrounding capital project accounting and management;
- Met with management and project managers during the year and attended management's P11 and P13 accruals meetings;
- We have compared the latest positions recorded in respect of pain or gain arrangements to contract terms and conditions and to latest project outturn forecasts to assess the appropriateness of related amounts recorded;
- Performed detailed testing on a sample of expenditure incurred and capital accruals to source documentation;
- For projects involving third party assets, such as roads, cycle highways and track access, we have understood the contractual terms surrounding the projects and assessed whether the criteria for recognising a capital asset have been met by TfL; and
- For material projects in progress at the year end, we have tested whether the completion of the projects are included in the latest business plan and whether there is available funding to complete the expenditure. Where management has assessed this is not the case, we have tested the completeness of removal of project costs from the balance sheet and write off in the income statement.

What are our conclusions?

From a Group perspective the largest in progress capital project is Crossrail which has faced significant overruns. We have completed a statutory audit of Crossrail as a subsidiary of TfL. The close down of contracts over 2019/20 and later, is likely to result in further claims from contractors and subcontractors, particularly if deadlines are squeezed to meet the opening date. This does give rise to the risk of additional costs and pressures on funding for TfL as an organisation which will require careful management.

At the balance sheet date, TfL also has a number of other significant capital projects at various stages of completion. We have challenged management as to whether there are any significant changes in plans (around aborted projects or projects put on hold) which would indicate any impairment. We note management has recognised an impairment of costs previously incurred on two projects, where plans have changed and the projects are no longer included in the current business plan and within available funding. We will seek confirmation in the letter of representation that the remaining expenditure carried forward in the balance sheet for in progress projects are expected to be funded and that there is no impairment required in the carrying value at 31 March 2019.
No other matters were identified in our testing. We are satisfied that the capitalised costs in the year are appropriate.

Significant risk and key audit matter (continued)

Further details on procedures/work performed

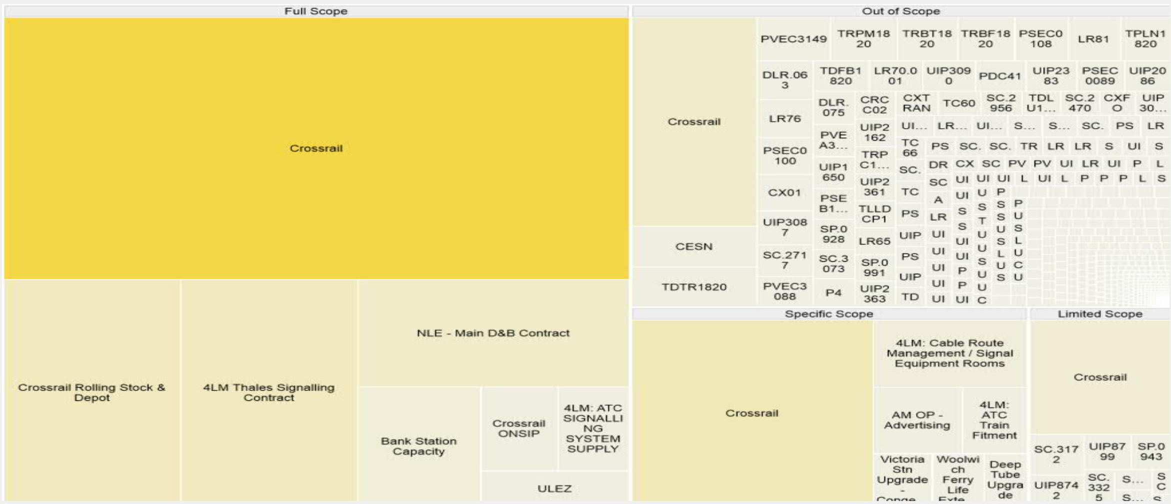
Capitalised expenditure incurred in the year

As set out in our Audit Plan, we have tested a sample of capital projects which has been selected based on quantitative and qualitative factors. The project sample selection process included stratifying the contracts between Full, Specific, Limited and Close-out scope based on certain risk factors including target disputes, claims and percentage completion.

Procedures performed included:

- For all contracts identified as full scope projects, we obtained a detailed contract questionnaire and challenged management's assumptions, agreed spend in the year to the latest contractor certificates and considered the reasonableness of the forecast costs to complete. In addition, we also held face-to-face contract meetings with the project management teams and site visits.
- For all contracts identified as specific scope projects, the aforementioned procedures have also been carried out with the exception of a site visit.
- For all limited and close out scope contracts, we obtained a detailed contract questionnaire and challenged management's assumptions. We agreed spend in the year to the latest contractor certificates and considered the reasonableness of the forecast costs to complete. We put particular focus on the disputes and claims to ensure the appropriate accounting of these.

As part of our audit procedures, we performed detailed contract testing covering 63% of the capitalised expenditure incurred during the year. The diagram below shows a box for each active project in the year with the size of the box corresponding to the value of the capitalised spend during in year. The contracts selected for testing during the year are categorised below into their designated scoping.



Significant risk and key audit matter (continued)

Significant accounting estimates – including complexity of provisions

What is the risk?

Certain provisions and accruals (e.g. compulsory purchase orders, litigation, claims and disputes) require complex estimates involving high levels of management judgement and uncertainty.

TfL, TTL groups and subsidiaries have complex contract and commercial arrangements. A large proportion of TfL's provisions come from its capital investment activities. In particular CPO provisions and contractual disputes are subject to significant estimation and include uncertainty around negotiations.

What judgements are we focused on?

Judgements and controls need to be effective, to appropriately recognise appropriate provisions for probable obligations including:

- Appropriately applying the requirements of the applicable financial reporting framework relevant to the accounting estimate;
- Utilising and appropriate method of measurement that is applied consistently; and
- Considering events occurring up to the date of our auditor's report provide audit evidence regarding the accounting estimate.

What did we do?

For TfL, TTL groups and subsidiaries we have:

- Reviewed material provisions and accruals for business purpose and appropriateness of estimation techniques, by comparing actual costs to prior year provisions to identify the accuracy of the provision made;
- Calculated the sensitivity of the provisions to changes in assumptions used for discount rates and inflation to determine if this is material;
- Reviewed and critically evaluated management's judgement and estimates applied in the calculation of provisions in the financial statements;
- Tested material provisions and accruals for business purpose and appropriateness of estimation techniques. For each provision we have ensured that each satisfies the recognition criteria under IAS 37;
- Obtained an update, from management and Group legal, to understand the latest position of material claims as at the year end date;
- Inspected legal advice or opinions management has obtained in relation to contract positions and quantum of costs; and
- Enquired of management and assessed other evidence, including board minutes, to test the completeness of amounts recorded in relation to contract claims

What are our conclusions?

During our testing we identified that two provisions were at the conservative end of the range, we challenged this position. Further evidence was provided by management, including independent expert reports and legal views, that resulted in the reduction of one of the provisions.

We have concluded that the provisions made are within an acceptable range, based on latest available information and are therefore materially correct.

Significant risk and key audit matter (continued)

Complexity of accounting for TfL and TTL property portfolios

What is the risk?

TfL and TTL groups have extensive property portfolios, with a total book value for investment properties of £492 million as at 31 March 2019.

The unique and material nature of TfL and TTL group's property portfolios means that small changes in assumptions when valuing these assets can have a material impact on the financial statements.

What judgements are we focused on?

Judgements and controls need to be effective, to appropriately recognise the carrying value of assets including:

- Identifying and relying on significant assumptions used by external valuers;
- Reviewing and understanding methodology used to assess the property valuation; and
- Reviewing the observable market data for the properties portfolio selected for valuation by external valuers.

What did we do?

For TfL, TTL groups and subsidiaries, we have:

- Discussed with management and reviewed evidence to gain understanding of TfL and TTL group's property portfolios;
- We met with TfL's external valuers and discussed the methodology and valuation assumptions used;
- Performed substantive testing and corroborated explanations for property additions, disposals and accounting for lease contracts;
- Assessed the classification of TfL and TTL property portfolios, the valuation basis and any material increases or impairments that arise during 2018/19;
- Assessed the work of TfL's property valuers. We have used our EY property valuation team, as appropriate, to benchmark assumptions and test whether the valuations are within an acceptable range based on comparative market data for rental yields.
- Tested the accounting entries and disclosures made in the financial statements;
- We tested property additions, disposals and accounting treatment of leases to supporting documentation; and
- Considered classification of assets between investment properties, property, plant and equipment and assets held for sales in accordance with IFRS.

What are our conclusions?

In our testing, we noted one difference in valuation relating to the Property in our sample. Our testing indicated that the value was understated by £4.8m, this is below materiality but noted on our summary of uncorrected differences.

We noted that management had commissioned an updated valuation of the Earls Court land which resulted in a further impairment being recognised at 31 March 2019. We concurred with this treatment.

Overall, we concluded that property valuations were within an acceptable range.

Significant risk and key audit matter (continued)

Crossrail Funding

What is the risk?

The opening of the Elizabeth Line has been delayed significantly from original go-live date. The current Crossrail forecast outcome and funding sources are uncertain. As a result it TfL is uncertain of the amount it will have to fund itself, and will also experience lost revenue for the delayed opening period. The consequences of that may be that proposed or current projects may need to be altered (with consequential impairment of assets), or the use of investment property or other assets may need to change to provide funding. All of which could impact the income statement and balance sheet of the Group.

What judgements are we focused on?

Judgements and controls need to be effective, to appropriately recognise appropriate project costs including:

- estimating the Anticipated Final Cost to calculate the budget which is required in order to meet the Earliest Opening Programme "EOP".

What did we do?

For TfL, TTL group and subsidiaries, we have:

- Discussed and reviewed the business plan prepared by the management;
- Determined an appropriate strategy to address those identified risks;
- Reviewed the latest forecast outcome;
- Reviewed management's assessment of funding requirements and commitments, including performing sensitivity analysis on key assumptions;
- Gained an understanding of the latest agreements on sources of funding for Crossrail, including amounts included in the TfL business plan and agreed funding from DfT
- Tested the impact of any amounts to be funded by TfL on the overall position of TfL including whether there is any impact on other in progress projects.
- Evaluated management's judgements and assumptions used in determining the future benefits expected from the projects and ensuring they are appropriate and supportable;
- Obtained the Financing statement from Department of Transport "DfT" to agree the funding arrangement; and
- Agreed the cash receipts provided by sponsors to bank statement.

What do we need to do?

As part of Crossrail audit, we still need to complete the following procedures:

- Review the forecasted Anticipated Final Cost "AFC" in order to meet the Earliest Opening Programme "EOP" for reasonableness;
- Perform sensitivity analysis on the required funding; and
- We perform an analysis between the AFC and the budget which has been secured / made available to Crossrail.

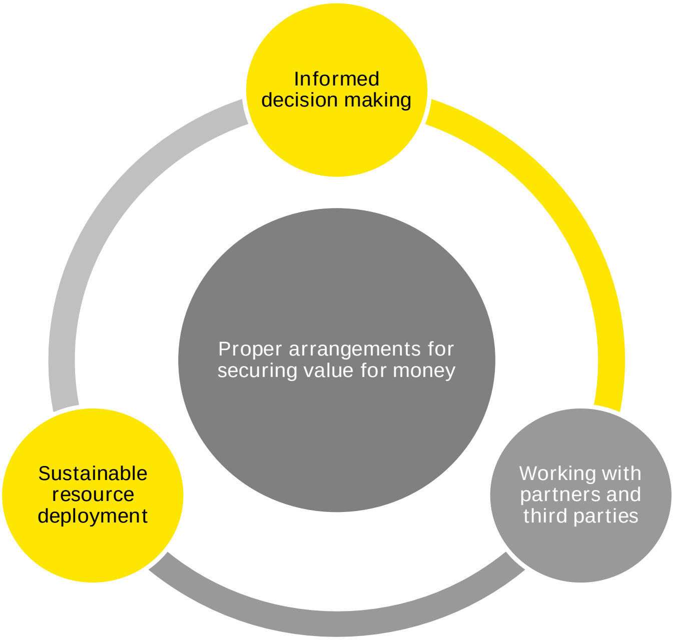
What are our conclusions?

We have assessed the impact of Crossrail funding requirement, together with the impact of lost revenue originally included in the business plan, to the wider TfL and have identified no issues during our audit procedures.

We have procedures to complete to conclude on Crossrail's going concern and the impact of the EOP on the business plan.

03 Value for Money Risks

Value for Money



Background

We are required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2018/19 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

Overall conclusion

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice, where risk is defined as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

Based on the work we have completed to date, we expect to issue a value for money conclusion that states that there are arrangements in place to secure economy, efficiency and effectiveness, except in relation to two areas:

- A series of weaknesses identified by management and internal audit in respect of procurement processes; and
- The governance arrangements relating to Crossrail's delivery of the Elizabeth line

Value for Money Risks

What is the significant value for money risk?	What arrangements did the risk affect?	What are our findings?
Sustainable resource deployment – Significant audit risk TfL has significant financial risks in its business plan to 2022/23 as a result of: ➢ continuing reductions in external funding from government ➢ the commitments relating to the launch of the Elizabeth line and lost revenue arising from the delayed opening date ➢ significant cumulative cost reductions planned to be delivered over the course of the next five years to 2022/23.	Deploy resources in a sustainable manner	TfL has robust governance arrangements put in place around budget setting and the financial planning process that incorporate a sufficient level of guidance, review and challenge to ensure the achievement of realistic figures and plan well to secure sustainable resource deployment. Current year outturn positions show positive performance against the budget especially in the light of challenging economic conditions faced by government and public sector bodies. Review of the assumptions included in the 2019/20 budget concluded that reasonable and appropriate assumptions, were based on a reliable economic forecasts and performance in previous years, used to produce the budget. Impact of delays of launching Elizabeth line as well as reduction in government funding appropriately reflected in the financial forecast. Current year borrowings are also increased in comparison to prior year, but were within with Statutory approved limit. The net surplus is planned to be achieved in 2022/23 – one year later comparing to the prior year plan. Appropriate risk management arrangements are in place and robust risk assessment is performed as part of the preparation of the budget with appropriate risks and their impact being included within the budget and long-term business plan. Efficiencies achieved to date as a result of a transformation programme have already shown a positive impact on reducing operating expenditure, which will have a long-term effect. TfL continues to identify and develop new sources of revenue and for financing capital projects, whilst working further on its transformation programme to generate further efficiencies and costs savings in the long-term to achieve net surplus by 2022/23. Despite sound governance arrangements around budgeting and the financial planning that support sustainable resource deployment for TfL as a whole, the governance arrangements relating Crossrail's delivery of the Elizabeth Line have been an area of significant scrutiny in 2018/19. An independent report for TfL and Department for Transport by KPMG on finance and commercial, and governance aspects of Crossrail, as well as an independent review by the National Audit Office have both identified issues relating to decision making relating to increased costs and impacting the plan for completion of Crossrail as a whole. As noted in the reports referred to above, the programme reporting had been significantly overstating 2018/19 progress and significantly underestimated the impact of each element on other aspects, most notably the system testing. The revised funding plan, whilst agreed, requires TfL to fund any excess costs over and above the current planned spend. Should this occur the knock on impacts could be significant causing deferral or cancellation of future projects. We note that significant effort is being undertaken to reassess actual progress of the programme, forecast spending and opening dates for the line. We also note that during 2018-19 a new management team has been appointed and a revised completion schedule drawn up, however proper arrangements were not operating effectively during the entirety of the year covered by this opinion.

Other matters to bring to your attention

Other matters impacting Value for Money considerations
Procurement process During the year, a series of weaknesses were identified by management and internal audit in respect of certain areas procurement processes, together with a number of other matters that were brought to our attention that caused us to perform specific additional testing in this area and our findings were consistent with Internal Audit conclusions. Internal Audit has identified a number of high priority recommendations that require implementation across the organisation to rectify the weaknesses. During 2018/19, an action plan has been drawn up to address these matters, however implementation will occur during 2019/20, therefore proper arrangements were not operating effectively during the year covered by this opinion.

04 Audit Differences

Audit Differences

Summary of unadjusted differences

In addition we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Assurance and Audit Committee and provided within the Letter of Representation:

Uncorrected misstatements 2019 (£million)		Effect on the current period:	Net assets (Decrease)/Increase			
		Total comprehensive income Debit/(Credit)	Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non-current Debit/ (Credit)
Errors						
Judgemental differences:						
• Undervaluation of property asset		(4.8)	-	4.8	-	-
• Difference in accounting for certain contract bonus payments*		(1.5)		52.5	-	
Financial statement totals		(475.1)	2,781.3	41,845.2	(3,364.4)	(16,325.1)
Income effect of uncorrected misstatements (before tax)		(6.3)	-	-	-	-
Less: tax effect at current year marginal rate		-	-	-	-	-
Cumulative effect of uncorrected misstatements before turnaround effect		(6.3)	-	-	-	-
Turnaround effect		-	-	-	-	-
Cumulative effect of uncorrected misstatements, after turnaround effect		(6.3)	-	-	-	-

Uncorrected disclosure misstatements
Notes to the financial statements:
- None noted

There are no amounts that we identified that are individually or in aggregate material to the presentation and disclosures of the consolidated financial statements for the year ended 31 March 2019.

* This difference arises in the accounting for payments made between 2013 and 2018 on a specific contract – our view is that these should have been capitalised and depreciated over the asset life. The impact on the prior year balance sheet would have been to show additional non current assets of £54m.

05 Independence

Independence

Introduction

The FRC Ethical Standard and ISA (UK) 260 "Communication of audit matters with those charged with governance", requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	**Final stage**
► The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us; ► The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ► The overall assessment of threats and safeguards; ► Information about the general policies and process within EY to maintain objectivity and independence. ► Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard	► In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ► Details of non-audit services provided and the fees charged in relation thereto; ► Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ► Written confirmation that all covered persons are independent; ► Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ► Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and ► An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We have submitted a separate paper on audit fees and non audit fees to the Audit and Assurance Committee.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Independence

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we have only performed non –audit services that has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified relating to grant claims and other agreed upon procedures assignments, we therefore confirm that EY is independent and the objectivity and independence of Karl Havers, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in your company. Examples include where we received significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no issues identified in any of these areas.

We believe that it is appropriate for us to undertake permissible non-audit services and we have complied with the policies that you have approved.

None of the services are prohibited under either the FRC's Ethical Standard or the Auditor Guidance Note 1 (AGN01) issued by the National Audit Office. The services have been approved in accordance with your policy on pre-approval. AGN01 sets out the requirement that for any year, non audit fees should not exceed 70% of the total fee for all audit work. In addition under Public Sector Audit Appointments Limited requirements when our non audit services cumulatively in any year exceed 20% of the audit fee, then pre approval of services is required. The ratio for the current year is significantly below the level of 70%.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4 and AGN01.

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Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your company. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Other communications

EY Transparency Report 201~~8~~
Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 30 June 2018 and can be found here: https://www.ey.com/Publication/vwLUAssets/ey-uk-2018-transparency-report/$File/ey-uk-2018-transparency-report.pdf

07 Appendices

Appendix A

Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	Discussed within engagement letter
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Discussed within Planning report
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Discussed within Planning report
Significant findings from the audit	• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process	Discussed within this report

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Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where

Entities that report on the application of the UK Corporate Governance Code	Unless covered by other communications on planning matters or significant findings, this information shall include our views on:
	• Business risks relevant to financial reporting objectives, the application of materiality and the implications of our judgments in relation to these for the overall audit strategy, the audit plan and the evaluation of misstatements identified.
	• The significant accounting policies (both individually and in aggregate);
	• Management's valuations of the entity's material assets and liabilities and the related disclosures provided by management;
	• Internal control (without expressing an opinion and based solely on our audit procedures performed in the context of the financial statement audit), specifically on:
	  • The effectiveness of the entity's system of internal control over financial reporting; and
	  • Other risks arising from the entity's business model and the effectiveness of related internal controls;
	Any other matters identified in the course of the audit that we believe will be relevant to the board or the audit committee in the context of fulfilling their responsibilities referred to above.
		Discussed within this report

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Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Public Interest Entities	For the audits of financial statements of public interest entities our written communications to the audit committee include: • A declaration of independence • The identity of each key audit partner • The use of non-member firms or external specialists and confirmation of their independence • The nature and frequency of communications • A description of the scope and timing of the audit • Which categories of the balance sheet have been tested substantively or controls based and explanations for significant changes to the prior year, including first year audits • Materiality • Any going concern issues identified • Any significant deficiencies in internal control identified and whether they have been resolved by management • Subject to compliance with regulations, any actual or suspected non-compliance with laws and regulations identified relevant to the audit committee • Subject to compliance with regulations, any suspicions that irregularities, including fraud with regard to the financial statements, may occur or have occurred, and the implications thereof • The valuation methods used and any changes to these including first year audits • The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework • The identification of any non-EY component teams used in the group audit • The completeness of documentation and explanations received • Any significant difficulties encountered in the course of the audit • Any significant matters discussed with management • Any other matters considered significant	These matters are included within this report and also included within the Planning Audit Report for the year ending 31 March 2019

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: • Whether the events or conditions constitute a material uncertainty • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The adequacy of related disclosures in the financial statements	Discussed within this report
Misstatements	• Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Material misstatements corrected by management	Discussed within this report
Subsequent events	• Enquiry of the audit and assurance committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.	Discussed within this report
Fraud	• Enquiries of the audit and assurance committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. • The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected • Any other matters related to fraud, relevant to Audit and assurance Committee responsibility.	Discussed within this report

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	Significant matters arising during the audit in connection with the entity's related parties including, when applicable: • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the entity	Discussed within this report
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and processes within the firm to maintain objectivity and independence Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place. For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2016: • Relationships between EY, the company and senior management, its affiliates and its connected parties • Services provided by EY that may reasonably bear on the auditors' objectivity and independence • Related safeguards • Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees • A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit	These matters are included within this report and also included within the Planning Audit Report for the year ending 31 March 2019

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
	• Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy • Details of any contingent fee arrangements for non-audit services • Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard • The audit and assurance committee should also be provided an opportunity to discuss matters affecting auditor independence	
External confirmations	• Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures.	Discussed within this report
Consideration of laws and regulations	• Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur • Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit and assurance committee may be aware of	Discussed within this report

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Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Internal controls	• Significant deficiencies in internal controls identified during the audit.	Discussed within this report and within the Management Letter report
Group Audits	• An overview of the type of work to be performed on the financial information of the components • An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components • Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work • Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted • Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements.	These matters are included within this report and also included within the Planning Audit Report for the year ending 31 March 2019
Representations	• Written representations we are requesting from management and/or those charged with governance	Discussed within this report
Material inconsistencies and/or misstatements	• Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Discussed within this report
Auditors report (In progress)	• Key audit matters that we will include in our auditor's report • Any circumstances identified that affect the form and content of our auditor's report	Discussed within this report

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Management representation letter

Management Rep Letter

- The representation letter is currently under review with EY.

[To be prepared on the entity's letterhead]
[Date]
Karl Havers
Ernst & Young LLP
1 More London Place
London
SE1 2AF

Dear Karl

This letter of representations is provided in connection with your audit of the consolidated and the Corporation financial statements of Transport for London Group ("the Group") and Transport for London ("the Corporation") for the year ended 31 March 2019. I recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and parent financial statements give a true and fair view of the Group and Corporation financial position of Transport for London as of 31 March 2019 and of its financial performance and its cash flows for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

I understand that the purpose of your audit of my consolidated and Corporation financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, I make the following representations, which are true to the best of my knowledge and belief, having made such inquiries as I considered necessary for the purpose of appropriately informing myself:

A. Financial Statements and Financial Records

I have fulfilled my responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group [the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

I acknowledge, as Chief Finance Officer, my responsibility for the fair presentation of the consolidated and the Corporation financial statements. I believe the consolidated and the Corporation financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and are free of material misstatements, including omissions. I have approved the consolidated and the Corporation financial statements.

Management representation letter

Management Rep Letter

1. The significant accounting policies adopted in the preparation of the Group and the Corporation financial statements are appropriately described in the Group and the Corporation financial statements.

2. I believe that the Group and Corporation have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 that are free from material misstatement, whether due to fraud or error.

3. I believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated and Corporation financial statements taken as a whole. I have not corrected these differences identified and brought to my attention by the auditor because [specify reasons for not correcting misstatement].

There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Non-compliance with law and regulations, including fraud

1. I acknowledge that I am responsible for determining that the Group and Corporation's activities are conducted in accordance with laws and regulations and that I are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.

2. I acknowledge that I are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

3. I have disclosed to you the results of my assessment of the risk that the consolidated and the Corporation financial statements may be materially misstated as a result of fraud.

4. I have disclosed to you all significant facts relating to any frauds, suspected frauds or allegations of fraud known to me that may have affected the Group or the Corporation (regardless of the source or form and including, without limitation, allegations by "whistle-blowers"), whether involving management or employees who have significant roles in internal control. Similarly, I have disclosed to you my knowledge of frauds or suspected frauds affecting the entity involving others where the fraud could have a material effect on the consolidated or the Corporation financial statements. I have also disclosed to you all information in relation to any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others, that could affect the Group or the Corporation financial statements.

Appendix B

Management representation letter

Management Rep Letter

C. Information Provided and Completeness of Information and Transactions

1. I have provided you with:

- Access to all information of which I are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

1. All material transactions have been recorded in the accounting records and are reflected in the consolidated and the Corporation financial statements.
2. I have made available to you all minutes of the meetings of the Corporation, and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting as shown online on the Transport for London website at the date of this letter.
3. I confirm the completeness of information provided regarding the identification of related parties. I have disclosed to you the identity of the Group and the Corporation's related parties and all related party relationships and transactions of which I are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended, as Ill as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and the Corporation financial statements.
4. I believe that the significant assumptions I used in making accounting estimates, including those measured at fair value, are reasonable.
5. I have disclosed to you, and the Group and the Corporation has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and Corporation financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and Corporation financial statements.
2. I have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. I have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent.

E. Subsequent Events

1. There have been no events subsequent to year end which require adjustment of or disclosure in the consolidated and Corporation financial statements or notes thereto.

F. Group audits

Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst Corporation, subsidiary undertakings and associated undertakings.

Management representation letter

Management Rep Letter

G. Use of the Work of a Specialist

I agree with the findings of the specialists that we engaged to evaluate the assumptions for actuarial assessment of the pension scheme and the valuation of certain land and buildings and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and Corporation financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

H. Accounting Estimates

1. I believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the applicable financial reporting framework.

2. I confirm that the significant assumptions used in making the accounting estimate appropriately reflect my intent and ability to carry out on behalf of the entity.

3. I confirm that the disclosures made in the consolidated and the Corporation financial statements with respect to the accounting estimates are complete and made in accordance with the applicable financial reporting framework.

4. I confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and the Corporation financial statements due to subsequent events.

I. Retirement benefits

1. On the basis of the process established by me and having made appropriate enquiries, I am satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with my knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

J. Other information

1. I acknowledge my responsibility for the preparation of the other information.
2. I confirm that the content contained within the other information is consistent with the financial statements.

Other specific representations to be confirmed.

This letter was discussed at the Audit and Assurance Committee on 10 June 2019 and subsequently agreed by Chair’s action.

EY | Assurance | Tax | Transactions | Advisory

About EY
EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.
EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

ED None

ey.com

Audit and Assurance Committee

Date: **10 June 2019**

Item: **EY Letter on Independence and Objectivity**

This paper will be considered in public

1 Summary

1.1 To report to the Audit and Assurance Committee on the independence and objectivity of Ernst & Young LLP (EY).

2 Recommendation

2.1 **The Committee is asked to note the paper.**

3 Background

3.1 EY are required to report annually to the Audit and Assurance Committee on their independence and objectivity, taking into account guidance including the National Audit Office's Code of Audit Practice.

3.2 EY have reviewed their procedures and their letter is attached for the Committee's review.

List of appendices to this report:

Appendix 1 – letter from EY

List of Background Papers:

None

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Number: 0203 054 7748
Email: sarahbradley@tfl.gov.uk

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Appendix 1

Audit and Assurance Committee
Company Secretariat
Transport for London
Post Point 10 City Hall
The Queen's Walk
London SE1 2AA

23 May 2019
Direct line: 01189 281502
Email: KHavers@uk.ey.com

Dear Sirs

Independence and objectivity – Transport for London 2018/19

In order to carry out our duties and responsibilities as auditor, we are required to consider our independence and objectivity within the context of the regulatory and professional framework in which we operate. We are also mindful of all stakeholders, including the Public Sector Audit Appointments Ltd (PSAA) and the National Audit Office (NAO). For further details of specific independence requirements for PSAA appointments, refer to the PSAA Terms of Appointment at http://www.psaa.co.uk/appointing-auditors/terms-of-appointment/.

Appendix 1 to this letter highlights the significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including any principal threats. It also contains reference to the key policies and processes in place within EY for maintaining objectivity and independence. We consider these throughout our audit and are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

For 2018/19, we have undertaken three non-audit assignments with a total value of £24,000 (20% of Transport for London audit fee of 120,062). These non-audit assignments were in relation to audit of grant claims and review of ORR reporting. These are included in our summary of non-audit fees below.

Non-Audit Service	Fee £
EU grant claim (Clean Sky Joint Undertaking, Grant Agreement Number 270598)	7,500
Accelerating innovation in rail 3 Project	5,000
ORR reporting	11,500
Total	**24,000**

Overall we confirm that as of 23 May 2019, in our professional judgment, EY is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit engagement team have not been compromised.

Yours faithfully

Karl Havers
Partner
For and on behalf of Ernst & Young LLP

Appendix 1

Self-interest threats

A self-interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you.

A self-interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you.

Self-review threats

Self-review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your entity. Management threats may also arise during the provision of a non-audit service where management is required to make judgements or decisions based on that work.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved. In addition, when the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the APB Ethical Standards, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you.

Policies and procedures in place

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended June 2018 and can be found at:

https://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2018

Audit and Assurance Committee

Date: **10 June 2019**

Item: **EY Report on Non-Audit Fees for Six Months Ended 31 March 2019**

This paper will be considered in public

1 Summary

1.1 To report to the Audit and Assurance Committee on fees billed by Ernst & Young LLP (EY) for non-audit services.

2 Recommendation

2.1 **The Committee is asked to note this report.**

3 Background

3.1 Under TfL's policy on external audit services EY is required to report to the Audit and Assurance Committee every six months on fees billed for non-audit services. EY's report is attached for the Committee's review.

List of appendices to this report:

Appendix 1 – letter from EY

List of Background Papers:

None

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Number: 020 3054 7748
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Building a better working world

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Appendix 1

Audit and Assurance Committee
Company Secretariat
Transport for London
Post Point 10 City Hall
The Queen's Walk
London SE1 2AA

23 May 2019

Direct line: 01189 281502
Email: KHavers@uk.ey.com

Dear Sirs

Non-audit fees – 6 months to 31 March 2019

Under Transport for London's policy on external audit services we are required to provide to the Audit and Assurance Committee, on a six monthly basis, a report on fees for all services. Appendix 1 to this letter includes a summary of our audit and non-audit fees for 2018/19.

Yours faithfully

Karl Havers
Partner
For and on behalf of Ernst & Young LLP

Appendix 1

Summary of fees

	TfL Corporation 2018/19 £	Transport Trading Limited 2018/19 £	Comments
Audit Services			
Statutory audit fee - TfL*	120,062		Statutory audit fee 2018/19 services required to meet the Code of Audit Practice requirements (including Value for Money and Whole of Government Accounts)
Statutory audit fee - TTL*		600,000	Statutory audit fee in respect TTL Group subsidiaries for services required to enable EY to issue an audit opinion on the annual accounts in accordance with the Companies Act.
Statutory audit fee - Crossrail*		120,000	Statutory audit fee in respect Crossrail
Additional fee in relations to 2017/18 overruns		25,000	Fees in relation to additional work required to complete 2017/18 Crossrail audit opinion.
Additional fee in relations to 2017/18 overruns		70,000	Fees in relation to additional work required to complete 2017/18 TTL audit opinion.
Non-Audit Services			
Agreed upon procedures		7,500	Reporting on 3Emotion grant claim
Agreed upon procedures		11,500	Procedures performed at London Underground Limited, Tramtrack Croydon Limited and Docklands Light Railway Limited to assist the requirement of the regulation 4 of the Railway Safety Levy Regulations 2006.
Agreed upon procedures	5,000		Accelerating innovation in rail 3 Project

*Statutory audit fees for the full year included for context.
We are currently discussing with management additional fees in respect of the 2018/19 audit in respect of additional work required for adoption of new IFRSs in TTL and Crossrail, correspondence received from the public and additional procedures required in respect of the value for money conclusion.

Audit and Assurance Committee

TRANSPORT FOR LONDON
EVERY JOURNEY MATTERS

Date: **10 June 2019**

Item: **Annual Audit Fee 2019/20**

This paper will be considered in public

1 Summary

1.1 To inform the Audit and Assurance Committee of the Annual Audit Fee proposed by Ernst & Young LLP (EY) for the audit of the Corporation and Group Financial statements for the year ending 31 March 2020.

2 Recommendation

2.1 **The Committee is asked to note this paper.**

3 Background

3.1 A letter from EY to TfL is attached. This letter deals with fees for the Corporation and Group audits only, and does not include fees for the audit of subsidiary company financial statements. This is in line with Public Sector Audit Appointments Ltd requirements.

3.2 The proposed indicative fee for the audit of the Group and Corporation financial statements for the year ending 31 March 2020 is £120,062, unchanged from the previous year.

3.3 The timing of issuance of the annual audit fee letter is dictated by Public Sector Audit Appointments Ltd, and it has therefore been issued in advance of audit planning. It is possible therefore that the fee may be revised following the planning process.

List of appendices to this report:

Appendix 1 – EY's annual audit fee letter

List of Background Papers:

None

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Appendix 1

Mr. Simon Kilonback
Chief Finance Officer
Transport for London
11th Floor Yellow Zone
Palestra
197 Blackfriars Road
SW1H 0BD

25 April 2019

Ref: Fee Letter/19-20

Direct line: 01189 28 1502

Email: khavers@uk.ey.com

Dear Simon

Annual Audit 2019/20

We are writing to confirm the audit that we propose to undertake for the 2019/20 financial year at Transport for London (TTL and Crossrail fees are covered by separate engagement letters and contained within those documents).
From 2018/19, local government and police bodies have been responsible for making their own arrangements for the audit of the accounts and reporting on the housing benefit subsidy claim.

The Secretary of State for Housing, Communities and Local Government has specified Public Sector Audit Appointments (PSAA) as an appointing person under provisions of the Local Audit and Accountability Act 2014. PSAA has appointed auditors for bodies that opted into the national scheme. Appointments were made for the duration of the five-year appointing period, covering the audits of the accounts for 2018/19 to 2022/23.

Indicative audit fee

For the 2019/20 financial year, PSAA has set the scale fee for each opted in body. Following consultation on its Work Programme and Scale of Fees, PSAA has maintained scale audit fees at the same level as for 2018/19, unless there are specific circumstances which require otherwise.

The fee reflects the risk-based approach to audit planning set out in the National Audit Office's Code of Audit Practice for the audit of local public bodies.

The audit fee covers the:

- Audit of the financial statements;
- Value for money conclusion; and
- Whole of Government accounts.

At this stage, the indicative fee is set at the scale fee.

This indicative fee is based on certain assumptions, including:

- The overall level of risk in relation to the audit of the financial statements is not significantly different to that of the prior year;
- Officers meet the agreed timetable of deliverables;
- The operating effectiveness of the internal controls for the key processes identified within our audit strategy;
- Our accounts opinion and value for money conclusion are unqualified;
- Appropriate quality of documentation is provided by Officers;
- There is an effective control environment; and
- Prompt responses are provided to our draft reports.

Meeting these assumptions will help ensure the delivery of our audit at the indicative audit fee which is set out in the table below.

As we have not yet completed our audit for 2018/19, our audit planning process for 2019/20 will continue as the year progresses. Fees will be reviewed and updated as necessary, within the parameters of our contract.

Summary of fees

	Indicative fee 2019/20 £	Planned fee 2018/19 £	Actual fee 2017/18 £
Scale Fee	120,062	120,062	155,925
Total Code audit fee	120,062	120,062	155,925

Any additional work that we may agree to undertake (outside of the Code of Audit Practice) will be separately negotiated and agreed with you in advance. All variations to the scale fee will be subject to PSAA approval.

Billing

The scale fee will be billed in 4 quarterly instalments of £30,016.

Audit plan

Our plan is expected to be issued in December 2019. This will communicate any significant financial statement and value for money risks identified, planned audit procedures to respond to those risks and the estimated fee implications of these additional procedures. Should we need to make any significant amendments to the audit fee during the course of the audit, we will discuss this in the first instance with the Group Financial Controller and acting Statutory Chief Finance Officer and communicate the revised fee and the matters giving rise to any adjustments to the scale fee in our Audit Results Report which we will present to the Audit and Assurance Committee Chair.

For a high level overview of our approach and further information on how we intend to work with you under the PSAA contract, please refer to our leaflet 'EY working with you' which is enclosed.

We remain committed to providing you with a high quality service. If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, please contact me, or Janet Dawson as our Government and Public Sector Assurance Leader at jdawson1@uk.ey.com. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, by writing to him at 1 More London Place, London, SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute.

Yours sincerely

Karl Havers
Partner
For and on behalf of Ernst & Young LLP

cc. Sarah Bradley, Statutory Chief Finance Officer and Group Financial Controller
Ms Anne McMeel, Audit and Assurance Committee Chair.

Audit and Assurance Committee

Date: **10 June 2019**

Item: **Risk and Assurance Quarter 4 Report 2018/19**

This paper will be considered in public

1 Summary

1.1 The purpose of this report is to inform the Committee of the work completed by the Risk and Assurance Directorate in Quarter 4 of 2018/19, the work in progress and planned to start, and other information about the Directorate's activities.

1.2 A paper is included on Part 2 of the agenda, which contains exempt supplemental information and documentation. Subject to the decision of the Committee, this paper is exempt and is therefore not for publication to the public or press by virtue of paragraphs 3, 5 and 7 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the business and financial affairs of TfL, that is commercially sensitive and likely to prejudice TfL's commercial position; and information relating to ongoing fraud and criminal investigations and the disclosure of this information is likely to prejudice the prevention or detection of crime and the apprehension or prosecution of offenders.

2 Recommendation

2.1 **The Committee is asked to note the report.**

3 Background

3.1 This is the fourth and final 2018/19 quarterly report to the Audit and Assurance Committee on the activities of the five teams making up the Risk and Assurance Directorate, namely: Enterprise Risk; Internal Audit; Integrated Assurance; Project Assurance and Fraud. This quarterly report is shorter than usual, since it has been restricted to covering information on work done during the quarter to avoid duplicating material covered in the Risk and Assurance Annual Report elsewhere on this agenda.

4 Enterprise Risk Management

4.1 Since the last Audit and Assurance Committee meeting, we have completed the deep dive review of Strategic Risk 18 – Transformation.

4.2 The following changes to risks have been made in the last quarter:

(a) SR1 – Achieving safety outcomes: updates to controls and actions

(b) SR2 – Talent attraction and retention: Updates to actions

(c) SR6 – Loss of external stakeholder trust: Overall control rating of ‘requires improvement’ updated to ‘adequately controlled’ and probability decreased from ‘high’ to ‘medium’.

(d) SR10 – Catastrophic event: Proposed for closure and controls moved to SR1, SR15 and SR17, however the ExCo has requested more information on control mapping before agreeing to close this risk.

(e) SR13 – Operational reliability: Overall control rating of ‘requires improvement’ updated to ‘adequately controlled’. Updates to controls and actions

(f) SR14 – TfL’s environmental impact: New responsible manager, new consequences, updated quantified financial impacts and actions

(g) SR15 – Resilience to climate change and extreme weather: New responsible manager, new consequences and actions

(h) SR17 – Protective security: Updates to actions

4.3 We have reviewed and updated the risk management content on TfL’s Management System pages, including the signed off Enterprise Risk Management Framework (ERMF), Enterprise Risk Assessment Matrix (ERAM), and TfL’s risk policy and procedure with links to associated guidance material. Additionally, we are developing training and guidance materials for TfL’s corporate risk management tool, Active Risk Manager (ARM).

4.4 We facilitated workshops with the London Transport Museum’s (LTM’s) senior leadership team to identify, correlate and visualise their strategic risks. The outcome was presented to their Audit and Risk Committee (ARC) and the approach was agreed.

4.5 Work is ongoing to review all Level 0 risks quarterly, and identify, assess and mitigate Level 1 risks. A list of the Level 0 and Level 1 risks is included in Appendix 1.

4.6 A risk workshop was held with senior members of the finance directorate to review and validate their Level 1 risks as well as Strategic Risk 7.This will be followed up by an away day to complete the more detailed assessments and to identify leading risk indicators.

4.7 We are in the process of finalising the Engineering and Major Projects Directorates’ Level 1 risks, as well as identifying and assessing Professional Services Level 1 risks. This has been taking longer than expected due to the business and personnel changes associated with the Transformation programme.

4.8 The Executive Committee is continuing to review its Level 0 strategic risks periodically. It has been agreed that around two strategic risks will be discussed in detail at each meeting. There will also be an opportunity to review the status of all strategic risks, agree or challenge the changes to any assessments within the period, and discuss any upcoming challenges or emerging risks.

4.9 TfL's panels and committees continue to have risk led discussions around selected Level 0 risks, relevant to each panel and committee.

5 Audit and Assurance

5.1 In TfL, assurance is delivered in accordance with the 'three lines of defence' model, as follows:

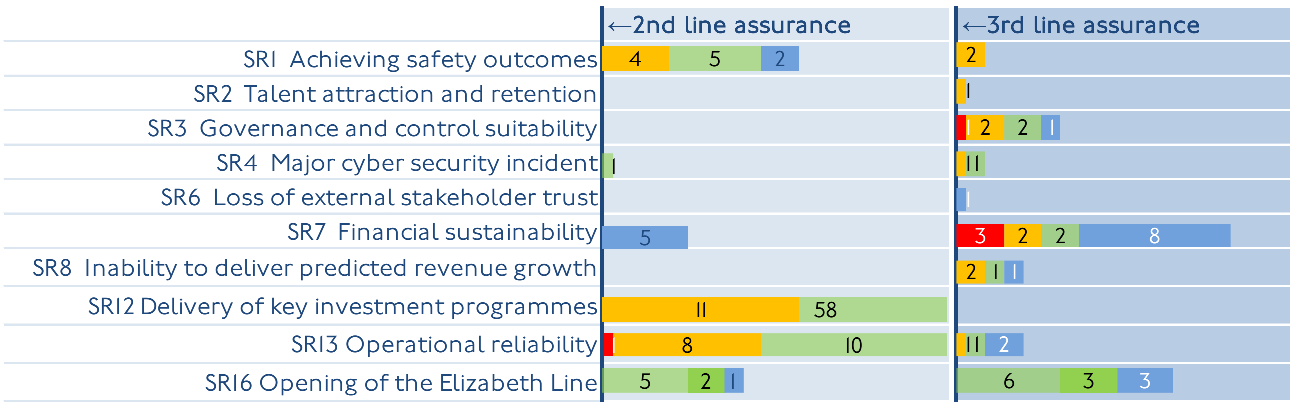
(a) First line of defence – control and monitoring arrangements carried out by the functions responsible for managing the risks/ controls;

(b) Second line of defence – typically audit and inspection regimes carried out by teams separate from those responsible for managing the risks/ controls, but reporting through the TfL management hierarchy; and

(c) Third line of defence – fully independent audit and review activities, typically with a strategic focus, and reporting to Executive Committee, Audit and Assurance Committee and other Board Committees and Panels.

5.2 Within the Risk and Assurance Directorate, the Internal Audit function provides third line assurance, whilst the Integrated Assurance and Project Assurance teams provide second line assurance. Further information of the work of these teams during Q4 is set out below.

5.3 The table below maps the outcomes of audit and project assurance reviews carried out by the teams in Risk and Assurance up to Q4 against the TfL Strategic Risks. If a risk is not listed, this means that no work by the Risk and Assurance Team has been completed against it in the year to date

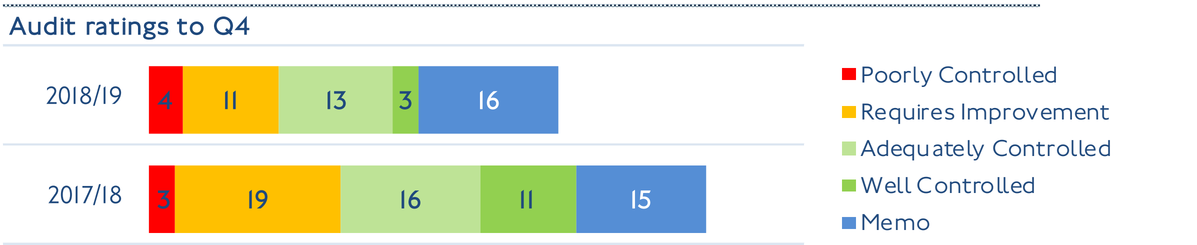


Audit rating/PA review outcome

- Poorly controlled
- Requires improvement/critical recommendations
- Adequately controlled/recommendations
- Well controlled
- Memo or consultancy

Internal Audit

5.4 The Internal Audit plan for 2018/19 forms part of the integrated assurance plan that the Audit and Assurance Committee approved on 6 March 2018. Schedule 1: Internal Audit Q4 summary includes highlights from work completed during the quarter, an overview of the delivery of the audit plan, a summary of the reports issued and conclusions and information on overdue audit actions. The chart below summarises the reports issued during the full year 2018/ 19, together with comparative figures for 2017/ 18:



5.5 At the end of Q4, we delivered 72 per cent (47 audits) of the audit plan (65 audits). This represents an increase from 50 per cent at the end of Q3. As has been previously reported, our overall delivery reflects the resourcing challenges the team has experienced during the year.

Mayoral Directions

5.6 There was one Mayoral Direction received since our last report (below). This has not led to a change in the 2018/19 or 2019/20 audit plans:

(a) February 2019, London Vehicle Scrappage Scheme

Management Actions

5.7 Internal Audit monitors the completion of all management actions, and confirms whether management has adequately addressed them. We report by Directorate, on the percentage of actions closed on time over the past six periods.

5.8 At the end of the quarter, we saw a reduction in both the overall number of overdue actions, and a reduction in the recorded number of days actions were overdue. The action management (to Period 1) section of Schedule 1, provides additional information relating to action management trends over the last six periods.

Changes to audit plan

5.9 There were five changes to the plan during the quarter. We deferred or cancelled five audits due to changing business priorities, and we added one new assignment.

Crossrail Audit Service Delivery

5.10 At the end of the quarter, we cancelled a number of audits that had previously been logged as 'deferred' in Q3, relating to Crossrail programme delivery. These were no longer relevant in the context of activity Crossrail is taking to revise the schedule, the governance model, and the enterprise risk model.

5.11 Since the last Committee meeting we have continued to work with Crossrail to provide input into their newly defined governance model, provisionally agreed terms for the provision of Internal Audit Services, and agreed a revised programme of Crossrail audit work which is attached for information as Appendix 2.

Detailed audit reports

5.12 A full list of audit reports issued during the quarter can be found as Appendix 3. Audits in progress at the end of Q4 can be found in Appendix 4, work planned to start in Q1 can be found in Appendix 5, and details of changes to the audit plan can be found in Appendix 6.

Schedule 1: Internal Audit Q4 summary

Audit plan 2018/19

Reports issued in Q42018/19

Two reports were concluded as poorly controlled during the quarter. Namely, Governance and Financial Controls for the use of Framework suppliers:

- CPC Project Services - 4 priority 1 issues and
- 4Rail Services Ltd - 9 priority 1 issues

Common findings across both audits included:

- Management and oversight of Framework
- Management of conflicts of interest and segregation of duties
- Data transparency and poor record management
- Non-compliance with commercial processes
- Poor communication and engagement between business and commercial teams

Notable audits planned during Q12019/20:

- Safeguarding: NIB report F/Up (LTM)
- Effectiveness of the new safety complaints process
- Bus safety update programme
- London Overground Safety Assurance

Reports

18 issued Q4

47 issued

Audit ratings by Directorate – rolling 13 period view

	PC	RI	AC	WC	M/C*
Crossrail			6	3	2
CCT		3			3
Finance	2	3	3		4
Gen. Counsel					
HR		2	2		1
LU	1				5
Major Projects					
Surface		2	2		1
TfL Engineering					
TfL Strategy					
Pan TfL	1	1			
TOTAL	8.5%	23.4%	27.7%	6.4%	34.0%

PC: poorly controlled **RI**: requires improvement **AC**: adequately controlled
WC: well controlled **M/C**: memo/consultancy

Action management (to Period 1 end)

Overall TfL performance

Measure	#	%	6-period trend
Closed on time*	16	24%	
Extended*	26	39%	

5 overdue

13 open

By Directorate

	Overdue	Closed on time*
Crossrail		0%
CCT		30%
Finance	1 (0-30 days), 1 (31-99 days)	9%
Gen. Counsel	2 (0-30 days)	20%
HR	1 (0-30 days)	67%
LU		0%
Major Projects		
Surface		0%
TfL Engineering		
TfL Strategy		
Pan TfL		

0-30 days
31-99 days
100+ days

*based on actions due in the last six periods

Integrated Assurance

5.13 The Integrated Assurance team carries out second line of defence audits, primarily in relation to health and safety and engineering compliance, and compliance with Payment Card Industry Data Security Standard (PCI DSS). Audit reports issued by the team follow the same system of audit conclusions and priority ratings for issues as the Internal Audit team.

5.14 A summary of work carried out by Integrated Assurance can be found in Schedule 2: Integrated Assurance Q4 summary.

Project Assurance

5.15 The Project Assurance team carries out assurance reviews of projects and programmes across TfL's Investment Programme, with individual projects selected for review following a risk based assessment. Projects with an EFC over £50m are also subject to (third line) input from the IIPAG. The IIPAG Quarterly Report is included separately on the Committee Agenda. Reports from Project Assurance Reviews (PARs) are considered alongside the Authority request at the sub-programme board or operating business board depending on the size of the project.

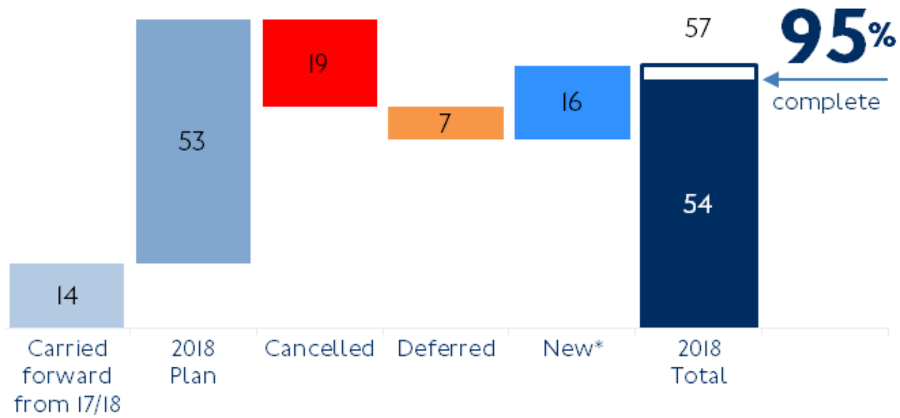
5.16 Project Assurance also conducts reviews of the sub-programmes to inform their annual request for Authority at the Programmes and Investment Committee.

5.17 Project Assurance reviews do not carry an overall conclusion in the same way as audit reports. However, particular issues raised may be designated as critical issues. The Project Assurance team follows up on all recommendations to ensure they have been addressed.

5.18 A summary of the work completed by Project Assurance during Q4 can be found in Schedule 3: Project Assurance Q4 summary.

Schedule 2: Integrated Assurance Q4 Summary

Audit plan 2018/19



Work complete
We delivered 19 audits in quarter four, although 9 of the final reports were issued in the first 15 days of April as part of the contingency plan to recover the 18/19 programme. At 95% complete there will be only three audits carried over to the 19/20 plan, an improvement on the 14 carried over into the 18/19 plan. Nineteen audits were cancelled, all at the request of audit sponsors or assurance partners who no longer required assurance.

One audit in quarter 4 was concluded as poorly controlled. The audit of lift and escalator statutory inspections concluded inspections are not fully and consistently undertaken. Reports did not adequately provide assurance on the status of inspections, defects and concessions. Detailed competence assurance requirements for L&E Inspectors were not defined in the TfL Management System.

There were three audits rated as requires improvement, relating to:
- Compliance with Electricity at Work Regulations Approved Code of Practice by LU Fleet and Signal maintenance teams
- Performance of an LU supplier to ISO 9001 Quality Management Systems
- LU Premises Inspections (previous audit was concluded as poorly controlled).

Work coming up
In quarter one we will carry out audits of the management of:
- Rolling Stock Wheelsets (LU)
- Legionella Control (LU)
- Asbestos (ST)
- Platform Train Interface risk (LU)
- Signaling Staff Licensing (LU)

Reports

Audit ratings by Directorate – last 13 periods

	PC	RI	AC	WC	M/C*
Crossrail			4	2	3
CCT					2
Finance		3	4	1	
Gen. Counsel					
HR					
LU	2	9	12		1
Major Projects			1		
Surface			1		6
TfL Engineering					
TfL Strategy					
Pan TfL		1	1		1
TOTAL	3.7%	24.1%	42.6%	5.6%	24.1%

KEY
PC: poorly controlled
RI: requires improvement
AC: adequately controlled
WC: well controlled
M/C: memo/ consultancy

Audit ratings by strategic risk – last 13 periods

	PC	RI	AC	WC	M/C
SR1 Achieving safety outcomes		5	6		3
SR4 Major cyber security incident			1		
SR7 Financial sustainability					7
SR13 Operational reliability	2	8	11	1	
SR16 Opening of the Elizabeth Line			5	2	3

Action management (to Period 1)

Overall TfL performance

Measure	#	%	6-period trend
Closed on time*	67	56%	
Extended*	31	26%	

13 actions overdue

6 due this period

by Directorate

	Overdue 0-30 days	Overdue 31-99 days	Overdue 100+ days	Closed on time*
Crossrail	2			33%
CCT				
Finance	3		4	35%
Gen. Counsel				
HR				
LU		1	2	67%
Major Projects		1		100%
Surface				75%
TfL Engineering				44%
TfL Strategy				
Pan TfL				

*based on actions due in the last six periods

Project Assurance quarterly report Q4, 2018/19

Reviews undertaken this quarter continue to highlight the budget pressures experienced by TfL and increasing delays in agreeing compensation events or moving to adjudication. Managing projects to fixed milestones can also impact quality and value for money.

Sub- Programme Reviews

	Recommendations (Critical Issues)	Commentary
Northern Line Extension	10(0)	3.2km extension from Kennington to Battersea Power Station. Contract awarded Sept 14 to a joint venture between Ferrovial Agroman and Laing O'Rourke (FLO). New baseline programme to be agreed once commercial settlement finalised.
DLR Rolling Stock Replacement	5(0)	Provision of 43 fixed formation walk through trains. Project team demonstrated strong programme management. Lessons learnt approach well planned and thorough. It was recommended that this approach should be shared with other TfL projects.
LU Signaling & Control	9(0)	Signaling asset life extension on Piccadilly, Central and Bakerloo lines. Impact of DTUP signaling contract cancellation being assessed and a new signaling strategy required. Issues include insufficient engineering resource, the way risk is reported and type approval.
LU Rolling Stock Renewals	14(0)	Extend the life of Bakerloo, Central, Waterloo & City and Jubilee line fleets, life extension/replacement of LUs engineering vehicles and new mechanised track vehicles. Lack of engineering resources is a risk to delivery and delays the development of asset strategies.
LU Major Stations	9(0)	Seven major stations: Financial claims settled at Bond Street and Bank Bloomberg. Bank - closure of DLR Central concourse on critical path. EFC is increasing due to additional scope and risks materializing.
Public Transport	6(0)	Contracted public services. Process improvements required on commercial claims. Asset management systems should be consolidated to effectively prioritise the workbank
Air Quality Management	8(0)	One live project - ULEZ Expansion and oversight of integration with other charging schemes. While decision has been made on the implementation route for ULEZ Expansion, the programme is challenging and negotiations with supplier need to be concluded quickly.
Air Quality & Environment	6(0)	Range of air quality initiatives. ULEZ Central brought into service on schedule. Compliance rate currently higher than forecast.
Surface Technology	10(0)	20 most significant technology projects within Surface Transport. Sub-programme recently formed and prioritisation not yet mature or robust.
Tech & Data	7(0)	Circa 250 T&D delivered projects. Underspend in 18/19 due to resource constraints and project delays, with lessons learnt for 19/20 workbank planning. Periodic reporting needs visibility at project, programme and portfolio level.

Overdue Recommendations

There are open recommendations for each of the 22 sub programme reviews, 11 are currently overdue on their original completion date, and revised dates have been agreed for them all.

Project Reviews

Project Assurance has completed 22 project reviews in Q4. IIPAG participated in 16 of these. Three Critical Issues were identified and are all now closed.

	Critical Issue	Action Being Taken
Power SCADA	The risk of proceeding with the Single Source Justification (SSJ) must be fully articulated and a credible plan must be developed to address the expected legal challenge.	The SSJ has been approved by CAM where all risks of challenge were discussed and mitigated with legal.
Asset Management Information System	The tender strategy has changed since the review. The revised approach must be approved by Commercial and Legal and reviewed by Project Assurance before proceeding.	The new approach was to issue a Prospectus followed by the ITN after the SQ phase. This has been endorsed by Legal and Commercial and has been discussed with IAR.
Asset Management Information System	A clear plan for reviewing the tender documentation before issue must be put in place.	A plan detailing the steps required to Contract Award has been created and reviewed to ensure it was achievable. This was presented to IAR with a positive response and then endorsed by the Project Board, with a new CA date of 29th August 2019.

Customer Feedback

5.19 At the end of every audit (including internal audits and integrated audits), we send a feedback form to the principal auditee requesting their views on the audit process and the report. A summary of the responses to the questionnaire, together with the comparative figures for the previous quarter is included as Appendix 7.

6 Fraud

6.1 The Fraud team carries out investigations in all cases of suspected and alleged fraud. They also carry out a proactive programme of fraud awareness, prevention and detection activities designed to minimise TfL's exposure to fraud risk. A summary of the Fraud Team's activities during Q4, including information on significant closed fraud investigations is set out in Schedule 4: Fraud Q4 Summary.

6.2 Details of significant new and ongoing fraud investigations during Q4 can be found in the paper on Part 2 of the agenda.

Schedule 4: Fraud Q4 Summary

Fraud investigation

During Q4, 12 new cases were opened and 13 cases were closed. In total there have been 56 new cases during 2018/19 up to the end of Q4. This compares to 23 new cases in 2017/18, a 143% increase. Increased collaboration between the Fraud Team and key stakeholders within TfL, coupled with the introduction of a pro-active, risk-based approach to fraud awareness and investigation continues to increase the volume of new referrals. This trend looks set to continue into 2019/20.

Fraud prevention

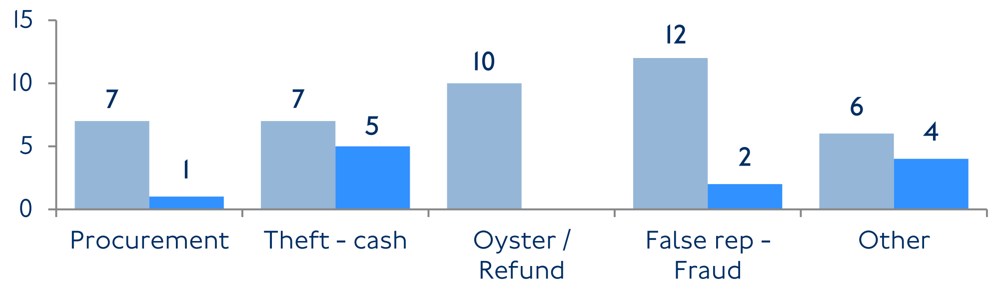
Despite the departure, just before Christmas, of our recently appointed Fraud Prevention Manager, the remainder of the Fraud Team has continued to provide fraud awareness sessions. These have primarily been for Customer Contact Centre (CCO) staff, but we also laid the foundations for a series of 'procurement and supply-chain' fraud awareness sessions targeted at senior commercial managers (80+) within TfL Commercial. These have commenced in Q1 2019/20. We have recently filled the vacant Fraud Prevention Manager post, with the new appointee due to start in June.

On 1 May our new Counter-Fraud, Bribery and Corruption Strategy was approved by the Executive Committee. The first step will be to establish a Steering Group to sponsor and support a programme of activities to minimise TfL's exposure to the risk of financial crime.

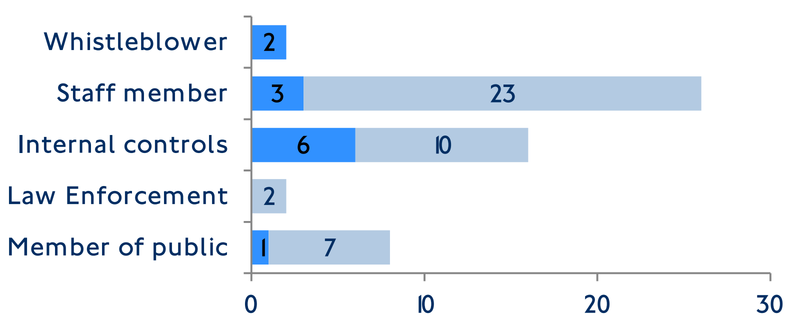
Cases by directorate

Investigations	B/F	New	Closed	C/F
LU	22	9	6	25
Surface Transport	9	0	3	6
CCT	10	2	4	8
Crossrail	1	0	0	1
Major Projects	0	1	0	1
Total	**42**	**12**	**13**	**41**

Cases by type New and Brought Forward



Cases by source New and Brought Forward



Significant closed cases

Oyster Customer Service Centre online refund fraud

An outsourced Customer Service Agent (CSA) stole £1,575 in a 5-month period by making multiple Oyster card refunds via BACS transfers or indirectly via Web Account Credits. The CSA resigned prior to an internal investigation but following a Fraud Team investigation he was arrested by BTP. He pleaded guilty to fraud by false representation in November 2018 and received a community order for 120 hours of unpaid work and was ordered to pay back to TfL the £1,575 stolen.

Works invoiced and paid but not completed

An allegation was received from Surface Transport following an asbestos management review, which identified significant asbestos contamination at a Dial-a-ride depot requiring immediate remedial works. Documentation suggested that a third party contractor had invoiced and been paid some 10 years ago for asbestos removal works, which appeared to have not been fully completed. The Fraud Team conducted a review of all documentation and evidence provided but were unable to prove an offence of fraud had been committed. Legal advice is being sought on the potential for future civil action.

7 Control Environment Trend Indicators

7.1 The Business Services team has been working with in conjunction with the Finance and Commercial teams to revise the Commercial and Financial indicators following the last Committee. As a result these indicators have been excluded from the CETI. The remaining Q4 indicators are attached as Appendix 8.

List of appendices to this report:

Appendix 1 – Level 0 and Level 1 Risks
This appendix was updated on 3 June 2019

Appendix 2 – Crossrail audit plan 2019/20
Appendix 3 – Internal Audit reports issued in Q4 2018/19
Appendix 4 – Work in Progress at the end of Q4 2018/19
Appendix 5 – Work Planned for Q1 2019/20
Appendix 6 – Changes to the audit plan at the end of Q4 2018/ 19
Appendix 7 – Customer Feedback Form – Summary of Responses Q4
Appendix 8 – Control Environment Trend Indicators

List of Background Papers:

Audit reports, Project Assurance reports.

Contact Officer: Clive Walker, Director of Risk and Assurance
Number: 020 3054 1879
Email: clivewalker@tfl.gov.uk

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Level 0 TfL Strategic Risks				
#	**Risk**	**Owner**	**Manager**	**Mayor's Transport Strategy / Corporate Strategy**
SR1	Achieving safety outcomes	Managing Director – Surface Transport	Director of HSE	MTS: Healthy streets and healthy people
SR2	Talent attraction and retention	Chief People Officer	Head of Strategic Planning and Governance	CS: People
SR3	Governance and controls suitability	General Counsel	Director of Legal	MTS: All MTS outcomes
SR4	Major cyber security incident	MD Customer, Communications & Technology	Director of Strategy and CTO	MTS: A good public transport experience
SR5	Technological or market developments	MD Customer, Communications & Technology	Director of Innovation	MTS: All MTS outcomes
SR6	Loss of external stakeholder trust	MD Customer, Communications & Technology	Director of News and External Relations	MTS: All MTS outcomes
SR7	Financial sustainability	MD - Chief Financial Officer	Group Financial Controller	CS: Finance
SR8	Inability to deliver predicted revenue growth	Director of Commercial Development	Divisional Finance Director (CD)	MTS: New homes and jobs
SR9	Ability to meet changing demand	MD - Chief Financial Officer	Director of Strategy and CTO	MTS: New homes and jobs
SR10	Catastrophic event	LU Managing Director	Director of Line Operations	MTS: Healthy streets and healthy people
SR11	Significant technology failure	MD Customer, Communications & Technology	Director of Strategy and CTO	MTS: A good public transport experience
SR12	Delivery of key investment programmes	Director of Major Projects	Head of TfL PMO	MTS: All MTS outcomes
SR13	Operational reliability	LU Managing Director	Director of Asset Operations	MTS: A good public transport experience
SR14	TfL's environmental impact	Director of City Planning	Principal City Planner	MTS: Healthy streets and healthy people
SR15	Resilience to climate change and extreme weather	Director of City Planning	Director of Transport Strategy	MTS: All MTS outcomes
SR16	Opening of the Elizabeth Line	LU Managing Director	Chief Operating Officer – Crossrail Operations	MTS: New homes and jobs
SR17	TfL Protective Security	Managing Director – Surface Transport	Director Compliance Policy & On-Street	MTS: Healthy streets and healthy people
SR18	Transformation	Transformation Director	Head of TfL Change Delivery	CS: People

Level 1 London Underground Strategic Risks				
#	Risk	Owner	Manager	Mayor's Transport Strategy / Corporate Strategy
LU-01	LU Industrial relations	LU Managing Director	Director of Line Operations	CS: People
LU-02	LU Staff attraction and retention	Chief People Officer	LU - Head of HR	CS: People
LU-03	LU Operational reliability	LU Managing Director	Director of Asset Operations	MTS: A good public transport experience
LU-04	LU Revenue forecasts	LU Divisional Finance Director	LU Senior Divisional Financial Controller	CS: Finance
LU-05	LU Cost savings	LU Divisional Finance Director	LU Senior Divisional Financial Controller	CS: Finance
LU-06	LU Catastrophic incident - internal	Director of Line Operations	Head of Network Delivery	MTS: A good public transport experience
LU-07	LU Catastrophic incident - external	Director of Line Operations	Head of Network Delivery	MTS: A good public transport experience
LU-08	Significant operational cyber security risk (threat) to core LU control system	LU Managing Director	Director of Strategy and CTO	MTS: A good public transport experience
LU-09	LU safety framework ineffective	Director of HSE	Head of HSE LU	MTS: Healthy streets and healthy people
LU-10	LU Data loss, misuse or breach of GDPR	Chief of Staff	Investment Planning & Efficiency Manager	CS: Finance
LU-11	Elizabeth Line revenue assumptions incorrect	LU Divisional Finance Director	Head of Finance (Elizabeth Line)	CS: Finance
LU-12	Inability to deliver R&E programmes and projects	LU Director of Renewals and Enhancements	Head of PMU	All MTS themes: All MTS outcomes

Level 1 Surface Transport Strategic Risks				
#	Risk	Owner	Manager	Mayor's Transport Strategy / Corporate Strategy
ST-02	Inability to deliver Bus Network Savings	Director of Bus Operations	Head of Buses Business Development	MTS: A good public transport experience
ST-03	Inability to deliver the Investment Programme	Director of Project & Programme Delivery	Head of Projects & Programmes Delivery (Assets)	MTS: All MTS outcomes
ST-04	Inability to maintain Highway Infrastructure asset base	Investment Delivery Planning Director	Head of Asset Investment	MTS: Healthy streets and healthy people
ST-07	Disruption to quality of service due to planned or unplanned events	Director of Network Management	Head of Control Centre Operations	MTS: A good public transport experience
ST-08	Inability to attract, recruit, engage, develop and retain talent in key competencies	Director of CPOS	Head of Business Partnering	CS: People
ST-09	Continued declining bus patronage	Director of Bus Operations	Bus Operational Policy Manager	MTS: A good public transport experience
ST-10	Disruptive technology undermines core business	Director of Innovation	Senior Policy Manager	All MTS themes: All MTS outcomes

Level 1 Surface Transport Strategic Risks (continued)				
#	**Risk**	**Owner**	**Manager**	**Mayor's Transport Strategy / Corporate Strategy**
ST-11	Achieving health, safety and environmental outcomes and performance	Director of HSE	Head of HSE ST	MTS: Healthy streets and healthy people
ST-12	Major cyber security incident	CTO & Director of CE	Head of T&D - Surface	MTS: A good public transport experience
ST-15	Inability to deliver the cycling infrastructure programme	Director Strategy & Network Development	Head of Programme Sponsorship	MTS: Mode share - 80% of journeys will be made by sustainable modes in 2041
ST-16	Inability to source new revenue stream for roads	Divisional Finance Director (ST)	Senior Divisional Financial Controller	CS: Finance
ST-17	Protective Security	Director of CPOS	Snr Op Security & Crime Reduction Manager	MTS: Healthy streets & healthy people: London's transport system will be safe & secure

Level 1 Commercial Development Strategic Risks				
#	**Risk**	**Owner**	**Manager**	**Mayor's Transport Strategy / Corporate Strategy**
CD-01	Inability to deliver predicted revenue growth	Director of Commercial Development	Divisional Finance Director (CD)	MTS: New homes and jobs

Level 1 Professional Services Strategic Risks				
#	**Risk**	**Owner**	**Manager**	**Mayor's Transport Strategy / Corporate Strategy**
Work is in progress to identify and agree the Level 1 risks across the Professional Services areas.				
Engineering				
ENG-01	TfLE key customers and key stakeholders do not fully understand or appreciate the purpose of TfLE and the value it can provide	Director of TfL Engineering	COO Engineering	All MTS themes: All MTS outcomes
ENG-02	TfL is not compliant with its Railways & Other Guided Transport Systems (ROGS) regulations or equivalent safety regulations for other asset types	Director of TfL Engineering	Head of Technical Engineering	MTS: Healthy streets & healthy people: London's transport system will be safe & secure
ENG-03	TfLE unable to deliver its purpose to the wider TfLE organisation i.e. does not provide a planned and agreed service provision	Director of TfL Engineering	COO Engineering	MTS: A good public transport experience
ENG-04	TfLE unable to attract and retain the required quantity of skilled / experienced / competent resources	Director of TfL Engineering	Head of Technical Engineering	CS: People
ENG-05	TfLE fails to maintain a suite of Technical &	Director of TfL Engineering	Head of Technical Engineering	MTS: Healthy streets & healthy people: London's

	Data standards that protects TfL operational control systems from Cyber attack, plus assure that these standards are being adhered to			transport system will be safe & secure
		General Counsel		
GC-01	Significant Legal Non-Compliance	Director of Legal	Director of Legal	All MTS themes: All MTS outcomes
GC-02	Insufficient legal resource to meet demand from the business	Director of Legal	Director of Legal	All MTS themes: All MTS outcomes
GC-03	Significant non-compliance with FOI Act/EIRs	Head of Information Governance and DPO	Information Access Manager	All MTS themes: All MTS outcomes
GC-04	Significant non-compliance with GDPR and other privacy legislation	Head of Information Governance and DPO	Head of Privacy and Data Protection	All MTS themes: All MTS outcomes
GC-05	Inadequate TfL Management System	Head of Information Governance and DPO	Head of TfL Management Systems	All MTS themes: All MTS outcomes
GC-06	Failure to deliver improvement to the quality of R&A outputs to support decision making	Director of Risk and Assurance	Head of Integrated Assurance	All MTS themes: All MTS outcomes
GC-07	Assurance activities fail to reflect and address business risks and concerns	Director of Risk and Assurance	Head of Integrated Assurance	All MTS themes: All MTS outcomes
		Human Resources		
HR-01	Inability to attract the right skills, talent and capability to deliver our Business Plan and Mayoral commitments	Chief People Officer	Director of Diversity, Inclusion &Talent	CS: People
HR-02	Inability to retain the right skills, talent and capability to deliver our Business Plan and Mayoral commitments	Chief People Officer	Director of Diversity, Inclusion &Talent	CS: People
HR-03	Low or declining employee engagement	Chief People Officer	Head of Strategic Planning & Governance	CS: People
HR-04	Pay becomes neither fair nor equal	Chief People Officer	Director of Compensations & Benefits	CS: People
HR-05	Employee Relations climate deteriorates	Chief People Officer	Director of Business Partnering & ER	CS: People
HR-06	Failure to deliver and embed ongoing Organisational Change	Chief People Officer	Head of Strategic Planning & Governance	CS: People
HR-07	TfL Pension Fund funding	Chief People Officer	Director of Compensations & Benefits	CS: People
HR-08	Continuing to deliver a seamless Hire to Retire process with Business Services for our customers	Chief People Officer & Transformation Director	Head of Strategic Planning & Governance	CS: People

Level 1 Major Projects Directorate Strategic Risks				
#	**Risk**	**Owner**	**Manager**	**Mayor's Transport Strategy / Corporate Strategy**
MPD-01	Lack of TfL non-MPD resources, especially Engineering and Commercial	Head of Programme	Head of Programme	CS: People
MPD-02	Poor Supplier Performance	Director of Major Projects	Head of Programme	MTS: A good public transport experience
MPD-03	Lack of Resilience in Access and Closures Plans	Director of Major Projects	Head of Delivery - Access	MTS: A good public transport experience
MPD-04	Major Engineering risks (eg software defects)	Head of Engineering MPD	Head of Engineering MPD	MTS: Healthy streets and healthy people
MPD-05	Imperfect coordination of interfaces with Network Rail	Head of Programme	Senior Commercial Manager NRA	MTS: A good public transport experience
MPD-06	Scope Creep due to requirements for non-conformance rectification and asset condition worse than assumed	Head of Programme	Head of Programme	MTS: A good public transport experience
MPD-07	Crossrail delay may impact on other TfL programmes	Director of Major Projects	Director of Major Projects	MTS: All MTS outcomes
MPD-08	MPD projects cancelled, descoped or deferred as funds reprioritised	Head of Programme	Head of Programme	CS: Finance
MPD-09	External Consents delay projects	Head of Programme	Head of Programme	MTS: A good public transport experience
MPD-10	Projects increased costs due to inability to hand over to Asset Operations	Head of Programme	Head of Programme	CS: Finance

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Crossrail audit plan 2019/20 — Appendix 2

The Crossrail Audit and Assurance Committee agreed the following programme of 11 audits for 2019/20.

Ref	Title	Objective
19 501	Adequacy of the Supply Chain Assurance Framework	To provide assurance over the adequacy of the controls to manage key risks within Crossrail's supply chain (Tier 2 and Tier 3)
19 500	Management of Tier 1 suppliers	To provide assurance that Tier 1 contractors are being managed and controlled effectively. This will include the effectiveness of the second line of defence activities
19 503	Management and Control Over Project Cost Forecasting	To provide assurance over the adequacy and effectiveness of project cost forecasting controls including 'Anticipated Final Cost' (AFC)
19 502	Safety Assurance Arrangements	To provide assurance over the adequacy of arrangements governing safe transition from construction to rail operations
19 504	Legal Compliance Governance	To provide assurance over the adequacy and effectiveness of controls to monitor and manage compliance with legal requirements
19 506	Governance and Organisational Effectiveness	To provide assurance over the adequacy and effectiveness of arrangements designed to ensure timely project delivery
19 508	Project Assurance Framework	To provide assurance over the adequacy of the assurance framework designed to inform capital investment decisions at the second line of defence
19 510	Culture Change	To review the degree to which culture has changed and is embedded in line with agreed values and behaviours
19 507	Management of Programme Schedule	To provide assurance over the adequacy of the EOP strategy and effectiveness of schedule management and reporting
19 505	The strategic approach to workforce planning	To provide assurance over the controls to ensure resource planning and retention is adequate and effective to support delivery of the Crossrail Business Plan objectives
19 509	Counter fraud assurance	To review the adequacy and effectiveness of fraud prevention controls

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Transport for London Audit and Assurance Committee

Internal audit reports issued in Q4 2018/19

Appendix 3

Grouped by Strategic Risk

- Eighteen reports issued during the quarter

Strategic risk	Directorate	Audit title	Objective	Issued period	Last action date	Conclusion	Current status	P1	P2	P3
Achieving safety outcomes	Pan TfL	Safeguarding Assurance (TfL)	To provide assurance on the adequacy and effectiveness of controls in place over safeguarding across TfL	12	30/06/2019	Requires Improvement	Follow-up	0	1	0
	Surface Transport	ST Supplier Assurance (rail)	To provide assurance over the effectiveness of Surface Transport's arrangements for 'Supplier Assurance' throughout the contract life cycle are in line with ORR regulations	12	27/09/2019	Requires Improvement	Follow-up	0	2	1
Financial sustainability	Customers, Communication & Technology	Clean Mobile Energy – 2nd Review	As a First Lever Controller, certify costs in respect of EC funding for Clean Mobile Energy	12		Memo	Complete	0	0	0
	Finance	Governance and Financial Controls for the use of Framework suppliers (CPC Project Services)	To provide assurance that the controls over the framework are effective and are used in accordance with TfL requirements	13	31/05/2020	Poorly Controlled	Follow-up	4	0	0
		Governance and Financial Controls for the use of Framework suppliers (4Rail)	To provide assurance that the controls over the framework are effective and are used in accordance with TfL requirements	13	02/12/2019	Poorly Controlled	Follow-up	9	1	0
		2018/19 mid-year Scorecard review	To determine the accuracy of the new performance measures in the 2018/19 Quarter 2 TfL Scorecard.	12	30/09/2019	Adequately Controlled	Follow-up	0	2	0

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Strategic risk	Directorate	Audit title	Objective	Issued period	Last action date	Conclusion	Current status	P1	P2	P3
	LU	Pro-Lite Grant Review	To certify costs in respect of EU funding for Pro-Lite	10	19/12/2018	Memo	Complete	0	0	0
	Surface Transport	Congestion Charging	To provide assurance on the adequacy and effectiveness of financial and business controls in place within Congestion Charging	12	31/03/2019	Adequately Controlled	Follow-up	0	0	2
Governance and control suitability	Finance	Business Expenses	To provide assurance on the adequacy and effectiveness of controls designed to prevent the payment of fraudulent business expenses	12	28/02/2019	Adequately Controlled	Follow-up	0	2	1
	HR	Pension Fund Trustee Board Effectiveness Review	To provide assurance over the effectiveness of the TfL Pension Fund's Trustee Board	12		Memo	Complete	0	0	0
		Use of Personal Data within HR	To assess the adequacy and effectiveness of controls in place within HR for managing personal data requests generated by the People Analytics team, whilst maintaining compliance with the General Data Protection Regulation (GDPR)	10	29/03/2019	Requires Improvement	Follow-up	0	2	2
		Pensions Risk Framework	To provide assurance on the adequacy and effectiveness of the Pension risk framework.	12	31/12/2019	Adequately Controlled	Follow-up	0	0	1
Inability to deliver predicted revenue growth	Finance	Telecoms Commercialisation Project -SSQ and ITT development	To provide assurance over the project, procurement and financial controls in place for the TCP Project	12	30/04/2019	Requires Improvement	Follow-up	0	1	0

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Strategic risk	Directorate	Audit title	Objective	Issued period	Last action date	Conclusion	Current status	P1	P2	P3
Loss of external stakeholder trust		Procurement for Energy for London (EfL): SSQ	To provide assurance that the processes employed for the Procurement of the framework contract for the GLA's EfL scheme, are in accordance with approved procedures and are open, fair and transparent	10		Memo	Complete	0	0	0
Major cyber security incident	Customers, Communication & Technology	Cybersecurity Strategy and Operating Model	Evaluate to assess whether the model is designed appropriately to meet strategic objectives and industry best practice	13	29/05/2020	Requires Improvement	Follow-up	1	5	1
	HR	Pension Data - Access Security	To provide assurance on the adequacy and effectiveness of security controls over access to pension data	12	31/05/2022	Adequately Controlled	Follow-up	0	1	1
Opening of the Elizabeth Line	LU	Archiving Process	To review the archiving process before and after transfer of documents to TfL	10		Memo	Complete	0	0	0
Operational reliability		Workforce Planning Project Lessons Learned Phase 2	To provide a detailed Lessons Learned Summary for the Workforce Planning Project	12		Memo	Complete	0	0	0
Total								**14**	**17**	**9**

Work in progress at the end of Q4 2018/19

Appendix 4

Grouped by Strategic Risk

- 16 audits were in progress at the end of Q4

Strategic risk	Directorate	Audit title	Objective	Current status
Achieving safety outcomes	LU	Principal Contractor Arrangements	To provide assurance that the workstream to revise management arrangements for LU acting as Principal Contractor has been effective and that arrangements are being assured via 2nd line of defence activities	Issued in P2 2019/20
	Pan TfL	Effectiveness of the new safety complaints process	To provide assurance that the new complaints process is effective and efficient	In Progress
	Surface Transport	Bus Safety Update Programme	To provide assurance on the deliverables within, and management of, the Bus Safety Update programme.	In Progress
		London Overground Safety Assurance Arrangements	To provide assurance on the effectiveness and timeliness of safety assurance arrangements	In Progress
Delivery of key investment programmes	Finance	Re-tender of the Project & Programme Management Services Framework (PSF)	To provide assurance that the Procurement of the Re-tender of the Project and Programme Management Services Framework (PSF) is carried out in an open fair and transparent manner	In Progress
		Re-tender of the Transport Planning and Impact Monitoring (PSF)	To provide assurance that the Procurement of the Re-tender of the Transport Planning and Impact Monitoring Framework (PSF) is carried out in an open fair and transparent manner	In Progress
		Re-tender of Professional Services Framework- (Commercial Services)	To provide assurance that the Procurement of the Professional Services Framework (Commercial Services) is carried out in an efficient and effective manner	In Progress

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Strategic risk	Directorate	Audit title	Objective	Current status
	Pan TfL	Building Information Modelling Governance	To provide assurance on the effectiveness of the implementation of Building Information Modelling	Issued in P2 2019/20
Financial sustainability	Transformation	Business Services E2E Processes	To advise on the adequacy of the 'End to End' (E2E) process designs by reviewing the proposed processes and suggesting improvements where necessary, in order to facilitate the achievement of Business Services' objectives.	In Planning
	City Planning	Section 278 Agreements	To review the controls in place to ensure that monies due under s278 agreements are collected in full and on a timely basis	In Progress
	Finance	Governance and Financial Controls for the use of Framework suppliers (Delatim Ltd)	To provide assurance that the controls over the framework are effective and are used in accordance with TfL requirements	Reporting
		Single Sourcing Governance Assurance (ST)	To ensure that the procurement process used for single sourcing is managed effectively, including the frequency and legitimacy of single sourcing, and the robustness of the approval process	Reporting
Governance and control suitability	Surface Transport	Cycle Hire	To provide assurance over the operation of key business and financial controls following signing of a new contract and implementation of the revised back office and governance arrangements between Serco and Cubic from July 2017	In Progress
		Ultra Low Emissions Zone	To provide assurance over the preparation for go live	Issued in P2, 2019/20
Loss of external stakeholder trust	Finance	Procurement of Energy for London: SSQ - up to Contract Award	To provide assurance that the procurement process for the Energy for London project is managed effectively	In Progress

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Strategic risk	Directorate	Audit title	Objective	Current status
LTM	LT Museum	Safeguarding: Nib Report follow up	To provide assurance that actions from the 2017 Safeguarding audit and Nib recommendations have been implemented	Issued in P1 2019/20
Total				**16**

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Work planned to start in Q1 2019/20

Appendix 5

Grouped by planned period

- There are 14 audits planned to start in Q1 2019/20

Strategic risk	Directorate	Ref	Audit title	Objective	Planned period
Financial sustainability	Finance	19 114	TfL Scorecard	Provide assurance that the year-end outturns on the scorecard indicators are being reported accurately.	P1
Major cyber security incident	Customer Communications Technology	19 008	Network and Information Systems (NIS) Regulations - London Underground	To provide assurance on the effectiveness of the governance and internal controls designed to ensure compliance with NIS guidelines	P2
		19 009	Network and Information Systems (NIS) Regulations - Surface Transport	To provide assurance on the effectiveness of the governance and internal controls designed to ensure compliance with NIS guidelines	
Financial sustainability	Finance	19 608	Delivery of the Major Accommodation Property Programme (MAPP)	Provide assurance on the forecast financial savings and whether financial benefits forecast are being achieved	
Inability to deliver predicted revenue growth		19 614	Governance of Over Site Development (OSD) sites	To provide assurance on the strategy for optimising revenue from the delivery of OSD sites	
Achieving safety outcomes	London Underground	19 003	Principal Designer (CDM) Arrangements - London Underground	To provide assurance on the effectiveness of arrangements governing LU acting as Principal Designer, including review of effectiveness of 2nd line of defence activities	
Governance and controls suitability	Surface Transport	19 006	Payments to Local Authorities using the Borough Portal	To provide assurance on the effectiveness of the management of the borough portal	
	General Counsel	19 620	Review of UK Corporate Governance Code 2018 Changes	Assessment of TfL's compliance with applicable elements of the updated UK Corporate Governance Code (2018)	

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Strategic risk	Directorate	Ref	Audit title	Objective	Planned period
Financial sustainability	Finance	19 116	Allowances, Overtime and Higher Duty Pay Process	To provide assurance on the adequacy and effectiveness of controls in place for allowances, overtime and higher duty pay	P2
Achieving safety outcomes	London Underground	19 103	Occupational Health	To provide assurance on the adequacy and effectiveness of the current operating model and level of service provided to the organisation	
Financial sustainability	Finance	19 115	Governance of Foreign Vendor Invoices	To provide assurance on the adequacy and effectiveness of controls in place for processing foreign vendor invoices	
AFC/DFC exceeds the funding envelope	Crossrail	19 503	Management and Control over Project Cost Forecasting	To provide assurance over the adequacy and effectiveness of project cost forecasting controls including 'Anticipated Final Cost' (AFC)	P3
Inability to deliver predicted revenue growth	Finance	19 615	Management of Property and Lease Renewals	Provide assurance that the management of vacant properties is efficient and effective.	
Inadequate Tier 1 contractor delivery	Crossrail	19 500	Management of Tier 1 suppliers	To provide assurance that Tier 1 contractors are being managed and controlled effectively. This will include the effectiveness of the second line of defence activities	
	Total				**14**

Changes to the 2018/19 audit plan

Appendix 6

- There were five changes to the plan during Q4. One new assignment was added to the plan, and an additional five were either cancelled, or deferred to 2019/20.

Ref	Audit title	Status	Audit Comments
18 109	Expenditure Controls	Cancelled	Business change has reduced the priority of the audit. Key control processes are under review and likely to change
18 005	Healthy Streets Portfolio		The scope of the audit will be included in the Delegated Project Authority audit, scheduled on the 2019/20 audit plan
18 116	Operating Leases		The business priority has changed and the risk was reclassified to low
18 406	IT Risk Management: London Transport Museum IT Transition Project		Challenges with our audit delivery partner delayed the audit start. Meanwhile the project progressed to an advanced stage; reducing the value of this real-time audit
18 405	IT Software Licence Management Governance	Deferred	Challenges with our audit delivery partner delayed the audit start. Consequently the audit was deferred to the 2019/20 audit plan

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Risk and Assurance Audit Teams Customer Feedback Form Summary of Responses for 2018/19
Quarter 4

We send a customer feedback form to our principal auditee at the conclusion of each audit. This table sets out the questions asked and the responses, including a selection of the freeform comments that we have received.

Customer Feedback Forms Sent: Q4 =23 (Q3 = 17)

Customer Feedback Forms Returned: Q4 = 10 (Q3 = 14)

Appendix 7

	No score given		Very poor		Poor		Satisfactory		Good		Very good		Average Score	
ASSIGNMENT ASSESSMENT CRITERIA			1		2		3		4		5		Q3	Q4
PLANNING AND TIMING	Q3	Q4	Q3	Q4	Q3	Q4	Q3	Q4	Q3	Q4	Q3	Q4	4.3	4.5
The assignment timing was agreed with me and there was appropriate consideration of my other commitments as the work progressed	0	0	0	0	1	0	0	0	7	5	6	5	4.3	4.5
The assignment was completed and the report issued within appropriate timescales	0	0	0	0	0	0	3	0	4	5	7	5	4.3	4.5
COMMUNICATION													4.3	4.5
Communication prior to the assignment was appropriate, including the dates and objectives	0	0	0	0	0	0	0	1	9	3	5	6	4.4	4.5
Throughout the assignment I was informed of the work's progress and emerging findings	0	0	0	0	0	0	3	2	5	2	6	6	4.2	4.4
CONDUCT													4.3	4.6
The Internal Audit team demonstrated a good understanding of the business area under review and associated risks, or took time to build knowledge and understanding as the work progressed	0	0	0	0	0	0	1	1	9	3	4	6	4.2	4.5
The Internal Audit team acted in a constructive, professional and positive manner	0	0	0	0	0	0	2	0	4	4	8	6	4.4	4.6
RELEVANT AND USEFUL ADVICE AND ASSURANCE													4.1	4.5
A fair summary of assignment findings was presented in the report	0	0	0	0	0	0	3	1	5	3	6	6	4.2	4.5
Assignment recommendations were constructive, practical and cost-effective	0	0	0	0	0	0	3	1	7	3	4	6	4.1	4.5
My concerns were adequately addressed and the review was beneficial to my area of responsibility and operations	0	0	0	0	0	0	3	0	6	4	5	6	4.1	4.6
Overall assessment													4.3	4.5

Other comments including suggested improvements and areas of good performance:

Planning & Timing: I was very new to my role and new to [my business area]. Most of the issues picked up were starting to be addressed anyway as they were obviously areas that needed to be addressed and improved. Having an audit after I has been in my role for a longer period of time may have been more beneficial to the department in the log run.

Planning: There was sufficient cognisance of the impact from the ongoing business transformation workstreams on the audit timing, with a balanced collaborative view ultimately taken on audit timings.

Conduct: Constructive suggestion to forego unnecessary fieldwork as the key issues were agreed upfront by all parties.

Conduct: The audit team conducted themselves in a professional and positive manner at all times.

Conduct: Very good review of how the standard applied and was adopted in projects and Civil Engineering works. A very difficult query would be to ascertain those areas where the standard was unknown / not used. I am not sure how that could have been achieved.

Advice and Assurance: The audit has highlighted areas of concern to the business which I hope will be taken seriously and resolved.
Advice and Assurance: The audit findings & recommendations will be key in improving the [processes in place].

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Control Environment – Trend Indicators

Audit indicators – rolling average

	Q1 17/18	Q2 17/18	Q3 17/18	Q4 17/18	Q1 18/19	Q2 18/19	Q3 18/19	Q4 18/19	Trend
Poorly Controlled	2.0%	3.9%	3.6%	5.4%	7.2%	3.6%	6.4%	8.5%	
Requires Improvement or Poorly Controlled	32.0%	32.4%	32.7%	29.2%	20.8%	23.6%	25.5%	31.9%	

Technology

	Q1 17/18	Q2 17/18	Q3 17/18	Q4 17/18	Q1 18/19	Q2 18/19	Q3 18/19	Q4 18/19	Trend
Internal system availability	99.87%	98.68%	99.48%	99.50%	100.00%	99.97%	99.78%	99.76%	

Information Governance

	Q1 17/18	Q2 17/18	Q3 17/18	Q4 17/18	Q1 18/19	Q218/19	Q3 18/19	Q4 18/19	Trend
Number FOI requests	2317	2869	3100	3053	3034	2973	2903	3025	
On time FOI responses	82.10%	85.50%	88.90%	91.20%	91.7%	92.3%	93.3%	95.3%	

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Audit and Assurance Committee

Date: 10 June 2019

Item: Risk and Assurance Annual Report 2018/19

This paper will be considered in public

1 Summary

1.1 This is the first annual report of Risk and Assurance, which was formed in February 2018, bringing together Internal Audit, Enterprise Risk Management, Project Assurance and Fraud into an integrated Directorate. The report provides an overview of the work carried out by the Directorate, and other activities during the year.

1.2 The Public Sector Internal Audit Standards (PSIAS) require the Head of Internal Audit to provide an annual Internal Audit opinion based on objective assessment of the framework of governance, risk management and control established by TfL management. The Internal Audit opinion is incorporated into this annual report in section 3 below.

2 Recommendation

2.1 **The Committee is asked to note the report.**

3 Internal Audit Opinion

3.1 In our opinion, the overall framework of TfL's governance, risk management and internal control in the year ended 31 March 2019 is generally adequate for TfL's business needs and operated in an effective manner, except for the following two matters.

(a) The Internal Audit opinion for 2017/18 noted that TfL was in the process of refreshing its approach to risk management, including a thorough review of its strategic risks, and that consequently the Enterprise Risk Management (ERM) process was not yet fully effective. TfL's ERM processes have developed significantly over the course of 2018/19 with a well-defined set of strategic risks in place, regular risk reviews and updates, and reporting to Panels and Committees. Nevertheless, the level of risk maturity varies between different areas of TfL, and further work is still required before risk management is fully effective.

(b) We have concluded a number of audits of governance and financial controls over procurement and contract management as 'Poorly Controlled', indicating significant weaknesses in controls over arrangements for procuring supplies and services. There are a number of areas where commercial processes have not been adhered to which have affected TfL's ability to secure value for money; such as single sourcing, use of frameworks, segregation of duties, conflicts of interest and the application of delegated authorities. TfL is taking forward a programme of activity to strengthen internal controls and reduce the likelihood of reoccurrence in the future. Internal Audit has worked with management to agree appropriate corrective actions and a timescale for improvement, and is working with management to define the appropriate approach to further advisory and/or effectiveness engagements during the financial year 2019/20.

Basis of the Audit Opinion

3.2 We are satisfied sufficient assurance work has been completed to allow us to form a reasonable conclusion on the adequacy and effectiveness of TfL's governance, risk management and control environment.

3.3 In giving this opinion, you should note that assurance can never be absolute, and therefore, only reasonable assurance is provided that there are no major weaknesses in the system of internal control processes reviewed. The Internal Audit opinion does not provide any guarantee against material errors, loss or fraud.

3.4 The Audit Opinion is based on the audits, including consulting and advisory assignments, carried out by Internal Audit during 2018/19, and takes account of other sources of assurance including:

(a) Second line reviews of capital programme and projects carried out by the Project Assurance team and third line assurance delivered by the Independent Investment Programme Advisory Group (IIPAG);

(b) Audits of HSE and Asset Management, and Payment Card Industry Data Security Standard) PCI DSS reviews carried out by the Integrated Assurance team;

(c) Results of any follow up exercises undertaken in respect of previous years' internal audit work;

(d) Control issues identified by the Fraud team in the course of their investigations.

3.5 There have been no matters arising from any of the work completed that need to be brought to the attention of the Audit and Assurance Committee

3.6 There have been no restrictions imposed on the scope of the work completed by the Internal Audit function.

4 Work Delivered

4.1 Risk and Assurance has reported quarterly to the Audit and Assurance Committee on the work delivered by its various teams. This section summarises the work done over the course of the year.

Enterprise Risk Management

4.2 The Enterprise Risk Management (ERM) team has made significant progress during the year in designing and implementing an effective ERM process into TfL. Key elements of this include:

(a) a new Enterprise Risk Management Framework (ERMF) bespoke to TfL following benchmarking of ERMFs;

(b) a consistent Enterprise Risk Assessment Matrix (ERAM), which is now embedded in all risk and assurance activities across TfL;

(c) updated Enterprise Risk Policy and Procedure incorporating TfL's approach to risk tolerance and appetite; and

(d) a new Strategic Risk template that captures all the pertinent information to help the business better understand and manage its risks.

4.3 TfL has defined a set of (currently) 18 pan-TfL strategic (Level 0) risks each of which is 'owned' by a member of the TfL Executive Committee. The ERM team facilitate quarterly reviews of the strategic risks. In addition, the TfL Executive Committee reviews the strategic risks each period including a detailed review of two risks on a rolling cycle.

4.4 Oversight of each risk has been allocated to one of TfL's Committees and Panels who review one or more of their allocated strategic risks at each meeting, and it is anticipated that all of the risks will have been reviewed in this way at least once by autumn 2019.

4.5 The ERM team also facilitate workshops to identify, assess and support the management of risks at Level 1 (business area strategic risks) and Level 2 (business area tactical risks). Level 1 risk in LU and Surface Transport are now well defined and reviewed regularly at the respective executive committees. Work is ongoing to finalise Level 1 risks for Engineering and Major Projects, and to identify and assess them for Professional Services areas. There have also been significant improvements in the maturity of Level 2 risk management across TfL.

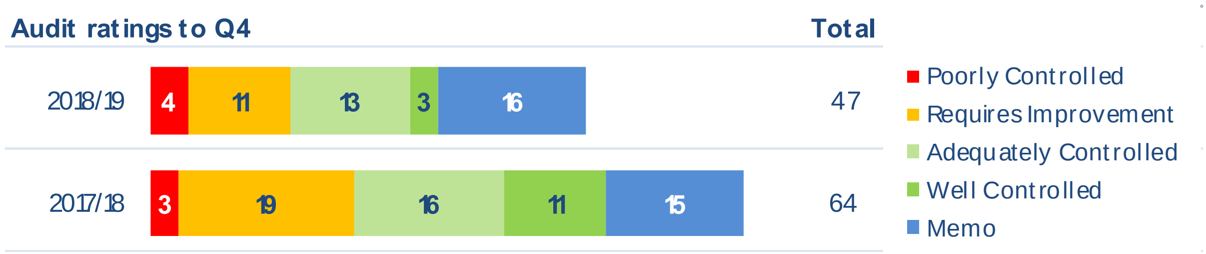
4.6 Over the next year, the focus of the ERM team will be to develop a universal approach to opportunity management to improve the suite of risk reports at levels 0, 1, and 2 to develop and roll out TfL's risk visualisation approach, which supports better decision making regarding prioritisation and management of risks, and to develop a suite of e-learning materials to improve risk culture and competence throughout the organisation.

Audit and Assurance Activity

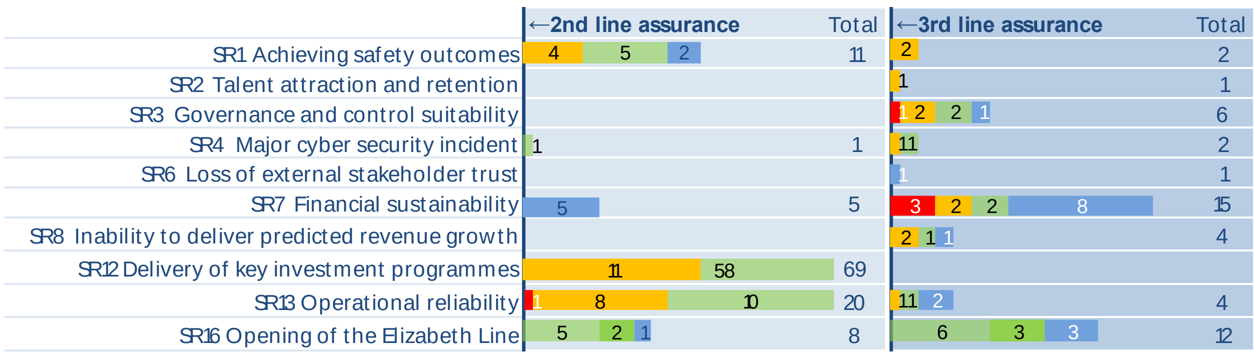
4.7 The Audit and Assurance Committee approved the Integrated Audit Plan for 2018/19 on 6 March 2018. The plan clearly distinguishes between the third line (Internal Audit) and second line assurance, with the latter only noted in summarised form.

4.8 The plan generally changes significantly over the course of the year as projects and procurements are revised or re-programmed and new or changing risks take priority. For this reason, we use a “rolling” plan, which means we confirm our audit schedule on a quarterly basis. We have reported regularly on cancellations, postponements and additions to the plan throughout the year.

4.9 A number of audits in the 2018/19 Audit Plan were still in progress at 31 March 2019. The number of Internal Audit reports issued during the year is set out in the table below, and includes 10 audits carried forward from the 2017/18 audit plan. The reduction in the total numbers of reports issued compared to 2017/18 largely reflects the significant number of Internal Audit headcount vacancies during the year (see section 7 below) following the transformation activities in 2017/18.



4.10 The chart below summarises the key outcomes arising from work completed at the second and third line of assurance by our various Risk and Assurance teams, by reference to the related Strategic Risk. More detailed information in relation the internal audits completed against each of the strategic risks can be found in Appendix 1



4.11 The following paragraphs highlight some of the key findings from the audit and assurance work carried out in 2018/19.

Strategic Risk 7 (SR7) – Financial Sustainability

(a) Our work in relation to the Financial Sustainability strategic risk; included several that covered commercial/ procurement processes, three of which we concluded as ‘poorly controlled’. These highlighted a number of areas where commercial processes have not been adhered to which have affected TfL’s ability to secure value for money; such as single sourcing, use of frameworks, segregation of duties, conflicts of interest and the application of delegated authorities.

(b) Corrective actions have been agreed to address the issues raised in the short term, and management is putting in place an improved governance structure, and new processes to strengthen financial controls across the organisation. Additionally, Internal Audit has engaged with the operating business to provide advice on short and long-term corrective action priorities, and considerations for future internal control design. We will assess the operating effectiveness of any new controls in future audits.

Strategic Risk 12 (SR12) – Delivery of Key Investment Programmes

(a) The primary source of assurance over delivery of the TfL Investment Programme is through the work of the Project Assurance team, which carries out Assurance Reviews (ARs) of projects, programmes and sub-programmes across the Investment Programme Portfolio. During the year, the team issued 96 assurance reports, and a summary of the findings from these reports have been included in the quarterly Risk and Assurance reports to the Audit and Assurance Committee. Notable AR's relate to two of DLR's Rolling stock programmes.

(b) DLR Replacement Rolling Stock (RSR) stood out as an exemplary programme that will deliver 43 new trains to the network, replacing the legacy B92 fleet, and providing additional capacity. There is also substantial office and housing development underway around the network. Consequently, the increased number of trains mean an expansion of the existing Beckton Depot for additional stabling space, a new Maintenance Shed for the new walkthrough trains, updating the signalling system and improving certain parts of the traction power equipment, stations and telecoms systems.

(c) The RSR Sub-programme was an example of good project management and stakeholder management. In respect of the technical and engineering aspects of the project, the review found that the required processes are in place to manage all aspects of this complex project. Due to challenges on a number of other recent rolling stock procurements by unsuccessful bidders an independent assessment was carried out to assess challenge risk on the procurement process. This was seen by Programme Assurance and IIPAG as a very good process to undertake and was commended. This is now being undertaken on Silvertown Tunnel.

(d) The review judged that the RSR Sub-programme is very well managed with a knowledgeable and enthusiastic team in place. All documentation examined in the review was of a high quality; risks were regularly reviewed, and reflected in accurate and timely period reports. Lessons learned from other projects had been comprehensively documented, and included in the procurement and evaluation approach. Project Assurance recognised the RSR sub-programme as a model of good practice, and recommended that it be used as an exemplar for other TfL projects.

Strategic Risk 1 (SR1) – Achieving Safety Outcomes and SR13 – Operational Reliability

(a) The Integrated Assurance team delivers the majority of the assurance over these two risks. Much of the work focused on the implementation of the HSE management system and asset engineering quality management.

(b) Two ‘Poorly Controlled’ and three ‘Requires Improvement’ reports were concerned with the management of station assets, including: station staircase pressurisation testing; lift and escalator statutory inspections; premises inspections; management of water systems to control legionella; and testing of station emergency lighting. Taken together, these audits indicate that the arrangements in place prior to the recent transformation, for planning, delivery and assurance of performance were not always effective in ensuring compliance with requirements. The new management team have recognised the need for change in this area and are working constructively to address audit findings.

(c) Additionally, the Integrated Assurance team completed the annual HSE audit for DLR, which in prior years, had been delivered by an external provider. This saved approximately £60,000 compared with the cost in previous years

Strategic Risk 3 (SR3) – Governance and Control Suitability

(a) One of the audits against this risk was concluded as Poorly Controlled. This was in relation to compliance with data privacy and protection requirements by LU surveillance cameras. Management has taken forward a programme of actions to strengthen the controls.

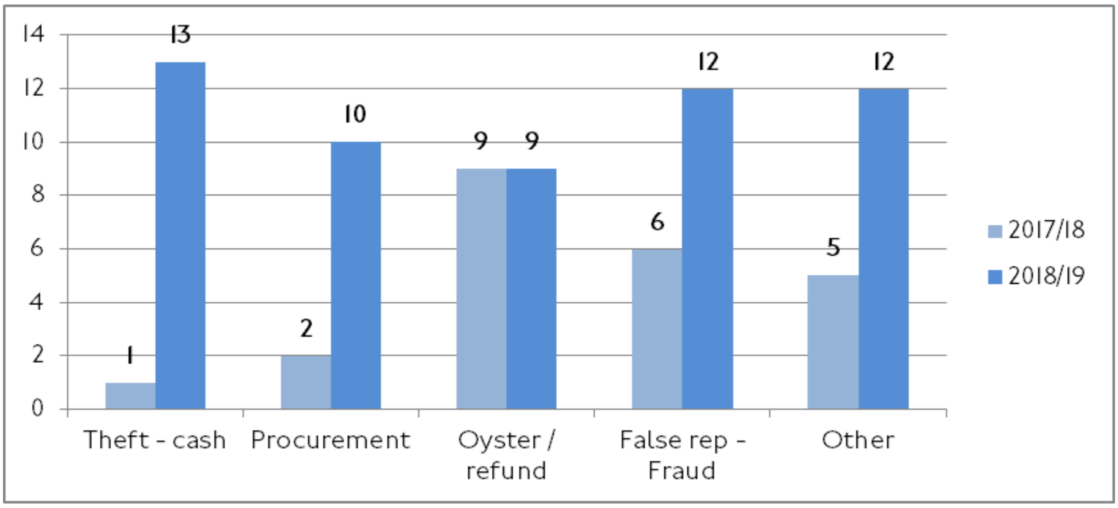
Strategic Risk 16 (SR16) – Opening of the Elizabeth Line

(a) A number of the audits completed during the year related to this strategic risk. These were mainly delivered prior to the announcement of the delay to the opening of Crossrail, and were mainly focused on specific aspects of preparations for operational handover; reflecting the project delivery timelines at that time. Since the retiming of the Crossrail project, we either cancelled or postponed the remaining audits in this area. Internal Audit has engaged with Crossrail in relation to their revised governance structure utilising the three lines of assurance model and developing a re-focused audit plan for 2019/20.

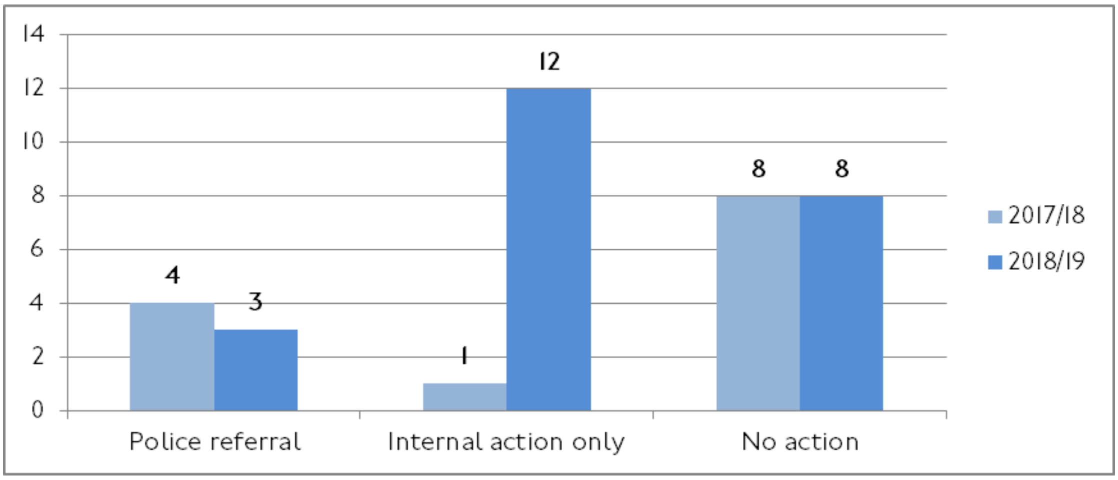
Counter Fraud

4.12 The Fraud team have managed an increased number of investigations during the year ended 2018/19; with 56 new cases referred to the team, compared to 23 in the previous year. We believe this reflects ongoing fraud awareness activities and improved interaction with other teams carrying out related activities. In particular, we have developed an effective working relationship with the LU Revenue Control team, which investigates revenue discrepancies at stations. This has led to an increased number of referrals of cases, which previously might have been dealt with solely through the disciplinary process.

4.13 We have reported to the Committee quarterly throughout the year on the status of fraud cases. The new cases in 2018/19 and comparative figures for 2017/18 are as follows:



4.14 During the year 22 cases were closed (2017/18: 13 cases). The outcomes of these cases are summarised as follows.



4.15 During 2018/19, 15 of the 22 closed cases were the subject of either Police referral or internal disciplinary action [68 per cent] (2017/18: 5 of 13 – 38 per cent).

4.16 The number of closed cases that proceeded to police/judicial action has remained broadly similar to the previous year. This is a good outcome given that pressure on police resources means they can be unwilling to pursue lower value cases. This reflects the good relationships that the team maintains with the British Transport Police.

4.17 It is pleasing to see an increased number of cases leading to disciplinary action, which indicates that TfL management are taking a robust line when dealing with fraudulent or dishonest behaviour by staff.

4.18 We have continued to deliver a range of activities aimed at raising fraud awareness during the year, although this has been impacted to some extent by vacancies in the fraud team. Activities include:

(a) internal messaging through Source and other media to highlight business and personal fraud risks, and to publicise outcomes of fraud cases leading to prosecutions. This has included increased use of Yammer, the in-house social media platform to highlight fraud matters;

(b) in areas with a high fraud risk, delivering a range of fraud awareness presentations and workshops to staff. Call centre staff have been a particular area of focus during the year, and we have recently begun a series of awareness sessions targeting all senior commercial managers; and

(c) updated and relaunched online fraud awareness training.

4.19 The TfL Executive Committee has recently approved a Counter Fraud, Bribery and Corruption Strategy, including the formation of a Counter Fraud Steering Group, which will lead a structured programme of activities aimed at reducing fraud risk further across TfL.

Other Activity

The Chartered Institute of Public Finance and Accounting (CIPFA): Statement on the role of the Head of Internal Audit.

4.20 CIPFA plays a lead role in local government as the standards setter for Internal Audit. On 9 April 2019, CIPFA released a report outlining their revised Statement on the Role of the Head of Internal Audit in Public Service Organisations. The purpose of the statement is to support heads of internal audit, and those they work with in their understanding of how the role should operate in practice.

4.21 The TfL Head of Internal Audit has assessed TfL's compliance with the CIPFA statement, and while there are no immediate actions to be taken, will ensure the Internal Audit function continues to improve its ways of working in alignment with the wider expectations of the organisational role.

4.22 The statement centres on five key principles. The role of the Head of internal audit:

(a) plays a critical role in delivering the organisations strategic objectives by objectively assessing the adequacy and effectiveness of governance and management of risks giving an evidence-based opinion on all aspects of governance, risk management and internal control;

(b) plays a critical role in delivering the organisation's strategic objectives by championing best practice in governance and commenting on responses to emerging risks and proposed developments;

(c) must be a senior manager with regular and open engagement across the organisation, particularly with the leadership team and with the audit committee;

(d) must lead and direct an internal audit service that is resourced appropriately, sufficiently and effectively; and

(e) must be professionally qualified and suitably experienced.

Steering Group Participation

4.23 We have continued to be involved in a range of steering groups and other governance bodies. This involvement enables us to provide input on risk management and control matters, as well as allowing observation of project and other governance processes.

5 Quality Assurance and Improvement

5.1 In accordance with Public Sector Internal Audit Standards, Internal Audit has an ongoing quality assurance and improvement programme to evaluate our compliance with the Standards and to identify opportunities to improve the effectiveness and efficiency of the function. This is delivered through an annual self-assessment process, but at least every five years we are required to commission an external assessment by a qualified, independent assessor from outside the organisation.

5.2 We carried out our annual self-assessment during February 2019. The self-assessment involves a review of Internal Audit's performance against the requirements of the Chartered Institute of Internal Auditors' (IIA) International Professional Practice Framework (IPPF). We selected a sample of audits for review at random and included 20 per cent of audits completed since the last External Quality Assessment (EQA) undertaken by the IIA in March 2017.

5.3 Overall, the self-assessment found that Internal Audit generally conforms to the IIA's professional standards, with partial conformance reported in the following areas:

(a) Reference 4: Code of Ethics– Competence / Standard 1230: Continuing Professional Development: Lack of audit specific training budget;

(b) Standard 2050: Coordination and Reliance: No formalised assurance map. Internal Audits' 'Collaboration' Workstream is managing this process with Enterprise Risk, Project Assurance and Integrated Assurance;

(c) Standard 2240: Engagement Work Programme: Inconsistent adherence to defined process; and

(d) Standard 2410: Criteria for Communicating: Inconsistent documentation of closing meetings and no guidance relating external communication of audit results.

5.4 The report made recommendations to achieve full compliance and improve the overall effectiveness of the function. The recommendations and the status of the actions are summarised in Appendix 2.

5.5 We will monitor the completion of these recommendations, and report progress to the Committee annually.

6 Risk and Assurance Strategy

6.1 In September 2018 we presented to the Committee our Risk and Assurance Strategy ('the Strategy'), setting out a programme of work to review and update our processes, systems and ways of working to enable the benefits of integrated risk and assurance to be fully realised. The Strategy incorporates five work streams covering:

(a) Culture and behaviours;

(b) Governance framework;

(c) Integration, collaboration and communication;

(d) Capability and people development; and

(e) Delivery processes and systems.

6.2 Over the course of the year, we have made considerable progress with delivery of the Strategy. Key developments include:

(a) our various teams are increasingly enhancing delivery of risk and assurance services through collaborative working. For example, the audit and assurance teams are leveraging the work of the risk team to assist assignment planning; the Internal Audit and Fraud teams share information regarding fraud risk; and there has been joint working on assignments to make best use of specialist knowledge;

(b) more collaborative working with IIPAG; we shared our Integrated Assurance Plan for 2019/20 in advance of its publication. We have identified a number of areas where we will seek IIPAG's input into our work and where our work may inform theirs;

(c) we have strengthened governance across a range of areas, including implementation of a new Internal Audit Charter; new Enterprise Risk Management Policy and Procedure; and Anti-Fraud and Corruption Policy and Procedure. Most recently, the TfL Executive Committee has approved our new Counter Fraud, Bribery and Corruption Policy;

(d) our audit and assurance teams have been working to streamline their processes and improve the format of reports in order to make them more impactful as well as identifying common themes to enable in depth reviews of particular crosscutting issues; and

(e) We have let a contract to MK Insight for a new audit management system to replace the legacy AutoAudit system that has been in use for the past 15 years. We believe the new system will significantly enhance our ability to effectively manage audits and fraud cases and produce reports on delivery. Work to implement the new system is now underway, 6.3 Despite the progress we have made there is still more to do before we fully realise the benefits from our integrated function. The development of a competency framework for the Directorate will be a key focus in the next few months.

7 Resources

Headcount

7.1 Following our Transformation programme during 2017/18, which led to the formation of the Risk and Assurance Directorate in February 2018, we began the financial year with a significant number of vacancies. This was most pronounced in the Internal Audit team, which had seven vacancies (one senior audit manager, and six internal auditors) against its budgeted headcount of 21. There were also two vacancies in each of the Project Assurance, Integrated Assurance and Fraud teams. Therefore, there has been a strong focus on recruitment during the year, with many new faces joining the team, but also a substantial number of leavers.

7.2 Two senior department leavers were our Head of Project Assurance and Head of Fraud, both of whom left to take up new roles outside TfL. Both roles have now been filled and the post holders are settling well into their new roles.

7.3 At the end of the financial year, we were still carrying a number of vacancies. This included two in Fraud; one in Project Assurance; and two in Integrated Assurance. All but one of these posts has been filled since the year-end.

7.4 In Internal Audit there were four vacant posts at the year-end including the Senior Internal Audit Manager – Technology, Information and Security (TIS) post, which has been vacant throughout the year having proved to be challenging to fill; one TIS Internal Auditor post (filled since the year-end); and two general Internal Auditor posts. Recruitment to fill these roles is in progress. In addition, we took a decision to put a further two TIS Internal Auditor posts on hold, with the aim of covering the work through a co-sourcing arrangement with an external provider (see below).

Staff training and Development

7.5 All Internal Audit staff are expected to have, or work towards, a relevant audit qualification from a recognised certification body (eg the Chartered Institute of Internal Auditors (IIA)). Auditors with an IT specialism are required to obtain the Certified Information Systems Auditor (CISA) certification from ISACA. There are no mandatory requirements in other teams within Risk and Assurance, but individual staff have a wide range of professional qualifications relevant to their specialisms.

7.6 Staff have various requirements for Continuing Professional Education (CPE) associated with their professional qualifications. Additionally, we agree and monitor individual training and development plans for members of staff through the performance management process.

7.7 Ensuring that staff receive appropriate training and development has become more challenging as a result of TfL's restrictions on attendance at external training courses. We seek to manage this by taking advantage, wherever possible, of free training places offered by professional bodies and making use of other types of development opportunity, including e-learning, work-shadowing and mentoring.

Co-Sourcing

7.8 In the summer of 2018, we put in place a co-sourcing contract with an external provider, for specialist Internal Audit services. This was intended to help us deliver the technology and security related audit work identified on the 2018/19 plan.

7.9 Unfortunately, the delivery from our co-source partner was below expectations, with only two out of a planned six audits completed during the year. The co-source partner has only been paid for the work delivered and the contract has now expired. We plan to put in place a new co-sourcing framework with a number of providers on it to give us flexibility regarding delivery of audit work during 2019/20.

Secondments

7.10 One area where we have had some success during the year is through use of secondments, both inward and outward. Secondments are a useful means of filling staff vacancies, but also valuable in helping provide development opportunities to staff.

7.11 We currently have four staff members on secondment to other parts of TfL and three staff from elsewhere in TfL seconded into Risk and Assurance.

7.12 We have also provided opportunities for moves, on a secondment basis, between teams within Risk and Assurance. One member of the Risk Management team is currently on a one-year secondment into Internal Audit, while a member of Internal Audit is about to start a secondment to Risk

8 Stakeholder Feedback

8.1 At the end of every audit engagement, we send out a feedback form to the principal auditee(s) requesting their views on the audit process and the report.

8.2 In the year ended 2018/19, the return rate for completed feedback questionnaires was 62 per cent, across both the Internal Audit and Integrated Assurance teams. This represents an increase over the 57 per cent achieved in 2017/18. The summary of scores received in the year, and in previous years, is as follows:

	Very Good %	Good %	Satisfactory %	Poor %	Very Poor %
2018/19	50%	41%	9%	0%	0%
2017/18	48%	37%	12%	2%	0%
2016/17	45%	39%	14%	2%	0%

8.3 The majority of respondents continue to be satisfied with the way we carry out our work, and there has been no significant change in the proportion of ‘poor’ scores compared to 2017/18. All feedback which is less than satisfactory is followed up by Internal Audit management to ensure the concern is understood, discussed with the audit team and lessons learned where appropriate.

8.4 During the year 2019/20, we plan to review and refine the format of the questionnaire to encourage a higher response rate, and to provide better insight into stakeholder experience of our audit delivery.

List of appendices to this report:

Appendix 1 – Overview of Internal Audit Work 2018/19
Appendix 2 – Internal Quality Assurance and Improvement Action Plan

List of Background Papers:

Audit reports.

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Transport for London Audit and Assurance Committee

Overview of Internal Audit work completed at year ending 31 March 2019 — Appendix 1

- Forty-seven Internal Audit reports issued, of which four we concluded as Poorly Controlled.

Strategic Risk	Directorate	Ref.	Audit Title	Objective	Conclusion	Last Action Date	Current Status	Priority		
								P 1	P 2	P3
Achieving safety outcomes	Pan TfL	18 130	Safeguarding Assurance (TfL)	To provide assurance on the adequacy and effectiveness of controls in place over safeguarding across TfL.	Requires Improvement	30/06/2019	Follow-up	0	1	0
	Surface Transport	18 029	ST Supplier Assurance (rail)	To provide assurance over the effectiveness of Surface Transport's arrangements for 'Supplier Assurance' throughout the contract life cycle are in line with ORR regulations	Requires Improvement	30/08/2019	Follow-up	0	2	1
Financial sustainability	Customers, Communication & Technology	18 135	Clean Mobile Energy – 2nd Review	As a First Lever Controller, certify costs in respect of EC funding for Clean Mobile Energy	Memo		Complete	0	0	0
		18 115	EC Grant Agreement Cost Certification Old Oak Common	To certify costs in respect of EC funding for Old Oak Common	Memo		Complete	0	0	0
		18 104	Clean Mobile Energy	As a First Lever Controller, certify costs in respect of EC funding for Clean Mobile Energy	Memo		Complete	0	0	0
	Finance	18 131	2018/19 mid-year Scorecard review	To determine the accuracy of the new performance measures in the 2018/19 Quarter 2 TfL Scorecard	Adequately Controlled	30/09/2019	Follow-up	0	2	0

Transport for London Audit and Assurance Committee

Strategic Risk	Directorate	Ref.	Audit Title	Objective	Conclusion	Last Action Date	Current Status	Priority P1	Priority P2	Priority P3
Financial Sustainability	Finance	18 129	Revenue apportionment to train operating companies (TOCs)	To provide assurance over the apportionment of fares revenue to TOCs through identifying existing audits of fares revenue apportionment and determining if Internal Audit should provide assurance on areas not covered by these reviews	Memo		Complete	0	0	0
		18 100	TfL Scorecards	Provide assurance that the year-end outturns on the scorecard indicators are accurately reported	Memo		Complete	0	0	0
		18 606	Governance and Financial Controls for the use of Framework suppliers (4Rail)	To provide assurance that the controls over the framework are effective and are used in accordance with TfL requirements	Poorly Controlled	01/12/2019	Follow-up	9	1	0
		18 607	Governance and Financial Controls for the use of Framework suppliers (CPC Project Services)	To provide assurance that the controls over the framework are effective and are used in accordance with TfL requirements	Poorly Controlled	31/03/2020	Follow-up	4	0	0
		18 106	Cash Forecasting	To review the adequacy and effectiveness of the TfL short-term and long-term cash forecasting processes	Requires Improvement	11/11/2018	Follow-up	0	2	0

Transport for London Audit and Assurance Committee

Strategic Risk	Directorate	Ref.	Audit Title	Objective	Conclusion	Last Action Date	Current Status	Priority P1	Priority P2	Priority P3
Financial Sustainability	Finance	18 110	Payroll	To provide assurance on the adequacy and effectiveness of key controls within payroll	Requires Improvement	11/11/2019	Follow-up	3	1	0
	LU	18 000	Management of Fraud Risk in London Underground	To provide assurance that fraud risks are being managed across all areas of LU and that there is an awareness of fraud amongst personnel	Consultancy		Complete	0	0	0
		18 134	Pro-Lite Grant Review	To certify costs in respect of EU funding for Pro-Lite	Memo		Complete	0	0	0
	Pan TfL	17 612	Single Sourcing Governance Assurance (LU)	To ensure that the procurement process used for single sourcing is managed effectively, including the frequency and legitimacy of single sourcing, and the robustness of the approval process	Poorly Controlled	31/05/2019	Follow-up	5	3	0
	Surface Transport	18 123	Congestion Charging	To provide assurance on the adequacy and effectiveness of financial and business controls in place within Congestion Charging	Adequately Controlled	31/03/2019	Follow-up	0	0	2
		18 133	Project Alloyed	To certify costs in respect of EC funding for Project Alloyed	Memo		Complete	0	0	0
Governance and control suitability	Customers, Communication & Technology	17 110	LTM Management Information	To review the range of management information available to enable LTM management and the Trustee Board to monitor LTM's financial and trading performance	Requires Improvement	02/05/2019	Follow-up	1	2	0

Transport for London Audit and Assurance Committee

Strategic Risk	Directorate	Ref.	Audit Title	Objective	Conclusion	Last Action Date	Current Status	Priority P1	Priority P2	Priority P3
Governance and control sustainability	Finance	18 101	Business Expenses	To provide assurance on the adequacy and effectiveness of controls designed to prevent the payment of fraudulent business expenses	Adequately Controlled	28/02/2019	Follow-up	0	2	1
	HR	18 108	Pensions Risk Framework	To provide assurance on the adequacy and effectiveness of TfL's Pension Fund risk framework	Adequately Controlled	31/12/2019	Follow-up	0	0	1
		18 107	Pension Fund Trustee Board Effectiveness Review	To provide assurance over the effectiveness of the TfL Pension Fund's Trustee Board	Memo		Complete	0	0	0
		18 132	Use of Personal Data within HR	To assess the adequacy and effectiveness of controls in place within HR for managing personal data requests generated by the People Analytics team, whilst maintaining compliance with the General Data Protection Regulation (GDPR)	Requires Improvement	29/06/2019	Follow-up	0	2	2
	LU	17 112	Data Privacy and Protection - Surveillance Cameras LU	To provide assurance that LU's use, management, and control of surveillance cameras are in accordance with the relevant TfL policies, laws and relevant codes of practice	Poorly Controlled	28/06/2019	Follow-up	5	4	0
Inability to deliver predicted revenue growth	Finance	17 204	Exterion Capital Expenditure Programme	To provide assurance over the delivery of the Capital Expenditure programme	Adequately Controlled	30/09/2018	Complete	0	1	2

Transport for London Audit and Assurance Committee

Strategic Risk	Directorate	Ref.	Audit Title	Objective	Conclusion	Last Action Date	Current Status	Priority		
								P1	P2	P3
Inability to deliver predicted revenue growth	Finance	18 610	Sponsorship of the Elizabeth Line- Shortlisting	To provide assurance on the effective management of the procurement of sponsors for the Elizabeth Line up to Issue of ITT documentation	Memo		Complete	0	0	0
		18 028	Telecoms Commercialisation Project -SSQ and ITT development	To provide assurance over the project, procurement and financial controls in place for the TCP Project	Requires Improvement	30/04/2019	Complete	0	1	0
Loss of external stakeholder trust	Finance	18 613	Procurement for Energy for London: SSQ	To provide assurance that the processes employed for the Procurement of the framework contract for the GLA's EfL scheme, are in accordance with approved procedures and are open, fair and transparent	Memo		Complete	0	0	0
London Transport Museum	Customers, Communication & Technology	18 119	LTM New Web Shop	To review the adequacy and effectiveness of controls in place within the London Transport Museum (LTM) web shop	Requires Improvement	31/03/2019	Follow-up	1	0	3
Major cyber security incident	Customers, Communication & Technology	18 403	Cybersecurity Strategy and Operating Model	Evaluate to assess whether the model is designed appropriately to meet strategic objectives and industry best practice	Requires Improvement	29/05/2020	Follow-up	1	5	1
	HR	18 404	Pension Data - Access Security	To provide assurance on the adequacy and effectiveness of security controls over access to pension data	Adequately Controlled	31/05/2022	Follow-up	0	1	1

Transport for London Audit and Assurance Committee

Strategic Risk	Directorate	Ref.	Audit Title	Objective	Conclusion	Last Action Date	Current Status	Priority P1	Priority P2	Priority P3
Opening of the Elizabeth Line	Crossrail	17 526	Training of Operators	To review the arrangements for training of operations staff (e.g. signallers) and maintenance staff	Adequately Controlled		Complete	0	0	0
		17 507	Disposal of Crossrail non-railway assets	A review of arrangements for disposal of non-permanent assets, for example, staff mobile devices and PCs. This will cover data security aspects of the disposal	Adequately Controlled	31/05/2018	Complete	0	1	0
		18 503	Management of Stakeholders and Interfaces	A review of the arrangements for managing Crossrail stakeholders as the activity transitions to TfL	Adequately Controlled		Complete	0	0	0
		17 524	Asset information & alignment between Crossrail and its Partner organisations	A review of the quality of asset information and identification of assets, and alignment of asset information requirements / expectations against that which will be delivered	Adequately Controlled		Complete	0	0	0
		17 520	Crossrail Handover Strategy & Plan	A review of the nine key requirements of the Handover Strategy & Plan This audit will look specifically at Crossrail readiness for handover	Adequately Controlled		Complete	0	0	0
		18 504	Delivery of Over Site Development	To review the arrangements for delivering OSD, including construction assurance where developments are being progressed through Crossrail / TfL	Adequately Controlled	31/08/2018	Complete	0	1	0

Transport for London Audit and Assurance Committee

Strategic Risk	Directorate	Ref.	Audit Title	Objective	Conclusion	Last Action Date	Current Status	Priority P1	P2	P3
Opening of the Elizabeth Line	Crossrail	17 511	Testing and Commissioning	A review of the Testing and Commissioning Strategies, and Plans for delivering the Crossrail Project, focusing on a sample of Delivery teams and contractors	Memo		Complete	0	0	0
		18 502	Crossrail Complaints Commissioner Accounts	A review of the Crossrail Commissioner Accounts to ensure accuracy	Memo		Complete	0	0	0
		18 015	Management of Crossrail Voluntary Severance Payment	To review the adequacy and effectiveness of the controls over the voluntary severance payment scheme	Well Controlled		Complete	0	0	0
		18 501	Employers' Completion Process	To review the close-out dashboard and the underlying evidence, e.g. certificates (construction, testing & commissioning), quality, NCRs, risk and commercial aspects	Well Controlled		Complete	0	0	0
		18 500	Estates Management following demobilisation	To review Estates Management following demobilisation and the closing down of Crossrail sites including health & safety, and commercial	Well Controlled		Complete	0	0	0
	LU	18 027	Archiving Process	To review the archiving process before and after transfer of documents to TfL	Memo		Complete	0	0	0
Operational reliability	LU	18 032	Workforce Planning Project Lessons Learned Phase 2	To provide a detailed Lessons Learned Summary for the Workforce Planning Project	Memo		Complete	0	0	0

Transport for London Audit and Assurance Committee

Strategic Risk	Directorate	Ref.	Audit Title	Objective	Conclusion	Last Action Date	Current Status	Priority P1	Priority P2	Priority P3
		18 030	Workforce Planning Project Lessons Learned	To provide Lessons Learned for the Workforce Planning Project	Memo		Complete	0	0	0
	Surface Transport	18 018	ST Supplier Assurance (Non Rail)	To provide assurance that ST has a Supplier Quality Assurance System that ensures risks to TfL objectives are identified, controlled and assured throughout the contract life cycle	Adequately Controlled	31/10/2018	Complete	0	1	1
		18 611	Management of Nominally Accumulated Customer Hours (NACHs) 4G modelling project	To provide assurance that the controls for the management of the NACH's 4G modelling project to deliver Lost Customer Hours is effective	Requires Improvement	31/05/2019	Follow-up	0	3	1
Talent attraction and retention	HR	17 117	Temporary Agency Workers	To provide assurance on the adequacy and effectiveness of controls in place over the recruitment and management of NPL, including use of personal service companies	Requires Improvement	30/09/2019	Follow-up	2	6	1

Quality Assurance and Improvement

Appendix 2

- Internal Audit Is ‘generally conforming’ to the PSIAS/ IIA standards; with audit activity found to be ‘effective’ in 52 out of the 57 areas, and ‘partially effective’ in the remaining. Management actions to address non-conformance and recommendations to further improve effectiveness are summarised below:

Quality Assurance and Improvement Programme (QAIP) Action Plan							
Ref.	IIA Focus Area	QAIP findings	Action	Owner	Status	Due Date	Completed
4	Code of Ethics - Competence	The training budget has been removed and auditors will need to seek alternative ways to obtain training	Director Risk and Assurance (R&A) has communicated to all of R&A explaining budgeting constraints and identifying alternative training/ development methods on 25/02/2019.	NS	Complete	-	25-Feb-19
		The Learning and Development plan (L&D) will be developed based on the Internal Competency Assessments (ICAs) the Internal Audit and the R&A Directorate's Competence Matrices in 2019 to further improve directorate and IA competence and experience	Develop IA L&D plan using ICAs and competence matrices.	MK	In progress	31-Mar-19	
1230	Continuing Professional Development	The training budget has been removed so a method of providing Continuing Professional Development (CPD) will need to be developed for the IA team.	The IA P&D workstream will develop a central approach to facilitate CPD requirements	MK	Not started	31-Mar-19	

Quality Assurance and Improvement Programme (QAIP) Action Plan							
Ref.	IIA Focus Area	QAIP findings	Agreed Action	Owner	Status	Due Date	Completed
2050	Coordination and Reliance	An Assurance Mapping process is work in progress and being led by the Integrated Assurance team	Monitor completion, and where appropriate, input into the Assurance Mapping process	DO	ongoing BAU activity	31-June-20	N/A
2200	Engagement Planning	Letters of Engagements sampled did not comply with the version control guidelines stipulated within the Audit Manual	Simplified IA process and associated documentation will set expectations for version control Additionally from September/ October the new Audit Management system will automate document version control.	MA	In progress	31-Mar-19	
2240	Engagement Work Programme	Risk Based Audit Programmes (RBAP) are not always approved prior to start of fieldwork	A regular QAIP review will include monitoring and sampling of RBAPs to ensure review and approval prior to fieldwork commencing	NS	Not started	31-Mar-19	
			The Head of Internal Audit (HoIA) will reiterate the requirement to review and approve RBAPs (using the 'Approval' tab) prior to audit fieldwork commencing	DO	Complete	03-May-19	17-May-19

Quality Assurance and Improvement Programme (QAIP) Action Plan							
Ref.	IIA Focus Area	QAIP findings	Agreed Action	Owner	Status	Due Date	Completed
2410	Criteria for Communicating	Inconsistent documentation/ recording of engagement Closing meetings	The HoIA will reiterate the importance of holding and recording closing meetings SIAMs will monitor adherence	DO/ SIAMs	Not started	06-May-19	17-May-19
		The Audit manual does not include guidance on communicating audit results out of the organisation.	Ensure the revised Internal Audit manual includes external communication guidance	MA	In Progress	31-Mar-19	
		Inconsistent use of the 'Final Approval' function within AutoAudit to clearly demonstrate final report	The new audit management system will eliminate this technical issue. All Final reports are approved by the SIAM/ HoIA prior to issue	NS	Complete	-	09-May-19
		It should be noted that the audit conclusions (in addition to the Audit Manual) are currently under review and subject to change	The HoIA will finalise the revision to audit findings and conclusions which will form part of the revised reporting template	DO	Not started	06-Jun-19	

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TRANSPORT FOR LONDON
EVERY JOURNEY MATTERS

Audit and Assurance Committee

Date: **10 June 2019**

Item: **Crossrail KPMG Review Update**

This paper will be considered in public

1 Summary

1.1 This paper and accompanying close-out report provides the Committee with an overview of the KPMG Governance and Financial & Commercial reviews into Crossrail. It also provides detail on the actions that have been taken by Crossrail Sponsors (TfL and the Department for Transport (DfT)) and Crossrail Limited (CRL) in response to the recommendations made by KPMG in its reports. Sponsors will continue to work on actions that are dependent on a revised schedule and cost baseline which is being developed by CRL. A version of this paper will also be taken to Crossrail Sponsor Board on 7 June 2019 which post-dates the circulation of the Audit and Assurance Committee papers.

2 Recommendation

2.1 **The Committee is asked to note this paper.**

3 KPMG Reviews

3.1 On 25 January 2019, TfL published two KPMG reviews of Crossrail; one on Governance, and one on Financial and Commercial. These independent reviews looked at all aspects of the Project, from the formation and effectiveness of the Sponsor and CRL Boards to the function of CRL in delivering the railway. The reports included detailed findings and 126 recommendations for CRL and Crossrail Sponsors to consider and to action, to ensure that the right level of scrutiny and oversight is in place as the project enters the final phase. In the published version of 25 January 2015 some commercially sensitive information was redacted. For ease of interpretation, where practicable, wording in square brackets has been include to replace text previously redacted in the published version of 25 January 2019.

3.2 These reports were summarised and discussed at the meeting of the TfL Audit and Assurance Committee on 14 March 2019. Sponsors and CRL have continued to act on the detailed recommendations made by KPMG. All 126 recommendations have now been implemented or have planned actions. The narrative contained within this report sets out the key actions that have been taken to implement KPMG's recommendations. It should be noted that there are a small number of recommendations which rely on CRL finalising its schedule and cost baseline in order to fully implement them. Additionally, there are a number of recommendations addressed to CRL that are dependent on other actions being completed or requires time to ensure that the recommendations are fully implemented. In these instances, the planned action to be taken following the finalisation of the baseline is included within Appendix 1.

3.3 Since the last update to the Audit and Assurance Committee, Sponsors have now appointed an independent member of the Sponsor Board as well as a Technical Advisor to provide additional scrutiny and challenge. The enhanced Project Representative team is now fully mobilised and providing greater oversight to Sponsors across all aspects of the project, including commercial, risk, systems integration and station delivery.

3.4 Following discussions between Sponsors and CRL with regards to Sponsors' expectations of CRL's internal assurance processes, CRL have now developed an Integrated Audit and Assurance Plan (IAAP) which clearly defines CRL's approach to assurance and the structure of their 'Three Lines of Defence' framework. This has been approved by the CRL Board and will be key to helping ensure that a robust cost and schedule forecast are in place to deliver the remainder of the project.

3.5 CRL has now re-established its Audit and Assurance Committee which met in its new form for the first time on the 25 March 2019. Its Terms of Reference have been agreed by the CRL Board. One of the Committee's key roles is to, among other things, review and oversee the management of risk and approves the programme-wide IAAP. The Nomination and Remuneration Committees are also in the process of being merged.

3.6 Overall, the changes to Governance aspects and Financial and Commercial aspects of the project will provide greater visibility, oversight and constructive challenge of the Crossrail programme and help to ensure that if critical risks do emerge, they will be visible to both CRL and Sponsors at the earliest opportunity.

3.7 CRL's new IAAP, alongside the Project Representative, will enable CRL to demonstrate that the measures introduced are allowing the safe and timely delivery of Crossrail and the Elizabeth line, and highlight early where further improvement may be needed. This will enable collective and early discussion on the mitigations and escalation where necessary, and should provide the right framework for CRL to deliver the remainder of the programme with Sponsors' support.

3.8 The implementation of some of KPMG's recommendations is dependent upon the completion of other recommendations, or requires time to ensure that the recommendations are fully implemented. In these instances, significant progress has been made but these recommendations cannot be declared as fully implemented. Sponsors and CRL will continue to implement these and, where relevant, report to the TfL Audit and Assurance Committee or the CRL Audit and Assurance Committee, and will undertake assurance activities specifically in regards to the organisation's response to independent reviews. Where a recommendation has this status or requires long-term management and review, it is made clear within the Governance and Financial & Commercial recommendation trackers in Appendix 1.

List of appendices to this report:

Appendix 1 - KPMG Close-Out Report

List of Background Papers:

TfL Audit and Assurance Committee Papers on 14 March 2019

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Appendix 1: KPMG Close-Out Report

KPMG Close-Out Report

Crossrail Sponsors (Department for Transport and Transport for London) and Crossrail Limited actions taken to implement the Recommendations made by KPMG as part of their Independent reviews on Governance and Financial & Commercial aspects of the Crossrail Project

A report to the TfL Audit and Assurance Committee

June 2019

Executive Summary

1. The Mayor asked Transport for London (TfL), on behalf of the Joint Sponsors (Department for Transport (DfT) and TfL) to commission independent reviews into the Crossrail project's governance and financial & commercial arrangements. These reviews were undertaken by KPMG to ensure that the right scrutiny and oversight are in place as the project enters its critical next phase, and that Crossrail Limited's (CRL) financial modelling and projections for the schedule are robust. These reviews were completed on 23 January 2019 and published on TfL's website on 25 January 2019.
2. KPMG identified some key points in regards to the opening of the central section of the Elizabeth line, including;
    a. performance monitoring and reporting has not led to adequate advance notice being provided of the need to revise the opening date and the resulting material cost impact;
    b. the CRL Board reports provide lots of information and data but do not provide sufficient critical analysis to enable the realistic achievability of the opening date to be fully understood;
    c. the Project Representative reported many of the key issues and risks to the achievement of the opening date but did not provide an assessment of the potential/likely impact on the opening date; and
    d. both the CRL Board and Executive pursued a demobilisation plan of central resources around a December 2018 opening, which led to a reduced level of oversight in the critical areas of finance and commercial performance, risk and reporting around commercial and financial risks.
3. Upon receipt of the KPMG reviews, Sponsors and CRL worked together on a prioritised action plan in order to implement the Recommendations as soon as practicable. Implementing the Recommendations has strengthened the governance and assurance of the project as well as increased oversight, transparency and scrutiny at all levels. In addition, taking on board KPMG's Recommendations has enhanced the level of rigour and robustness in the methods being applied by CRL to their development of the revised cost and schedule baseline.
4. The report details actions and decisions that have been taken in response to the KPMG Recommendations up to the end of May 2019. There are a small number of Recommendations which rely on CRL finalising its schedule and cost baseline in order to fully implement them. In this instance, the planned action to be taken following the finalisation of the baseline is included within this report.
5. One of the key findings of the KPMG review into Crossrail Ltd's finances indicated the likely capital cost impact of the delay to the project announced in August 2018 could be in the region of between £1.6bn and £2bn (inclusive of £300m announced in July 2018). The funding deal announced on 10 December 2018 between Government, the Mayor of London and Transport for London was agreed to cover this likely outturn and included a loan facility from DfT to GLA of £1.3bn, a £100m cash contribution from GLA and a contingency arrangement provided for by a £750m loan facility from DfT to TfL.

Governance Recommendations

6. Based on the findings of the Governance review, KPMG recommended changes to the governance of the Crossrail project to align the structure with the programme requirements through to its completion and to give Sponsors more effective oversight and provide greater visibility of progress and risks.

7. Sponsors, as clients for the railway, remain accountable for the overall programme, Sponsors' requirements and the opening of the railway. Sponsors have improved their challenge and scrutiny of the programme and its delivery, in part, by appointing an independent Sponsor Board member to challenge the quality of assurance and information provided by CRL. A technical advisor to the Sponsor Board has also been engaged to provide an independent perspective and insight on critical matters relating to railway systems delivery. The format of the Sponsor Board has also been revised to provide greater visibility of CRL's management of progress and key risks which are tracked using CRL's new Visual Management process.

8. HM Treasury (HMT) has been invited to the Sponsor Board to provide greater HMT visibility and oversight. Network Rail now also attend Sponsor Board on a regular basis and Rail for London, London Underground and Mass Transit Railway (MTR) as infrastructure managers of the central tunnel and stations and operator have been invited to attend when necessary to provide their perspective on progress and risks.

9. Sponsors have also bolstered their review and assurance capability. The Project Representative (provided by Jacobs) function has been significantly enhanced, with the appointment of a senior and industry-recognised leader, an experienced project manager and additional roles providing greater capacity across key elements of the programme. This, alongside CRL's new Visual Management process, has improved Sponsors' visibility of progress and risks across the programme and the ability to provide informed assessments and challenge of CRL.

10. CRL remains responsible for managing and delivering the Crossrail Programme to meet Sponsors' requirements. CRL has appointed a new Chair and Deputy Chair to its Board and Sponsors have written to the Senior Independent Non-Executive Director to set their expectations of the new CRL Board Chair. An additional TfL-nominated Non-Executive Director has recently been appointed to the CRL Board and discussions around further proposed candidates (as highlighted to the TfL Board on 27 March 2019) continue.

11. To improve visibility of progress and risks, Sponsors requested greater visibility and oversight of the CRL Board's and its Committees' discussions and decisions to be given by CRL. In response, CRL has scheduled a regular Sponsor agenda item during the CRL Board, at which a voting member from each Sponsor organisation is present. CRL has also improved its reporting, revised its periodic Board reports, developed weekly dashboards and introduced a Visual Management process which is reported on a daily basis at site level to enable more accurate and informed analysis. Together these changes provide greater clarity of progress reported, risk identification and management, and other areas that may require action or mitigation.

12. CRL has worked to re-establish the effectiveness of its governance structures, assurance and oversight following a period of demobilisation. A reinvigorated corporate governance layer has been installed including the creation of an Executive Group, an Investment Committee (formerly Executive and Investment Committee), a re-established

Audit and Assurance Committee, a merged Remuneration and Nomination Committee and a strengthened Safety and Health Executive Leadership Team (SHELT) all with new Terms of Reference. CRL has also developed a programme-wide Integrated Audit and Assurance Plan (IAAP) which clearly defines CRL's approach to assurance and the structure of their Three Lines of Defence framework. CRL are also revising its programme governance structure in line with its revised operating model.

13. CRL has reviewed its capacity and capability across the programme, establishing a Systems Integration team with a strong lead to define the actions required to develop the new schedule as well as increasing its project controls, planning and risk teams and strengthening its oversight of delivery, risk-management and reporting. This, coupled with CRL's Visual Management process, has improved visibility and management of progress and productivity, which is key to understanding the root causes of inefficient delivery and putting in place the necessary tools to deliver the remainder of the programme.

14. The relationship between Network Rail and CRL has been strengthened. There is senior Network Rail attendance of the CRL Board on a quarterly basis and regular meetings between the CRL Chief Operating Officer and Network Rail senior Route management. Additionally, TfL is represented on Network Rail's Alliance Board for the Elizabeth line operator (MTR) and a representative from Network Rail's Sponsor team attends the Sponsor Board.

Financial & Commercial Recommendations

15. In the Financial & Commercial review, KPMG concluded that the schedule required significant work before the capital cost impact of the delay can be considered robust and recommended that CRL's financial and commercial organisation and processes needed re-establishing to give control over the costs.

16. Sponsors have also emphasised, through Sponsor Board discussions and correspondence with CRL, the importance of a robust revised schedule and cost forecast in addition to the need for regular and transparent performance reporting. Since then, significant changes have been made across the programme to improve these areas. This has included CRL developing their Thee Lines of Defence assurance model which has been developed with the input of the Project Representative team and is based on TfL's established framework.

17. CRL has undertaken significant work to develop a robust and realistic schedule. A programme-wide audit has been undertaken and the Earliest Opening Programme, a logic-based schedule providing an opening window for Stage 3 opening (Paddington to Abbey Wood) has been developed and accepted by the CRL Board on 25 April 2019. A bottom-up approach to developing a logic-linked schedule is currently underway. This activity will develop and assure the logic links of tens of thousands of activities. This further development is the Delivery Control Schedule and will form the new baseline against which all progress is monitored. Crucially, the creation of the schedule has been informed by the supply chain through collaborative deep dive reviews, their own schedule, and heightened engagement. However, further work is required with contractors and to develop the schedule for delivery of Stages 4 and 5 in particular.

18. Risk management has been strengthened across the programme. The capability of risk management on CRL has been bolstered through the appointment of a Head of Risk

and the recruitment of additional Risk Analysts, with both Enterprise and Project/Programme risk falling under the team's remit. As part of the strengthening, a standardised and best-practice approach to undertaking Quantitative Risk Assessment (for both time and cost) has been adopted and undertaken, informing the development of the new schedule.

19. CRL has improved its financial and commercial management, recruiting additional finance and commercial resources and developing the guidance available to resource to ensure best practice. This has been supported by All-Hands events to set expectations and build team spirit, and give constructive feedback to attendees of the cost review and forecasting meetings. CRL has established 4-weekly cost forecasting reviews with its project managers and contractors to increase opportunities to challenge and improve understanding of the drivers and mitigations of cost pressures. A revised Commercial Strategy outlining the approach to aligning the supply chain with the new schedule has been accepted by the CRL Board and is being implemented.

Conclusion

20. Overall, the changes to Governance and Financial & Commercial aspects of the project will provide greater visibility, oversight and constructive challenge of the Crossrail programme and help to ensure that if critical risks do emerge, they will be visible to both CRL and Sponsors at the earliest opportunity. CRL's new Assurance Framework, alongside the Project Representative, will enable CRL to demonstrate that the measures introduced are affecting the safe and timely delivery of the Elizabeth line, and highlight early where further improvement may be needed. This will enable collective and early discussion on the mitigations and escalation where necessary, and should provide the right framework for CRL to deliver the remainder of the programme with Sponsors' support.

21. The implementation of some of the KPMG Recommendations has been dependent upon the completion of other Recommendations, and some by nature require time to ensure quality. In these instances, significant progress has been made but these Recommendations cannot be declared as fully implemented. Sponsors and CRL will continue to implement these and, where relevant, report to the TfL Audit and Assurance Committee or the CRL Audit and Assurance Committee, and will undertake assurance activities specifically in regards to the organisation's response to independent reviews (including KPMG). Where a Recommendation has this status or requires long-term management and review, it is made clear within the 'Response' section of the appended tracker.

Close-out narrative

Governance review

22. A summary of the Recommendations identified in the KPMG Governance review is set out below along with an overview of the actions completed. The summary is structured following the five key headings provided in the Governance review.

Programme Sponsorship

KPMG provided 11 separate Recommendations that relate to Programme Sponsorship. In summary, it was recommended that Sponsors retain overall accountability for the whole programme with CRL responsible for the successful integration and delivery to an agreed timeline and budget. Sponsors should then be supported in this through enhanced transparency of assured, timely and sufficient information. It is recommended that Sponsors encourage a culture of openness to allow this increased transparency, particularly where programme performance or expected outturn may not be in line with Sponsor expectations. Furthermore, it is recommended that Sponsors consider appropriate ways of obtaining expert contribution on specific issues.

23. Expectations have been set through Sponsor Board discussions and correspondence with CRL for a robust revised schedule and cost, in addition to the need for regular and transparent performance reporting.
24. CRL has responded to this need for enhanced transparency of assured, timely and sufficient information by introducing a new Visual Management process. This process tracks progress against delivery (presented as part of a 'visualisation centre') and a 'war room' to provide strategic oversight of the programme and specific issues. Sponsor Boards are now being held at CRL's offices to include allocated time in the 'visualisation room' to enable Sponsors to have oversight of the programme and for Sponsors and CRL to discuss performance, progress and risks.
25. In addition, the Joint Sponsor Team has agreed with CRL amendments to the content of CRL's Period Report to ensure a focus on the provision of relevant and transparent information.
26. With respect to CRL and Sponsor Board meetings, CRL has scheduled a regular Sponsor agenda item during the CRL Board, at which a voting member from each Sponsor organisation is present to help improve the flow of information and communication between the CRL Board and Sponsors. This is being complemented by regular six-weekly meetings between Sponsors and CRL Board Chairman and Deputy Chairman to facilitate the sharing of priorities, concerns and issues.
27. HM Treasury (HMT) has been invited to Sponsor Board to provide greater HMT visibility and oversight. Network Rail now also attend Sponsor Board on a regular basis and Rail for London, London Underground and Mass Transit Railway (MTR) as infrastructure managers of the central tunnel and stations and operator have been invited to attend when necessary to provide their perspective on progress and risks, particularly on aspects of delivery and readiness. Sponsors have also appointed an Independent

Sponsor Board member and a technical advisor. The timings of CRL Board meetings and Sponsor Board meetings are being set with minimal time between them to facilitate the timely escalation of issues, information and items requiring decision-making.

28. As a follow-up to Sponsor Boards, periodic meetings are now taking place between the Joint Sponsor Team, the Project Representative and CRL to discuss key outputs from the Board meetings, progress being made in completing actions and areas for current and future attention. Sponsor Board minutes are also clearly setting out the key activities that have been completed to close-out actions by both Sponsors and CRL.

29. Sponsor Board and Crossrail Board minutes are now routinely published on the TfL and CRL websites respectively, further enhancing the level of transparency of the project, its governance and decision-making processes to fare payers, taxpayers and businesses.

Crossrail Ltd Board and Board Committees

KPMG outlined nine Recommendations in relation to the CRL Board and Board Committees. It was recommended that Sponsors approve a new Chair of the CRL Board and nominate Non-Executive Directors with the relevant expertise required to meet the current and future needs of the programme. In addition, Sponsors and CRL should agree changes to the procedures around and oversight of remuneration of senior CRL staff. It is recommended that recognise that greater openness and transparency with Sponsors and timely communication of relevant information is required to reflect the changed circumstances of the project. Furthermore, CRL should review the current Board sub-committee structure, including re-establishing the Audit and Risk Committees and separating the Investment Committee from the Executive Committee. It is also recommended that the breadth and focus of CRL’s internal audit programme and resources are enhanced.

30. Sponsors approved the appointment of a new Chair and Deputy Chair of the CRL Board who commenced their roles on 14 January 2019. Sponsors wrote to the Senior Independent Non-Executive Director on 14 December 2018 setting out the essential requirements for the Chair’s role for improved financial and commercial management, programme integration, capacity and capability, reporting, assurance and oversight, management of remuneration and the learning of lessons. Sponsors have sought views from CRL on the additional expertise that may be required from additional Non-Executive Directors on the CRL Board. Three areas of expertise and useful input have been identified; London business, commercial and project close-out.

31. An additional TfL-nominated Non-Executive Director has recently been appointed to the CRL Board and discussions around further proposed candidates (as highlighted to the TfL Board on 27 March 2019) continue.

32. CRL held a CRL Board Away Day on 13 May 2019 to welcome new members and align Board Members on priority areas. There is a CRL Board effectiveness review planned for September 2019, with a full report to be issued in November 2019.

33. CRL has made a number of changes to the CRL Board Committee structure in response to the KPMG Recommendations. These include:

- The Audit and Assurance Committee has been re-established with a Non-Executive Director as Chair. The first meeting was held on 25 March 2019 with meetings being arranged approximately every quarter subject to organisational demands. The committee, among other things, reviews and oversees the management of risk and approves the programme-wide Integrated Audit and Assurance Plan.
- An Investment Committee has been established with a Non-Executive Director as Chair and four Non-Executive Directors and three Executive Directors as Members. The first meeting was held on 17 April 2019 with meetings being arranged every four weeks subject to organisational demands. The Terms of Reference have been approved by the CRL Board.
- The existing Safety and Health Executive Leadership Team meeting (SHELT) has been revised with new Terms of Reference and the Programme Director as Chair. The first meeting was held on 11 April 2019 with meetings being arranged every four weeks subject to organisational demands. SHELT reports to the Executive Group and the CRL Board.
- The Remuneration Committee and the Nomination Committee will be consolidated into one Remuneration and Nomination Committee with an Independent Non-Executive Director as Chair. Meetings are to be held at least once a year and conversations between the CRL Chair and Sponsors are ongoing.

34. In terms of Risk, an Enterprise Risk Management Framework has been developed by CRL in collaboration with TfL's Head of Enterprise Risk. This has now been embedded within the programme with further distinction between Programme and Enterprise risks being developed with clear escalation and de-escalation routes. The CRL Head of Risk owns both processes and the risk team has been strengthened through the recruitment of additional Risk Analysts.
35. Sponsors have been discussing a number of additional matters with CRL to improve visibility and alignment over decisions. These matters include remuneration, and the respective roles of CRL's merged Remuneration and Nomination Committes and TfL's Remuneration Committee, including Key Performance Indicators; this process is ongoing and looks to be concluded as soon as possible.
36. The Project Representative, as a matter of attending CRL Board and Committee meetings, receive agenda, papers and minutes in order to provide scrutiny and feedback to Sponsors of matters discussed. Sponsors, the TfL Commissioner and DfT Permanent Secretary also attend CRL Board and receive papers in advance. The Head of the Joint Sponsor Team attends the CRL Investment Committee where it also receives papers and Sponsors receive agenda for all other CRL Committee meetings.

Programme Integration

Eight Recommendations were provided by KPMG in relation to Programme Integration. It was recommended that Sponsors update current arrangements for the termination of the joint sponsorship model to reflect changes to the programme completion schedule and the new funding settlement. In addition, Sponsors should review and agree the actions which CRL has determined to implement in response to the recommendations set out in the independent report commissioned by CRL to strengthen programme management and integration challenges. Furthermore, CRL should strengthen its integration capability for the completion of the programme of works and review options for simplifying the programme delivery governance structure. It is also recommended that Sponsors and CRL jointly consider any necessary revisions to arrangements for handover from CRL to TfL.

37. The Joint Sponsor Team reviews its composition and structure on a quarterly basis, in line with the Project Representative review meetings, to ensure the appropriate resource is in place to meet changes to the programme completion schedule.
38. CRL has strengthened its Systems Integration capability through the establishment of a Systems Integration team and lead, with their actions feeding into the development of the Earliest Opening Programme. Technical integration and programme management difficulties have been independently reviewed and are being addressed by CRL by strengthening the teams in key areas, particularly in Systems Integration.
39. CRL's engagement and involvement with Network Rail has been strengthened. As part of a joint 'one team' exercise sponsored by the Network Rail Managing Director of the Great Western Route and the Crossrail Chief Operating Officer, Network Rail and CRL have convened eight-weekly progress meetings with other representatives including MTR. Operational readiness issues relating to Network Rail are also being captured as part of the new Visual Management process to track progress against delivery. Furthermore, Network Rail will attend and update the CRL Board on a quarterly basis, complementing their attendance at Sponsor Board (as set out under Programme Sponsorship above).
40. A Crossrail Advisory Panel is being established with the induction of Panel Members on 4 June 2019. The Panel will operate outside of CRL's formal assurance process, providing independent expert advice to the Crossrail Executive Group and Board.
41. In terms of handover arrangements, the Crossrail Handover Strategy and Transition Strategy outlines interface arrangements for handover between CRL and TfL responsibilities. As part of the development of the Earliest Opening Programme, handover arrangements and assurance between Crossrail, TfL and RfL have been reviewed with further more detailed work required to be undertaken.

Reporting and Controls

The largest number of KPMG's Recommendations, 27 in total, were provided in relation to Reporting and Controls. It was recommended that Sponsors review the funding envelope and define a process for the timing and release of funding. Appropriate steps should be taken to enable the holding of contingency at Sponsor level to be an effective measure. In addition, Sponsors should agree timescales for the development of the programme by CRL and obtain independent assurance of that programme with a deep dive into the estimates for time and cost.

Sponsors should agree the metrics and analysis required from CRL in their performance reporting, as well as a set of critical milestones to indicate CRL's performance in progressing works to plan. Consistent with the Programme Sponsorship recommendations, reporting should be transparent, timely, sufficient and assured. Escalation to stakeholders should be triggered where reporting identifies delivery performance outside of agreed cost and schedule parameters.

Furthermore, commercial controls should be enhanced, particularly around commercial management and the administration of contracts. Sponsors should reserve the opportunity to review CRL decisions on certain new supplemental and settlement agreements. Furthermore, CRL should produce a commercial close-out strategy for open contracts, as well as a proposed approach to improving supply chain productivity.

42. On 25 April 2019 a logic-driven plan (the Earliest Opening Programme) was approved by the CRL Board and subsequently approved by Sponsors. This considered the supply chain's capability, investigated through an integrated programme exercises, deep-dive reviews with the supply chain and supply chain mapping. The development of the programme has undergone an objective assurance process, and subsequent assurance of the Crossrail schedule will be performed by a new Assurance function.

43. In terms of the new Assurance function, CRL has developed a Three Lines of Defence assurance framework that provides an oversight of performance and reporting quality. This has been developed in collaboration with TfL's Risk and Assurance Team and the Infrastructure and Projects Authority. The Second Line is being strengthened by the formation of a Project and Programme Assurance team and the Third Line is to be provided by TfL's Internal Audit team. An Integrated Audit and Assurance Plan was approved by the CRL Board on 21 May 2019 and will remain a live, dynamic document. In addition, CRL is re-introducing an Advisory Panel, bolstering access to independent expertise on the project.

44. CRL has implemented a Visual Management Process at all levels of the programme. This facilitates a transparent flow of reporting on progress and an escalation route for issues allowing proactive management. This is enabled through a series of metrics, key performance indicators and milestone tracking. Sponsors will also consider performance milestones and potential review points once the Earliest Opening Programme has been approved.

45. Following Sponsors receipt of the Delivery Control Schedule and revised cost forecast, Sponsors will consider the level of delegated spending authority and any changes that

are required to the Project Development Agreement (PDA). Sponsors will focus on ensuring that the CRL Executive and the Delivery Partners are incentivised to deliver for the lowest possible outturn.

46. As set out under Programme Sponsorship, this Visual Management process has been embedded into governance arrangements through its incorporation into Sponsor Board. Furthermore, visibility of progress will be provided through CRL's weekly dashboard and Project Representative attendance at regular Visualisation room sessions.

47. CRL has prepared a revised Commercial Strategy, which was submitted to the CRL Board on 25 April 2019 and will be presented to Sponsors on 7 June 2019. Supply chain contracts are being reviewed to ensure incentivisation is aligned to the schedule through a variety of contractual and non-contractual means. CRL is also preparing a Commercial Management Plan to drive best practice in the administration of contracts. Furthermore, the CRL commercial team has been further strengthened in resources to support contract management activities and reporting, augmenting the overall Crossrail reporting process. As part of the matters being discussed between Sponsors and CRL, Sponsors will be notified when future Supplemental Agreements have been reached.

Sponsor Assurance

KPMG outline four recommendations in relation to Sponsor Assurance. It is recommended that Sponsors confirm the scope of the Project Representative (P-Rep) for whole programme assurance and the requirements and expectations of the P-Rep in their reporting to Sponsors. In addition, Sponsors should consider obtaining regular independent advice to augment P-Rep assurance and to identify potential gaps in P-Rep activities.

48. New leadership was appointed to the P-Rep team in December 2018, to whom Sponsors wrote on 7 December 2018 setting out their expectations for P-Rep's role on the programme. Sponsors have agreed a plan for enhancing the P-Rep resource across the programme with greater capacity across key elements including railway systems, stations, cost and commercial management, risk management and scheduling. A revised approach for P-Rep's engagement has also been agreed which now includes:
    - P-Rep provides judgements on progress and key issues based on observations and site visits, supplementing their regular reviews of documentation and reporting from CRL.
    - P-Rep attends all key decision-making meetings going forward as an observer, including the CRL Executive Group and the CRL Board.
    - P-Rep provides greater challenge and visibility of key risks to schedule and cost forecasts and to report on likely implications of risks. Deep dives are to be used where necessary, and reviewed at Sponsor Board, to give greater clarity on specific cost and schedule items.

49. The revised approach and level of P-Rep resource to support this approach will be reviewed at the quarterly contract review meetings with the Joint Sponsor Team and then at the subsequent Sponsor Board to ensure the necessary assurance for the programme is being provided.

50. The P-Rep team remains separate from, and independent of, the Joint Sponsor Team so that the Joint Sponsor Team can continue to fulfil their role of directing, managing and constructively challenging P-Rep in their provision of independent assurance to Sponsors. This will continue to be done through weekly team meetings, period report review meetings and quarterly contract review meetings.

51. Periodically, P-Rep has started to integrate 'areas of concern' in the period report, setting out the impact of issues identified that period on schedule and cost, setting out progress made to date and the actions they expect should be taken in response. The P-Rep covering letter acts as a mechanism to escalate key issues to Sponsor Board and Crossrail Board. The Executive Summary of the P-Rep period report and covering letter is being included in the Sponsor Board pack with time allocated at Sponsor Board to present P-Rep's findings and for CRL to respond.

Financial and Commercial review

52. A summary of the Recommendations identified in the KPMG Finance and Commercial review is set out below along with an overview of the actions completed. Given there is overlap in the Terms of Reference for the Governance and Financial and Commercial reviews there is significant duplication between the Recommendations contained in both. The summary below only covers those topics unique to the Financial and Commercial review to avoid repetition.

Programme Review

KPMG set out five Recommendations in relation to the Programme Review. It is recommended that Sponsors carry out an independent assessment of the CRL schedule and assumptions and agree a new baselined programme to which CRL will be held accountable. In addition, CRL should adopt a bottom-up approach to developing a logic-driven schedule, to establish a clear scope for dynamic testing and to develop a comprehensive programme for stations and systems integration.

53. Sponsors and CRL have joint responsibility for responding to Recommendations relating to Programme Review. Central to the Recommendations is the development of a bottom-up, logic-driven baseline schedule by CRL. This is in development following the approval of the Earliest Opening Programme and will be fully finalised as soon as possible. The programme will be presented to the Sponsor Board during its development and as a final product.
54. CRL have established independent-led ‘red’ and ‘black’ team reviews to assess the technical solution, schedule, cost and commercial strategy and risk. This is being progressed alongside a second line of defence within CRL. To provide independent assurance to Sponsors, the P-Rep team has been strengthened at leadership level as well as across technical functions and an independent technical advisor has been appointed to the Sponsor Board. This will not only provide greater scrutiny during the development of the programme, but give continuous oversight and challenge during programme delivery.
55. A plan for dynamic testing is in place, developed through collaborative working across the supply chain, with a more detailed plan scheduled to be in place following development of the baseline schedule.
56. Systems Integration capability has been strengthened through the establishment of a Systems Integration team and a lead. Technical integration and programme management difficulties have been independently reviewed and are being addressed through strengthening the teams in key areas, particularly Systems Integration and Field Engineering. Key metrics in the Visual Management process and reporting to the Board/Executive Group will strengthen the accountability of these teams.
57. In addition, every station has a Handover Execution Plan. All relevant parties (RfL, LUL, and CRL) will agree on a programme, including timeframes for Trial Running and Trial Operations.

Cost Review

KPMG provided five Recommendations that relate to the Cost Review. In summary, it is recommended that Sponsors consider the extent to which CRL has taken adequate steps to mitigate the likelihood of potential catastrophic risks. In addition, CRL should undertake a more detailed cost estimate once the updated completion programme has been agreed and to reconsider excluded risks.

58. CRL is principally responsible for responding to the Cost Review recommendations, although it is dependent in some cases on actions owned by Sponsors. Whilst it is CRL's responsibility to manage catastrophic events, the Joint Sponsor Team will consider CRL's proposed management plans and mitigations.
59. In addition to the logic-linked baseline programme, CRL is also developing a revised forecast cost and Crossrail will be undertaking a Quantitative Risk Assessment on this.
60. CRL has enhanced both their Project Controls and Risk functions, most recently by appointing a new Head of Risk and recruiting additional Risk Analysts. This has strengthened CRL's approach to assessing and managing risk as well as increasing oversight of progress and delivery.

Risks and Uncertainties

Three Recommendations were provided by KPMG in relation to Risks and Uncertainties. It was recommended that Sponsors request a bottom-up cost estimate built on dates from an updated robust schedule which takes account of contractors' views on performance and delay. CRL should take appropriate account of all significant risks in compiling their updated cost estimate and to present high-impact, low-probability events separately as a range of schedule and cost impact.

61. Sponsors and CRL have joint responsibility for responding to recommendations relating to Risks and Uncertainties. As set out under the Programme Review recommendations, the Joint Sponsor Team has held a session with CRL and P-Rep to set out expectations for the revised schedule and to timescales for its delivery. This was subsequently followed-up by a summary note.
62. On 25 April 2019, CRL announced revised opening window for the central section (Stage 3 – Paddington to Abbey Wood) – a 6 month window with a midpoint of December 2020 informed by the Earliest Opening Programme. CRL are working on its new programme baseline, the Delivery Control Schedule.
63. CRL's Risk team has been significantly strengthened through the appointment of a Head of Risk to integrate the output and provide consistency and assurance to the process. CRL's procedures for Quantitative Risk Assessment (cost and schedule) are currently being reviewed and revised to be appropriate for this phase of the project.
64. An Enterprise Risk Management Framework has been developed in collaboration with TfL's Head of Enterprise Risk. This has been embedded, with further distinction

between Project/Programme and Enterprise risks being developed with clear escalation and de-escalation routes. The appointed Head of Risk owns both processes and the Risk team has been strengthened.

Assumptions and Exclusions

KPMG set out five Recommendations in relation to the Assumptions and Exclusions. It is recommended that CRL account for risks associated with the Systemwide contract, to include sufficient float in the dynamic testing programme, identify and manage Network Rail possessions, and include sufficient duration for trial operations.

65. CRL is responsible for responding to the Assumptions and Exclusions Recommendations. As part of the development of the new baseline schedule, the approach to assumptions and exclusions is being considered by CRL. This includes how float is taken account of in dynamic testing, allowance for the quantification of risks, identifying critical Network Rail possessions and making sufficient allowances for trial operations.

CRL's Funding Model

KPMG provide nine Recommendations in relation to CRL's funding model. In summary, it is recommended that Sponsors ask CRL to model the impact of additional costs which have been illustratively assumed by the various scenarios explored in the cost review.

66. Sponsors are principally responsible for responding to the CRL Funding Model recommendations although many are dependent on actions being undertaken by CRL and receipt of the completed Delivery Control Schedule.
67. Sponsors are currently in discussion with CRL with regards to the development of the Delivery Control Schedule which will provide greater assurance regarding cost.

Financial Controls

Seven Recommendations were provided by KPMG in relation to Financial Controls. In summary, CRL should revise the content of the period Board Reports to include transparent and granular reporting of productivity. In addition, CRL should revise resourcing levels in finance and risk to align with the needs of the programme and enhance the extent and quality of constructive challenge provided by finance to commercial/project teams. Furthermore, CRL should minimise optimism bias and enhance financial procedures and processes.

68. CRL is responsible for responding to the Financial Controls Recommendations. Anticipated Final Cost reviews are being held on a periodic, rather than quarterly, basis to drive confidence and healthy challenge in the figures reported. During these sessions

focus is also being given to ensure consistency between schedule and cost forecasts, that people are equipped with the knowledge required to execute their duties, and the need for consistency in reporting is understood. Clear actions and notes feed into the periodic funding validation meetings as part of the course of these meetings. CRL has produced a draft paper on the Overview of Financial Controls as a consolidated procedures manual.

69. CRL Board and Sponsors are being advised on a periodic basis of the level of risk and contingency held and the judgement of management regarding its adequacy. Consistency of this methodology will be achieved through the period re-forecasting process and agreed with the CRL Board and Sponsors

Governance recommendation tracker

This table presents the recommendations made by KPMG along with the actions taken and decisions made by CRL and Sponsors.

Ref	Recommendation	Lead	Response
4	Programme sponsorship recommendations Sponsors to retain overall accountability for the whole programme. Sponsors to be supported in this through enhanced transparency of assured, timely and sufficient performance information. Sponsors to encourage a culture of openness to allow this increased transparency, particularly where outturn may not be aligned with Sponsor expectations. Sponsors to consider appropriate ways of obtaining expert contribution on specific issues.		
4.1	Sponsors retain overall accountability for the whole programme with CRL in turn responsible for successful integration and delivery to an agreed timeline and budget.	Sponsors	Sponsors wrote to the Senior Independent non-executive director in December 2018 emphasising that the new Chairman should "ensure CRL takes accountability and responsibility for the delivery and integration of all aspects of the programme required for an end to end railway" and that the Chairman "should ensure the timely and effective mobilisation of a systems integrator function to help achieve this". Status: complete
4.2	Sponsors to encourage and ensure the fostering of an enhanced culture and environment within CRL whereby relevant performance information and risks are encouraged to be openly and promptly shared throughout the organisation so as to best enable	Sponsors	A number of actions have been taken by Sponsors to enhance the culture and environment within CRL to encourage openness, transparency and timely decision making, including -DfT Permanent Secretary and Director General visited CRL on 7 February at project offices and Liverpool Street station to meet

Ref	Recommendation	Lead	Response
	informed timely decision-making.		CRL staff, showing support and shared enthusiasm for the project. -The Mayor visited Crossrail offices on the 4 April to meet staff from across the project and answer questions. He offered his full support and trust to the new Crossrail Executive Group to deliver the Crossrail project and praised teams for their hard work. -Sponsor Board secretariat review Sponsor Board agenda items with CRL to help foster better sharing of appropriate information at Sponsor Board level -CRL have opportunity to raise matters which require Sponsor support at Sponsor Board. Similarly, Sponsors have opportunity to offer support if they feel it could assist with resolution of risk, issue or concern. -Sponsor Board meetings moved to CRL's offices so that agenda items can be held in either the 'visualisation room' or 'war room' to discuss performance and risks -JST met with CRL on 13 February 2019 to discuss content and approach to CRL Period Report content and structure, focusing on relevance and transparency of information -CRL have scheduled a regular Sponsor agenda item during the CRL Board to improve the flow of information and communication between the CRL Board and Sponsors (attended by two, one TfL and one DfT voting members of Sponsor Board -Sponsors arranged 6-weekly meetings with Non-Executive Directors to facilitate sharing of priorities, concerns and issues -P-Rep, JST and CRL Chief of Staff meet on a periodic basis following Sponsor Board to discuss outputs, actions and areas of attention Status: complete

Ref	Recommendation	Lead	Response
4.3	Sponsors to foster a culture and environment where CRL is encouraged to share relevant performance information, especially when programme performance and / or expected outturn may not be in line with Sponsor expectations.	Sponsors	A number of actions have been taken by Sponsors to enhance the culture and environment where CRL is encouraged to share relevant performance information, including -DfT Permanent Secretary and TfL Commissioner attend CRL Board on 28 February 2019 setting out Sponsor priorities and the need to have visibility of performance information and risks -CRL introduced visual management process (to track progress with delivery) and 'war room' (to provide strategic oversight). -Sponsors raised the need for visual management process and other formal reporting (i.e. Enterprise Risk in Period Reports) at 8 March Sponsor Board to ensure that risk is adequately assessed and managed (i.e. funding, revenue) Status: complete
4.4	Sponsors to formalise expectations of the CRL Board in terms of transparency and timeliness of reported performance. Sponsors to consider requesting that copies of Audit and Risk Committee reports prepared for the CRL Board / Executive are also provided to Sponsors (see recommendation 5.5).	Sponsors	Sponsors wrote to CRL on 2 February 2019 formally responding to the Remedial Action Plan to set expectations for a robust schedule/cost, regular performance reporting that includes reviews of actions and identification of review points. Sponsors considered and decided not to request reports of the CRL Audit and Assurance Committee (A&AC) as the view is that Non-Executive Director representation at the CRL Board and as Chair of the CRL A&AC will be best placed to review. Separately, Sponsors requested copies of CRL Board and sub-committee agendas to review key discussion points Status: complete

Ref	Recommendation	Lead	Response
4.5	Subject to the terms of the December Crossrail funding settlement, Sponsors may need to consider representation by HMT (or a delegate) at the SB.	Sponsors	Sponsor Board Chair wrote to HMT Director of Enterprise and Growth on 15 February to invite HMT representative to Sponsor Board as an observer, or alternatively, to be kept informed by an alternative means. HMT agreed to attend Sponsor Board as an observer from March 2019 onwards. Status: complete
4.6	At the request of Sponsors, the CEO of NR (or an empowered delegate) to be invited to the Sponsor Board. The invitation would be for NR representation in its capacity as a key programme delivery partner.	Sponsors	Network Rail (NR) On-Network Works (ONW) Sponsor and NR Delivery Director invited to Part B of future Sponsor Board meetings. NR agreed to attend Sponsor Board from February 2019 onwards. Status: complete
4.7	Sponsors to consider the potential benefits of appointing an Independent Member to the Sponsor Board to support Sponsors in their decision making. The Independent Member to be selected so as to enhance skills needed relevant to the current and near-term stages of the programme and to provide an independent perspective. Should Sponsors determine not to appoint an Independent Member to the Sponsor Board, Sponsors should consider alternative ways in which expert contribution could be obtained on specific issues.	Sponsors	JST appointed an Independent Sponsor Board Member and a Technical Advisor (for train systems) to attend Sponsor Board from 5 April 2019 to provide independent perspective and advice. Status: complete

Ref	Recommendation	Lead	Response
4.8	Sponsor observers: — Each Sponsor should consider the appointment of a Voting Member of the Sponsor Board as an observer at the CRL Board (with mechanisms / guidance to help manage potential conflicts of interest); — Sponsors should consider whether the Head of the JST should attend the CRL Board as an observer; — Should Sponsors decide to appoint observers then Sponsors, the CRL Chair and CRL CEO should agree arrangements for the operation of the CRL Board that support effective integration of Sponsor and JST observers. Any Sponsor observers at the CRL Board should not have decision making rights, their presence is to support improved transparency of information relating to performance, risks and other relevant issues. Should Sponsors decide not to appoint observers then Sponsors, the CRL Chair and CRL CEO should agree arrangements which as nearly as possible deliver equivalent transparency.	Sponsors	CRL Board Chair agreed attendance of a DfT and a TfL voting member of the Sponsor Board at the CRL Board as an observer (typically this is only for the Sponsor agenda item towards the end of the meeting). Head of P-Rep also attends the CRL Board. Sponsor Board do not consider it appropriate for the Head of the JST to attend CRL Board in order to retain a degree of separation. Instead, Sponsor attendees at the CRL Board are briefed by Sponsor teams ahead of each meeting. Status: complete

Ref	Recommendation	Lead	Response
4.9	Should the recommendation be accepted to have separate Executive and Investment Committees, each Sponsor should review whether also to have observer status at the Investment Committee (see recommendation 5.6).	Sponsors	Sponsors decided not to attend CRL Investment Committee to retain degree of separation from CRL, however the agenda of the Investment Committee is provided to Sponsors ahead of the meeting to provide visibility of discussion areas. Sponsor appointed NED to chair CRL Investment Committee. Both P-Rep and Head of JST are specified observers at the meetings. Status: complete
4.10	To facilitate more timely escalation of issues, information and items requiring decision making, the period between CRL Board and Sponsor Board meetings should be kept to a minimum number of working days (for example around 5).	Sponsors	CRL Board and Sponsor Board arranged with the target of no more than five working days between meetings. In the instance that there is more than five working days between meetings, this is kept to a minimum. Status: complete

Ref	Recommendation	Lead	Response
4.11	A number of letters were written by Sponsors to CRL properly reflecting concerns and questions which surfaced at Sponsor Board meetings and in line with agreed Sponsor Board actions. Although Sponsor Board minutes record the actions that letters were to be sent and that subsequently they had been sent, the minutes in recording the action as closed do not always clearly record the responses received from CRL and how the responses had been followed up although Sponsor Board minutes do include plenty of detail around the continuing themes under discussion. We recommend the closing of Sponsor Board actions to be addressed with CRL should be linked to clearly recording whether and how the issue has been addressed by CRL to Sponsors' satisfaction.	Sponsors	Sponsor Board minutes reviewed and agreed with Sponsors and CRL before finalising. This is to include recording responses received from CRL to Sponsor letters where appropriate. Sponsors discuss any formal correspondence received from CRL at the subsequent Sponsor Board if it has not been discussed in another forum. This is so there is a clear record of whether and how the issue has been addressed. JST re-established a working-level Sponsor Board action tracker to ensure actions are being tracked, monitored and closed as soon as possible. Status: complete

Ref	Recommendation	Lead	Response
5	CRL Board and Board Committees Recommendations Sponsors to approve a new Chair and nominate new Sponsor NEDs with the expertise required to match the needs of the remainder of the programme and so that they enhance the overall capability of the CRL Board. Sponsors and CRL to agree changes to the procedures around and oversight of remuneration of senior CRL staff. CRL to review the current Board sub committee structure, including (re)-establishing the Audit and Risk Committees as a single combined Committee and creating a separate Investment Committee reporting to the CRL Board, distinct from the Executive Committee. The breadth and focus of the internal audit programme and resources to be enhanced.		

Ref	Recommendation	Lead	Response
5.1	Sponsors to approve a new Chair of the CRL Board. Sponsors should consider the essential requirements of the role of Chair through to the completion of programme, and during the period of transition from CRL to TfL for Elizabeth line operation. Sponsors should be clear as to the accountabilities of the role and the Sponsor expectations of the individual performing it. This should include the requirement for CRL to demonstrate strong and appropriate corporate governance. The Chair should support and empower a strong Company Secretary. We would also expect the Chair of the new Audit and Risk Committee (see recommendation 5.5) to play an important role, working with the CRL Chair and Company Secretary, in driving corporate governance standards.	Sponsors	Sponsors wrote to the Senior Non-Executive Director on 14 December 2018 setting out the essential requirements for the Chair's role. CRL subsequently responded to Sponsors on 28 December 2018 confirming that CRL would work with Sponsors on defining the role of the Chair. A new Chair and Deputy Chair were appointed to the Crossrail Board and commenced their roles on 14 January 2019. The DfT Permanent Secretary and TfL Commissioner met CRL Board Chair on 8 February to discuss expectations of the Board function and build relationships. Status: complete

Ref	Recommendation	Lead	Response
5.2	Sponsors should work with CRL to enhance the capabilities and expertise of the CRL Board through the nomination of new Non-Executive Directors (NEDs) with expertise matched to the current and future requirements of the programme. Sponsors should work with the CRL Board to identify and agree candidates with additional expertise in Commercial, Construction, Construction close-out, Railway systems and Network integration. Sponsors and the CRL Chair should give consideration to implications of adding new NED's to the CRL Board in terms of its size, efficiency and effectiveness.	Sponsors	Three areas have been identified for potential additional expertise of Non-Executive Director positions on the CRL Board; London business, commercial and project close-out. An additional TfL-nominated Non-Executive Director with commercial experience has recently been appointed to the CRL Board and discussions around further proposed candidates (as highlighted to the TfL Board on 27 March) continue. Status: on track

Ref	Recommendation	Lead	Response
5.3	Remuneration: Sponsors and CRL should agree changes to the procedures around and oversight of remuneration of senior CRL staff. A decision between two alternative options for strengthening remuneration procedures and Sponsor oversight should be made: A. The CRL Board retains remuneration responsibility, exercised through the CRL RemCo. However an increased number of decisions are reserved for Sponsor approval; or B. The CRL RemCo is disbanded. TfL RemCo assumes responsibility for CRL remuneration decisions which would otherwise have fallen to CRL RemCo. In both options the definition of those whose remuneration falls under RemCo governance to include: — CRL Chair; — All members of the CRL Executive; and — CRL staff whose remuneration is above the thresholds set out in HMT's "Guidance for approval of senior pay". Furthermore, the Remuneration Framework applied to CRL senior staff should reflect current good practice and align with the FRC Corporate Governance Code 2018.	Sponsors	The Mayor commissioned Dawn Jarvis to undertake a review of the governance of pay and exit arrangements across all of the functional bodies and the recommendations from that report are being implemented by all of the functional bodies including TfL. Sponsors have been discussing remuneration and the respective roles of CRL's merged Remuneration and Nomination Committes and TfL's Remuneration Committee, including Key Performance Indicators; this process is ongoing and looks to be concluded as soon as possible. An Independent Non-Executive Director is to chair the new, merged Remuneration and Nomination Committee and the Terms of Reference are currently being discussed between the Chair and Sponsors, and will be submitted to the CRL Board for approval Status: on track

Ref	Recommendation	Lead	Response
5.4	CRL to recognise that greater openness and transparency with Sponsors and timely communication of relevant information is required to reflect the changed circumstances of the project. CRL to set out to Sponsors how CRL will cascade enhanced expectations regarding behaviours, transparency, and culture throughout their organisation and maintain this over the rest of the programme so as to support transparent and timely reporting of successes and challenges, avoid optimism bias, and also so as to sustain a strong and positive morale amongst their staff in the face of the current challenges. Regular updates to be provided demonstrating how CRL have satisfied themselves that the appropriate culture is being sustained.	CRL	CRL wrote to Sponsors on 25 March 2019 setting out the actions taken to address greater openness and transparency and timely communications. Status: complete

Ref	Recommendation	Lead	Response
5.5.1	The bullets below set out detailed recommendations relating to the re-establishment of the Audit Committee and Risk Sub-Committees as a single combined Committee and recommendations relating to Internal Assurance. CRL to establish a CRL Audit and Risk Committee reporting to the CRL Board. The remit of the Audit and Risk Committee should be consistent with standard good practice for an organisation such as Crossrail (e.g. addressing internal controls, financial and commercial controls, project and risk reporting, as well as external audit and internal financial, commercial, technical and health and safety assurance etc.). The frequency of meetings of the Audit and Risk Committee should be sufficient so as to allow for appropriate attention on risk reporting matters.	CRL	The Audit and Assurance Committee (AAC) has been re-established, with a TfL-nominated Non-Executive Director as chair. The first meeting was held on 25 March and the Terms of Reference are agreed. Enterprise risk will be managed by Executive Group and reported to Crossrail Board and AAC, with the Head of Risk attending the latter. Status: complete
5.5.2	The Annual Internal Audit Report should be presented to the CRL Audit and Risk Committee. The Annual Audit Plan should be approved by, and Audit Plan Updates should be provided no less frequently than quarterly to, the CRL Audit and Risk Committee.	CRL	The annual audit plan is included in Audit and Assurance Committee (AAC) Terms of Reference and was submitted to AAC on 25 March. Going forward, internal audit report to be presented to the Committee. There is a collaborative relationship and continuous conversation between CRL and TfL Internal Audit to ensure full alignment. Status: complete

Ref	Recommendation	Lead	Response
5.5.3	The breadth and focus of the internal assurance programme should be broadened so that whilst maintaining the focus on critical technical and health and safety matters there is also sufficient focus on Programme delivery and corporate risks, internal financial and commercial controls and on CRL reporting, reflecting all of this in a renewed Integrated Assurance and Approval Plan (IAAP).	CRL	CRL has adopted a Three Lines of Defence assurance framework that has been approved by the CRL Board on 28 February. The Second Line of Defence has been significantly strengthened by the formation of a new Project and Programme Assurance (PPA) Team – the scope of which has been informed by several activities including a maturity assessment of all Functional Assurance within CRL. The Integrated Audit and Assurance Plan have been developed and submitted to the 21 May CRL Board for approval, and will remain a live document based on risk. Status: complete
5.5.4	The breadth and nature of resources required and available to deliver the broadened internal assurance programme should be assessed and gaps appropriately addressed.	CRL	As part of creating the internal assurance programme, capability and resources have been defined appropriately addressed and the process for securing resource is currently underway. The Second Line of Defence of the new Assurance Framework is being strengthened with a new Project and Programme Assurance (PPA) Team that will be tasked with the coordination of existing functions' assurance activities and, where needed, will secure subject matter experts on a task basis. The Third Line of Defence is being provided by TfL Internal Audit. Status: on track

Ref	Recommendation	Lead	Response
5.5.5	The Audit and Risk Committee to sponsor implementation of a dedicated corporate risk management procedure with the development of a separate corporate risk register. A CRL risk lead to be appointed who will be in charge of both the project risk and corporate risk management processes.	CRL	Enterprise risks are managed by the Executive Group. The CRL Audit & Assurance Committee (A&AC) review and report on effectiveness of processes in place for the control of, and to ensure, effective risk management. Enterprise risk management framework has been developed with the TfL Head of Enterprise Risk and approved by the CRL Board. A Head of Risk has been appointed and the Head reports to the CRL A&AC. Status: complete
5.5.6	With regard to the central reporting of risk we recommend: Consideration is given to reviewing the sufficiency of the current eight weekly cycle of reporting to EIC and whether this should be shorter.	CRL	Risk reporting is done on a monthly basis to the Executive Group from March 2019. Status: complete
5.5.7	Risk matters should be reported to the CRL Audit and Risk Committee once re-formed.	CRL	Enterprise risks are managed by the Executive Group. The Audit & Assurance Committee (AAC) review and report on effectiveness of processes in place for the control of, and to ensure, effective risk management. Enterprise risk management framework has been developed with the TfL Head of Enterprise Risk and approved by the CRL Board. A Head of Risk has been appointed and the Head reports the AAC. Status: complete
5.5.8	CRL's Head of Programme Risk to report to both the EIC and Audit and Risk Committee.	CRL	The Head of Risk reports to the Executive Group and Audit & Assurance Committee. Status: complete

Ref	Recommendation	Lead	Response
5.5.9	The sufficiency of the resources addressing risk reporting should be reviewed in light of the impact of the implemented demobilisation actions (in line with planned Stage 3 opening in December 2018) and consideration should be given to reinstating risk quantification at project level.	CRL	Three new Risk Analysts are in place to add capability. Quantitative Risk Assessments have been undertaken for all key projects within the programme and the values at P50 reported within the P12 FY18/19 Board Report. A further Central Risk provision was made by Project to allow for shortcomings in the completeness of these initial QRAs. From P13 FY18/19, with the new risk resources on board, Project QRAs will improve in quality and also be able to re-fresh the Programme risks that have not been subject to detailed review since December 2018 Status: complete
5.6	Executive and Investment Committee: CRL to separate the Investment Committee from the Executive Committee. The Investment Committee should report to the CRL Board, it should also have a NED majority, and CRL should consider a requirement for this to be a NED Chaired Committee. The current CRL delegation framework (the “Scheme of Authorities”) will require amendment.	CRL	Crossrail has created an Executive Group and separate Investment Committee (with a TfL-nominated Non-Executive Director as Chair), reporting to the Crossrail Board. The first meeting was held on 17 April 2019. The Scheme of Authorities has been amended and accepted by the CRL Board. Status: complete
5.7	Health and Safety Committee: The CRL Board to review the decision to disband the Health and Safety Committee and consider whether it should be re-established given the status of the programme and revised timelines and whether this would contribute to the maintenance of CRL’s successful focus on health and safety matters.	CRL	The existing Safety and Health Executive Leadership Team meeting (SHELT) has been re-cast as the Executive Health and Safety Committee with first meeting held on 11 April. The Chair is the Programme Director. Crossrail Board will receive periodic Health and Safety report, and the SHELT is being continuously reviewed for effectiveness to increase its impact. Status: complete

Ref	Recommendation	Lead	Response
5.8	Nominations Committee: In the event that Sponsors and CRL decide to retain the CRL RemCo, CRL to formalise consolidation of the RemCo and Nominations Committees.	CRL	Crossrail will combine the Remuneration Committee and Nomination Committee. An Independent Non-Executive Director is to chair the new, merged Committee and the Terms of Reference are currently being discussed between the Chair and Sponsors, and will be submitted to the CRL Board for approval. Status: on track, subject to completion on agreement of Terms of Reference between the Chair and Sponsors
5.9	Once the CRL Board composition and Committee structure has been confirmed and is in operation, the CRL Board should as soon as possible commission an independent board effectiveness review to assess Board performance and to identify further areas for improvement. The scope and conclusions from the review should be shared with the Sponsors together with details of any steps proposed to be taken by the CRL Board in response to any recommendations which emerge.	CRL	Action is in place by CRL Chairman. The Board held an Away Day on 13 May. An Effectiveness Review is planned for September 2019, with reporting on this for November 2019. Status: on Track, subject to the full review report in November

Ref	Recommendation	Lead	Response
6	Programme integration recommendations Sponsors to update current arrangements for the termination of the joint sponsorship model to reflect changes to the programme completion schedule and a new funding settlement. Sponsors to review and agree the actions which CRL has determined to implement in response to the recommendations set out in the independent report recently procured by CRL to review programme management and technical integration challenges. CRL to strengthen its integration capability for the completion of the programme of works for which it is responsible and to review options for simplifying and clarifying the programme delivery governance structure. Sponsors and CRL to jointly consider any necessary revisions to arrangements for handover from CRL to TfL.		
6.1	Sponsors to update current arrangements for the termination of the joint sponsorship model. The current arrangements, as defined in the SA envisage termination of the agreement and of the joint sponsorship model on the "operations commencement date". Should timelines for programme completion extend and overlap with operation of the Elizabeth line, as is considered possible, Sponsors will need to reconsider the optimal moment for termination of the joint sponsorship model.	Sponsors	Sponsors and JST agreed to review JST composition on a quarterly basis in line with timing for the contract review meetings with P-Rep. P-Rep composition and function being used as a model for sizing and ensuring required capability of JST team Status: on track

Ref	Recommendation	Lead	Response
6.2	TfL should be clear as to the role and remit of the ELRB. The SB and CRL Board should be informed of any material outcomes from ELRB which influence the responsibility or action required of CRL.	Sponsors	ELRB Terms of Reference received from meeting secretariat and circulated to Sponsors for visibility of function and remit of the meeting. Status: complete
6.3.1	CRL to strengthen integration governance arrangements by clarifying the responsibilities of programme level groups, there are currently ~40 such groups in operation. Specific areas for CRL action include: Clarifying the roles of those groups providing day to day strategic direction to the programme delivery teams. The two principal groups are the ELSSG and PDB. CRL should clarify responsibilities, authority, reporting, relationship and interfaces of these groups with the EIC and CRL Board.	CRL	Crossrail is currently updating its programme governance to align with its revised core operating model. In addition to the visualisation regime, this will include for periodic Anticipated Final Cost (AFC)/Schedule reviews for each of the major contracts, a programme review of progress towards staged opening, and an executive level steering group that will maintain technical configuration control over the migration strategy, and its integration with the Delivery Control Schedule. The updated programme governance will be established in advance of the CRL Board meeting on Thursday 18 July. Status: on track

Ref	Recommendation	Lead	Response
6.3.2	Reviewing the efficiency of the programme delivery and integration governance structure, whether it is operating effectively in support of programme delivery, supporting transparency and whether operational improvements may arise from simplifying and reducing the current number of programme governance groups.	CRL	Crossrail is currently updating its programme governance to align with its revised core operating model. In addition to the visualisation regime, this will include for periodic AFC/Schedule reviews for each of the major contracts, a programme review of progress towards staged opening, and an executive level steering group that will maintain technical configuration control over the migration strategy, and its integration with the Delivery Control Schedule. The updated programme governance will be established in advance of the CRL Board meeting on Thursday 18 July 2019. Status: on track

Ref	Recommendation	Lead	Response
6.4.1.	CRL to create an effective systems integration leadership / authority with a clear and appropriate remit, together with measureable objectives which are regularly reported against and monitored by the Executive. We understand CRL have commissioned a third party to recommend changes which would strengthen CRL's programme management and technical integration.	CRL	A Systems Integration team has been established with a strong Lead. The team is supported by metrics and performance tracking as part of the Visualisation Management process that forms a key part of Executive Group meetings, and Board (CRL and Sponsor) meetings. An example of the efficacy of the new leadership is the steering group summit held with senior representatives from the supply chain that have been successful in gaining commitments to CRL's new schedule. A revised organisation model for Systems Integration is being developed and is largely complete. The recommendations made by the third party have been implemented. Additionally, CRL is setting up a Crossrail Advisory Panel with established system integration experts as members. This panel will service Crossrail to provide independent technical and non-technical advice. Status: on track

Ref	Recommendation	Lead	Response
6.4.2	CRL should provide Sponsors with details as to how the strengthened systems integration leadership provides CRL with effective control across the programme and any areas of residual weakness leading to programme risk. CRL to ensure the systems integration team has sufficient capabilities, experience and numbers.	CRL	Crossrail has appointed a Systems Integration lead. Technical capabilities are being reinforced with concerted recruitment effort to secure best industry talent including working with TfL Chief Engineer to release key personnel for Crossrail. In addition to this, there is a managed vacancy list for Systems Integration that dynamically matches identified roles against programme requirements, resulting in a fit for purpose and value for money approach to securing resource as it's needed. Advisory Panels are being reinstated to provide independence assurance for the Second Line of Defence in addition to resolving advising on technical decisions. A RACI for the Systems Integration team has been produced alongside a Management Plan. Status: complete
6.4.3	Sponsors to review and agree the actions which CRL have determined to implement in response to the recommendations set out the independent report recently procured by CRL to review programme management and technical integration challenges. Sponsors to monitor CRL's progress in implementing resulting agreed actions and CRL's assessment of whether the steps taken are adequately addressing the underlying issues.	CRL	Independent consultants have provided a series of status reports covering programmatic and technical integration. These have both been implemented in the new arrangements).Technical Panels to be reinstated through the new Crossrail Advisory Panel. Status: complete

Ref	Recommendation	Lead	Response
6.5	CRL to create a new panel of independent experts with a remit across the whole programme to provide regular challenge to decision making at the CRL Board and Executive.	CRL	As part of creating the internal assurance programme and strengthening independent advice generally across the programme, an independent Crossrail Advisory Panel covering the whole programme is being implemented. The induction day for the panel members is to be held on 4 June 2019. Status: on track
6.6.1	CRL to review and take actions as may be necessary to ensure there are appropriate mechanisms under its control for the timely and effective integration of all key supplier and partner contributions to the programme. Specifically with regard to NR: The CRL Board should improve its whole programme visibility by inviting a delegated representative of the NR CEO to attend the formal meetings as appropriate.	CRL	The development of the new schedule has taken into account the outcomes of deep dives and collaborative reviews with the supply chain, and the exercise to logic link the tens of thousands of activities has taken into account the interdependencies of these activities. The Visual Management process allows CRL to have an oversight of the management of issues from CRLs perspective and highlight where targeted effort is needed, and an increased drumbeat of governance across the programme results in issues being dealt with at pace. Network Rail Route Managing Director (MD) for Great Western and Crossrail Lead, and Project Director attended 25 April Board and will attend on a quarterly basis going forward The Chief Operating Officer has 4-weekly meetings with the Network Rail Route MDs for Great Western and Anglia. Status: complete

Ref	Recommendation	Lead	Response
6.6.2	CRL should invite a senior NR representative covering NR's Anglia, Western, South East Routes, and System Operator to the CRL EIC, or appropriate other Board to support NR operational integration.	CRL	NR CEO or representative (likely to be a senior Director from Investment Projects and/or the Managing Director Great Western Route) will attend and update the CRL Board on NR matters on a quarterly basis. Network Rail Route Managing Director (MD) for Great Western and Crossrail Lead, and Project Director attended 25 April Board and will attend on a quarterly basis going forward. The Chief Operating Officer has 4-weekly meetings with the Network Rail Route MDs for Great Western and Anglia. The NR Sponsor attends the Sponsor Board. Status: on track

Ref	Recommendation	Lead	Response
6.6.3	To complement the additional NR representation at Crossrail governance meetings, CRL to review and determine whether there are additional improvements required in terms of the timeliness and quality of NR reported performance. Critically this should consider the extent to which NR is providing sufficient input, reporting and information regarding operational matters so as to reflect the requirements for operational integration between Crossrail and each of the NR Routes with which there will be an operational interface (i.e. Anglia, Western, South East).	CRL	NR Route Managing Director (MD) attended CRL Board 25 April and quarterly thereafter. CRL Chief Operating Officer has 4 weekly meeting with each Route MD's (Great Western and Anglia). TfL is represented on Network Rail's Alliance Board for the Elizabeth line operator, MTR. TfL representation on Network Rail's Route Supervisory Board for Great Western is being considered. TfL and NR leadership teams have jointly identified four key workstreams to ensure the optimisation of Elizabeth line performance: vision and culture; asset management; process and rules; people and communications. A detailed programme of work is being developed for each of these workstreams, at the conclusion of which a governance proposal will be confirmed to oversee this critical work, as well as supporting existing ongoing fora including the Control Strategy Steering Group, Trial Operations Review Group and Joint Crossrail Emergency Services Group etc. This will also need to take account of the imminent implementation of revised organisational structures within NR, including the transfer of 'lead route' for the Elizabeth line. MTR Crossrail, as Operator of existing TfL Rail and future Elizabeth line services have developed proposals to extend collaborative working between the Train Operating Company and NR operational teams in both GE and GW. Commercial and contractual arrangements to facilitate practical working arrangements across the Infrastructure Manager boundaries are ongoing, with the three Connection Agreements executed, and the agreement for the procurement of certain services by TfL from NR being finalised. Progressive move towards capturing NR and Operational Readiness issues within the new Crossrail Visual Management System. Status: complete

Ref	Recommendation	Lead	Response
6.7	With the increasing number of TfL secondees fulfilling senior CRL roles and joint teams established for operational handover activity, it is important that CRL and TfL set out a clear strategy for the interface arrangements which describe the handover between CRL and TfL responsibilities. The strategy and interface arrangements should be supported by a plan and clear governance arrangements for handover which are reflective of the new programme plan and timelines, these should clearly define the responsibilities between CRL and TfL before, during and after handover. Critically these plans will need to evolve, through formal change control, so as to remain aligned with the programme requirements.	CRL	The Crossrail Transition Strategy outlines interface arrangements for handover between CRL and TfL responsibilities and the organisational plan. The Crossrail Handover Strategy outlines handover arrangements and assurance between CRL, RfL and TfL and is being reviewed. Status: on track

Ref	Recommendation	Lead	Response
6.8	Sponsors and CRL to consider updating and clarifying the arrangements and mechanisms for CRL handover to TfL (RfL, RfLI, LUL). The delays to the programme schedule are having an impact on original plans for trial running and trial operations. This is leading to greater overlap between CRL and TfL responsibilities than envisaged by the Project Documents. In light of the delays to the programme, the ongoing uncertainty as to the final delivery date and consideration which is now being given to partial opening of some services, it is critical that handover plans are updated to reflect the new circumstances. Mechanisms and arrangements should be clarified taking these changes into account. CRL and TfL should keep these arrangements under review and through a formal change control procedure evolve these as required to meet further potential changes to the programme. Sponsors and CRL should regularly review these arrangements and where appropriate take action to address potential risks to handover.	CRL and Sponsors	Handover and Transition Strategies are in place. There is a revitalised relationship with NR leadership exposure at key governance points. New interventions, such as Visual Management processes and revised agenda for Sponsor Board, give greater visibility to stakeholders of the issues and requirements and provide a level of transparency that promotes collaborative resolution. The Earliest Opening Programme creation has been in cognisance of new circumstances with handover and requirements thereof. Status: complete
7	Reporting and controls recommendations Sponsors to agree timescales for the development of the initial programme by the new CRL CEO and then the development of that programme. Obtain independent assurance of the CRL programme with a deep dive into the estimates for time and cost and		

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	providing scenarios based on various scope and other options. Sponsors to agree the metrics and analysis required from CRL in their performance reporting, as well as a set of critical milestones to indicate CRL's performance in progressing works to plan. Reporting to include greatly enhanced visibility of productivity and progress against the most complex and highest-risk critical path tasks. Reporting to be transparent, timely, sufficient and assured. Sponsors to provide regular updates to stakeholders based on outputs provided by CRL and P Rep. Escalation to stakeholders to be triggered where reporting identifies delivery performance outside of agreed cost and schedule parameters. Commercial controls to be enhanced, particularly regarding commercial management and administration of contracts. Where Sponsors determine it to be relevant, CRL's delegation to be reviewed and a revised CRL delegation framework to be developed. Sponsors to reserve the opportunity to review CRL decisions on certain new supplemental and settlement agreements. CRL to produce a commercial close out strategy for open contracts, as well as a proposed approach to improving supply chain productivity. Sponsors to review the funding envelope and define a process for the timing and release of funding. Appropriate steps to be taken to enable the holding of contingency at Sponsor level to		

Ref	Recommendation	Lead	Response
	be an effective measure.		
7.1.1	Sponsors to review the funding envelope and define a process for the timing and release of funding. In confirming this new framework for the management of funding and contingency, Sponsors to consider: The practical challenges which CRL currently face in being able to identify credible cost estimates and therefore to derive reliable P50, P80 or P95 values for the operation of the existing or a revised framework. These challenges are likely to continue for some time and hence, as an interim measure, any plan to define values for contingency to be held at Sponsor and at Board level with the rest at Programme level may require the pre-definition of contingency values other than by reference to CRL declared values for P50, P80 and P95 outcomes and this should be addressed; The holding of contingency at a Sponsor level is only effective if Sponsors have in place the following (and therefore related steps will need to be taken to ensure): - Sufficient and timely visibility to Sponsors of	Sponsors	One of the key findings of the KPMG review into Crossrail Ltd's finances indicated the likely capital cost impact of the delay to the project announced in August 2018 could be in the region of between £1.6bn and £2bn (including £300m provided in July 2018). The funding deal announced on 10 December 2018 between Government, the Mayor of London and Transport for London was agreed to cover this likely outturn and included a loan facility from DfT to GLA of £1.3bn, a £100m cash contribution from GLA and a contingency arrangement provided for by a £750m loan facility from DfT to TfL. As part of the loan facility that have been agreed, CRL are required to clearly demonstrate the need to drawdown from this facility on a periodic basis and Sponsors use this validation exercise as a mechanism for scrutinising CRL's forecast cost position and recent spend. Sponsors considered the potential for introducing intervention or control points in relation to funding but felt that this was not help reduce the forecast outturn at this stage in the project. Instead, Sponsors are focused on ensuring that CRL are incentivised to deliver for the lowest possible outturn through CRL's incentivisation frameworks.

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	reliable information on current and expected outturn project performance; - Effective oversight for Sponsors including of risks and uncertainties together with planned actions; - Appropriate rights of intervention by Sponsors together with a practical ability to intervene on a timely basis when it seems likely that further commitments or actions or the absence of appropriate actions could take AFCDC over the expected project outturn; - Whether the interests of additional stakeholders will need reflecting in some way (e.g. GLA, HMT).		As noted in response to other recommendations, CRL's level of reporting has been significiantly enhanced to provide timely and reliable information to give Sponsors visibility of expected outturn and project performance. Status: on track

Ref	Recommendation	Lead	Response
7.2	Sponsors to satisfy themselves around the development of the delivery plans with associated estimates of time, cost, risk and assessment of scope adjustments required to open the line as early as possible.	Sponsors	Central to the Recommendations is the development of a bottom-up, logic-driven baseline schedule by CRL. This is in development following the approval of the Earliest Opening Programme and will be fully finalised as soon as possible. Sponsors responded to this recommendation with the following actions: Sponsors and P-Rep raised concerns at 15 February Sponsor Board with regards to the overall level of assurance that can be completed for the CRL Board to make an informed decision on the revised schedule. In particular CRL will need to be clear what the assumptions, risks and exclusions are in terms of assessment of scope, cost and programme. CRL confirmed to Sponsors in March 2019 to develop an assurance framework based on Three Lines of Defence which would not include the Project Representative. CRL provided Sponsors with their Independent Audit and Assurance Plan, reviewed by P-Rep, and developed with TfL Assurance teams, satisfying Sponsors that an adequate Three Lines of Defence model in place. Sponsors are satisfied that the CRL Audit and Assurance Committee (chaired by a Sponsor-nominated Non-Executive Director) will monitor and report any concerns to Sponsors on how the model is functioning in practice and the effectiveness of the Three Lines of Defence. Status: on track

Ref	Recommendation	Lead	Response
7.3	Sponsors to agree the metrics and analysis required from CRL in their performance reporting to allow the Sponsors to make their own assessment of whether the progress being achieved is in line with the plan.	Sponsors	CRL have identified an enhanced reporting approach that includes the CRL Board report (4-weekly), dashboards (weekly) and the Visual Management process (daily to weekly). This approach allows the available material to be adapted as needed for the target audience and used as both a tool for management and engagement. The JST has shared the priorities of Sponsors, including the recommendations from KPMG to shape the development of the material. In addition, Sponsors have worked closely with CRL on the development of their dashboard and revised reporting processes. These include cost/schedule performance; progress; key programme risks; and impact of any delays (in particular to funding and revenue service. Status: on track
7.4.1	Sponsors to agree the definition of additional reserved matters on which they have the right to require CRL to seek their pre-approval, and the mechanisms consequently required to be put in place. This would provide Sponsors with the option to require that Sponsors consider and approve or reject proposals as they are developed for such additional reserved matters. Sponsors should consider defining the additional reserved matters to include: — Proposed material changes by CRL to the commercial arrangements around existing contracts (see recommendation 7.16)	Sponsors	Sponsors and CRL have increased the level of transparency, reporting and provision of information on the project by improving oversight of CRL's decision making processes through Sponsor Board, the Sponsors' session at the CRL Board, and mechanisms set out in a letter from CRL on 25 March, particularly through the enhanced P-Rep team who attend CRL decision making meetings. Sponsors conclude that the level of matters currently reserved to Sponsors is sufficient. Status: complete

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	— Proposals for CRL to enter into new arrangements or take any decision which is expected to have a material adverse impact on, or which CRL consider will avoid a material adverse impact on, schedule or cost outturn. For this purpose it will be necessary to define 'material changes' and 'material adverse'. — Definition of, and adherence to, appropriate processes for timely pre-approval requests, provision of relevant information and documents to those charged with approval, and the granting or otherwise of approval including where necessary the seeking of independent advice to inform decision-making by Sponsors, will be particularly important. This is so that Sponsor approval or otherwise can be provided on a timely basis, after appropriate consideration, and so that the programme is not necessarily impacted.		
7.5	The Sponsors to agree with CRL a set of critical milestones to indicate CRL's performance in progressing the works to completion in line with the new baseline plan as recommended in 7.12. The determination of appropriate milestones by Sponsors and how these should be monitored and reported against by CRL should be the subject of independent advice to Sponsors. These milestones will then need to be advised to / agreed with CRL.	Sponsors	Sponsors do not consider it appropriate to implement new intervention mechanisms at this stage of the project, however these remain to be an option for Sponsors to consider in the formal amendments to the Project Development Agreement (PDA). As with Sponsors' response to considering the need for additional reserved matters, Sponsors have seen a significant change in the level of oversight and transparency they have on the project, particularly through strengthening the P-Rep team and changes to the Sponsor Board, CRL Board and its sub-committees have also

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	Sponsors to consider the rights Sponsors wish to have going forwards to intervene in the programme linked to programme performance as reflected in the milestones. Sponsors to also consider whether there may be other circumstances where they would seek additional rights to intervene. Furthermore consideration is required as to whether these rights need to differ from their current existing rights. Appropriate arrangements to support those rights will then need to be put in place. The advised milestones should be driven from the programme and CRL should provide variance analysis for all movements in milestones along with the plan to recover the delays. The purpose behind the milestones would be to flag early warnings of delays to the agreed baseline programme and to trigger a set of agreed actions to allow the Sponsors to understand the potential impact to time and cost and to monitor mitigation measures established by CRL. Sponsors should define their requirements for CRL to provide variance analysis and mitigation actions where performance achieved is behind that planned.		resulted in increased scrutiny and challenge around decision-making and level of assurance provided. Sponsors have developed a series of proposed 'review' and 'warning' points to be finalised on receipt of CRL’s revised cost and schedule baseline. This will help determine where progress and cost has deviated from CRL's baseline and enable Sponsors to have greater visibility and challenge CRL's performance against baseline as well as how their performance is varying throughout the course of the remainder of the programme. Weekly dashboards, period reporting (from both CRL and P-Rep) and SACR reporting will continue to be used to monitor progress, performance and mitigations taken as well as identify any potential impacts. Sponsors will use these outputs to scrutinise CRL's position at Sponsor Board which will also to be used as a forum for escalation and agreement of appropriate actions to be taken. Status: on track

Ref	Recommendation	Lead	Response
7.6	Sponsors to provide regular reports to the TfL Board, TfL Commissioner and DfT Permanent Secretary reporting on: — Programme performance in the context of the agreed, revised funding envelope, forecast cost outturn and programme completion timeline; — Progress against agreed critical completion milestones; — Status of key programme risks and their mitigation; — In the event of further slippage, clarity in respect of delay impacts, including on forecast cost to completion.	Sponsors	CRL share the weekly dashboard and meet regularly with the Commissioner and meet every two weeks with the Deputy Mayor for Transport and every six weeks with the Mayor. The TfL Board and the Programmes and Investment Committee has a standing agenda item for a Crossrail Project Update at each meeting. The TfL Commissioner and DfT Permanent Secretary attend with Sponsors a session following the CRL Board meeting to receive an update and voice any concerns and challenges for the CRL Board and Executive. DfT Directors General attend Sponsor Board and CRL Board enabling them to flag concerns to the DfT Permanent Secretary where required. The DfT Sponsorship team updates the DfT Executive Committee at appropriate intervals. Status: complete
7.7	Escalation to TfL Board and DfT Board and Executive Committee should be triggered where reporting identifies programme delivery performance outside of agreed parameters (these to be defined) in terms of cost and timeline.	Sponsors	Review and warning points will provide a mechanism for monitoring CRL's performance to enable Sponsor Board to identify issues which may require escalation to the TfL Board and DfT Board or Executive Committee. These are currently in draft and will be finalised on receipt of CRL's revised cost and schedule baesline. Status: on track

Ref	Recommendation	Lead	Response
7.8	Agree the timescales for the development of the new programme by the new CRL CEO. Once the new programme / detailed baseline is developed the Sponsors to obtain independent assurance through an instructed deep dive review of the programme to validate that it provides a realistic reflection of the scope of work to complete and that the time allowed is logic driven and the productivity assumptions are realistic and based on agreements with the contractors. The cost estimate to complete the works should be reviewed to check that it takes account of the updated programme and is based on assumptions that are aligned with the contract and commercial positions agreed with the contractors. Realistic scenarios should be considered and assured.	Sponsors	-JST met with CRL and P-Rep to set out expectations for the revised schedule and followed this up with a summary note on 29 January. This emphasised that Sponsors expect CRL to develop a revised schedule as soon as possible. -JST, Sponsors and P-Rep raised the importance of CRL providing internal programme assurance at 15 February Sponsor Board -P-Rep confirmed assurance role as being separate to that provided by CRL at 15 February Sponsor Board -JST, P-Rep and CRL met on 18 February where CRL confirmed use of internal 'three lines of defence' model -CRL confirm on 20 February that Deloitte engaged to provide assurance on the development of CRL's Earliest Opening Programme -Sponsors and P-Rep raised concerns at 15 February Sponsor Board with regards to the overall level of assurance that can be completed in the time that the schedule baseline is finalised. In particular CRL will need to be clear what the assumptions, risks and exclusions are in terms of assessment of scope, cost and programme. Status: on track

Ref	Recommendation	Lead	Response
7.9	Sponsors to have the opportunity to review and discuss CRL's decisions on proceeding with and signing any new supplemental or settlement agreements in relation to key contracts prior to their implementation. Sponsors should seek independent input (which could be from P Rep) as to the upsides / downsides of what is proposed, prior to determining whether they have any objection to each proposed agreement. For this purpose key contracts will need to be defined by Sponsors but is expected to include at least the top 10 to 15 contracts.	Sponsors	P-Rep and JST now attend CRL Investment Committee where Supplemental Agreements are scrutinised. Status: complete
7.10	Sponsors to request CRL produce a commercial close out strategy for all the open contracts, setting out their current views on contract outturn positions without having a new agreement in place, and also with a new agreement in place. This should take account of the dates being agreed with the contractors in the development of the updated MOHS.	Sponsors	CRL's Commercial close-out strategy was agreed by the CRL Board on the 25 April 2019 and will be taken to the Sponsor Board on the 7 June 2019. Sponsors will review the contents of the Commercial close-out strategy with the Project Representative Status: on track
7.11	CRL to review and amend its financial Scheme of authorities to reflect the creation of the Investment Committee. Executive delegations should be reduced, and the Board, through the Investment Committee to assume greater responsibility.	CRL	Scheme of Authorities has been amended and approved by the CRL Board. The newly established Investment Committee has a greater role in commitments made. Status: complete

Ref	Recommendation	Lead	Response
7.12.1	CRL to re-establish / develop / provide the following: — A detailed bottom up schedule for each contract that is logic linked, based on the known scope to complete the works (including in relation to the stations taking into account the lessons learned from Tottenham Court Road station). Each contract schedule should be progressed by the PMs taking into account change, risk, compensation events and contractor resource levels and productivity. The schedule should include an appropriately assessed time contingency allowance (float). — The schedule should be informed by rates of activity achieved to date and where different rates are used to drive assumptions about the time and cost to go, this should be clearly highlighted in reporting to Sponsors. This should include where assumptions are made about increased resources to be applied by contractors and their supply chain from those recently applied and / or where improvements in productivity are being assumed, and where this is without any specific agreement to that effect with the contractors concerned.	CRL	CRL has re-established the monthly Level 3 contract schedules through collaborative working with the supply chain, and these have informed the Earliest Opening Programme. The schedules are to be considered alongside cost in the Anticipated Final Cost (AFC) reviews undertaken by the Chief Finance Officer as part of the new Programme Governance structure. The Earliest Opening Programme and the maturity of this programme is based on productivity including "Quantities to Go", with assumptions on these matters subject to assurance activities incorporated into the Integrated Audit and Assurance Plan. The Earliest Opening Programme has undergone specific, independent assurance on these matters that formed part of the package that went to the Board, and recommendations from these reviews are being actively managed. Work is ongoing with the supply chain to ensure supply chain alignment to the new schedule. The combined activities above are informing the increased in maturity of the schedule that involves the logic linking of tens of thousands of activates that will be submitted to the Board. Status: on track, subject to the completion on the exercise to logic link the activites, and the implementation of the revised Programme Governance structure.
7.12.2	— Once there is an agreed robust baseline then the reporting of performance and cost should be measured against the baseline plan to provide the Board and Sponsors with a transparent view on performance at individual contract level and at programme level.	CRL	Transparent reporting is available at all 4 levels of project review and rolls-up to programme reporting in the monthly report. A Visual Management Process is in place that underpins the transparency and accountability of this process, measuring performance against the schedule and milestones. The

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	Reporting of progress should take proper account of the complexity of, and effort likely to be required to complete, each principal remaining activity within each contract such that reporting is a reliable indicator of progress made and productivity likely to be achieved. — There will need to be a clearly defined strategy which enables effective downward contract management as well as clear upward performance reporting. Contractors should be managed against challenging but achievable targets using a mixture of contractual rights and other measures. Upward reporting to Sponsors should include providing clear visibility of the forecast Stage 3 opening date as per the schedule, the level of remaining float, key critical path activities and risks etc. Sponsors should pay close attention to trends in, and to the level of, reported float in the programme as well as to reported risks to critical path activities. Public reporting of achievable opening dates will need to recognise both what is realistically expected to be achieved and the consequences of potential inconsistencies between public messages and target dates against which contractors are being managed. Where relevant CRL and Sponsors should consider appropriate range rather than point reporting, reflecting the remaining risks in the programme.		Visualisation process plays a key role in Crossrail and Sponsor Board meetings, enabling transparency. The Board Report contains transparent reporting against the schedule and the critical paths, with detailed narrative and metrics describing key issues. Anchor milestones are tracked, and if not met narratives are provided. Contract management capability has been bolstered through All-Hands events of commercial and finance staff in addition to guidance given within and outside of the AFC reviews. Status: on track, subject to the completion of exercises assuring the logic linking of the tens of thousands of activities.

Ref	Recommendation	Lead	Response
7.12.3	— At programme level develop an integrated logic linked baseline schedule that takes inputs from each contract to determine the key programme completion dates. The Stage 3 opening date should be allowed to move in line with the schedule logic.	CRL	The Earliest Opening Programme is based on logic and has been accepted by the CRL Board for Stage 3. It identifies a 6 month opening window, and is undergoing further assurance and refinement to increase the precision of that window. The schedule has been informed by engaging with the supply chain in a collaborate manner, undertaking deep dives into quantities to go and ensuring remaining scope is fully understood. A further development of the schedule (the Delivery Control Schedule) is the logic linking of tens of thousands of activities, the result of which will be submitted to the CRL Board and form the new baseline. However, further work is required with contractors and to develop the schedule for delivery of Stages 4&5 in particular. Status: complete

Ref	Recommendation	Lead	Response
7.12.4	— Reporting to the CRL Board and the Sponsors which provides sufficient information on the progress of the individual contracts and the overall impact at programme level. — Reporting which includes Key Performance Indicators (KPIs) / trend assessments to demonstrate progress achieved compared to the forecast rates of progress to meet planned dates. — Where there is a slippage in a key date then CRL should report on the variance to indicate the impact and what mitigation measures will be taken to recover the delay. The recovery of a delay should not be shown in the schedules until it is achieved. The reporting should indicate the unmitigated completion date and CRL's view on the mitigated completion date, including remaining programme float. — Reporting against Sponsor Milestones which are agreed and reported directly from the programme schedule.	CRL	The Boards (CRL and Sponsor) incorporate visits to the Visual Management Centre that transparently shows performance against the schedule, and key issues in individual areas. Agreement on the Corporate KPIs is in progress, and there is a standing slot within the Board Report for reporting against these. Any variances in performance – Milestones, KPIs, cost, etc. – are explained with a narrative and, if there isn't a narrative, this is made clear to ensure individuals are held accountable. The schedule reporting in the Board Report identifies Early and Late dates with an interim target. Once the exercise to assure and finalise the development of the new schedule (including the activities to logically link tens of thousands of activities), this will inform the reporting that CRL undertakes. Status: on track, subject to KPIs being agreed and the schedule activities being completed.
7.13	Develop an enhanced suite of metrics for reporting which at a minimum meets pre-defined criteria agreed between Sponsors and CRL and which enables clear visibility of inter alia: — Current, previous, and predicted future productivity and progress on key contracts and against key activities on each critical path with	CRL	The Boards (CRL and Sponsor) incorporate visits to the Visual Management Centre that transparently shows progress and issues. Feedback is given in real time and incorporated, creating an agile reporting system. The Board Report identifies progress against the critical paths, with each having its own section and metrics. Contracts are reported against in the Board Reports individually on cash flow to completion and contract administration with associated

Ref	Recommendation	Lead	Response
	explanations where there is a significant variance between current and forecast future productivity rates. This should include dependent activities not under CRL direct control; — For systems, integration and other relevant activities which are less suited to traditional productivity measures, develop suitable metrics to give equivalent visibility of the critical path activities; — Current agreed as well as latest expected TOSD [data] and any significant variances against reported AFCDC – together with the current cost run rate by contract being incurred; — Progress against pre-agreed milestones, and a summary of programme float (current, recent, and predicted future levels by milestone and overall); — Risks, planned mitigation and remaining key net risks with quantification; — Cost by contract, for integration activities and other CRL managed activities, and for indirect costs etc., and the overall AFCDC. The metrics should evolve over time to suit the changing needs of the project as it moves into a more systems and integration dominated phases whilst preserving the ability to provide historic comparatives and trends.		narrative. Risk, cost run rates and AFCDC movements are reported individually and in aggregate against each contract within the Board Reports. Milestones, and variances to performance against Milestones, are reported against in the Board Reports. Sponsors are considering the option of amending reporting clause in project agreements to specify metrics and information in CRL's reporting. Status: on track, subject to the implementation of Systems Integration metrics into the Board Report.

Ref	Recommendation	Lead	Response
7.14	Oversight of reporting within CRL to be provided through the 3 lines of defence. CRL to review the effective operation of the first and second lines of defence and allocate additional resources and enhance processes and procedures as appropriate. Assurance of the quality and timeliness of CRL reporting for Sponsors to be provided by CRL Management validating that, and separately by internal audit testing that, the first two lines of defence are operating appropriately. The CRL Audit and Risk Committee to be responsible for ensuring that the third line of defence, internal audit, has adequately addressed commercial and financial as well as other area risk areas such as health and safety.	CRL	The new Three Lines of Defence Assurance Framework has been accepted by the CRL Board. It is underpinned by an effective Second Line of Defence, that is to be provided by a new Project and Programme Assurance Team that will enable an integrated assurance function. This will be led by a new Head of Project and Programme Assurance who will be responsible for the development of appropriate processes. The Programme Assurance Strategy is currently being revised and will be submitted to the Audit and Assurance Committee for approval. The Integrated Audit and Assurance Plan has been submitted to the May CRL Board for approval. TfL Internal Audit provides the Third Line of Defence, focussing on assurance on the effectiveness of the Three Lines of Defence. The newly created Crossrail Audit & Assurance Committee will be responsible for ensuring that the Third Line of Defence has adequately addressed all areas of risk, including Health and Safety. Status: complete

Ref	Recommendation	Lead	Response
7.15	CRL to consider (and potentially take advice on) how they can best drive improvements in contractor and their supply chains' productivity in a way that delivers net benefits to the programme in time and cost. Their conclusions should be put to Sponsors in a short paper setting out the proposed approach and the costs and benefits expected to be involved. Sponsors to consider, seeking independent advice as appropriate, and confirming their approval or rejection as appropriate. The improvements should be captured in trend analysis within CRL and Sponsor reporting.	CRL	The Commercial Strategy and details outlining interventions was submitted to the CRL Board on 25 April 2019. The document will be continually updated to reflect the schedule and ensure its relevance and maturity. Status: complete
7.16	CRL should reset the commercial strategy for the completion of contract works in line with the revised milestones and payment terms and it should be produced by CRL for review by the Sponsors. Compliance to the strategy should be recorded in the periodic reporting and divergence should require an explanation of the issues, impacts and mitigations.	CRL	The Commercial Strategy and details outlining interventions was submitted to the CRL Board on 25 April. The document will be continually updated to reflect the schedule and ensure its relevance and maturity. Compliance to the Commercial Strategy is managed through the Investment Committee, Visual Management, and project staff following a series of briefings to set expectations. Compliance is also recorded within the periodic re-forecasting meetings, with formalised minutes and actions being captured and followed up – these sessions are attended by (amongst others) the CFO and Head of Commercial. Status: complete

Ref	Recommendation	Lead	Response
7.17	Improvements could be made to the operation of the contract and commercial controls in relation to the commercial management and administration of the [relevent elements of the contracts].	CRL	An All Hands commercial workshop was held with delivery teams on 4 March setting clear expectations for the management of change going forward. Further All-Hands was held week commencing 20 May 2019 . New resource is now in place to ensure proper administration of contracts and provide advice to the delivery team on management of change. Reports are now produced on a biweekly basis summarising status against submitted programmes and contract administration. Status: complete
7.18	In light of the recently reported delays, the loss of whatever float was included in the CRL programme (at least until a new baseline is established) heightens the risk of consequential delay impacts. Understanding the critical interfaces between contracts and planning mitigating activities to lessen the impact of consequential delay impacts will require a reassessment of project and programme level risks. We recommend that this be addressed as a matter of urgency and the outputs are taken into account in the updated MOHS, or at least the MOHS is tested to assess the potential impacts of these delays.	CRL	Crossrail has reinstated risk resource to support a refreshed monthly risk management process. The team is working to: • Provide a comprehensive and robust risk assessment for Project and Programme risks in order to inform the Anticipated Final Crossrail Direct Cost (AFCDC); • Support the development of risk management and mitigation through improved risk register content (scope and structured thinking) and support for the delivery teams holding them to account for active response planning; • Reconfirm best practice QCRA (cost) and QSRA (programme) methods and integration of approach; • Engage Crossrail leadership in the management of Enterprise Risk and link this with the Project and Programme Risk Management. • Update and reissue risk management process documentation to provide clear guidance to the delivery and functional teams; Crossrail has reinstated key Planning activities and resources to

Ref	Recommendation	Lead	Response
			support both the development and implementation of the new DCS (Delivery Control Schedule, the detailed development of the Earliest Opening Programme that will form the revised baseline using a bottom up and logic-linked approach) and to re-establish fundamental planning capability. Key work: • Instil confidence through significant deep-dive reviews with respective tier 1 suppliers, • Accurately map key to-go installation quantities, including respective installation curves, • Establish alignment with all pre-existing Contractual commitments (i.e., supply of periodic programme updates w/ respective review and approvals), • Validate logic sequences backed-up with solid tier 1 supply chain programme ownership and accountability, • Verify critical paths are clearly represented through and including the software for the train and the complex signalling system, and the completion of the stations, • Deliver clear and agreed basis and assumptions, with logic and activity durations recognising experienced build and commissioning constraints, with lessons learned from London Underground (such as trying to build more than three stations at once, and or commissioning more than one or two a per year). • Establish a successful opening sequence and high certainty about programme delivery, PMs have been re-educated of key requirement to ensure a Clause 32 programme is submitted periodically and responded to formally. Status: complete

Ref	Recommendation	Lead	Response
7.19	CRL has been operating a comprehensive change management process since the beginning of the project. However, in the event that further change is required that impacts the baseline plan, then a change control process should be implemented that allows time for Sponsor review to understand what is changing and why it is changing. The criteria for escalating change for review to the Sponsors should be agreed between the Sponsors and CRL. An example might be to escalate all change that impacts the opening of Stage 3 by more than two weeks and / or outturn cost by £25m.	CRL and Sponsors	CRL has introduced an amended programme change control process to increase its agility, reduce its time demands, and to better support the new delivery strategy. The new process incorporates approved changes to the Scheme of Authorities and Delegated Authorities Register. The overarching change is to the route and documentation for approval for programme changes depending on whether approval is sought for (i) scope change to the programme baseline, or (ii) change in project cost. This change is being supported by training that is being rolled out to roles involved in change control. Sponsors and P-Rep now attend the CRL Investment Committee and, as such, have greater visibility of these processes. Status complete
7.20	Guidance should be developed and issued around the application of judgement in determining AFCDC so as to help ensure a sufficient measure of consistency from period to period in the degree of optimism or pessimism which is applied. There should be sufficient clarity in the reporting such that the approach taken in relation to views taken on material subjective matters is apparent to the reader.	CRL	Guidance is being given in oral form through the period re-forecasting sessions and actions/minutes record and monitor this. Physical guidance has been produced, supported by advice given at All-Hands and local sessions (for example, Change Control training). There is a specific acknowledgment and focus on optimism bias. Status: complete

Ref	Recommendation	Lead	Response
7.21	Guidance should be developed / reinforced to PMs on the information to be considered and approach to be taken by them in reaching their view of the expected outturn on [each contract].	CRL	Guidance is being given in oral form through the period re-forecasting sessions and actions/minutes record and monitor this. Physical guidance has been produced, supported by advice given at All-Hands and local sessions (for example, Change Control training). There is a specific acknowledgment and focus on optimism bias. Status: complete
7.22	The reporting of expected contract outturn should be clearer with a single view on each contract used for both Commercial Performance and Funding Adequacy. Where it is concluded that different bases are justified, the reporting should include a clear explanation of the differences and the reasons for them. Where there are significant differences between CRL, PMs and Contractor views, brief explanations of the most material items should be recorded. A consistent level of optimism / pessimism should be applied from period to period in determining the reported CRL view.	CRL	Teams are now holding periodic AFC reviews to support the validation meetings and guidance and steering to best practice is given within these forums. Work is ongoing to ensure that Cost and Schedule reviews are aligned as part of the development of the Programme Governance structure. Status: complete

Ref	Recommendation	Lead	Response
7.23	We recommend for major contracts, the currently quarterly reviews by Programme Director, FD, PCD and CD that address schedule, defined cost and commercial issues are performed on a more regular basis so as to enhance control and quality of reporting. Outputs to include a single consolidated commercial position (point or range) for each contract enabling the CRL Board and in turn SB to be informed of up to date views of anticipated outturn and key issues on a contract by contract basis.	CRL	Anticipated Final Cost period re-forecasting reviews began in January and are conducted on a period basis (rather than quarterly). Consolidated numbers and position are being submitted to the Board. Status: complete
7.24	There should be a clear record of actions arising from defined cost reviews enabling effective follow-up and monitoring as appropriate.	CRL	AFC period re-forecasting reviews starting January are conducted on period basis. Consolidated numbers and position are being submitted to the Board as a result. Information is also recorded for purposes of the monthly funding validation meeting and formalised minutes and actions are followed up in following meetings. Status: complete
7.25	Reporting around the nature and value of identified risks and the resulting amount included in AFCDC should be clearer.	CRL	This is being addressed by the CFO and Head of Commercial as part of the period forecast review process that commenced in P11 covering all 20 key projects. The Board Report reports risk in the AFCDC within the “Cost & Risk Forecast” section. Status: on track

Ref	Recommendation	Lead	Response
7.26	Reporting around Contingency should include explaining the level of Contingency concluded to be required each month in respect of identified risks where this differs from the actual contingency held. In so far as is possible the level of Contingency held should be aligned with the view formed of the level concluded to be required which should be calculated using a consistent methodology and agreed level of optimism / pessimism.	CRL	Crossrail Board and Sponsors being advised on a period basis of the level of Risk and Contingency held and the judgement of management regarding its adequacy. Consistency of methodology will be achieved through the period re-forecast process and agreed with Crossrail Board and Sponsors. Reporting around contingency includes an explanation of the level of Risk Exposure each month which reflects identified risks and where this differs from actual contingency held. Status: on track
7.27	[This recommendation was redacted in the published version on the TfL website on 25 January 2019].	CRL	[This recommendation was redacted in the published version on the TfL website on 25 January 2019].
8	Sponsor assurance recommendations Sponsors to confirm the scope of P Rep for whole programme assurance and the requirements and expectations of P Rep in their reporting to Sponsors. Sponsors to consider obtaining regular independent advice to augment P Rep assurance and to identify potential gaps in P Rep activities.		

Ref	Recommendation	Lead	Response
8.1.1	Sponsors to: — Confirm the requirements to be placed on the P Rep to provide whole programme assurance. P Rep should set out the approach it intends to follow to provide this assurance for the remainder of the programme. Sponsors should then review, iterate as necessary, and agree an approach with P Rep which Sponsors consider to be appropriate and sufficient. The approach to be followed should be periodically revisited by P Rep and Sponsors to ensure it remains suitable to the needs of the Programme and risks to be addressed;	Sponsors	Sponsors responded to this recommendation with the following actions: -Sponsors requested enhanced P-Rep leadership and the new leadership team joined the programme in December 2018 -Sponsors wrote to the new P-Rep leadership on 7 December setting out their expectations for P-Rep's role. -P-Rep set out its revised approach at the January Sponsor Board to provide more judgements based on its observations at meetings and at site visits in addition to reviewing CRL's reporting. This was approved by Sponsors. -P-Rep resource plan approved by the Head of the JST and additional resource engaged on train systems, commercial, schedule, risk and stations -The JST and P-Rep agreed to review P-Rep's approach and resourcing at the P-Rep quarterly contract review meetings to ensure necessary assurance is being provided. Item added as a standing agenda item. Status: complete

Ref	Recommendation	Lead	Response
8.1.2	— Agree with P Rep the CRL meetings which P Rep should attend, and how P Rep should report back to Sponsors;	Sponsors	-Sponsors, P-Rep and CRL agreed at the January Sponsor Board for P-Rep to attend all key decision-making meetings including CRL Executive Committee -CRL Board Chair agreed the attendance of the Lead P-Rep at the CRL Board -P-Rep and JST agreed to review P-Rep attendance at CRL meetings at quarterly contract review meetings, escalating to Sponsor Board if necessary. Item added as a standing agenda item. -P-Rep provides feedback on key issues and concerns through their period report and attendance at Sponsor Board. P-Rep is asked to give their views as a standing agenda item. Status: complete
8.1.3	— Periodically ask the P Rep team to demonstrate that they have the right mix and depth of resources deployed to meet the evolving needs of the programme;	Sponsors	-P-Rep have provided a detailed resource plan to enhance the P-Rep team which was approved by the Head of the JST -JST and P-Rep agreed to review P-Rep's approach and resourcing at the P-Rep quarterly contract review meetings to ensure necessary assurance is being provided. Item added as a standing agenda item. -JST agreed with P-Rep that P-Rep will raise any intermediate concerns regarding mix and depth of resource deployment within their period report covering letter to Sponsors Status: complete

Ref	Recommendation	Lead	Response
8.1.4	— Challenge P Rep to express their view as to the realistic range of schedule and cost outturn where P Rep expresses concerns about the risks to CRL's reported schedule and AFCDC. This view should be sufficiently clear for Sponsors to understand the potential consequences of the concerns identified;	Sponsors	A new P-Rep leadership team joined the programme in December 2018 with the expectation that they voice their concerns; support Sponsors in challenging CRL; and express their view of possible schedule and cost outturn when they identify key programme risks. Status: complete
8.1.5	— Clarify with P Rep that Sponsors expect P Rep to provide clear recommendations on a timely basis of steps which Sponsors should be taking in response to any significant P-Rep concerns around schedule and cost outturn. Sponsors should communicate that these are expected to include recommendations as to matters on which Sponsors should be seeking additional inputs / analysis / responses from CRL, and any recommendations of any additional independent assurance review which P Rep considers would add material value.	Sponsors	-P-Rep have included a new section within their period report which outlines 'areas of concern' including items for escalation. P-Rep to be clear on issue, impact on schedule / cost, progress to date and what action they believe should be taken -P-Rep and JST discussed and agreed process for escalating P-Rep concerns with CRL or Sponsors (as appropriate) -P-Rep have revised their period report covering letter as a mechanism to escalate issues to Sponsors, CRL and the CRL Board and a prompt to discuss recommendations at the Sponsor Board and CRL Board -JST has added the P-Rep period report executive summary and cover letter into the Sponsor Board pack with an agenda item in Part A for P-Rep to present on these and an agenda item in Part B for CRL's CEO to respond to these. Status: complete

Ref	Recommendation	Lead	Response
8.1.6	— We note recent consideration of whether to integrate JST and P Rep. We recommend that JST and P Rep remain separate so that JST can continue to fulfil the role of directing, managing and constructively challenging P Rep in their provision of independent assurance to the Sponsors.	Sponsors	-P-Rep set out its revised approach as agreed at the January Sponsor Board confirms that P-Rep will remain separate and independent of the JST and Sponsors so that the JST can continue to fulfil the role of directing, managing and constructively challenging P Rep in their provision of independent assurance to Sponsors. The JST and P-Rep will continue to fulfil their functions through weekly review meetings, period report review meetings and quarterly contract review meetings. Status: complete
8.2	Sponsors to define the method for obtaining assurance that CRL reporting is sufficient, accurate and transparent. Sponsors to consider obtaining regular, independent advice which enables them: — To judge whether P Rep's current remit and outputs are providing sufficient assurance to Sponsors across the full range of programme challenges or whether additional steps are required to assess and consider the information being received in relation to the programme; — To assess whether the pace of change in the nature, quality, and extent of, CRL reporting around programme progress, forecast cost outturn and key risks is likely to provide sufficient transparency of programme status, likely outturn, and key risks net of mitigating actions being taken. In particular whether	Sponsors	Sponsors raised with CRL at the Sponsor Board in February the importance of CRL providing internal programme assurance of their revised schedule and costs. P-Rep emphasised that the report to Sponsors and are not part of CRL's assurance framework. CRL has established a 'Three Lines of Defence' model of assurance consisting of 1) Programme delivery controls; 2) objective programme assurance; and 3) independent assurance which forms the basis of their Independent Audit and Assurance Plan. Sponsors will work with P-Rep to identify and commission specific studies as required (Support Service Proposals - SSPs). These studies would be to gather independent advice and assurance of what CRL are reporting. Item added as a standing agenda item at quarterly contract review meetings. Sponsor have appointed an Independent Sponsor Board member and an Independent Technical advisor to provide their perspective and advice on matters. Status: on track

Ref	Recommendation	Lead	Response
	the metrics being reported are sufficiently reliable and tailored to the differing needs of construction, systems and integration etc. activities to provide sufficient visibility of current and expected performance and outturn; — To assess periodically and more deeply (for example at pre-defined stages) if project status and likely cost and time outturn broadly aligns with that being reported; — To assess whether the shape and pace of addressing the issues highlighted by / implementing the recommendations in this independent report on the review of governance arrangements and in the related report on financial and commercial matters, is progressing as it ought and whether the actual steps being taken are sufficiently addressing the underlying issues.		
8.3	Sponsors to draw up an action plan comprising the recommendations for Sponsors set out in this and the related governance report. Agree and record within the action plan, the actions to be taken, prioritisation, timelines, and responsible individuals. Define the extent of progress which Sponsors wish to see achieved from their own and CRL actions, by pre-set milestone dates in each of the critical priority areas, such as in the case of CRL, creation of a sufficient schedule, enhancing CRL reporting etc. Define the means by which assessment will be	Sponsors	-Action tracker established by JST and agreed and shared with CRL ahead of meeting on 24 January and 29 January. Therein established as a shared tracker hosted on an online platform to provide both teams with access. -JST met with CRL on 24 January and 29 January and agreed the prioritisation of the recommendations and the need to urgently identify actions, identify action owners and develop an action plan. -Prioritisation of action plan agreed and discussed with Sponsors on 8 February and 15 February. -Action tracker treated as a 'live' document and updated on a regular basis by CRL and JST with each team having visibility of

Ref	Recommendation	Lead	Response
	made of the progress in implementing Sponsor and CRL actions and of the extent to which each underlying objective has been achieved. Define how these matters will be independently assured, and to whom and how frequently the implementation progress and results of the independent assurance will be reported. Agree with CRL an appropriate set of arrangements including initial agreement between Sponsors and CRL of the actions proposed to be taken by CRL and by when, arrangements for period visibility of a copy of the CRL action plan updated for progress in closing agreed actions and the results of CRL's own regular monitoring, assessment and independent assurance of the implementation and impact of the actions. The initial agreement between Sponsors and CRL of actions to be taken will need careful consideration by Sponsors of: The prioritisation sequence proposed by CRL — The timeline proposed for implementation — How satisfactory completion of an action is proposed by CRL to be established — Where CRL conclude that the approach to addressing an issue needs to be varied from that outlined in a recommendation so as to enable more rapid addressing of the underlying issue, then Sponsors will need to satisfy themselves that the		others actions and progress. -Weekly reports on actions undertaken provided by JST to Sponsors. -JST met with CRL on 1 March to agree a joint narrative on actions and responses to recommendations. -Joint narrative and close-out report presented to the TfL Audit & Assurance Committee on the 10 June. -Sponsors and CRL will continue to implement recommendations and, where relevant, report to the TfL Audit and Assurance Committee or the CRL Audit and Assurance Committee, and will undertake assurance activities specifically in regards to the organisation's response to independent reviews (including KPMG) Status: on track

Ref	Recommendation	Lead	Response
	changed approach will be sufficient to address the underlying issue highlighted. Define how, how often and by whom, the rolled up action plan (Sponsors' and CRL actions plans combined) will be reviewed and the means by which resulting required actions will be communicated and in turn followed up.		
8.4	We consider it would be good practice going forwards for JST to make a formal note of key matters arising from their review of the P Rep reports, and matters discussed with and agreed actions resulting from discussions with P Rep each period beyond those directed formally by Sponsors through the Sponsor Board. This could for example then be briefly summarised and included either as a single additional page to the JST Paper issued to Sponsors each Period or as a separate short paper. This would also provide a vehicle for drawing Sponsors' attention to any key messages and P Rep findings set out in that period's P Rep report and assist in raising the visibility of key P Rep messages.	Sponsors	The format of P-Rep reports has been revised (i) making more effective use of the period report letter from P-Rep which raises specific questions for Sponsors to raise with CRL and CRL to respond to; (ii) a focused executive summary which highlights key risks to be used to structure CRL, P-Rep and Sponsor discussion at Sponsor Board, and (iii) a new section tha tracks 'areas of concern' on a periodic basis. This gives Sponsors better visibility of issues and concerns which do not warrant inclusion within the letter or executive summary. Any key areas that the Joint Sponsor Team feel that need to be escalated or included within the Joint Sponsor narrative. Status: complete

Financial and Commercial recommendation tracker

This table presents the recommendations made by KPMG along with the actions taken and decisions made by CRL and Sponsors.

4	Programme recommendations Sponsors to carry out an independent assessment of the CRL schedule and assumptions and to agree a new baselined programme to which CRL will be held accountable. CRL to adopt a bottom-up approach to developing a logic driven schedule, to establish a clear scope for the dynamic testing and to develop a comprehensive programme for stations and systems integration.		
4.1	To carry out an independent assessment of the CRL schedule and the assumptions underpinning the schedule	Sponsors	CRL has developed an Integrated Assurance and Audit Plan (IAAP) which included independent assessments of its schedule and assumptions by Deloitte (the 'red' and 'black' reviews). P-Rep and TfL Internal Audit were closely involved in the development of the IAAP and were sighted on the Early Opening Programme development. P-Rep recommended deep dive reviews into four specific areas all of which are now included as part of IAAP. JST will continue to assess whether further deep dive reviews are needed in the future by P-Rep or an independent body. Status: on track
4.2	To agree a new baselined programme to which CRL will be held accountable and against which its performance will be measured	Sponsors	CRL continue to develop their baseline cost forecast and schedule following approval of their Plan on 25 April 2019. Sponsors will use this as a mechanism to track CRL's

			performance and delivery of the project. The new programme will be subject Sponsors' scrutiny and the new programme (and any changes to the existing project agreements) are subject to Sponsor approval. Status: on track
4.3	To adopt a bottom-up approach to developing a logic driven schedule taking account of sufficient CRL assessments of agreed inputs from the Tier 1 contractors, and the critical dependant third parties. To ensure Tier 1 contractors have obtained appropriate commitments from their supply chain particularly as to appropriate resource availability to meet the schedule requirements.	CRL	The Earliest Opening Programme has been developed and independently assured. It is supported by assumptions, dependencies, exclusions, critical constraints, float and a narrative explaining what is being put in place to provide assurance that the schedule will be delivered with the EOP that feeds from Tier 1, 2 & 3 contractor schedules. The schedule is undergoing further development as part of the production of the Delivery Control Schedule to logic link the tens of thousands of activities, in addition to active monitoring of the implementation of assurance findings. The Commercial Strategy ensures that objectives are aligned. Status: on track
4.4	To establish a written scope of output specifications for the dynamic testing that defines what success would look like. The scope should be accompanied by a detailed schedule that is communicated to all relevant parties.	CRL	Various activities in collaboration with the supply chain have been undertaken to jointly address this matter, such as deep dives on-location and Senior Steering Groups. These activities, alongside the development and in coordination with of the Earliest Opening Programme, have defined the Migration Strategy. The Strategy provides an overall framework for the verification and validation needed to emerge from dynamic testing – including the key milestones, entry/exit criteria and configuration states There are three focus areas from this for which Output Specification are being developed: Systems Integration, Testing

			and Validation, and Assurance. These are being developed alongside the supply chain and in cognisance of programme-wide understanding. Status: on track
4.5	To develop a comprehensive programme for station and systems integration which should be put in place at the earliest opportunity	CRL	The development of the Earliest Opening Programme has challenged the Operator and the Infrastructure Managers to establish what the minimum criteria for emerging from dynamic testing is, and the Systems Integration team have further defined this in the overall migration and programme context. Scope Definition documents are being produced for Staged Completion (SC)1, SC2 and SC3 that will be given to projects, who will develop plans for achieving the scope. The SC1 Scope document is undergoing formal review on 21 May 2019 and SC2 and SC3 will follow. These exercises are integrated with the schedule to determine what is needed by when; for example, determining the best point to transfer to ROGS - Railways and Other Guided Transport Systems (Safety) Regulations. Status: on track
5	Cost Review recommendations Sponsors to consider the extent to which CRL has taken adequate steps to mitigate the likelihood of potential catastrophic risks. CRL to undertake a more detailed cost estimate once the updated completion programme has been agreed and to reconsider excluded risks; to ensure effective programme controls		

5.1	Consider the extent to which CRL has taken adequate steps to mitigate the likelihood and potential impact of a catastrophic event and whether or not potential contingent funding arrangements should be put in place to address such an event.	Sponsors	Following the revised Earliest Opening Programme, P-Rep have reviewed CRL's risk register and will provide an assessment to JST of whether CRL has taken adequate steps to mitigate the likelihood and impact of catastrophic events. Status: on track
5.2	To provide a higher confidence level on the outturn cost, CRL should undertake a more detailed cost estimate once the updated completion programme has been prepared and approved.	CRL	This is about focussing of providing better definition for the scope of stations in relation to the migration steps – allowing the programme delivery organisation to better define what the supply chain needs to achieve and when. The development of the Earliest Opening Programme has challenged the Operator and the Infrastructure Managers to establish what the minimum criteria for emerging from dynamic testing is, and the Systems Integration team have further defined this in the overall migration and programme context. Scope Definition documents are being produced for SC1, SC2 and SC3 that will be given to projects, who will develop plans for achieving the scope. The SC1 Scope document is undergoing formal review on 21 May 2019 and SC2 and SC3 will follow. Status: on track
5.3	Reconsider the programme risks excluded from the cost model, in particular the excluded infrastructure risks which are CRL's responsibility to manage and / or mitigate.	CRL	The Quantitative Risk Assessment on the Earliest Opening Programme was carried out week commencing 15 April 2019 and this included an assessment of programme risk. This will be updated on a periodic basis. Status: complete
5.4	Ensure effective programme controls to support the efficient delivery of the programme.	CRL	The programme controls team has been re-established and resourced, adding capability and capacity. The development of the Delivery Control Schedule will inform the state of project controls and requirements for monitoring against

			milestones and progress outside of the Visual Management process, and will be determined. Status: on track
5.5	The key Stage 4 and 5 activities and inter-dependencies should be scheduled out and related costs estimated.	CRL	Stages 4 and 5 are included as a high level estimate, and will be subject to further, more detailed development as understanding of and confidence in the new schedule matures. Status: on track
6	Risks and Uncertainties recommendations Sponsors to request a bottom-up cost estimate built on dates from an updated robust schedule which takes account of contractors' views on performance and delay; CRL to take appropriate account of all significant risks in compiling their updated cost estimate and to present high-impact, low probability events separately as a range of schedule and cost impact.		
6.1	To request a bottom-up cost estimate, built on dates drawn from an updated MOHS. It should be independently verified that the updated MOHS is robust and takes appropriate account of contractors' views on performance and delay. (See separate recommendations on preparation of a revised MOHS / Schedule).	Sponsors	CRL confirmed to Sponsors of the development of a bottom up estimate to be provided in relation to the revised baseline once developed, Sponsors will seek P-Rep's view on the basis of that estimate and use this to scrutinise CRL's position. Status: on track

6.2	To adopt a consistent approach in the modelling of schedule risk, commercial risk and contingencies.	CRL	Quantitative Risk Assessments have been undertaken for all key projects within the programme and the values at P50 reported within the P12 Board Report. A further Central Risk provision was made by Project to allow for shortcomings in the completeness of these initial QRAs. From P13, with the new risk resources on board, Project QRAs will improve in quality and also be able to re-fresh the Programme risks that have not been subject to detail review since December 2018. Risk capability (3 analysts) has been remobilised and a Head of Risk has been engaged to integrate the output and provide consistency and assurance to the process. Crossrail's procedures for QRA (cost and schedule) have been reviewed and revised to be appropriate for this phase of the project. Status: complete
6.3	To reassess the Additional QRA risks presented in RAP 2 to develop a comprehensive risk register for contingency held at CRL and sponsor level. This risk register should exclude catastrophic and high-impact, low-probability risks, as these should be separately presented with ranges of potential schedule and cost impact. The risk register should be re-assessed to include three point estimates of schedule and cost impact for each risk.	CRL	A Quantitative Risk Assessments on the Earliest Opening Programme has been carried out, and this has included an assessment of programme risk. This will be updated on a periodic basis, with the next step-change being when the Delivery Control Schedule (DCS) is finalised. Focus is currently on developing a comprehensive risk register, with risks owned, managed and quantified. Status: on track
7	Assumptions and exclusions recommendations CRL to account for risks associated with the C610 Systemwide contract; to include sufficient float in the dynamic testing programme; to identify and manage critical Network Rail possessions; and to include sufficient duration for trial operations.		

7.1	To account sufficiently in preparing the cost estimates for the risks associated with and potential delays to completing [the relevant contractor].	CRL	[The relevant contract] has completed a Quantitative Risk Assessment - this has been accounted for in a Board meeting paper.
7.2	To allow for sufficient float in the dynamic testing programme, given the uncertainty of this activity.	CRL	In addition, the process described in the response to Recommendation 4.4, the Earliest Opening Programme (EOP) takes into account float and the EOP's assurance process has validated this. This will undergo further development as part of the exercise to logically link the tens of thousands of activities as part of the Delivery Control Schedule. Status: on track
7.3	To include in the schedule and cost estimate sufficient amounts to address the risks (excluding catastrophic risks) associated with completing all the infrastructure works. The expected delay consequences on other activities of non-catastrophic risks materialising, should not be excluded, and a realistic allowance for time should be included for all activities such as completion of required documentation.	CRL	A comprehensive and robust Quantitative Risk Assessment has been developed to reflect the risks associated with completing all the infrastructure works and opening the railway and is subject to periodic review to increase maturity and maintain relevance. Subject to the assessment reaching an appropriate level of maturity, it is anticipated that the outputs will be reported as part of the AFCDC from Period 1. Status: on track
7.4	To identify the critical NR possessions and to confirm whether these have been confirmed by NR and to schedule in accordingly and consider the consequences of a prudent level of lost possessions.	CRL	This is captured through new programme review and visualisation processes, with clear accountabilities set between the Chief Operating Officer and Programme Director. For possessions that relate to Network Rail's (NR) On Network Works scope (On-network Works - i.e. Stages 2B, 4,5A & 5B), CRL's Chief Operating Officer (and CRL's Surface Works team) are responsible for providing assurance to the CRL CEO (and CRL Board) that NR has the possessions it needs within its delivery plan to deliver the ONW scope (and if not

			challenges/escalates appropriately within NR). For possessions required to support all other works. The Programme Director (and the respective CRL project team are responsible for ensuring they have secured the possessions required to enable delivery of scope. Crossrail work is currently planned to be delivered in existing published possessions and new disruptive possessions. All requested possessions must be reviewed and agreed by both Network Rail and the train operators under the established planning rules which sets the timeline as to when they must be submitted and processed by the train operators, Engineering Access Planning and then published. In this regard, although Network Rail and the train operators may agree to new possessions, they must still go through the formal process before they are finalised and published. The current status of all CRL required and requested possessions are recorded. Status: on track
7.5	To include allowance for a sufficient duration for trial operations based on a detailed plan agreed with the infrastructure manager and to include contingency for unforeseen delays.	CRL	This has been developed as part of the Earliest Opening Programme. It takes into account the readiness of the operator. It will also include a period of trial running prior to operations to improve confidence level of successful trial operations. Status: on track
8	Funding Model recommendations Sponsors to ask CRL to Model the impact of the additional costs which were illustratively assumed by the various scenarios explored in section 5.		

8.1	Make allowance in additional funding for costs to come in at the P95 / Additional P95 QRA level, then we recommend that the Sponsors instruct CRL to prepare a Model reflecting the full P95 costs and Additional P95 QRA, rather than P50 (i.e. relax the PDA requirement for that particular version of the Model). This will require CRL to profile all additional costs by period.	Sponsors	The Earliest Opening Programme (approved on 25 April 2019) has identified the P50, P80 and P95 AFCDC. Status: complete
8.2	Instruct CRL to prepare the revised Model in a way that reflects resolution of the two remaining findings from our review of the logical integrity of the Model. Sponsors may also wish to consider requesting an accompanying Record of Assumptions and/or Model user guide.	Sponsors	The two remaining findings on the logical integrity of the model relate principally to historic scenarios that have no impact on the current forecast and Sponsors agree witht the KPMG finding that this does notwarrant the preparation of a revised model. Status: complete
8.3	Consider whether there is a risk that the position of the pension scheme has deteriorated since the last actuarial valuation in December 2016, and whether this should be reflected in the cost assumptions in a future Model version.	Sponsors	This has been considered and a report has been issued to CRL on the pension status. The next actuarial valuation will occur in December 2019. The Balance Sheet provides for the full potential deficit. Status: on track
8.4	Note that there are a number of subjective assessments related to both costs and timing of cash outflows [specific examples of which were given] which may impact the SFA cash balance. To increase the robustness and level of confidence in these assumptions, we recommend that Sponsors should request CRL to develop these assumptions further to remove the subjectivity of any judgements that could impact the timing and quantum of	Sponsors	Processes have been re-established in relation to period reforecasting against direct and indirect costs – these now occur 4-weekly rather than quarterly – and through QRAs. Therefore any judgements for figures or assessments are evaluated and considered within these re-established processes, alongside the introduction of standardised reporting of figures and guidance given. Status: on track

	additional funding required.		
8.5	Consider whether the assumption regarding provisions unwinding is appropriate and if, in the light of this information, the assumptions about remaining programme contingency are appropriate. Note: the provisions balance of £31m as at P6 2018_19 is assumed in the Model to unwind in future periods. Effectively, therefore, the Model assumes that, should these costs arise, they would need to be funded from the remaining £223m of programme contingency.	Sponsors	Processes have been re-established in relation to period reforecasting against direct and indirect costs – these now occur 4-weekly rather than quarterly – and through QRAs. Therefore any judgements for figures or assessments are evaluated and considered within these re-established processes, alongside the introduction of standardised reporting of figures and guidance given. Status: on track
8.6	[This recommendation was redacted in the published version on the TfL website on 25 January 2019].	Sponsors	[This recommendation was redacted in the published version on the TfL website on 25 January 2019].
8.7	[This recommendation was redacted in the published version on the TfL website on 25 January 2019].	Sponsors	[This recommendation was redacted in the published version on the TfL website on 25 January 2019].
8.8	Consider whether CRL's assumptions in RAP 2 are likely to be realised, and if not the likely implications on Sponsor funding requirements. Note: CRL itself also highlighted some of its own key assumptions in the RAP 2, including [relevant key assumptions].	Sponsors	Sponsors will ensure that the assumptions underpinning the revised DCS and future cost forecasts are reviewed by P-Rep. RAP2 was historic top-down cost estimate and we believe there is limited value of a variance analysis of the new schedule and cost against RAP2. Status: on track
8.9	To reflect the potential impact of the issues highlighted in this report, Sponsors should consider asking CRL to Model the additional costs which were illustratively assumed by the various scenarios	Sponsors	Sponsors will ensure that the assumptions underpinning the revised DCS and future cost forecasts are reviewed by P-Rep. This will include the modelling of alternative scenarios and sensitivity analysis.

	explored in section 5. It would be sensible to have regard both to Scenario 3 representing roughly the mid-point of the assumptions explored as well Scenario 6 representing the most pessimistic scenario. Against Scenario 6 we commented that we estimated there was around an 80% probability at present of not exceeding this illustrative outturn providing our key recommendations were implemented at pace and assuming no major as yet unforeseen event arises.		Status: on track
9	Financial Controls recommendations CRL to revise the content of period Board Reports to include transparent more granular reporting of productivity, past, current, and assumed; revise central resource levels in finance and risk etc. to align better with the needs of the programme; to enhance significantly the extent and quality of constructive challenge provided by finance to commercial / project teams; to minimise optimism bias in outturn reporting; and to enhance financial procedures and processes.		

9.1	Revise the content of CRL Board Reports to streamline the existing contents. Add additional metrics to report on actual productivity at a contract level (for key contracts) over time with comparison against plan, and assumptions underpinning costs and time to go calculations so as to provide transparency on past, current, and future assumed productivity for each key contract. For areas where productivity is more challenging to measure such as systems and systems integration, devise metrics which report progress against the most difficult activities so as to enable transparency of past, current and future assumed progress.	CRL	There is a refreshed Board report, with contract productivity focus from the Head of Commercial. Metrics have, and are, being developed with a focus of adding value to decision making. The EOP approval is informing the nature of metrics reported against, and the development of the Delivery Control Schedule (the new baseline) will affirm what is reported. Status: on track
9.2	Review the current central resource and skills levels in key functions (finance, risk etc.) versus the levels needed to sustain effective control through the balance of the programme and ensure appropriate steps are in place to restore the resource levels required. Revise the current demobilisation plan to align with a realistic assessment of the probable programme timeline, after including sufficient flexibility in key resource areas in the event of further unforeseen delay.	CRL	The business planning process is ongoing and indirect costs are captured as part of the periodic AFC reviews and reforecasting. Appropriate capability acquisition is underway across Crossrail to strengthen functions and the recruitment team has been reinforced by additional staff. Previous issues with procuring resource have been resolved. Relationships with existing suppliers to Crossrail have been developed and expectations communicated. This process will be an ongoing one in order to ensure that the capability needs of the programme as it evolves are met. The Integrated Resource Group manages changes to the business plan, and CRL HR Director ensures roles under recruitment are identified in the business plan AFC reviews are conducted on period basis. Consolidated numbers and position are being submitted to the Board as a result.

			Demob plan will be considered as part of the Earliest Opening Programme and Delivery Control Schedule development. A workforce planning exercise to validate and enforce the resource plans is underway. This involved identify critical resource pinch points to identify where mitigating actions may be required. Status: on track
9.3	Produce guidance on the appropriate extent, areas, frequency and processes which project finance staff and others in finance should follow to ensure there is sufficient constructive challenge to key commercial / project activities which deliver, or provide the basis for, key inputs into the financial reporting. Ensure project finance staff have the appropriate skills and experience and training to follow the guidance in the manner intended.	CRL	A paper and guidance note has been produced on Overview of Financial Controls. Guidance is being given in appropriate forums (AFC reviews, All-Hands events, documentation). Required resource has been acquired. Status: on track
9.4	Produce a consolidated finance procedures manual (collating and where relevant enhancing guidance already in existence but adding critical additional material), which should outline key practices. This should be stored in one place such as on CRL's intranet in order to be visible to and accessible by relevant staff.	CRL	A paper and guidance note has been produced on Overview of Financial Controls. Status: complete
9.5	Utilise a more granular approach for the forecasting and estimating process. Processes used to produce outturn forecasts should be enhanced, the effectiveness of assurance checks re-assessed optimism bias in outturn forecasting reduced and more constructive challenge applied by the finance	CRL	Processes have been re-established in relation to period reforecasting against direct and indirect costs – these now occur 4-weekly rather than quarterly – and through QRAs. The production of the estimate following the Delivery Control Schedule will provide an evidence base for this. The new assurance framework and Project and Programme

	department on a regular basis.		Assurance team will provide greater assurance on (amongst other things) schedule, risk, cost and commercial matters. This is outlined in the Integrated Audit and Assurance Plan approved by the CRL Board. Status: complete
9.6	Prepare a tailored business plan for the 2019/20 financial year suitable for supporting the effective execution of the business' objectives.	CRL	The outputs of the periodic re-forecasting exercise since January form the basis of an interactive and agile business planning process for both directs and indirects, and is submitted to the CRL Board and Sponsors. This information covers the whole programme (not just 2019/20) however it is phased and can be provided to satisfy the requirements of a 2019/20 business plan. Previous shortcomings in regards to the lack of an integrated programme are being addressed through the development of the Delivery Control Schedule. Status: on track
9.7	Develop a dedicated corporate risk management procedure and a corporate risk register. Appoint a CRL risk lead who will be in charge of both the project risk and corporate risk management processes.	CRL	See Governance Recommendation 5.5.5
	Commercial Controls and Processes recommendations Commercial controls to be enhanced, particularly regarding commercial management and administration of contracts. Where Sponsors determine it to be relevant, CRL's delegation to be reviewed and a revised CRL delegation framework to be developed. Sponsors to reserve the		

	opportunity to review CRL decisions on certain new supplemental and settlement agreements. CRL also to drive improvements in productivity and reset the commercial strategy for the completion of contract works. Sponsors to review the funding envelope and define a process for the timing and release of funding. Appropriate steps to be taken to enable the holding of contingency at Sponsor level to be an effective measure. An enhanced change management process should be implemented.		
10.1	Sponsors to consider the following in confirming a new framework for the management of funding and contingency. • The practical challenges which CRL currently face in being able to identify credible cost estimates and therefore to derive reliable P50, P80 or P95 values for the operation of the existing or a revised framework. These challenges are likely to continue for some time and hence as an interim measure any plan to define values for contingency to be held at Sponsor and at Board level, with the rest at Programme level, may require the pre-definition of contingency values other than by reference to CRL declared values for P50, P80 and P95 outcomes and this should be addressed. • The holding of contingency at a Sponsor level is only effective if Sponsors have in place the following (and therefore related steps will need to be taken to ensure). - Sufficient and timely visibility to Sponsors of	Sponsors	See Governance Recommendations 7.1.1 and 7.1.2

	reliable information on current and expected outturn project performance. - Effective oversight for Sponsors including of risks and uncertainties together with planned actions. - Appropriate rights of intervention by Sponsors together with a practical ability to intervene on a timely basis when it seems likely that further commitments or actions or the absence of appropriate actions could take AFCDC over the expected project outturn. • Whether the interests of additional stakeholders will need reflecting in some way (e.g. GLA, HMT).		
10.2	Sponsors to agree the definition of additional Reserved Matters on which they have the right to require CRL to seek their pre-approval, and the mechanisms consequently required to be put in place. This would provide Sponsors with the option to require that Sponsors consider and approve or reject proposals as they are developed for such additional Reserved Matters. Sponsors should consider defining the additional Reserved Matters to include. • Proposed material changes by CRL to the commercial arrangements around existing contracts (see separate recommendation). • Proposals for CRL to enter into new arrangements or take any decision which is expected to have a material adverse impact on, or which CRL consider will avoid a material adverse impact on, schedule or cost outturn. For this purpose it will be necessary to	Sponsors	See Governance Recommendation 7.4.1

	define ‘material changes’ and ‘material adverse’. • Definition of, and adherence to, appropriate processes for timely pre-approval requests, provision of relevant information and documents to those charged with approval, and the granting or otherwise of approval including where necessary the seeking of independent advice to inform Sponsor decision-making, will be particularly important. This is so that Sponsor approval or otherwise can be provided on a timely basis, after appropriate consideration, and so that the programme is not unnecessarily impacted.		
10.3	The Sponsors to agree with CRL a set of critical milestones to indicate CRL’s performance in progressing the works to completion in line with the new baseline plan as recommended in 11.6. • The determination of appropriate milestones by Sponsors and how these should be monitored and reported against by CRL should be the subject of independent advice to Sponsors. These milestones will then need to be advised to / agreed with CRL. • Sponsors to consider the rights Sponsors wish to have going forwards to intervene in the programme linked to programme performance as reflected in the milestones. Sponsors to also consider whether there may be other circumstances where they would seek additional rights to intervene. Furthermore consideration is required as to whether these rights need to differ from their current existing rights.	Sponsors	See Governance Recommendations 7.5

	Appropriate arrangements to support those rights will then need to be put in place. • The advised milestones should be driven from the programme and CRL should provide variance analysis for all movements in milestones along with the plan to recover the delays. • The purpose behind the milestones would be to flag early warnings of delays to the agreed baseline programme and to trigger a set of agreed actions to allow the Sponsors to understand the potential impact to time and cost and to monitor mitigation measures established by CRL. • Sponsors should define their requirements for CRL to provide variance analysis and mitigation actions where performance achieved is behind that planned.		
10.4	Sponsors to have the opportunity to review and discuss CRL's decisions on proceeding with and signing any new supplemental or settlement agreements in relation to key contracts prior to their implementation. Sponsors should seek independent input (which could be from P Rep) as to the upsides / downsides of what is proposed, prior to determining whether they have any objection to each proposed agreement. For this purpose, key contracts will need to be defined by Sponsors but is expected to include at least the top 10 to 15 contracts.	Sponsors	See Governance Recommendation 7.9

10.5	Sponsors to request CRL produce a commercial close out strategy for all the open contracts, setting out their current views on contract outturn positions without having a new agreement in place and with a new agreement in place. This should take account of the dates being agreed with the contractors in the development of the updated MOHS.	Sponsors	See Governance Recommendation 7.10
10.6	CRL to review and amend its financial Scheme of Authorities to reflect the creation of the Investment Committee. Executive delegations should be reduced, and the Board, through the Investment Committee to assume greater responsibility.	CRL	See Governance Recommendation 7.11
10.7	CRL to consider (and potentially take advice on) how they can best drive improvements in contractor and their supply chains' productivity in a way that delivers net benefits to the programme in time and cost. Their conclusions should be put to Sponsors in a short paper setting out the proposed approach and the costs and benefits expected to be involved. Sponsors to consider, seeking independent advice as appropriate, and confirming their approval or rejection as appropriate. The improvements should be captured in trend analysis within CRL and Sponsor reporting.	CRL	See Governance Recommendation 7.15

10.8	CRL should reset the commercial strategy for the completion of contract works in line with the revised milestones and payment terms and it should be produced by CRL for review by the Sponsors. Compliance to the strategy should be recorded in the periodic reporting and divergence should require an explanation of the issues, impacts and mitigations.	CRL	See Governance Recommendation 7.16
10.9	Improvements could be made to the operation of the contract and commercial controls in relation to the commercial management and administration of the [relevent elements of the contracts].	CRL	See Governance Recommendation 7.17
10.10	In light of the recently reported delays, the loss of whatever float was included in the CRL programme (at least until a new baseline is established) heightens the risk of consequential delay impacts. Understanding the critical interfaces between contracts and planning mitigating activities to lessen the impact of consequential delay impacts will require a re-assessment of project and programme level risks. We recommend that this be addressed as a matter of urgency and the outputs are taken into account in the updated MOHS, or at least the MOHS is tested to assess the potential impacts of these delays.	CRL	See Governance Recommendation 7.18

10.11	There should be a clear record of actions arising from defined cost reviews enabling effective follow-up and monitoring as appropriate.	CRL	See Governance Recommendation 7.24
10.12	CRL has been operating a comprehensive change management process since the beginning of the project. However, in the event that further change is required that impacts the baseline plan, then a change control process should be implemented that allows time for Sponsor review to understand what is changing and why it is changing. The criteria for escalating change for review to the Sponsors should be agreed between the Sponsors and CRL. An example might be to escalate all change that impacts the opening of Stage 3 by more than two weeks and / or outturn cost by £25m.	CRL and Sponsors	See Governance Recommendation 7.19
11	Commercial reporting and oversight recommendations Sponsors to agree timescales for the development of the initial programme by the new CRL CEO and then the development of that programme. Obtain independent assurance of the CRL programme with a deep dive into the estimates for time and cost and providing scenarios based on various scope and other options. Sponsors to agree the metrics and analysis required from CRL in their performance reporting, as well as a set of critical milestones to indicate CRL's performance in progressing works to plan. Reporting to include greatly enhanced visibility of productivity and progress against the most		

	complex and highest-risk critical path tasks. Reporting to be transparent, timely, sufficient and assured. Sponsors to provide regular updates to stakeholders based on outputs provided by CRL and P Rep. Escalation to stakeholders to be triggered where reporting identifies delivery performance outside of agreed cost and schedule parameters.		
11.1	Sponsors to satisfy themselves around the development of the delivery plans with associated estimates of time, cost, risk and assessment of scope adjustments required to open the line as early as possible.	Sponsors	See Governance Recommendation 7.2
11.2	Sponsors to agree the metrics and analysis required from CRL in their performance reporting to allow the Sponsors to make their own assessment of whether the progress being achieved is in line with the plan.	Sponsors	See Governance Recommendation 7.3
11.3	Sponsors to provide regular reports to the TfL Board, TfL Commissioner and DfT Permanent Secretary reporting on. • Programme performance in the context of the agreed, revised funding envelope, forecast cost outturn and programme completion timeline. • Progress against agreed critical completion milestones. • Status of key programme risks and their mitigation. In the event of further slippage, clarity in respect of delay impacts, including on forecast cost to	Sponsors	See Governance Recommendation 7.6

	completion.		
11.4	Escalation to TfL Board and DfT Board and Executive Committee should be triggered where reporting identifies programme delivery performance outside of agreed parameters (these to be defined) in terms of cost and timeline.	Sponsors	See Governance Recommendation 7.7
11.5	Agree the timescales for the development of the new programme56 by the new CRL CEO. Once the new programme / detailed baseline is developed the Sponsors to obtain independent assurance through an instructed deep dive review of the programme to validate that it provides a realistic reflection of the scope of work to complete and that the time allowed is logic driven and the productivity assumptions are realistic and based on agreements with the contractors. The cost estimate to complete the works should be independently reviewed to check that it takes account of the updated programme and is based on assumptions that are aligned with the contract and commercial positions agreed with the contractors. Realistic scenarios should be considered and assured.	Sponsors	See Governance Recommendation 7.8
11.6.1	CRL to re-establish / develop / provide the following. • A detailed bottom up schedule for each contract that is logic linked, based on the known scope to complete the works (including in relation to the stations taking into account the lessons learned	CRL	See Governance Recommendation 7.12.1

	from Tottenham Court Road station). Each contract schedule should be progressed by the PMs taking into account change, risk, compensation events and contractor resource levels and productivity. The schedule should include an appropriately assessed time contingency allowance (float). • The schedule should be informed by rates of activity achieved to date and where different rates are used to drive assumptions about the time and cost to go, this should be clearly highlighted in reporting to Sponsors. This should include where assumptions are made about increased resources to be applied by contractors and their supply chain from those recently applied and / or where improvements in productivity are being assumed, and where this is without any specific agreement to that effect with the contractors concerned. • Once there is an agreed robust baseline then the reporting of performance and cost should be measured against the baseline plan to provide the Board and Sponsors with a transparent view on performance at individual contract level and at programme level. Reporting of progress should take proper account of the complexity of, and effort likely to be required to complete, each principal remaining activity within each contract such that reporting is a reliable indicator of progress made and productivity likely to be achieved.		

11.6.2	•There will need to be a clearly defined strategy which enables both effective downward contract management as well as clear upward performance reporting. Contractors should be managed against challenging but achievable targets using a mixture of contractual rights and other measures. Upward reporting to Sponsors should include providing clear visibility of the forecast Stage 3 opening date as per the schedule, the level of remaining float, key critical path activities and risks etc. Sponsors should pay close attention to trends in, and to the level of, reported float in the programme as well as to reported risks to critical path activities. Public reporting of achievable opening dates will need to recognise both what is realistically expected to be achieved and the consequences of potential inconsistencies between public messages and target dates against which contractors are being managed. Where relevant CRL and Sponsors should consider appropriate range rather than point reporting, reflecting the remaining risks in the programme. • At programme level develop an integrated logic linked baseline schedule that takes inputs from each contract to determine the key programme completion dates. The Stage 3 opening date should be allowed to move in line with the schedule logic. • Reporting to the CRL Board and the Sponsors which provides sufficient information on the progress of the individual contracts and the overall	CRL	Commercial strategy currently in draft and Commercial have put in place a framework to drive correct behaviours and incentivise the contractors, and will be formally issued as part of the EOP Plan. Visualisation and refreshed Board reporting in place. Status: on track

	impact at programme level. • Reporting which includes Key Performance Indicators ('KPIs') / trend assessments to demonstrate progress achieved compared to the forecast rates of progress to meet planned dates. • Where there is a slippage in a key date then CRL should report on the variance to indicate the impact and what mitigation measures will be taken to recover the delay. The recovery of a delay should not be shown in the schedules until it is achieved. The reporting should indicate the unmitigated completion date and CRL's view on the mitigated completion date, including remaining programme float. • Reporting against Sponsor Milestones which are agreed and reported directly from the programme schedule.		
11.7	1) Develop an enhanced suite of metrics for reporting which at a minimum meets pre-defined criteria agreed between Sponsors and CRL and which enables clear visibility of inter alia. 2) Current, previous, and predicted future productivity and progress on key contracts and against key activities on each critical path with explanations where there is a significant variance between current and forecast future productivity rates. This should include dependent activities not under CRL direct control. 3) For systems, integration and other relevant	CRL	See Governance Recommendation 7.13

	activities which are less suited to traditional productivity measures, develop suitable metrics to give equivalent visibility of the critical path activities. 4) Current agreed as well as latest expected TOSD [data]for each key contract and any significant variances against reported AFCDC – together with the current cost run rate by contract being incurred. 5) Progress against pre-agreed milestones, and a summary of programme float (current, recent, and predicted future levels by milestone and overall). 6) Risks, planned mitigation and remaining key net risks with quantification. 7) Cost by contract, for integration activities and other CRL managed activities, and for indirect costs etc. and the overall AFCDC. The metrics should evolve over time to suit the changing needs of the project as it moves into a more systems and integration dominated phases whilst preserving the ability to provide historic comparatives and trends.		

11.8	Oversight of reporting within CRL to be provided through the 3 lines of defence. CRL to review the effective operation of the first and second lines of defence58 and allocate additional resources and enhance processes and procedures as appropriate. Assurance of the quality and timeliness of CRL reporting for Sponsors to be provided by CRL Management validating that, and separately by internal audit testing that, the first two lines of defence are operating appropriately. The CRL Audit and Risk Committee to be responsible for ensuring that the third line of defence, internal audit, has adequately addressed commercial and financial as well as other area risk areas such as health and safety.	CRL	See Governance Recommendation 7.14
11.9	Guidance should be developed and issued around the application of judgement in determining AFCDC so as to help ensure a sufficient measure of consistency from period to period in the degree of optimism or pessimism which is applied. There should be sufficient clarity in the reporting such that the approach taken in relation to views taken on material subjective matters is apparent to the reader.	CRL	See Governance Recommendation 7.20
11.10	Guidance should be developed / reinforced to PMs on the information to be considered and approach to be taken by them in reaching their view of the expected outturn on each contract, which should include taking an informed view on Contractor	CRL	See Governance Recommendation 7.21

	Compensation Events.		
11.11	The reporting of expected contract outturn should be clearer with a single view on each contract used for both Commercial Performance and Funding Adequacy. Where it is concluded that different bases are justified, the reporting should include a clear explanation of the differences and the reasons for them. Where there are significant differences between CRL, PMs and Contractor views, brief explanations of the most material items should be recorded. A consistent level of optimism / pessimism should be applied from period to period in determining the reported CRL view.	CRL	See Governance Recommendation 7.22
11.12	We recommend for major contracts, the currently quarterly reviews by Programme Director, FD, PCD and CD that address schedule, defined cost and commercial issues are performed on a more regular basis so as to enhance control and quality of reporting. Outputs to include a single consolidated commercial position for each contract enabling the CRL Board and in turn SB to be informed of up to date views of anticipated outturn and key issues on a contract by contract basis.	CRL	See Governance Recommendation 7.23
11.13	Reporting around the nature and value of identified risks and the resulting amount included in AFCDC should be clearer.	CRL	See Governance Recommendation 7.25
11.14	Reporting around Contingency should include explaining the level of Contingency concluded to be required each month in respect of identified risks	CRL	See Governance Recommendation 7.26

	where this differs from the actual contingency held. In so far as is possible the level of Contingency held should be aligned with the view formed of the level concluded to be required which should be calculated using a consistent methodology and agreed level of optimism / pessimism.		
11.15	The NEC3 guidance on Contractor Programme acceptance should be followed and where Contractor programmes are not accepted this should be reported to the CRL Board with details of the potential implications.	CRL	See Governance Recommendation 7.27
12	CRL Board Committees recommendations CRL to review the current Board sub committee structure, this to include (re-)establishing the Audit and Risk Committees as a single combined Committee in line with good practice for an organisation such as CRL and the creation of a separate Investment committee reporting to the CRL Board, distinct from the Executive Committee. The breadth and focus of the internal audit programme and resources should be enhanced. The capabilities and expertise of the CRL Board should be enhanced through the nomination of new Non-Executive Directors.		

12.1	CRL to recognise that greater openness and transparency with Sponsors and timely communication of relevant information is required to reflect the changed circumstances of the project. CRL to set out to Sponsors how CRL will cascade enhanced expectations regarding behaviours, transparency, and culture throughout their organisation and maintain this over the rest of the programme so as to support transparent and timely reporting of successes and challenges, avoid optimism bias, and also so as to sustain a strong and positive morale amongst their staff in the face of the current challenges. Regular updates to be provided demonstrating how CRL have satisfied themselves that the appropriate culture is being sustained.	CRL	See Governance Recommendation 5.4
12.2.1	The bullets below set out detailed recommendations relating to the re-establishment of the Audit Committee and Risk sub-Committees as a single combined Committee and recommendations relating to Internal Assurance. • CRL to establish a CRL Audit and Risk Committee reporting to the CRL Board. The remit of the Audit and Risk Committee should be consistent with standard good practice for an organisation such as Crossrail (e.g. addressing internal controls, financial and commercial controls, project and risk reporting, as well as external audit and internal financial, commercial, technical and health and safety assurance etc.). The frequency of meetings of the	CRL	See Governance Recommendations 5.5.1, 5.5.2, 5.5.3, 5.5.4, 5.5.5

	Audit and Risk Committee should be sufficient so as to allow for appropriate attention on risk reporting matters. • The Annual Internal Audit Report should be presented to the CRL Audit and Risk Committee. The Annual Audit Plan should be approved by, and Audit Plan Updates should be provided no less frequently than quarterly to, the CRL Audit and Risk Committee.• The breadth and focus of the internal assurance programme should be broadened so that whilst maintaining the focus on critical technical and health and safety matters there is also sufficient focus on Programme delivery and corporate risks, internal financial and commercial controls and on CRL reporting, reflecting all of this in a renewed Integrated Assurance and Approval Plan (‘IAAP’). • The breadth and nature of resources required and available to deliver the broadened internal assurance programme should be assessed and gaps appropriately addressed. • The Audit and Risk Committee to sponsor implementation of a dedicated corporate risk management procedure with the development of a separate corporate risk register. A CRL risk lead to be appointed who will be in charge of both the project risk and corporate risk management processes.		

12.2.2.	With regard to the central reporting of risk we recommend. • Consideration is given to reviewing the sufficiency of the current eight weekly cycle of reporting to EIC and whether this should be shorter. • Risk matters should resume be reported to the CRL Audit and Risk Committee once re-formed. • CRL's Head of Programme Risk to report to both the EIC and Audit and Risk Committee. • The sufficiency of the resources addressing risk reporting should be reviewed in light of the impact of the implemented demobilisation actions (in line with planned Stage 3 opening in December 2018) and consideration should be given to reinstating risk quantification at project level.	CRL	See Governance Recommendations 5.5.6, 5.5.7, 5.5.8, 5.5.9
12.3	Executive and Investment Committee: CRL to separate the Investment Committee from the Executive Committee. The Investment Committee should report to the CRL Board, it should also have a Non-Executive Director ('NED') majority, and CRL should consider a requirement for this to be a NED Chaired Committee. The current CRL delegation framework (the "Scheme of Authorities") will require amendment.	CRL	See Governance Recommendation 5.6

12.4	Health and Safety Committee: The CRL Board to review the decision to disband the Health and Safety Committee64 and consider whether it should be re-established given the status of the programme and revised timelines and whether this would contribute to the maintenance of CRL's successful focus on health and safety matters.	CRL	See Governance Recommendation 5.7
12.5	Nominations Committee: In the event that Sponsors and CRL decide to retain the CRL RemCo, CRL to formalise consolidation of the RemCo and Nominations Committees.	CRL	See Governance Recommendation 5.8
12.6	Sponsors and CRL should work together to enhance the capabilities and expertise of the CRL Board through the appointment by CRL of new NEDs with expertise matched to the current and future requirements of the programme. Sponsors should work with the CRL Board to identify and agree candidates with expertise in Commercial, Construction, Construction close-out, Railway systems and Network integration. Sponsors and the CRL Chair should give consideration to implications of adding new NED's to the CRL Board in terms of its size, efficiency and effectiveness.	CRL and Sponsors	See Governance Recommendation 5.2

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Audit and Assurance Committee

Date: **10 June 2019**

Item: **Cyber Security Update**

This paper will be considered in public

1 Summary

1.1 This paper provides an update status to our cyber security programme previously reported to the Committee at its meeting on 28 November 2018.

1.2 A paper is included on Part 2 of the agenda, which contains exempt supplemental information. Subject to the decision of the Committee, this paper is exempt and is therefore not for publication to the public or press by virtue of paragraph 7 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to action which might be taken in relation to prevention, investigation or prosecution of a crime.

2 Recommendation

2.1 **The Committee is asked to note the paper.**

3 Scope of Report

3.1 The threat from a Major Cyber Security Incident has been identified as one of TfL's (Level 0) strategic risks (SR4).

3.2 This paper provides a status update on our work to build greater resilience to cyber-attack.

3.3 TfL relies on digital technologies to deliver services. The use of such technology also exposes us to risks in three broad ways:

(a) disruption of operations;

(b) theft of money or intellectual property; and

(c) theft of confidential data, including personal data.

3.4 We track three sources of risks to us:

(a) Malicious actors: Organised criminals, professional hackers who may be working for organised crime and nation states;

(b) Amateurs: Universities and lone individuals for whom this may be either a hobby or a way of getting attention; and

(c) Insiders: Current and former employees, contractors with access to our systems and our supply chain.

3.5 Our Cyber Security and Incident Response Team (CSIRT), led by our Chief Information Security Officer reporting to the Chief Technology Officer, leads on ensuring the appropriate systems and controls are in place, maintaining resilience in the event of an attack and on closing gaps in compliance with the control regime.

3.6 We work closely with Government partners such as the National Cyber Security Centre (NCSC, part of GCHQ), the Centre for the Protection of National Infrastructure (CPNI) and the Department for Transport's (DfT) Cyber Security Coordination team.

3.7 Controls are driven by a series of risk-based frameworks and policies for which CSIRT is accountable for overseeing effective implementation; these align with the NCSC's "10 Steps to Cyber Security" guidance. These cover policies on people, processes and technology controls to protect our critical assets and data whilst monitoring for, and responding to, attack.

3.8 Our cyber security standards are published on the staff intranet and shared with suppliers and third parties as appropriate. Responsibility for auditing and enforcement of compliance is being defined through collaboration with Internal Audit. Currently third party compliance is managed through the terms embedded in contracts. Future compliance work will include how we monitor compliance against those terms.

3.9 Staff education and awareness is embedded throughout all of the policies and supported by the CSIRT Awareness Programme consisting of staff engagement and awareness sessions and online eLearning modules.

3.10 Building effective defences and resilience in this area remains an evolving process. Our strategy has been to focus on the controls that are the least mature and which will make the biggest difference in improving security:

(a) Improving user awareness – educating staff and the supply chain to ensure all users understand their accountabilities for protecting data and systems.

(b) Maximising the tools available to us – looking at the software, hardware and services that deliver maximum protection.

(c) We have been working closely with the DfT and NCSC to ensure compliance with new regulatory requirements, such as Network Information Systems (NIS) regulation.

4 Conclusion

4.1 We have policies in place and we must ensure these are applied consistently and effectively.

4.2 Our approach to cyber security is closely coordinated with Government agencies. The nature of cyber security is evolving and changing rapidly and we must work hard to ensure that we adapt our approach and have plans in place to respond to attack.

4.3 Cyber security is not a discipline that stands alone. Our processes consider safety, reliability, HR, communications and Legal input. Communication to our teams and partners will be integral in all the steps we take.

Appendices to this report:

Supplementary information on Part 2 of the agenda.

List of Background Papers:

None

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TRANSPORT FOR LONDON
EVERY JOURNEY MATTERS

Audit and Assurance Committee

Date: **10 June 2019**

Item: **Register of Gifts and Hospitality for Members and Senior Staff**

This paper will be considered in public.

1 Summary

1.1 This paper sets out details of the gifts and hospitality declared by the Board and senior staff. This report covers the period 1 February to 30 April 2019. Details of the gifts and hospitality accepted by Members and the most senior staff are already routinely published on our website.

2 Recommendation

2.1 **The Committee is asked to note the paper.**

3 Background

3.1 TfL's policy on gifts and hospitality applies to TfL Board Members, all staff who work for TfL and staff contracted to work for TfL including on advisory groups or through a third party. It covers both gifts and hospitality offered directly or offered through a spouse or partner.

3.2 The policy was last reviewed and updated in November 2017. It starts from the premise that any gifts or hospitality offered should usually be declined. No offer should be accepted where there is a possibility, or a perception, of being influenced by it. The guidance provides advice on the few circumstances where acceptance might be appropriate but, as a guiding principle, Members and staff are advised to err on the side of caution. Acceptance of any offer requires line manager approval and an explanation as to why acceptance is appropriate.

3.3 Board Members and staff are required to register with the General Counsel any gift or hospitality received in connection with their official duties that has a value of £25 or over, and also the source of the gift or hospitality. For staff, declarations are made at the end of every month. As the acceptance of any offers of gifts or hospitality by Members is uncommon, they are asked to confirm any declarations at the end of every quarter. Offers accepted by Members and the most senior staff are then reviewed and published on tfl.gov.uk on a quarterly basis.

3.4 Gifts and hospitality declarations from Members, the Commissioner and Managing Directors, the General Counsel and the Chief Finance Officer have been published on tfl.gov.uk since 2012.

3.5 As part of the revised GLA Group Framework Agreement, considered by the Board on 22 September 2016, we committed to also provide a regular report to the Audit and Assurance Committee on the gifts and hospitality accepted. For these reports, the staff coverage has been extended to all staff that appear on the top level organisation chart published on https://tfl.gov.uk/corporate/about-tfl/how-we-work/corporate-governance/chief-officers.

4 Reporting Period and Issues for Consideration

4.1 Appendix 1 sets out gifts and hospitality declared by senior staff over the three month period from 1 February to 30 April 2019 (the latest reporting period). There were no declarations by Members during this period.

4.2 A total of 128 declarations were made by senior staff in relation to gifts and hospitality offered at a value of £25 or over within the period covered by the report (three months). A total of 94 offers were declined and 34 were accepted. Table 1 provides a summary of the number of offers accepted and declined by senior staff who received more than 10 offers during the period.

Table 1: Staff receiving more than 10 offers during the reporting period

Name	Role	Offers	Accepted	Declined
Mike Brown MVO	Commissioner	26	9	17
Graeme Craig	Director of Commercial Development	44	3	41
Stephen Field	Director of Pensions and Reward	11	2	9

4.3 Table 2 shows the figures provided in previous reports since February 2018 and then breaks these down to a monthly average for each period reported, to enable some trend analysis.

4.4 On a monthly average basis, the actual number of offers received has fluctuated from a high of 83 to a low of 43. The number of offers received and accepted in the latest period (February to April 2019) fall within that range but are lower than the previous reporting period and the similar period in 2017/18 (February to April 2018). The offers received and accepted have been reviewed to ensure they comply with the policy and guidance. Where there are concerns that the policy or guidance is not being followed, these are raised with the member of staff and their line manager.

Table 2: Figures reported to previous meetings and monthly averages

	01/02/18-30/04/18	**01/05/18-31/07/18**	**01/08/18-31/10/18**	**01/11/18 31/01/19**	**01/02/19-30/04/19**
Period reported to Committee	3 months	3 months	3 months	3 months	3 months
Total offers	237	249	167	193	128
Total declined	201	185	137	136	94
Total accepted	36	64	30	57	34
Monthly average					
Total offers	79.3	83	56	64.3	43
Total declined	67	62	46	45.3	31
Total accepted	12	21.3	10	19	11

List of appendices to this report:

Appendix 1 – Gifts and Hospitality Register, Members and Senior Staff 1 February to 30 April 2019.

List of Background Papers:

Corporate Gifts and Hospitality Register

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Gifts and Hospitality - TfL Board Members and Senior Officers
1 February - 30 April 2019

Name of Officer	Donor/Provider of Gift/Hospitality	Detail of Gift/Hospitality	Reason for Accepting Gift / Hospitality	Date of Event/Hospitality
Adams Simon	Turner and Townsend	Dinner	Networking and lessons learned	20/03/2019
Barton Glynn	Kier	Annual Dinner Chartered Institute of Highways & Transportation	Networking	14/03/2019
Barton Glynn	Cadent	Cadent Stakeholder Event	Networking and view of technology	25/04/2019
Barton Glynn	IMOVE Australia	Transport Symposiun	Speaking engagement	22/03/2019
Brown Mike	Phil Swallow, LTM Board Member	Dinner	Networking	12/02/2019
Brown Mike	Institute of Couriers	Institute of Couriers New Fellows' Gowning	Speaking engagement	01/03/2019
Brown Mike	Professor David Begg, Chief Executive, Transport Times	London Transport Awards	Keynote speaker	07/03/2019
Brown Mike	Carmen Company	Worshipful Company of Carmen Annual Banquet	Giving the toast to the guests	13/03/2019
Brown Mike	Angela McConville, CEO, Old Royal Naval College, Greenwich	Re-opening of the Painted Hall	Networking	21/03/2019
Brown Mike	Alex Cameron, Socia	Dinner	Strategic discussion	11/04/2019
Brown Mike	Sir George Iacobescu, Canary Wharf Group	Dinner	Business discussion	16/04/2019
Brown Mike	George Clark, TfL and president of Institute of Railway Signal Engineers (IRSE)	IRSE 55th Annual Dinner - to markthe appointment of George Clark as its president	Speaking engagement	26/04/2019
Brown Mike	KPMG	Railway Ball Patron Dinner	Mike Brown is a Patron and a dinner with the Patrons was a prize from the Railway Ball auction, with the dinner sponsored by KPMG	29/04/2019
Craig Graeme	J C Decaux	Business dinner: advertising discussion	Networking Event	26/02/2019
Craig Graeme	Curzon & Co	Chairman's Masterclass Dinner/Speech by Andy Mitchell CBE, CEO Infrastructure Sector	Networking Event	13/03/2019
Craig Graeme	J C Decaux	Reception	Networking Event	29/03/2019
Dix Michèle	New Civil Engineer	Awards Dinner	Presentation of Award	30/04/2019
Everitt Vernon	Transport Times	Transport awards	Presenting an Award	07/03/2019
Field Stephen	Pensions Age Conference Team	Pensions Age Spring 2019 Conference	Continuing Professional Development	28/03/2019
Field Stephen	Lisa Ho, Event Manager, Aon	Aon's 2019 Pension Conference Series - Pensions: evolution, solutions, performance	Networking and CPD	26/02/2019
Holness Nigel	Prof David Begg, Chief Executive	London Transport Awards 2019	Representing LU	07/03/2019
Hughes David	Mike Ashley, Director of Wessex Advisory Consulting	Breakfast Meeting	Business Meeting	14/02/2019
Judge Paul	Siemens Mobility	Siemens Mobility Customer Event	Key Customer Relationship / Networking / Team Building	26/03/2019
Judge Paul	Bruton Group	Bruton Group - Organised Networking Event and Speakers	Networking and Promoting TfL	05/02/2019
Judge Paul	CPC	Young Rail Professionals Dinner	TfL Representative	11/04/2019
Mann Claire	Metroline	Service Awards Evening	Maintaining business relationship	29/03/2019
Matson Lilli	London Assembly	Chairman's event - River Thames	Networking	13/03/2019
Mullins Sam	CCLA Good investment	An Evening at London Transport Museum	Speaking engagement	21/02/2019

Gifts and Hospitality - TfL Board Members and Senior Officers
1 February - 30 April 2019

Page Tom	Trasporto Passeggeri Emilia Romagna (TPER)	Dinner at UITP conference	Networking opportunity (TPER is a peer and not a supplier to TfL)	25/03/2019
Read Adrenne	Atkins	CIBSE Building Performance Awards	A member of the team had been nominated for Awards in four separate categories	12/02/2019
Wylie David	The Infrastructure Forum	Dinner and Discussion with Oliver Dowden CBE MP	Infrastructure, projects and sustainable procurement discussion	12/02/2019
Wylie David	NI Chamber of Commerce	Dinner	Part of the NI Chamber of Commerce and Lisburn Castlereagh Council Supplier Event	18/02/2019
Wylie David	Odgers Berdson/Proxima	Roundtable discussion dinner	Gaining best practice and networking	27/03/2019
Wylie David	Fujitsu	Government Cloud Collaboration Group: Public Sector collaboration event	Networking event	11/04/2019

Audit and Assurance Committee

Date: **10 June 2019**

Item: **Legal Compliance Report (1 October 2018 – 31 March 2019)**

This report will be considered in public

1 Summary

1.1 This paper summarises the information provided by each TfL Directorate for the Legal Compliance Report for the period 1 October 2018 to 31 March 2019.

2 Recommendation

2.1 The Committee is asked to note the report.

3 Background

3.1 The Legal Compliance Report is compiled from information supplied through questionnaires completed by each TfL Directorate and follow up discussions concerning known legal compliance issues.

4 Scope of the Report

4.1 The Directorates were asked to identify where they are aware of any alleged breaches of law between 1 October 2018 and 31 March 2019. The questionnaire sought responses concerning the following:

(a) prosecutions against TfL;

(b) formal warnings or notices from the Health and Safety Executive, the Office of Rail and Road (ORR), the London Fire Commissioner, the Environment Agency, the Information Commissioner or other Government Agencies;

(c) investigations by an Ombudsman;

(d) alleged legal breaches notified by Local Authorities or other bodies;

(e) judicial reviews;

(f) involvement in inquests;

(g) commercial/contract claims in excess of £100,000;

(h) personal injury claims;

(i) proceedings in relation to discrimination on the grounds of race, sex, disability, age, religion or belief, sexual orientation, equal pay or breach of contract;

(j) wrongful or unfair dismissal;

(k) actions to recover unpaid debt in excess of £5,000;

(l) breaches of EU/UK procurement rules and/or the Competition Act;

(m) other material breaches of the law;

(n) any other material compliance issues; and

(o) any initiatives introduced by Directorates to address compliance issues.

4.2 The reporting periods for the tables included in this report follow the six monthly Legal Compliance reporting periods from April to September and October to March. Tables are included where there is sufficient data from which to consider any trend analysis. The tables commence in the reporting period covering 1 October 2014 – 31 March 2015. Each period includes any ongoing matters carried over from previous reporting periods where applicable. Any new matters appear in blue font. In accordance with TfL's commitment to transparency, the legal compliance report is included in this public paper.

5 Commentary on Legal Compliance Issues

Prosecutions

5.1 London Underground previously reported that the Office of Rail and Road (ORR) issued criminal proceedings in the Magistrates' Court against London Underground and Balfour Beatty for a breach of section 3(1) of the Health and Safety at Work etc. Act 1974. The prosecution concerned an incident on 4 June 2016 when a crane controller (a third party contractor) working on track improvements was crushed between a road-rail vehicle and the platform edge at Whitechapel station and suffered severe injuries.

5.2 London Underground and Balfour Beatty pleaded guilty and the sentencing hearing took place on 29 November 2018 at Snaresbrook Crown Court. On 3 December 2018, having taken into account the level of responsibility and mitigating factors, London Underground was fined £100,000 and Balfour Beatty was fined £333,000. Each company was also ordered to pay costs of £30,000.

5.3 The investigation into the incident at Whitechapel recognised that there were shortcomings in the planning of vehicle movements from their stabling point to the worksite. A revised procedure was implemented removing the need for anyone to walk with the road-rail vehicles. Since its implementation, there have been no further incidents.

Formal Warnings or Notices from the Health and Safety Executive (HSE) or Office of Rail and Road (ORR)

5.4 Surface Transport previously reported an incident on the A40 in November 2011, in which a motorcyclist was injured as a result of temporary bridging plates installed over defective expansion joints on the A40 Westway. The HSE investigation is still ongoing and no formal warnings or notices have been issued to date.

Formal Warnings or Notices from the London Fire Commissioner (LFC)

5.5 London Underground reported receiving notices under the Regulatory Reform (Fire Safety) Order 2005 following routine London Fire Brigade inspections at five underground stations. The actions were to be completed by 1 May 2019 and London Underground has confirmed to LFB that the required actions have all been taken.

5.6 The first notice, received on 21 March 2019, related to the absence of fire training, fire safety policy not being available and inadequate emergency routes at Tufnell Park station. All actions have been addressed. The second notice, received on 31 October 2018, related to faulty fire shutters at Bond Street station. The fault has been addressed. The third notice, received on 22 November 2018, related to excessive dirt, grease and debris in the upper escalator machine chamber and the temporary meeting point having no LU radio coverage at Euston station. The escalator machine chamber has been cleaned and the meeting point returned to its previous location where there is radio coverage. The fourth notice, received on 22 November 2018, related to a fault with the fire detection system at Sloane Square station. The issue has been rectified. The fifth notice, received on 22 November 2018, related to a fault on the London Fire Brigade radio communications panel at Gloucester Road station. The fault has been rectified.

5.7 Commercial Development reported a notice, received on 27 September 2018, for non-compliance with fire regulations at a retail premises at Canary Wharf DLR station. TfL wrote to the tenants to request that all issues identified by the London Fire Brigade are addressed. One of the tenants failed to comply with the requirements and occupation was terminated. All the issues have now been addressed. TfL is undertaking quarterly inspections to monitor tenants' compliance and new fire detectors that have been installed to refurbished units. The matter is now closed.

5.8 Commercial Development also reported a notice, received on 23 August 2018, regarding the non-compliance of the waste management arrangements of a tenant at Great Portland Street station following a security inspection by the Department of Transport. The tenant took steps to improve the arrangements and is using a new compliant waste bin. The matter is now closed.

Formal Warnings or Notices from the Environment Agency

5.9 During the reporting period, Major Projects received a Formal Warning on 7 February 2019 from the London Borough of Hillingdon relating to environmental nuisance. The warning relates to diesel exhaust emissions and noise from locomotives at the West Ruislip station delivering and returning trains to Derby. The warning was a result of neighbour complaints. The warning required that an assessment of the air quality and noise be conducted within 21 days. Major Projects requested clarification from the London Borough of Hillingdon, who agreed a deadline extension for the provision of results of assessments. Results were provided within the required timescale, and in addition Stakeholder engagement in the form of a public meeting with residents was undertaken with the local community, together with further monitoring and additional actions to minimise both emissions and noise. The London Borough of Hillingdon has responded to state they are satisfied with the actions taken.

Environment Agency Formal Warnings/Notices

	Reporting Period								
	10/14 -3/15	4/15-9/15	10/15 -3/16	4/16-9/16	10/16 -3/17	4/17-9/17	10/17 -3/18	4/18-9/18	10/18 -3/19
Major Projects									1
Surface Transport			1	1	2				
Underground	1		5						

Formal Warnings or Notices from the Information Commissioner

5.10 The Information Commissioner's Office (ICO) investigates alleged instances of non-compliance with the General Data Protection Regulation (GDPR), the Data Protection Acts (DPA) 2018 and 1998 and the Privacy and Electronic Communications (EC Directive) Regulations 2003 (the PECR) (together, data protection legislation), the Freedom of Information Act 2000 (the FOIA) and the Environmental Information Regulations 2004 (the EIRs).

5.11 No formal action was taken by the ICO between 1 October 2018 and 31 March 2019 in connection with TfL's compliance with data protection legislation.

5.12 During this period, the ICO notified TfL of one new complaint regarding compliance with the GDPR/DPA 2018. However, the complainant has not responded and so the complaint cannot be progressed. There were also two outstanding complaints from the previous reporting period which have been closed with no further action being required.

5.13 The GDPR introduced a requirement, from 25 May 2018 for a data breach to be reported to the ICO if it is likely to result in a risk to people's rights and freedoms. During this reporting period there were two data protection breaches that TfL notified to the ICO. The ICO considered that no further action was required. There were also three outstanding breaches from the previous reporting period, to which the ICO responded. In all cases no further action was required.

5.14 The FOIA and the EIRs give a general right of access to information held by public authorities. Public authorities are generally required to respond to requests for information within 20 working days and provide the requested information unless an exemption applies. Any person who has made a request to a public authority for the disclosure of information under the FOIA or the EIRs can apply to the ICO for a decision on whether a request has been dealt with in accordance with the FOIA or EIRs. Unless the complaint is resolved informally, the ICO records the outcome in a published Decision Notice. Appeals against the ICO's decisions are heard by the First-Tier Tribunal (Information Rights).

5.15 In this reporting period, 1,501 requests were made to TfL under the FOI Act and EIRs and 1,429 (95.2 per cent) were replied to on time.

5.16 There were no complaints to the ICO open at the end of the last reporting period.

5.17 During this reporting period there were six new complaints about TfL's compliance with the FOI Act or the EIRs. The ICO has published Decision Notices recording the outcome of four of the complaints. Three of the Decision Notices upheld TfL's position and one required a response be provided within 35 working days which has been done. The remaining two new complaints await a decision.

5.18 No complaints were resolved informally by the ICO in this reporting period.

5.19 A hearing date is awaited for an appeal by TfL to the Information Rights Tribunal against a Decision Notice issued by the ICO in the previous reporting period.

Information Commissioner Formal Warnings/Notices

	Reporting Period								
	10/14 -3/15	4/15-9/15	10/15 -3/16	4/16-9/16	10/16 -3/17	4/17-9/17	10/17 -3/18	4/18-9/18	10/18 -3/19
Commercial Development					1				
Crossrail									1
Crossrail2									2
Customers, Communication and Technology						1			
Finance									
General Counsel				1	1		1	**1**	
Group HR	1			1					
Planning							1		
Rail									
Surface Transport	1	3	1	2		5	3	**1**	1
Underground			1					**1**	

Formal Warnings or Notices from any other Government Department or Agency Indicating a Breach of Law

5.20 No warnings or notices were reported for this period.

Investigation by an Ombudsman

5.21 Surface Transport reported four new investigations relating to: an erroneous Low Emission Zone penalty charge notice; lack of response to a complaint; location of a bus stop and failure to respond to complaints; and handling of an application for a private hire vehicle operators' licence.

5.22 In the first investigation, the LGO recommended that TfL send a letter of apology and make a payment of £400. TfL complied with the recommendations. In the second investigation, TfL requested further information from the complainant but no response has been received. In the third investigation, TfL issued an apology to the complainant as directed by the LGO. In the fourth investigation, the LGO requested further information regarding TfL's communication with the complainant. TfL awaits a final decision.

Investigations by Ombudsman

	Reporting Period								
	10/14 -3/15	4/15-9/15	10/15-3/16	4/16-9/16	10/16-3/17	4/17-9/17	10/17 -3/18	4/18-9/18	10/18 - 3/19
Rail									
Surface Transport	4	3	3	5	8	8	11	8	4
General Counsel									

Notices Received Regarding any Alleged Breach of Law by a Local Authority or Other External Agency

5.23 Commercial Development reported four outstanding notices carried over from the last report and four new notices received during the reporting period.

5.24 The first outstanding notice (received on 25 February 2014) was an enforcement notice from the London Borough of Haringey relating to an unauthorised front extension to units on 231-243 High Road and 249a High Road Tottenham. The tenant failed to remove the extension by 31 July 2014 as required by the Notice. TfL wrote to the tenant to remind them of their lease obligations and the risk of prosecution by the London Borough of Haringey. The tenant lodged an appeal with the Planning Inspectorate. The enforcement notice remains stayed while a property management company prepares proposals for the frontages of the properties and all the adjacent properties. In January 2019, the Government approved a London Borough of Haringey Compulsory Purchase Order of TfL owned land on site to enable a wider borough led regeneration scheme. It is unlikely that further action will be taken on the enforcement notice.

5.25 The second outstanding enforcement notice (received on 20 April 2017) from the London Borough of Tower Hamlets is in relation to a material change of use to a shisha club at 568A Mile End Road. The enforcement notice has been complied with and the matter is closed.

5.26 The third outstanding enforcement notice (received on 24 January 2018) from the London Borough of Hackney relates to a breach of planning control at a site at Holywell Lane in Shoreditch (under the East London Line). The site is being used as a car park although it was granted temporary planning permission for use as office/ retail/ mixed use. The tenant has submitted a planning application to the London Borough of Hackney to regularise the use of the site which was refused. TfL awaits the London Borough of Hackney’s decision as to whether to take planning enforcement action and continues to monitor the situation.

5.27 The fourth outstanding enforcement notice (received on 11 April 2018) was from Westminster City Council regarding a contravention of the control of advertising by a TV screen positioned behind a shopfront of a retail store in the West One Shopping Centre. TfL has written to the tenant to inform them of the notice. The tenant has confirmed that they have existing planning consent for the shop front and is challenging the notice. TfL is awaiting the outcome.

5.28 The first new enforcement notice (received on 30 January 2019) from London Borough of Tower Hamlets relates to waste and a pest infestation at 25 Cable Street E1. The notice required the accumulated waste and undergrowth to be disposed of within 21 days. The tenant believed to be responsible for the land has been informed but they have disputed responsibility. TfL is meeting with the Environmental Health Officer and the tenant to identify the party responsible for the land. The matter is ongoing.

5.29 The second new enforcement notice (received on 5 March 2019) was from London Borough of Tower Hamlets regarding the lack of security of the premises with loose windows, potential for rubbish dumping, squatting and pest infestation at 1a, 1b and 1c Burdett Road, E3, Mile End Station. TfL has informed the tenant and the matter is ongoing.

5.30 The third new enforcement notice (received on 20 March 2019) was from Westminster City Council regarding breach of planning permission for use of a residential flat as offices. TfL has written to the tenant to inform them of the breach. The matter is ongoing.

5.31 The fourth new enforcement notice (received on 3 April 2019) was from London Borough of Haringey regarding an unauthorised rear extension to the premises at land to the rear of Seven Sisters and Seven Sisters Market Hall, N15. The notice requires that the timber structure is demolished and debris removed. The tenant is in direct communication with the borough. The matter is ongoing.

Alleged Breaches of Law by a Local Authority/Other External Agency

	Reporting Period								
	10/14 -3/15	4/15-9/15	10/15 -3/16	4/16-9/16	10/16 -3/17	4/17-9/17	10/17 -3/18	4/18-9/18	10/18 -3/19
Commercial Development						1	1	1	4 + 4
Customers, Communication and Technology							1		
Finance									
Planning	6	6	7	9	7	8	5	5	
Surface Transport						1			
Underground						3			

Decisions Subject to a Judicial Review

5.32 Surface Transport previously reported an application for judicial review by Westminster City Council in relation to TfL's decision to proceed with the Cycle Superhighway 11 and construction works at Swiss Cottage. A hearing was held on 6 September 2018 at which the application was granted. During this reporting period, TfL's application for permission to appeal was refused.

5.33 Crossrail previously reported a judicial review application on 23 August 2017 in relation to its decision to dispose of a site at Woolwich on the open market rather than negotiate a sale of the land exclusively with one interested party. A hearing took place on 21 March 2018 in the High Court and the claim was dismissed. The hearing of the Claimant's appeal is scheduled for 27 June 2019.

5.34 Surface Transport reported that the Independent Workers Union of Great Britain (IWGB) issued a judicial review claim seeking to challenge the Mayor's decision to remove the exemption for PHVs from the congestion charge which was due to be implemented on 8 April 2019. The IWGB also made an application for interim relief to delay the implementation date. After the end of the reporting period, on 4 April 2019, the Court refused IWGB's application for interim relief and refused permission in respect of the alleged breach of the public sector equality duty. Permission was granted in respect of alleged indirect discrimination and breaches of the Human Rights Act. The hearing will take place on 9 and 10 July 2019.

5.35 City Planning reported a judicial review claim following the Secretary of State for Transport designating the Airports National Policy Statement ('ANPS') on 26 June 2018 in which a third runway at Heathrow was identified as the preferred scheme for achieving increased airport capacity in south-east England. The Mayor considers that the ANPS fails to adequately address the significant health impacts of the proposed scheme in terms of air quality and noise, the adverse impact on surface transport infrastructure which will result from the huge increase in staff, passenger and freight movements, and the implications for the UK's obligations in respect of climate change. The Mayor joined with the London Boroughs of Hammersmith and Fulham, Hillingdon, Richmond and Wandsworth, the Royal Borough of Windsor and Maidenhead and Greenpeace in bringing a legal challenge against the designation of the ANPS by way of judicial review. TfL was an interested party in the proceedings and provided evidence in support of the claim. The claim was heard between 11 - 22 March 2019 together with four other claims. After the end of the reporting period (on 1 May 2019) the Divisional Court refused the application for judicial review on all grounds. The four other claims were also unsuccessful. Permission to appeal was sought and refused by the Divisional Court on 3 May 2018. The application is to be renewed in the Court of Appeal.

Judicial Reviews of decisions by TfL[1]

	Reporting Period								
	10/14 -3/15	**4/15- 9/15**	**10/15 -3/16**	**4/16- 9/16**	**10/16 -3/17**	**4/17- 9/17**	**10/17 -3/18**	**4/18- 9/18**	**10/18 -3/19**
Crossrail	**1**	**1**		**1**	**1**	**1**	**1**	**1**	**1**
Customers, Communication and Technology	**1**	**1**	**1**	**1**					
Finance									
General Counsel									
Planning	**1**								
Surface Transport	**1**	**2**	**3**	**4**	**3**	**2**	**2**	**1**	**1+1□**
Underground	**1**		**1**	**1**	**1**	**1**			

[1] Judicial Reviews in which TfL is a claimant or an interested party are not included in the table.

Inquests

5.36 London Underground has been involved in 54 inquests, 37 of which have been carried forward from the previous report. 17 new London Underground inquests are included in this report for the first time.

5.37 Of the 37 inquests carried forward from the previous report, 16 were suicides, there were two open conclusions, two accidental deaths, five narrative verdicts, one death as a consequence of mental illness, two inquests were reported in error, two were sudden deaths and seven were awaited. Of the 17 new inquests reported, two were open verdicts, one was a suicide and 14 were awaited.

5.38 Surface Transport has been involved in 170 inquests, 162 of which have been carried forward from the previous report. Eight new Surface Transport inquests are included in this report for the first time.

5.39 Of the 162 outstanding inquests,74 were adjourned pending the outcome of criminal proceedings or police investigations, 62 are awaited, six await the Coroner's decision on whether to resume the inquests, two were accidental deaths, seven were road traffic accidents or collisions, nine resulted in no inquest due to the Coroner's decision not to resume the inquests due to criminal charges, one was due to natural causes and one due to multiple injuries. Outcomes on the eight new inquests are awaited.

Inquests

	Reporting Period								
	10/14-3/15	4/15-9/15	10/15-3/16	4/16-9/16	10/16-3/17	4/17-9/17	10/17-3/18	4/18-9/18	10/18-3/19
Crossrail									
Rail	3	1	1	7	7				
Surface Transport	13	13	57	79	101	155	163	176 (144 +32)	170 (162 +8)
Underground	21	29	35	31	46	74	56	49 (26 + 23)	54 (37+ 17)

Inquest Findings

	Reporting Period								
	10/14-3/15	4/15-9/15	10/15-3/16	4/16-9/16	10/16-3/17	4/17-9/17	10/17-3/18	4/18-9/18	10/18-3/19
Accidental	4	3	5	18	7	19	6	2	11
Misadventure		1							
Narrative		1	2	1	1	2	6		5
Open Verdict	2	2	1	3	5	8	3	2	4
Other	1	2	5	7		5	11	11	16
Self- harm									
Suicide/ took own life	13	6	17	8	14	29	23	9	17

Commercial / Contract Claims Brought by or Against TfL in Excess of £100,000 (Not Including Personal Injury Claims)

5.40 Surface Transport previously reported a claim brought against a licensee for failure to pay rent arrears and other charges. Proceedings were issued on 19 January 2018 to recover the arrears. A trial was due to commence on 15 October 2018 but the matter was settled on the basis that the arrears were paid and the licence was varied to provide for the licensee to take on further payment obligations going forward. The matter is now closed.

5.41 Finance previously reported that on 9 September 2016 the TfL Trustee Company Limited, TfL's pension trustee subsidiary, issued proceedings against HMRC for overpaid VAT on fund management services. A stay of the proceedings has been agreed, pending the outcome of two test cases . One of the test cases is being appealed and TfL will review it position once that has been determined.

5.42 Customers, Communication and Technology previously reported that TfL issued proceedings against Visa and MasterCard in August 2016 in the High Court and separate but related proceedings against MasterCard in September 2016 in the Competition Appeal Tribunal in relation to Multi-lateral interchanges fees (MIFs). TfL is charged MIFs by Visa and MasterCard on all credit card transactions. The claims are on the same basis as many other claims which have been brought by other organisations in the US and the UK on the basis that the MIF arrangements unlawfully restrict competition and are anti-competitive. The proceedings have been stayed pending the outcome of a number of test cases which are currently being considered by the courts. The claim against MasterCard was resolved in December 2018. Discussions continue with Visa.

5.43 In the last report, Customers, Communication and Technology reported a claim by Train Operating Companies (TOCs) for loss of revenue due as a result of fares changes in 2015. The claim is disputed. The TOCs commenced arbitration proceedings in March 2018. A hearing is scheduled for 4-15 November 2019.

Commercial/ Contract Claims

	Reporting Period								
	10/14 -3/15	4/15-9/15	10/15 -3/16	4/16-9/16	10/16 -3/17	4/17-9/17	10/17 -3/18	4/18-9/18	10/18 -3/19
Crossrail					1	1	1		
Customers, Communication and Technology					1	1	1	2	2
Finance				1	1	1	1	1	1
Surface Transport			1	2	1	1	2	1	1
Underground			1	2	1				

Personal Injury Claims

5.44 London Underground has been the subject of 198 claims for personal injury that were closed during the reporting period, of which 23 claims were employers' liability claims by staff and 175 claims were for public liability by customers/members of the public.

5.45 Of the 175 claims for public liability, 126 were closed without payment and 49 were settled.

5.46 Of the 23 claims for employers' liability, six were closed without payment and 17 were settled.

5.47 Surface Transport has been the subject of 143 claims for personal injury that were closed during the reporting period, of which two claims were for employers' liability and 141 claims were for public liability. London Rail personal injury claims are reported as part of the Surface Transport personal injury claims.

5.48 Of the 141 claims for public liability, 92 were closed without payment and 49 were settled.

5.49 The two claims for employers' liability were closed without payment.

5.50 Finance has been subject to two claims for personal injury that were closed during the reporting period. The two claims were for employers' liability and were settled.

5.51 Out of the total of 343 personal injury claims closed by TfL during this period, 226 were closed without payment and 117 were settled. There was a decrease by 34 personal injury claims closed for this reporting period compared with the 377 claims closed and reported in the last reporting period (1 April 2018 – 30 September 2018).

Personal Injury Claims Concluded in the Reporting Period

	Reporting Period								
	10/14 -3/15	**4/15-9/15**	**10/15 -3/16**	**4/16-9/16**	**10/16 -3/17**	**4/17-9/17**	**10/17 -3/18**	**4/18-9/18**	**10/18 -3/19**
Crossrail					1		1		
Finance	1	2	3	2	2	1	2	6	**2**
London Rail	12	10	13	2	3			3	
London Transport Museum			1						
Surface Transport	371	256	241	220	291	204	152	159	**143**
Total	655	521	517	458	527	436	355	377	**343**
Underground	271	253	259	234	230	231	200	212	**198**

Personal Injury Claims – Concluded Employers' Liability (Staff)

	Reporting Period								
	10/14 -3/15	**4/15-9/15**	**10/15 -3/16**	**4/16-9/16**	**10/16 -3/17**	**4/17-9/17**	**10/17 -3/18**	**4/18-9/18**	**10/18 -3/19**
Crossrail					**1**				
Finance	**1**	**1**	**1**	**1**	**1**		2	6	**2**
Surface Transport	**5**	**7**		**4**	**5**	**3**	2	4	**2**
Underground	**40**	**44**	**41**	**44**	**36**	**38**	33	40	**23**

Personal Injury Claims – Concluded Public Liability (Customers)

	Reporting Period								
	10/14 -3/15	4/15-9/15	10/15 -3/16	4/16-9/16	10/16 -3/17	4/17-9/17	10/17 -3/18	4/18-9/18	10/18 -3/19
Crossrail							1		
Finance		**1**	**2**	**1**	**1**	**1**			
London Rail	**12**	**10**	**13**	**2**	**3**	**2**			
London Transport Museum			**1**						
Surface Transport	**366**	**249**	**241**	**216**	**286**	**201**	150	155	**141**
Underground	**231**	**209**	**218**	**190**	**194**	**193**	167	172	**175**

Personal Injury Claims – Concluded Cases

	Reporting Period								
	10/14 -3/15	4/15-9/15	10/15 -3/16	4/16-9/16	10/16 -3/17	4/17-9/17	10/17 -3/18	4/18-9/18	10/18 -3/19
£15,000	**88**	**69**	**51**	**29**	**89**	**36**	38	37	**37**
£10,000 - £14,999	**38**	**45**	**24**	**22**	**17**	**16**	21	13	**10**
£5,000 - £9,999	**60**	**46**	**44**	**32**	**32**	**26**	18	15	**17**
£1 - £4,999	**98**	**104**	**78**	**64**	**63**	**57**	47	40	**53**
£0	**371**	**255**	**320**	**311**	**326**	**301**	231	272	**226**

Employment Tribunal (ET) Proceedings

5.52 TfL continues to take a proactive and robust approach to managing ET cases, coupled with an extensive training programme for managers on the latest developments in the law and best practice so as to avoid employment disputes as far as possible.

5.53 London Underground has been the subject of 54 ET claims during the period of this report. 33 were carried forward from the previous period and 21 were reported for the first time this period. Of the 54, 17 were for unfair dismissal, four were for sex discrimination, two were for trade union detriment, 14 were for disability discrimination, nine were for race discrimination, four were for unlawful deductions from wages, one was for a breach of the Agency Worker Regulations, one for age discrimination, one was for equal pay and one was for not being allowed time off to carry out Health and Safety duties.

5.54 Surface Transport has been the subject of 16 ET claims during the period. Twelve were carried forward from the previous period and four were reported for the first time this period. Of the 16, six were for unfair dismissal, two were for unlawful deductions from wages, two were for holiday pay, five were for race discrimination and one for disability discrimination.

5.55 Professional Services have been the subject of 19 ET claims during the period. Eight were carried forward from the last period and 11 were reported for the first time during this period. Of the 19, five were for disability discrimination, one for unlawful deduction from wages, eight were for unfair dismissal, one for breach of conduct, one for discrimination against sexual orientation, one was for equal pay, one for race discrimination and one was for sex discrimination.

5.56 Major Projects has been subject to two ET Claims during the period. Both were for unfair dismissal. One was carried forward from the last period and one was reported for the first time during this period.

5.57 Crossrail has been the subject of one ET Claim which was for unfair dismissal. The claim was reported for the first time during this period.

5.58 Of the total of 92 ET claims brought during the period, 59 cases are ongoing and 32 were concluded during the period. One other claim was concluded during a different reporting period. Of the 32 ET cases concluded during this period, six were won, 14 were withdrawn, three were struck out, one was lost, and eight were settled.

5.59 Of the total 92 ET claims, 54 were carried forward from the last period and 38 were reported for the first time during this period.

Total number of Claims[2]

	Reporting Period								
	10/14-3/15	4/15-9/15	10/15-3/16	4/16-9/16	10/16-3/17	4/17-9/17	10/17-3/18	4/18-9/18	10/18-3/19
Commercial Development							**1**		
Professional Services	**10**	**14**	**16**	**15**	**14**	**9**	**10**	**10**	**19 (8+11)**
Crossrail	**1**	**1**		**2**	**2**				**1**
Major Projects								**1**	**2**
Surface Transport	**7**	**10**	**8**	**6**	**4**	**3**	**8**	**16**	**16 (12+4)**
Underground	**52**	**43**	**40**	**45**	**43**	**33**	**41**	**57**	**54 (33+21)**
Total	**68**	**68**	**64**	**68**	**63**	**45**	**60**	**84**	**92 (55+37)**

[2] A number of the reported claims have more than one head of claim (for example a claimant may claim unfair dismissal and race discrimination or sex discrimination and race discrimination). Where this is the case, the claim is reported once. Where claims involve unfair dismissal, these are reported as the main claim. In cases where there is no obvious main claim (such as multiple types of discrimination) one head of claim is selected.

Employment Tribunal Cases Concluded

*Claims won include withdrawn and struck out claims

	Reporting Period								
	10/14 -3/15	4/15- 9/15	10/15 -3/16	4/16- 9/16	10/16 -3/17	4/17- 9/17	10/17 -3/18	4/18- 9/18	10/18 -3/19
Lost	4	8	3	5	6	1	2	2	1
Settled	6	8	7	11	9	9	5	8	8
Won *	21	15	14	14	19	9	15	21	23

Civil Debt in Excess of £5,000

5.60 Crossrail reported a claim for unpaid debts in relation to unpaid subscriptions to an online publication following an automatic on-line renewal. The debt has been settled and the subscription cancelled.

Unpaid Debt

	Reporting Period								
	10/14 -3/15	4/15- 9/15	10/15 -3/16	4/16- 9/16	10/16 -3/17	4/17- 9/17	10/17 -3/18	4/18- 9/18	10/18 -3/19
Commercial Development							1		
Crossrail									1
Finance			1	1	1				
Planning									
Surface Transport	1	1	1	2	1				
Underground		1				1			

Breaches or Alleged Breaches of EU/UK Procurement Rules and/or the Competition Act 1998

5.61 In the last reporting period, London Underground reported receiving three High Court claims, in July 2018, from the unsuccessful bidders in the procurement process for new rolling stock on the deep tube lines (Piccadilly, Bakerloo, Central and Waterloo & City). The issue of the High Court proceedings automatically suspended the procurement process, preventing London Underground from entering into a contract with the successful bidder. On 2 November 2018 the High Court lifted the automatic suspension allowing London Underground to enter into contracts with the successful bidder. The claims continue as claims for damages based on alleged errors in the procurement process. London Underground is robustly defending the claims. Hearing dates will take place in November 2019 and February and October 2020.

Breaches or Alleged Breaches of EU/UK Procurement Rules and/or the Competition Act 1998

	Reporting Period								
	10/14 -3/15	4/15- 9/15	10/15 -3/16	4/16- 9/16	10/16 -3/17	4/17- 9/17	10/17 -3/18	4/18- 9/18	10/18 -3/19
Commercial Development			1						
Crossrail									
Finance	1	1	5	1	3				
Planning									
Surface Transport									
Underground	2	2	1		1	1		1	1

Other Known Breaches

No other known breaches were reported**.**

Other Material Compliance Issues

5.62 Commercial Development previously reported a dispute in relation to highways land that was vested in various London boroughs which TfL maintain and was transferred to TfL on 3 July 2000 pursuant to the GLA Roads and Side Roads (Transfer of Property) Order 2000. Of the 32 London boroughs, agreement has been reached for land transfers with 29 boroughs. A hearing in the Court of Appeal was held on 1 and 2 March 2017 in relation to the remaining two boroughs. On 4 August 2017 the Court of Appeal allowed the appeal. TfL was granted permission to appeal to the Supreme Court and a hearing took place on 24 and 25 October 2018. On, 5 December 2018 the Supreme Court found in TfL's favour. TfL can now progress the appropriate land that transfers.

5.63 During the last reporting period, United Cabbies Group issued a judicial review claim against the Chief Magistrate's licensing decision of Uber London Limited (ULL) on the basis of alleged bias and that the wrong legal test had been applied. TfL was an interested party as was ULL and the Licensed Taxi Drivers' Association. The claim was granted permission to proceed on 2 November 2018. On13 February 2019, the Court dismissed the claim.

5.64 Surface Transport previously reported receiving a claim for compensation under the Land Compensation Act resulting from the Archway Gyratory scheme. The matter is still ongoing.

Management of Compliance Issues

5.65 TfL's legal and compliance risks are managed as part of TfL's overarching strategic risk management framework. A range of operational and assurance processes are in place to mitigate these risks at all levels in the organisation.

5.66 These safeguards are supported by the provision of advice on and training in relevant legal and corporate governance issues, which are tailored to the needs of TfL's business units.

5.67 The legal and compliance framework is the subject of continuous review and improvement. Initiatives to address compliance in Information Governance and across TfL have included:

(a) ongoing work to update contractual and commercial templates and forms to ensure they align with legal requirements;

(b) promoting TfL's compliance with information governance legislation (including the FOIA, the DPA, and the EIRs) and associated statutory Codes of Practice to the business;

(c) training on Freedom of Information, Data Protection, GDPR and records management;

(d) the promotion through the TfL management System of Information Governance policies, instructions and guidance;

(e) the promotion and maintenance of a programme of pro-active publication of information, to improve transparency and simplify the handling of FOI requests;

(f) ongoing bespoke training to the business and HR on a range of employment issues including employment law updates, reasonable adjustments requirements and effective case management and providing guidance and best practice learned from Employment Tribunal cases;

(g) training on a range of legal issues including land compensation claims, employment law, NEC3, Equality Act 2010 and the Public Sector Equality Duty, compulsory purchase, contract termination, contract law update, judicial review process, criminal enforcement, public inquiries, inquests, adjudications, competitive procurement procedures, intellectual property and planning powers/ process;

(h) implementation of HSE masterclasses and safety training in Property Development;

(i) establishing a TfL wide asbestos management stakeholder group;

(j) training to ensure compliance with TfL's Procure-to-Pay system and SAP;

(k) rationalisation of SAP procurement access to mitigate risks and support compliance with the TfL Standing Orders;

(l) continued support with the use of TfL's e-tendering system to assist users to comply with the procurement regulations, and to observe the principles of transparency, equal and fair treatment of suppliers;

(m) continued production of instructions, guidance and templates in the TfL Commercial Toolkit to support compliance with regulations and governance;

(n) continued collaboration with TfL Internal Audit to identify and address areas of weakness in TfL's processes, helping to implement corrective actions where appropriate;

(o) improved certificated payments process for high value works contracts to minimise the potential opportunities for fraud;

(p) ongoing implementation of new Direct Vision Standard and Work Related Road Risk requirements to help improve safety on London roads, including more robust reporting and implementation checks to ensure compliance with legal safety requirements and mitigate road risk;

(q) review of internal decision-making and governance processes, including terms of reference of internal advisory forums and meetings, and the review of submission templates and records ; and

(r) the ongoing issue of the Commercial Law Bulletin to the commercial teams to support the dissemination of important messages relating to regulatory and legal issues.

6 Conclusions

6.1 The Legal Compliance Report for the period 1 October 2018 to 31 March 2019 sets out the legal and compliance matters of which TfL senior management is aware. There are no material breaches of the law which would affect TfL's continued operations.

6.2 Reported matters continue to be broadly in line with previous reports.

List of Appendices to this report:

None

List of Background Papers:

None

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Audit and Assurance Committee

Date: **10 June 2019**

Item: **Strategic Risk Update: Governance and Controls Suitability SR03**

This paper will be considered in public

1 Summary

1.1 This paper provides information on Strategic Risk 03 (SR03) Governance and Controls Suitability, specifically how the risks are monitored and mitigated.

1.2 SR03 was last reviewed on 24 May 2019. The probability of the risk occurring is considered very low and the overall design and operation of the control measures is assessed to be adequately controlled. Of the 13 controls (11 preventative controls and two corrective controls) five have been assessed as being partially effective. Actions have been agreed to address those controls and they are incorporated into the Governance Improvement Plan (included as an appendix to the Annual Governance Statement paper elsewhere on the agenda).

1.3 The full SR03 risk template is included as an exempt appendix to this paper on Part 2 of the agenda as it contains details of the impact and probability of the risks. Subject to the decision of the Committee, the risk template is exempt and is therefore not for publication to the public or press by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the financial or business affairs of TfL.

2 Recommendation

2.1 **The Committee is asked to note the paper.**

3 Risk Assessment

3.1 SR03 is the strategic risk that assesses whether TfL's governance and controls are fit for purpose and if they provide adequate support to meet the changing demands on TfL and expectations of its stakeholders.

3.2 The key causes that would relate to risk exposure are: failure to follow appropriate processes, failure to seek appropriate approvals for decisions, not keeping up to date with changes that affect our governance arrangements (e.g. changes in legislation) and failure to comply with strategic controls. The key consequences could be: reputational damage, transactions and projects operating without appropriate approval or oversight, possible financial loss and a failure to attract high calibre Board Members.

3.3 SR03 was last reviewed on 24 May 2019. The probability of the risk occurring is considered very low and the overall design and operation of the control measures is assessed to be adequately controlled. The probability and impact of the risk and the control measures to address it are regularly reviewed and are always reassessed following any significant issues arising relating to governance or any actions arising from a related audit report.

4 Controls and Mitigations

4.1 There are 11 preventative controls and two corrective controls. Both of the corrective controls have been assessed as effective for both design and operation.

4.2 Of the 11 preventative controls, five were assessed as effective for both design and operation:

(a) Governance framework;

(b) Risk and Assurance functions were integrated into a single directorate with an Annual Assurance Plan. The integration and the Annual plan have both been reviewed by the Committee;

(c) Board, committees and panels (terms of reference and their oversight) are kept under regular review and changes made when necessary. For example, on 22 May 2019 the Board agreed changes to the terms of reference of the Remuneration Committee, to reflect the recommendations of the Dawn Jarvis Review;

(d) GLA and London Assembly oversight (Provision of information);

(e) Transparency and Strategic policy and publications framework – TfL undertook a consultation on the strategy and has published further data sets as a result of the responses; and

(f) Board effectiveness review – an external review is currently underway. The recommendations and an action plan will be reported to the Board later in the year.

4.3 Of the remaining five corrective controls all but the Management System control was assessed as effective for its design but all were assessed as partially effective for their operation.

(a) Standing Orders Effectiveness of decision making. Review the effectiveness of decision making to ensure that decisions are robust as possible to legal challenge;

(b) Management System (TfL Policies, controls and processes);

(c) Privacy and Data Protection compliance programme;

(d) Governance Statement for Annual Report (includes Governance improvement plan). Evidence for control statements and activities for Governance Improvement Plan. Better engagement with the business to evidence some of the control statements in the Annual Governance; and Statement and get the business to propose activities for the Governance Improvement Plan.

(e) TfL's Enterprise Risk Management Framework. As covered in the Risk and Assurance Annual Report, the Framework has been assessed as partially effective.

4.4 Actions have been agreed to address the partial effectiveness of the controls to further reduce TfL's risk exposure. These are listed below and the key issues have been reflected in the 2019/20 Governance Improvement Plan (included as an appendix to the Annual Governance Statement paper elsewhere on the agenda).

Issue	**Action**
Effectiveness of decision making	Review the effectiveness of decision making to ensure that decisions are robust as possible to legal challenge.
Recommendations from reviews into Crossrail governance	To review and adapt governance arrangements for Crossrail, including ensuring all recommendations from the reviews of the project are implemented.
Verification, input and refresh of mapping of personal data	Complete verification and input of mapping of personal data and implement plans for regular data refresh.
Key supplier assurances regarding compliance with data protection regulations	Establish a programme to regularly seek assurance from key suppliers that they are complying with their data protection obligations.
Update the Management System to include policies relating to all staff.	Engage with Business Areas to ensure that relevant content currently outside the Management System, for example policies that apply to all staff is included in the management system.
Evidence for control statements and activities for Governance Improvement Plan	Better engagement with the business to evidence some of the control statements in the Annual Governance Statement and get the business to propose activities for the Governance Improvement Plan.
TfL's Enterprise Risk Management Framework	Continue to develop TfL's Enterprise Risk Management processes and deliver key improvements to ensure they are fully effective by ensuring a consistent level of risk maturity across the organisation.

5 Internal Audit Reviews 2018/19

5.1 During 2018/19, internal audit conducted six reviews of matters that fall within the scope of SR03. Two were adequately controlled (Business Expenses and Pensions Risk Framework); one required a memo (to provide assurance over the Pension Fund Trustee Board Effectiveness Review – completed); two required improvement (London Transport Museum Management Information and Use of Personal Data within HR); and one was poorly controlled (Data Privacy and

Protection – Surveillance Cameras London Underground). Actions in relation to the audit recommendations are being followed up and further detail is included in the Risk and Assurance Annual Report 2018/19 elsewhere on the agenda.

5.2 The Rolling Integrated Audit Plan (2019/20), which was reviewed by the Committee in March 2019 includes 13 planned audits that fall within the scope of SR03.

List of appendices to this report:

SR03 Risk Template is included as an exempt appendix on Part 2 of the agenda.

List of Background Papers:

None

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Audit and Assurance Committee

Date: **10 June 2019**

Item: **Members Suggestions for Future Discussion Items**

This paper will be considered in public.

1 Summary

1.1 This paper presents the current forward programme for the Committee and explains how this is put together. Members are invited to suggest additional future discussion items.

2 Recommendation

2.1 **The Committee is asked to note the forward programme and is invited to raise any suggestions for future discussion items.**

3 Forward Plan Development

3.1 The Board and its Committees and Panels have forward plans. The content of the plans arises from a number of sources:

(a) standing items for each meeting: minutes; matters arising and actions list; and any regular quarterly reports. For this Committee these include quarterly risk and assurance reports; Crossrail updates; and IIPAG quarterly updates;

(b) regular items (annual, half-year or quarterly) which are for review and approval or noting: examples include the legal compliance report, integrated assurance plan, and TfL annual report and accounts;

(c) matters reserved for annual approval or review: examples include those already mentioned above as well as annual audit fee; and

(d) items requested by Members: the Deputy Chair of TfL and the Chair of this Committee will regularly review the forward plan and may suggest items. Other items will arise out of actions from previous meetings (including meetings of the Board or other Committees and Panels) and any issues suggested under this agenda item.

3.2 The Committee is required to meet in private, on an annual basis, with the Director of Risk and Assurance, External Auditors and Chief Finance Officer. These discussions are scheduled after the following Committee dates:

3 December 2019:	Director of Risk and Assurance
18 March 2020:	Chief Finance Officer

4 Current Plan

4.1 The current plan is attached as Appendix 1. Like all plans, it is a snapshot in time and items may be added, removed or deferred to a later date.

List of appendices to this report:

Appendix 1 – Audit and Assurance Committee Forward Plan

List of Background Papers:

None

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Audit and Assurance Committee Forward Planner 2019/20 **Appendix 1**

Membership: Anne McMeel (Chair), Dr Lynn Sloman (Vice Chair), Kay Carberry CBE, Dr Mee Ling Ng OBE and Dr Nelson Ogunshakin OBE

26 September 2019		
Risk and Assurance Quarterly Report	D. Risk and Assurance	Quarterly
EY Report on Non-Audit Fees	Chief Finance Officer	Quarterly
Effectiveness Review of the External Auditors	Chief Finance Officer	Annual
Annual Audit Letter	EY	Annual
Freedom of Information and General Data Protection Compliance Update	General Counsel	Annual
Gifts and Hospitality Register	General Counsel	Quarterly
Executive Committee Business Expenses	Chief Finance Officer	Quarterly
Risk Management Progress Review	Head of Enterprise Risk	Annual
IIPAG Quarterly Report	Head of Project Assurance	Quarterly
Crossrail Transition Upodate	D. Elizabeth Line Operations	Quarterly
Strategic Risk – Significant technology failure	D. Strategy and Chief Technology Officer	Annually

18 March 2020		
Risk and Assurance Quarterly Report	D. Risk and Assurance	Quarterly
EY Report on Non-Audit Fees	Chief Finance Officer	Quarterly
Integrated Assurance Plan 2020/21	D. Risk and Assurance	Annual
Personal Data Disclosure to the Police and Other Agencies	D. Compliance, Policing and On-Street Services	Annual
Gifts and Hospitality	General Counsel	Quarterly
IIPAG Quarterly Report	Head of Project Assurance	Quarterly

Regular items:
- Risk and Assurance Quarterly Reports
- Gifts and Hospitality Register
- IIPAG Quarterly Updates

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